

ORBIT TECHNOLOGIES LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

U.S. DOLLARS IN THOUSANDS

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CONSOLIDATED BALANCE SHEETS

	December 31,	
	2023	2022
	U.S. dollars in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	18,137	21,746
Short term deposit	20,667	12,815
Accounts receivable	15,152	11,615
Amounts due for construction contracts	16,690	16,620
Other accounts receivable	1,886	2,731
Inventories	12,998	9,528
	<u>85,530</u>	<u>75,055</u>
NON-CURRENT ASSETS:		
Long-term other assets	10	10
Fixed assets	18,840	18,248
Intangible assets	14,992	11,809
Goodwill	785	785
Deferred taxes	219	217
	<u>34,846</u>	<u>31,069</u>
	<u><u>120,376</u></u>	<u><u>106,124</u></u>

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

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2023	2022
	U.S. dollars in thousands	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	9,717	11,032
Income taxes payable	1,226	258
Other accounts payable	17,488	13,309
	<u>28,431</u>	<u>24,599</u>
NON-CURRENT LIABILITIES:		
Liability for Government grants	553	518
Employee benefit liability	210	212
Lease payment liability	9,178	9,925
Warranty liability	1,183	713
Contingent liability related to acquisition	31	467
Deferred taxes	777	349
	<u>11,932</u>	<u>12,184</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:		
Share capital	8,201	8,196
Paid-in capital	36,733	36,603
Retained earnings	33,277	23,373
Reserve for share-based payment	2,426	1,907
Foreign currency translation adjustments	(469)	(592)
Reserve for defined benefit plans	712	721
Treasury shares	(867)	(867)
<u>Total equity</u>	<u>80,013</u>	<u>69,341</u>
	<u>120,376</u>	<u>106,124</u>

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

<u>March 27, 2024</u>			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	Daniel Eshchar CEO	Roi Wirth CFO

CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31,		
	2023	2022	2021
U.S. dollars in thousands			
(except per share data)			
Revenues from sales and construction performed	63,011	59,006	54,789
Cost of sales and construction performed	39,331	37,177	34,559
Gross profit	23,680	21,829	20,230
Research and development costs, net	2,215	3,531	3,672
Selling and marketing expenses	6,597	5,216	5,713
General and administrative expenses	3,467	3,788	3,694
Operating income before other expenses	11,401	9,294	7,151
Other expenses (income)	-	271	(16)
Operating income after other expenses	11,401	9,023	7,167
Finance income	1,402	2,501	24
Finance expenses	1,020	349	548
Profit before taxes on income	11,801	11,175	6,643
Tax expenses (income)	1,897	1,498	(634)
Net profit	<u>9,904</u>	<u>9,677</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>0.399</u>	<u>0.493</u>	<u>0.391</u>
Diluted profit per share	<u>0.394</u>	<u>0.426</u>	<u>0.326</u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2023	2022	2021
	U.S. dollars in thousands		
Net profit	<u>9,904</u>	<u>9,677</u>	<u>7,277</u>
Other comprehensive income (net of tax effect):			
Actuarial profit (loss) from defined benefit plans	(9)	70	(3)
Foreign currency translation adjustments of foreign operation	<u>123</u>	<u>(234)</u>	<u>(24)</u>
Total other comprehensive income (loss)	<u>114</u>	<u>(164)</u>	<u>(27)</u>
Total comprehensive income	<u><u>10,018</u></u>	<u><u>9,513</u></u>	<u><u>7,250</u></u>

The accompanying note is an integral part of the 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									
<u>Balance at January 1, 2021</u>	6,458	20,788	1,761	6,419	821	(334)	654	(867)	35,700
Net income	-	-	-	7,277	-	-	-	-	7,277
Other comprehensive income (loss)	-	-	-	-	-	(24)	(3)	-	(27)
Total comprehensive Income	-	-	-	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
<u>Balance at December 31, 2021</u>	6,493	21,039	1,761	13,696	1,118	(358)	651	(867)	43,533
Net income	-	-	-	9,677	-	-	-	-	9,677
Other comprehensive income (loss)	-	-	-	-	-	(234)	70	-	(164)
Total comprehensive Income	-	-	-	9,677	-	(234)	70	-	9,513
Exercise of warrants into shares by controlling shareholder	1,681	15,335	(1,761)	-	-	-	-	-	15,255
Forfeiture of options	23	229	-	-	(74)	-	-	-	177
Cost of share based-payment	-	-	-	-	863	-	-	-	863
<u>Balance at December 31, 2022</u>	8,196	36,603	-	23,373	1,907	(592)	721	(867)	69,341
Net income	-	-	-	9,904	-	-	-	-	9,904
Other comprehensive income (loss)	-	-	-	-	-	123	(9)	-	114
Total comprehensive Income	-	-	-	9,904	-	123	(9)	-	10,018
Forfeiture of options	5	130	-	-	(61)	-	-	-	74
Cost of share based-payment	-	-	-	-	580	-	-	-	580
<u>Balance at December 31, 2023</u>	8,201	36,733	-	33,277	2,426	(469)	712	(867)	80,013

