

**ORBIT TECHNOLOGIES LTD.**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2020**

**U.S. DOLLARS IN THOUSANDS**

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**AUDITORS' REPORT**  
  
**To the Shareholders of**  
  
**ORBIT TECHNOLOGIES LTD.**

We have audited the consolidated balance sheets of Orbit Technologies Ltd. ("the Company") as of December 31, 2020 and 2019 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the periods ended December 31, 2020, 2019 and 2018 in accordance with generally accepted auditing standards in Israel.

Based on our audits and our report dated XXX, 2020, expressed an unqualified opinion on those statements.

The accompanying consolidated information, which are derived from the abovementioned financial statements, do not include disclosures required by International Financial Reporting Standards. If the omitted disclosures were included in the accompanying financial statements, 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 statements are not designed for those who are not informed about such matters.

Tel-Aviv, Israel  
17, March 2021

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

**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>U.S. dollars in thousands</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	23,555	12,263
Short-term deposits	-	5,148
Accounts receivable	11,530	12,187
Other accounts receivable	763	646
Inventories	5,720	7,340
Amounts due for construction contracts	5,124	3,560
	<u>46,692</u>	<u>41,144</u>
<b>NON-CURRENT ASSETS:</b>		
Long-term other assets	10	10
Fixed assets	8,465	8,895
Intangible assets	5,534	5,750
Deferred taxes	630	575
	<u>14,639</u>	<u>15,230</u>
	<u><u>61,331</u></u>	<u><u>56,374</u></u>

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

**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>U.S. dollars in thousands</b>	
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of convertible bonds	-	2,456
Trade payables	6,274	5,672
Income taxes payable	19	72
Other accounts payable	13,674	11,187
	<u>19,967</u>	<u>19,387</u>
<b>NON-CURRENT LIABILITIES:</b>		
Liability for Government grants	756	873
Employee benefit liability	328	259
Lease payment liability	4,125	4,585
Warranty liability	441	329
Deferred taxes	14	14
	<u>5,664</u>	<u>6,060</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>		
Share capital	6,458	6,450
Paid-in capital	20,788	20,725
Warrants	1,761	1,761
Retained earnings	6,419	1,808
Reserve for share-based payment	821	763
Proceeds from conversion option	-	10
Foreign currency translation adjustments	(334)	(416)
Reserve for defined benefit plans	654	693
Treasury shares	(867)	(867)
<u>Total equity</u>	<u>35,700</u>	<u>30,927</u>
	<u>61,331</u>	<u>56,374</u>

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

17, March 2021

Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	Daniel Eshchar CEO	Roi Wirth CFO
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**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Year ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>U.S. dollars in thousands</b> <b>(except per share data)</b>		
Revenues from sales and construction performed	52,255	51,762	44,530
Cost of sales and construction performed	34,521	35,953	30,963
Gross profit	17,734	15,809	13,567
Research and development costs, net	3,623	3,525	4,221
Selling and marketing expenses	4,557	4,739	4,341
General and administrative expenses	3,603	3,898	3,991
Operating income before other expenses	5,951	3,647	1,014
Other expenses	147	516	-
Operating income after other expenses	5,804	3,131	1,014
Finance income	150	164	516
Finance expenses	1,275	891	657
Profit before taxes on income	4,679	2,404	873
Tax expenses	68	168	132
Net profit	4,611	2,236	741
Net profit per share attributable to equity holders of the Company (in U.S. dollars):			
Basic profit per share	0.249	0.136	0.046
Diluted profit per share	0.248	0.123	0.041

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Year ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>U.S. dollars in thousands</b>		
Net profit	4,611	2,236	741
Other comprehensive income (net of tax effect):			
Actuarial profit (loss) from defined benefit plans	(39)	214	81
Foreign currency translation adjustments of foreign operation	82	55	(133)
Total other comprehensive income (loss)	43	269	(52)
Total comprehensive income	4,654	2,505	689

