

ORBIT TECHNOLOGIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2022

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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To:
Orbit Technologies Ltd.

We have reviewed the financial information of Orbit Technologies Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated balance sheet as of June 30, 2022 and 2021 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six and three months periods then ended in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel.

Based on our review, in our review report dated August 31, 2022 we stated that nothing came to our attention that caused us to believe that the abovementioned interim financial information was not prepared, in all material respects, in accordance with IAS 34.

The accompanying financial information, which is derived from the abovementioned financial information, is condensed financial information and does not include disclosures required by IAS 34. If the omitted disclosures were included in the accompanying financial information, they might influence the user's conclusions about the consolidated financial position, results of operations and cash flows of the Company and subsidiaries. Accordingly, the accompanying financial information is not designed for those who are not informed about such matters.

Tel-Aviv, Israel
August 31, 2022

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

	June 30,		December 31,
	2022	2021	2021
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	24,118	19,052	29,885
Accounts receivable	8,866	13,011	10,708
Amounts due for construction contracts	10,906	8,160	7,054
Other accounts receivable	2,125	1,352	1,500
Inventories	7,650	6,680	5,684
	53,665	48,255	54,831
NON-CURRENT ASSETS:			
Other assets	10	10	10
Fixed assets	14,484	8,025	14,607
Intangible assets	10,191	5,673	6,269
Goodwill	699	-	-
Deferred taxes	323	667	1,191
	25,707	14,375	22,077
	79,372	62,630	76,908

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

CONSOLIDATED BALANCE SHEETS

	<u>June 30,</u>		<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	8,095	7,182	7,323
Income taxes payable	168	39	-
Other accounts payable	12,657	12,313	14,931
	<u>20,920</u>	<u>19,534</u>	<u>22,254</u>
NON-CURRENT LIABILITIES:			
Liability for Government grants	547	635	516
Employee benefit liability	346	323	346
Lease payments liability	8,051	3,598	9,551
Warranty liability	640	694	708
Contingent liability related to acquisition	760	-	-
Deferred taxes	459	10	-
	<u>10,803</u>	<u>5,260</u>	<u>11,121</u>
EQUITY:			
Share capital	6,501	6,467	6,493
Paid-in capital	21,089	20,991	21,039
Warrants	1,761	1,761	1,761
Retained earnings	17,577	8,287	13,696
Reserve for share-based payment	1,526	848	1,118
Foreign currency translation adjustments	(589)	(305)	(358)
Reserve for defined benefit plans	651	654	651
Treasury shares	(867)	(867)	(867)
Total equity	<u>47,649</u>	<u>37,836</u>	<u>43,533</u>
	<u>79,542</u>	<u>62,630</u>	<u>76,908</u>

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

<u>August 31, 2022</u>			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	D. Eshchar CEO	R. Wirth CFO

