

ORBIT TECHNOLOGIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2020

UNAUDITED

U.S. DOLLARS IN THOUSANDS

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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 March 31, 2020 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period 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 May 31, 2020, 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
May 31, 2020

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

CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u>		<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	13,881	14,241	12,263
Sort-term deposits	5,183	18	5,148
Accounts receivables	9,521	7,433	12,187
Other accounts receivable	820	854	646
Inventories	6,351	8,067	7,340
Amounts due for construction contracts	3,344	4,689	3,560
	<u>39,100</u>	<u>35,302</u>	<u>41,144</u>
NON-CURRENT ASSETS:			
Other assets	10	192	10
Fixed assets	8,605	4,703	8,895
Intangible assets	5,735	5,858	5,750
Deferred taxes	659	585	575
	<u>15,009</u>	<u>11,338</u>	<u>15,230</u>
	<u>54,109</u>	<u>46,640</u>	<u>56,374</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>2020</u>	<u>2019</u>	<u>2019</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of Convertible Bonds	2,467	2,443	2,456
Trade payables	5,040	6,326	5,672
Income taxes payable	10	59	72
Other accounts payable	10,002	9,906	11,187
	<u>17,519</u>	<u>18,734</u>	<u>19,387</u>
NON-CURRENT LIABILITIES:			
Liability for Government grants	809	805	873
Employee benefit liability	237	510	259
Convertible Bonds	-	2,443	-
Lease payments liability	4,251	9	4,585
Warranty liability	319	394	329
Deferred taxes	11	25	14
	<u>5,627</u>	<u>4,186</u>	<u>6,060</u>
EQUITY:			
Share capital	6,450	5,758	6,450
Paid-in capital	20,728	15,890	20,725
Warrants	1,761	1,904	1,761
Retained earnings	1,943	(80)	1,808
Reserve for share-based payment	772	1,068	763
Proceeds from conversion option issuance of convertible Bonds	10	20	10
Foreign currency translation adjustments	(536)	(427)	(416)
Reserve for defined benefit plans	702	454	693
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>30,963</u>	<u>23,720</u>	<u>30,927</u>
	<u>54,109</u>	<u>46,640</u>	<u>56,374</u>

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

May 31, 2020			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	D. Eshchar CEO	M. Dudek CFO

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2020	2019	2019
	Unaudited		Audited
	U.S. dollars in thousands		
	(except per share data)		
Revenues from sales and contracts performed	11,576	12,028	51,762
Cost of sales and contracts performed	<u>8,716</u>	<u>7,973</u>	<u>35,953</u>
Gross profit	2,860	4,055	15,809
Research and development costs, net	718	1,175	3,525
Selling and marketing expenses	1,163	1,270	4,739
General and administrative expenses	<u>906</u>	<u>1,003</u>	<u>3,898</u>
Operating income before other expenses	73	607	3,647
Other expenses	<u>-</u>	<u>-</u>	<u>516</u>
Operating income after other expenses	73	607	3,131
Finance income	314	123	164
Finance expenses	<u>244</u>	<u>366</u>	<u>891</u>
Income before taxes on income	143	364	2,404
Income tax expense	<u>8</u>	<u>16</u>	<u>168</u>
Income	<u><u>135</u></u>	<u><u>348</u></u>	<u><u>2,236</u></u>
Net income per share attributable to equity holders of the Company (in U.S. dollars):			
Basic profit per share	<u><u>0.007</u></u>	<u><u>0.022</u></u>	<u><u>0.136</u></u>
Diluted profit per share	<u><u>0.007</u></u>	<u><u>0.020</u></u>	<u><u>0.123</u></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,
	2020	2019	2019
	Unaudited		Audited
	U.S. dollars in thousands		
Net income	135	348	2,236
Other comprehensive income(loss) (net of tax effect):			
Actuarial loss from defined benefit plans	9	(25)	214
Foreign currency translation adjustments of foreign operation	(120)	44	55
Total other comprehensive income (loss)	(111)	19	269
Total comprehensive income	24	367	2,505

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company										
	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Proceeds from conversion option	Reserve for hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands										
Balance at January 1, 2020	6,450	20,725	1,761	1,808	763	(416)	10	-	693	(867)	30,927
Net Income	-	-	-	135	-	-	-	-	-	-	135
Other comprehensive income (loss)	-	-	-	-	-	(120)	-	-	9	-	(111)
Total comprehensive loss (loss)	-	-	-	135	-	(120)	-	-	9	-	24
Forfeiture of options	-	3	-	-	(3)	-	-	-	-	-	-
Cost of share based-payment	-	-	-	-	12	-	-	-	-	-	12
Balance at March 31, 2020 (unaudited)	<u>6,450</u>	<u>20,728</u>	<u>1,761</u>	<u>1,943</u>	<u>772</u>	<u>(536)</u>	<u>10</u>	<u>-</u>	<u>702</u>	<u>(867)</u>	<u>30,963</u>