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2022	2021
U.S. dollars in thousands			
<u>Cash flows from operating activities:</u>			
Net income	9,904	9,677	7,277
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	3,432	3,227	2,591
Capital loss from sale of fixed assets	-	57	1
Cost of share-based payment	580	863	453
Tax expense	1,897	1,498	(634)
Interest expenses, net	(622)	90	371
Change in employee benefit assets, net	(10)	(173)	16
Adjustment to current accounts with foreign operation	(32)	(323)	42
	<u>5,245</u>	<u>5,239</u>	<u>2,840</u>
Changes in asset and liability items:			
Decrease (increase) in trade receivables	(3,537)	206	822
Increase in amounts due for construction contracts	(70)	(9,566)	(1,930)
Decrease (increase) in other accounts receivable	866	(125)	(458)
Decrease in inventories	(3,953)	(3,239)	(239)
Increase (decrease) in trade payables	(579)	2,748	1,001
Increase (decrease) in other accounts payable	4,128	(4,406)	1,239
	<u>(3,145)</u>	<u>(14,382)</u>	<u>435</u>
Cash paid and received during the year for:			
Interest paid	(799)	(349)	(396)
Interest received	1,344	259	24
Taxes paid	(656)	(307)	(172)
	<u>(111)</u>	<u>(397)</u>	<u>(544)</u>
Net cash provided by operating activities	<u>11,893</u>	<u>137</u>	<u>10,008</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2022	2021
U.S. dollars in thousands			
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(3,214)	(3,757)	(931)
Capitalization of research and development costs	(3,616)	(4,434)	(1,146)
Purchase of intangible assets	(205)	-	-
Net cash used to activity acquisition	-	(1,352)	-
Deposit in banking corporations	(6,920)	(12,787)	-
Net cash provided by (used in) investing activities	<u>(13,955)</u>	<u>(22,330)</u>	<u>(2,077)</u>
<u>Cash flows from financing activities:</u>			
Payments for Government grants	(4)	(5)	-
Payments of lease liability	(1,649)	(1,696)	(1,690)
Exercise of warrants into shares by controlling shareholder	-	15,255	-
Exercise of warrants into shares	74	177	129
Net cash provided by (used in) financing activities	<u>(1,579)</u>	<u>13,731</u>	<u>(1,561)</u>
Translation differences on balances of cash and cash equivalents	<u>32</u>	<u>323</u>	<u>(40)</u>
Increase (Decrease) in cash and cash equivalents	(3,609)	(8,139)	6,330
Cash and cash equivalents at the beginning of the year	<u>21,746</u>	<u>29,885</u>	<u>23,555</u>
Cash and cash equivalents at the end of the year	<u><u>18,137</u></u>	<u><u>21,746</u></u>	<u><u>29,885</u></u>
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	<u>154</u>	<u>890</u>	<u>222</u>
Recognition of the right of use against a lease liability	<u>426</u>	<u>2,634</u>	<u>7,088</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1:- OPERATING SEGMENTS AND GEOGRAPHICAL SEGMENTS

a. Operating segments:

The operating segments are identified on the basis of information that is regularly reviewed by the Company's CEO which has been identified as the strategic steering committee to make strategic decisions in the Company (chief operating decision maker, "CODM").

The CODM decided that there is one internally reportable operation segments-development, marketing and manufacturing of superior performance communication equipment solutions.

b. Secondary reporting on geographical segments:

The geographical segments are presented based on the location of customers:

	Year ended December 31,		
	2023	2022	2021
	U.S. dollars in thousands		
Israel	15,730	15,924	10,085
Europe	15,442	9,738	10,127
America	12,466	26,533	23,959
East Asia	19,373	6,811	10,618
	<u>63,011</u>	<u>59,006</u>	<u>54,789</u>

c. Major customers:

Revenues from major customers each of whom amount to 10% or more of total revenues (in percentages):

	Year ended December 31,		
	2023	2022	2021
	%		
Customer A	24	7	16
Customer B	9	10	10
Customer C	2	16	8
