

ORBIT TECHNOLOGIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2023

UNAUDITED

U.S. DOLLARS IN THOUSANDS

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CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u>		<u>December 31,</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	18,936	28,177	21,746
Short term deposit	12,990	-	12,815
Accounts receivables	10,132	8,655	11,615
Amounts due for construction contracts	19,017	7,810	16,620
Other accounts receivable	1,852	1,679	2,731
Inventories	11,026	6,992	9,528
	<u>73,953</u>	<u>53,313</u>	<u>75,055</u>
NON-CURRENT ASSETS:			
Other assets	10	10	10
Fixed assets	18,902	14,606	18,248
Intangible assets	12,691	9,203	11,809
Goodwill	785	785	785
Deferred taxes	212	883	217
	<u>32,600</u>	<u>25,487</u>	<u>31,069</u>
	<u><u>106,553</u></u>	<u><u>78,800</u></u>	<u><u>106,124</u></u>

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u>		<u>December 31,</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	9,060	6,710	11,032
Income taxes payable	313	-	258
Other accounts payable	13,950	14,883	13,309
	<u>23,323</u>	<u>21,593</u>	<u>24,599</u>
NON-CURRENT LIABILITIES:			
Liability for Government grants	530	532	518
Employee benefit liability	209	440	212
Lease payment liability	9,475	9,066	9,925
Warranty liability	744	684	713
Contingent liability related to acquisition	454	871	467
Deferred taxes	518	497	349
	<u>11,930</u>	<u>12,090</u>	<u>12,184</u>
EQUITY:			
Share capital	8,198	6,497	8,196
Paid-in capital	36618	21,071	36,603
Warrants	-	1,761	-
Retained earnings	25,094	15,103	23,373
Reserve for share-based payment	2,073	1,321	1,907
Foreign currency translation adjustments	(537)	(420)	(592)
Reserve for defined benefit plans	721	651	721
Treasury shares	(867)	(867)	(867)
Total equity	<u>71,300</u>	<u>45,117</u>	<u>69,341</u>
	<u>106,553</u>	<u>78,800</u>	<u>106,124</u>

The accompanying note is an integral part of the interim consolidated financial statements.

29 May, 2023			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	D. Eshchar CEO	R. Wirth CFO

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2023	2022	2022
	Unaudited		Audited
	U.S. dollars in thousands		
	(except per share data)		
Revenues from sales and construction performed	13,478	12,501	59,006
Cost of sales and construction performed	8,849	7,776	37,177
Gross profit	4,629	4,725	21,829
Research and development costs, net	515	618	3,531
Selling and marketing expenses	1,365	1,344	5,216
General and administrative expenses	997	1,059	3,788
Operating income before other expenses	1,752	1,704	9,294
Other expenses	-	231	271
Operating income after other expenses	1,752	1,473	9,023
Finance income	468	300	2,501
Finance expenses	202	77	349
Income before taxes on income	2,018	1,696	11,175
Income tax expense	297	289	1,498
Net Profit	<u>1,721</u>	<u>1,407</u>	<u>9,677</u>
Net Profit per share attributable to equity holders of the Company (in U.S. dollars):			
Basic profit per share	<u>0.070</u>	<u>0.076</u>	<u>0.493</u>
Diluted profit per share	<u>0.069</u>	<u>0.062</u>	<u>0.426</u>

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2023	2022	2022
	Unaudited		Audited
	U.S. dollars in thousands		
Net Profit	<u>1,721</u>	<u>1,407</u>	<u>9,677</u>
Other comprehensive profit (net of tax effect):			
Actuarial loss from defined benefit plans	-	-	70
Foreign currency translation adjustments of foreign operation	<u>55</u>	<u>(62)</u>	<u>(234)</u>
Total other comprehensive income (loss)	<u>55</u>	<u>(62)</u>	<u>(164)</u>
Total comprehensive income	<u><u>1,776</u></u>	<u><u>1,345</u></u>	<u><u>9,513</u></u>