	Equity attributable to equity holders of the Company										
	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Proceeds from conversion option	Reserve for hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands										
Balance at January 1, 2019	5,758	15,890	1,904	(428)	997	(471)	20	-	479	(867)	23,282
Net Income	-	-	-	348	-	-	-	-	-	-	348
Other comprehensive income (loss)	-	-	-	-	-	44	-	-	(25)	-	19
Total comprehensive loss (loss)	-	-	-	348	-	44	-	-	(25)	-	367
Cost of share based-payment	-	-	-	-	71	-	-	-	-	-	71
Balance at March 31, 2019 (unaudited)	<u>5,758</u>	<u>15,890</u>	<u>1,904</u>	<u>(80)</u>	<u>1,068</u>	<u>(427)</u>	<u>20</u>	<u>-</u>	<u>454</u>	<u>(867)</u>	<u>23,720</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company										
	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Proceeds from conversion option	Reserve for hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands										
Balance at January 1, 2019	5,758	15,890	1,904	(428)	997	(471)	20	-	479	(867)	23,282
Net Income	-	-	-	2,236	-	-	-	-	-	-	2,236
Other comprehensive income (loss)	-	-	-	-	-	55	-	-	214	-	269
Total comprehensive loss (loss)	-	-	-	2,236	-	55	-	-	214	-	2,505
Exercise of warrants into shares by controlling shareholder	687	4,576	(143)	-	-	-	-	-	-	-	5,120
Exercise of options into shares	5	57	-	-	(57)	-	-	-	-	-	5
Forfeiture of options	-	202	-	-	(192)	-	(10)	-	-	-	-
Cost of share based-payment	-	-	-	-	15	-	-	-	-	-	15
Balance at December 31, 2019	6,450	20,725	1,761	1,808	763	(416)	10	-	693	(867)	30,927

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,
	2020	2019	2019
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net income (loss)	135	348	2,236
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	681	654	2,704
Capital Gain from sale of fixed assets	-	-	338
Cost of share-based payment	12	71	15
Tax expense	8	16	168
Interest expenses, net	(91)	39	296
Change in employee benefit Liability, net	(13)	22	10
Adjustment to current accounts with foreign operation	40	(5)	31
	<u>637</u>	<u>797</u>	<u>3,562</u>
Changes in operating asset and liability items:			
Decrease in trade receivables	2,667	3,148	(1,606)
Decrease (increase) in amounts due for construction contracts	216	(274)	855
Increase in other accounts receivable	(173)	(274)	(67)
Decrease (increase) in inventories	989	(573)	154
Increase (Decrease) in trade payables	(577)	799	66
Increase (Decrease) in other accounts payable	(1,505)	(827)	539
	<u>1,617</u>	<u>1,999</u>	<u>(59)</u>
Cash paid and received during the period for:			
Interest paid	(42)	(31)	(359)
Interest received	72	48	164
Taxes paid	(35)	(10)	(107)
	<u>(5)</u>	<u>7</u>	<u>(302)</u>
Net cash provided by operating activities	<u>2,384</u>	<u>3,151</u>	<u>5,437</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,
	2020	2019	2019
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(212)	(388)	(1,097)
Restricted cash in respect of right to use asset	-	-	182
Capitalization of research and development costs	(142)	(221)	(555)
Deposit in banking corporations	(36)	-	(5,130)
Proceeds from sale of fixed assets	-	-	4
Net cash used in investing activities	<u>(390)</u>	<u>(609)</u>	<u>(6,596)</u>
<u>Cash flows from financing activities:</u>			
Government grants received	4	-	84
Payments for Government grants	-	-	(19)
Payments of convertible bonds	-	-	(2,462)
Exercise of warrants into shares by controlling shareholder	-	-	5,120
Payments of lease liability	(339)	(323)	(1,292)
Exercise of warrants into shares	-	-	5
Net cash used in financing activities	<u>(335)</u>	<u>(323)</u>	<u>1,436</u>
Translation differences on balances of cash and cash equivalents	<u>(41)</u>	<u>9</u>	<u>(27)</u>
Increase in cash and cash equivalents	1,618	2,228	250
Cash and cash equivalents at the beginning of the period	<u>12,263</u>	<u>12,013</u>	<u>12,013</u>
Cash and cash equivalents at the end of the period	<u><u>13,881</u></u>	<u><u>14,241</u></u>	<u><u>12,263</u></u>
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	<u>42</u>	<u>38</u>	<u>97</u>
Recognition of the right of use against a lease liability	<u>69</u>	<u>-</u>	<u>5,371</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, 2020 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, 2019 and for the year then ended and accompanying notes ("annual financial statements").