CONSOLIDATED STATEMENTS OF INCOME

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	U.S. dollars in thousands (except per share data)				
Revenues from sales and contracts performed	26,553	24,851	14,052	12,793	54,789
Cost of sales and contracts performed	17,090	16,344	9,314	8,193	34,559
Gross profit	9,463	8,507	4,738	4,600	20,230
Research and development costs, net	1,598	1,713	980	782	3,672
Selling and marketing expenses	2,523	2,724	1,179	1,414	5,713
General and administrative expenses	1,977	1,934	918	1,049	3,694
Operating income before other expenses	3,365	2,136	1,661	1,355	7,151
Other expenses (income)	231	30	-	23	(16)
Operating income after other expenses	3,134	2,106	1,661	1,332	7,167
Finance income	1,769	102	1,469	76	24
Finance expenses	158	323	81	388	548
Income before taxes on income	4,745	1,885	3,049	1,020	6,643
tax expense (Income)	864	17	575	9	(634)
Net profit	<u>3,881</u>	<u>1,868</u>	<u>2,474</u>	<u>1,011</u>	<u>7,277</u>
Net profit per share attributable to equity holders of the Company (in U.S. dollars):					
Basic profit per share	<u>0.208</u>	<u>0.101</u>	<u>0.133</u>	<u>0.054</u>	<u>0.391</u>
Diluted profit per share	<u>0.174</u>	<u>0.086</u>	<u>0.112</u>	<u>0.046</u>	<u>0.326</u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	U.S. dollars in thousands				
Net profit	<u>3,881</u>	<u>1,868</u>	<u>2,474</u>	<u>1,011</u>	<u>7,277</u>
Other comprehensive income (net of tax effect):					
Actuarial loss from defined benefit plans	-	-	-	-	(3)
Foreign currency translation adjustments of foreign operation	<u>(231)</u>	<u>29</u>	<u>(169)</u>	<u>44</u>	<u>(24)</u>
Total other comprehensive profit (loss)	<u>(231)</u>	<u>29</u>	<u>(169)</u>	<u>44</u>	<u>(27)</u>
Total comprehensive income	<u><u>3,650</u></u>	<u><u>1,897</u></u>	<u><u>2,305</u></u>	<u><u>1,055</u></u>	<u><u>7,250</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, 2022 (audited)	6,493	21,039	1,761	13,696	1,118	(358)	651	(867)	43,533
Net Income	-	-	-	3,881	-	-	-	-	3,881
Other comprehensive loss	-	-	-	-	-	(231)	-	-	(231)
Total comprehensive income (loss)	-	-	-	3,881	-	(231)	-	-	3,651
Exercise of warrants into shares	8	50	-	-	(50)	-	-	-	8
Cost of share based-payment	-	-	-	-	458	-	-	-	458
Balance at June 30, 2022	<u>6,501</u>	<u>21,089</u>	<u>1,761</u>	<u>17,577</u>	<u>1,526</u>	<u>(589)</u>	<u>651</u>	<u>(867)</u>	<u>47,649</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, 2021(audited)	6,458	20,788	1,761	6,419	821	(334)	654	(867)	35,700
Net Income	-	-	-	1,868	-	-	-	-	1,868
Other comprehensive income	-	-	-	-	-	29	-	-	29
Total comprehensive loss	-	-	-	1,868	-	29	-	-	1,897
Exercise of warrants into shares	9	193	-	-	(115)	-	-	-	87
Forfeiture of options	-	10	-	-	(10)	-	-	-	-
Cost of share-based payment	-	-	-	-	152	-	-	-	152
Balance at June 30, 2021 (unaudited)	<u>6,467</u>	<u>20,991</u>	<u>1,761</u>	<u>8,287</u>	<u>848</u>	<u>(305)</u>	<u>654</u>	<u>(867)</u>	<u>37,836</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 April 1, 2022	6,497	21,071	1,761	15,103	1,321	(420)	651	(867)	45,117
Net Income	-	-	-	2,474	-	-	-	-	2,474
Other comprehensive loss	-	-	-	-	-	(169)	-	-	(169)
Total comprehensive income (loss)	-	-	-	2,474	-	(169)	-	-	2,305
Exercise of warrants into shares	4	18	-	-	(18)	-	-	-	4
Cost of share based-payment	-	-	-	-	223	-	-	-	223
Balance at June 30, 2022	<u>6,501</u>	<u>21,089</u>	<u>1,761</u>	<u>17,577</u>	<u>1,526</u>	<u>(589)</u>	<u>651</u>	<u>(867)</u>	<u>47,649</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 April 1, 2021	6,462	20,829	1,761	7,276	883	(349)	654	(867)	36,649
Net Income	-	-	-	1,011	-	-	-	-	1,011
Other comprehensive income	-	-	-	-	-	44	-	-	44
Total comprehensive income	-	-	-	1,011	-	44	-	-	1,055
Exercise of warrants into shares	5	154	-	-	(108)	-	-	-	51
Forfeiture of options	-	8	-	-	(8)	-	-	-	-
Cost of share-based payment	-	-	-	-	81	-	-	-	81
Balance at June 30, 2021	<u>6,467</u>	<u>20,991</u>	<u>1,761</u>	<u>8,287</u>	<u>848</u>	<u>(305)</u>	<u>654</u>	<u>(867)</u>	<u>37,836</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	Proceeds from conversion option	Reserve for defined benefit plans	Treasury shares	Total equity
U.S. dollars in thousands										
Audited										
Balance at December 31, 2020	6,458	20,788	1,761	6,419	821	(334)	-	654	(867)	35,700
Net income	-	-	-	7,277	-	-	-	-	-	7,277
Other comprehensive loss	-	-	-	-	-	(24)	-	(3)	-	(27)
Total comprehensive Income (loss)	-	-	-	7,277	-	(24)	-	(3)	-	7,250
Exercise of warrants into shares by controlling shareholder	35	251	-	-	(156)	-	-	-	-	130
Forfeiture of options	-	-	-	-	(15)	-	-	-	-	(15)
Cost of share based-payment	-	-	-	-	468	-	-	-	-	468
Balance at December 31, 2021	<u>6,493</u>	<u>21,039</u>	<u>1,761</u>	<u>13,696</u>	<u>1,118</u>	<u>(358)</u>	<u>-</u>	<u>651</u>	<u>(867)</u>	<u>43,533</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from operating activities:</u>					
Net income	3,881	1,868	2,474	1,011	7,277
Adjustments to reconcile loss to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	1,564	1,230	785	614	2,591
Capital Gain from sale of fixed assets	-	-	-	-	1
Cost of share-based payment	458	152	223	81	453
Tax expense	864	17	575	9	(634)
Interest expenses, net	120	160	52	86	371
Change in employee benefit liability, net	(101)	(5)	(94)	9	16
Adjustment to current accounts with foreign operation	(124)	40	(92)	(11)	42
	2,781	1,594	1,449	788	2,840
Changes in operating asset and liability items:					
Decrease (increase) in trade receivables	2,955	(1,481)	(211)	(4,683)	822
Increase in amounts due for construction contracts	(3,852)	(3,036)	(3,096)	(58)	(1,930)
increase in other accounts receivable	(687)	(589)	(520)	(297)	(458)
increase in inventories	(1,227)	(960)	(720)	(985)	(239)
Increase in trade payables	597	918	1,640	495	1,001
Increase (decrease) in other accounts payable	(4,952)	(1,273)	(3,216)	(763)	1,239
	(7,166)	(6,421)	(6,123)	(6,291)	435
Cash paid and received during the period for:					
Interest paid	(157)	(72)	(80)	(47)	(369)
Interest received	36	18	27	8	24
Taxes paid	(59)	(31)	(22)	(20)	(172)
	(179)	(85)	(75)	(59)	(544)
Net cash provided by (used in) operating activities	(684)	(3,044)	(2,275)	(4,551)	10,008