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands								
	Unaudited								
Balance at January 1, 2023 (audited)	8,196	36,603	-	23,373	1,907	(592)	- 721	(867)	69,341
Net Income	-	-	-	1,721	-	-	-	-	1,721
Other comprehensive loss	-	-	-	-	-	55	-	-	55
Total comprehensive income	-	-	-	1,721	-	55	-	-	1,776
Exercise of warrants into shares	2	15	-	-	(8)	-	-	-	9
Cost of share based-payment	-	-	-	-	174	-	-	-	174
Balance at March 31, 2023	<u>8,198</u>	<u>36,618</u>	<u>-</u>	<u>25,094</u>	<u>2,073</u>	<u>(537)</u>	<u>721</u>	<u>(867)</u>	<u>71,300</u>
	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands								
	Unaudited								
Balance at January 1, 2022 (audited)	6,493	21,039	1,761	13,696	1,118	(358)	651	(867)	43,533
Net Income	-	-	-	1,407	-	-	-	-	1,407
Other comprehensive loss	-	-	-	-	-	(62)	-	-	(62)
Total comprehensive income (loss)	-	-	-	1,407	-	(62)	-	-	1,345
Exercise of warrants into shares	4	32	-	-	(32)	-	-	-	4
Cost of share based-payment	-	-	-	-	235	-	-	-	235
Balance at March 31, 2022	<u>6,497</u>	<u>21,071</u>	<u>1,761</u>	<u>15,103</u>	<u>1,321</u>	<u>(420)</u>	<u>651</u>	<u>(867)</u>	<u>45,117</u>

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands								
	Audited								
Balance at December 31, 2021	6,493	21,039	1,761	13,696	1,118	(358)	651	(867)	43,533
Net Income	-	-	-	9,677	-	-	-	-	9,677
Other comprehensive loss	-	-	-	-	-	(234)	-	-	(164)
Total comprehensive income (loss)	-	-	-	9,677	-	(234)	-	-	9,513
Exercise of warrants into shares by controlling shareholder	1,681	15,335	(1,761)	-	-	-	-	-	15,255
Forfeiture of options	23	229	-	-	(75)	-	-	-	177
Cost of share based-payment	-	-	-	-	863	-	-	-	863
Balance at December 31, 2022	8,196	36,603	-	23,373	1,907	(592)	721	(867)	69,341

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2023	2022	2022
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net income	1,721	1,407	9,677
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	770	779	3,227
Capital Gain from sale of fixed assets	-	-	57
Cost of share-based payment	174	235	863
Tax expense	297	289	1,498
Interest expenses, net	(106)	68	90
Change in employee benefit Liability, net	(2)	(7)	(173)
Adjustment to current accounts with foreign operation	30	(32)	(323)
	<u>1,163</u>	<u>1,332</u>	<u>5,239</u>
Changes in operating asset and liability items:			
Decrease in trade receivables	1,483	3,166	206
Increase in amounts due for construction contracts	(2,396)	(756)	(9,566)
Increase in other accounts receivable	(226)	(167)	(125)
increase in inventories	(1,523)	(507)	(3,239)
Increase (Decrease) in trade payables	(1,359)	(1,043)	2,748
Increase (Decrease) in other accounts payable	378	(1,736)	(4,406)
	<u>(3,643)</u>	<u>(1,043)</u>	<u>(14,382)</u>
Cash paid and received during the period for:			
Interest paid	(201)	(77)	(349)
Interest received	308	9	259
Taxes paid	(11)	(37)	(307)
	<u>96</u>	<u>(105)</u>	<u>(397)</u>
Net cash provided by (Used in) operating activities	<u>(663)</u>	<u>1,591</u>	<u>137</u>

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2023	2022	2022
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(666)	(228)	(3,757)
Capitalization of research and development costs	(1,026)	(1,282)	(4,434)
Net cash used to activity acquisition	-	(1,352)	(1,352)
Deposit in banking corporations	-	-	(12,787)
Net Used in investing activities	<u>(1,692)</u>	<u>(2,862)</u>	<u>(22,330)</u>
<u>Cash flows from financing activities:</u>			
Payments for Government grants	-	-	(5)
Payments of lease liability	(434)	(473)	(1,696)
Exercise of warrants into shares by controlling shareholder	-	-	15,255
Exercise of warrants into shares	9	4	177
Net cash provided by (Used in) financing activities	<u>(425)</u>	<u>(469)</u>	<u>13,731</u>
Translation differences on balances of cash and cash equivalents	<u>(30)</u>	<u>32</u>	<u>323</u>
Decrease in cash and cash equivalents	(2,810)	(1,708)	(8,139)
Cash and cash equivalents at the beginning of the period	<u>21,746</u>	<u>29,885</u>	<u>29,885</u>
Cash and cash equivalents at the end of the period	<u><u>18,936</u></u>	<u><u>28,177</u></u>	<u><u>21,746</u></u>
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	<u>276</u>	<u>359</u>	<u>890</u>
Recognition of the right of use against a lease liability	<u>101</u>	<u>186</u>	<u>2,634</u>

The accompanying note is an integral part of the interim consolidated financial statements.

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

These financial statements have been prepared in a condensed format as of March 31, 2023 and for the three months then ended ("interim financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2022 and for the year then ended and accompanying notes ("annual financial statements").