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2022	2021	2022	2021	2021
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from investing activities:</u>					
Purchase of fixed assets	(732)	(360)	(504)	(145)	(931)
Net cash used to activity acquisition	(1,352)	-	-	-	-
Capitalization of research and development costs	(2,305)	(342)	(1,023)	(280)	(1,146)
Net Used in investing activities	(4,389)	(702)	(1,527)	(425)	(2,077)
<u>Cash flows from financing activities:</u>					
Payments of lease liability	(826)	(805)	(353)	(405)	(1,690)
Exercise of warrants into shares	8	87	4	51	129
Net cash used in financing activities	(818)	(718)	(349)	(354)	(1,561)
Translation differences on balances of cash and cash equivalents	124	(39)	92	11	(40)
Increase (decrease) in cash and cash equivalents	(5,767)	(4,503)	(4,059)	(5,319)	6,330
Cash and cash equivalents at the beginning of the period	29,885	23,555	28,177	24,371	23,555
Cash and cash equivalents at the end of the period	24,118	19,052	24,118	19,052	29,885
<u>Significant non-cash transaction:</u>					
Purchase of fixed assets on suppliers credit	103	163	(256)	163	222
Recognition of the right of use against a lease liability	394	240	208	22	7,088
Inventories to fixed assets	101	-	62	-	275

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 June 30, 2022 and for the six and 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, 2021 and for the year then ended and accompanying notes ("annual financial statements").