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	Proceeds from conversion option	Reserve for defined benefit plans	Treasury shares	Total equity
Balance at January 1, 2018	5,734	15,746	1,904	(1,169)	876	(338)	30	398	(867)	22,314
Net income	-	-	-	741	-	-	-	-	-	741
Other comprehensive income (loss)	-	-	-	-	-	(133)	-	81	-	(52)
Total comprehensive Income (loss)	-	-	-	741	-	(133)	-	81	-	689
Exercise of options into shares	24	132	-	-	(19)	-	-	-	-	137
Forfeiture of options	-	12	-	-	(2)	-	(10)	-	-	-
Cost of share based-payment	-	-	-	-	142	-	-	-	-	142
Balance at December 31, 2018	5,758	15,890	1,904	(428)	997	(471)	20	479	(867)	23,282
Net income	-	-	-	2,236	-	-	-	-	-	2,236
Other comprehensive income	-	-	-	-	-	55	-	214	-	269
Total comprehensive Income	-	-	-	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
Net income	-	-	-	4,611	-	-	-	-	-	4,611
Other comprehensive income (loss)	-	-	-	-	-	82	-	(39)	-	43
Total comprehensive Income	-	-	-	4,611	-	82	-	-	-	4,654
Exercise of warrants into shares by controlling shareholder	8	36	-	-	-	-	-	-	-	44
Exercise of options into shares	-	27	-	-	(17)	-	(10)	-	-	-
Cost of share based-payment	-	-	-	-	75	-	-	-	-	75
Balance at December 31, 2020	6,458	20,788	1,761	6,419	821	(334)	-	654	(867)	35,700

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended December 31,		
	2020	2019	2018
U.S. dollars in thousands			
<u>Cash flows from operating activities:</u>			
Net income	4,611	2,236	741
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	2,571	2,704	2,505
Capital (Gain) loss from sale of fixed assets	(8)	338	-
Cost of share-based payment	75	15	142
Tax expense	68	168	132
Interest expenses, net	414	296	351
Change in employee benefit assets, net	30	10	(38)
Adjustment to current accounts with foreign operation	163	31	(27)
	<u>3,313</u>	<u>3,562</u>	<u>3,065</u>
Changes in asset and liability items:			
Decrease (increase) in trade receivables	657	(1,606)	171
Decrease (increase) in amounts due for construction contracts	(1,564)	855	357
Decrease (increase) in other accounts receivable	(40)	(67)	245
Decrease in inventories	1,620	154	354
Increase (decrease) in trade payables	525	66	(838)
Increase in other accounts payable	2,392	539	984
	<u>3,590</u>	<u>(59)</u>	<u>1,273</u>
Cash paid and received during the year for:			
Interest paid	(313)	(359)	(475)
Interest received	150	164	131
Taxes paid	(117)	(107)	(45)
	<u>(280)</u>	<u>(302)</u>	<u>(389)</u>
Net cash provided by operating activities	<u>11,234</u>	<u>5,437</u>	<u>4,690</u>

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



**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>U.S. dollars in thousands</b>			
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(765)	(1,097)	(930)
Restricted cash in respect of right to use asset	-	182	(182)
Capitalization of research and development costs	(421)	(555)	(1,026)
Deposit in banking corporations	5,148	(5,130)	-
Proceeds from sale of fixed assets	8	4	-
Net cash provided by (used in) investing activities	<u>3,970</u>	<u>(6,596)</u>	<u>(2,138)</u>
<u>Cash flows from financing activities:</u>			
Short-term bank credit, net	-	-	(500)
Receipt of Government grants	4	84	230
Payments for Government grants	(39)	(19)	(14)
Payments of convertible bonds	(2,462)	(2,462)	(2,462)
Exercise of warrants into shares by controlling shareholder	-	5,120	-
Payments of lease liability	(1,313)	(1,292)	(1,313)
Exercise of warrants into shares	44	5	137
Net cash provided by (used in) financing activities	<u>(3,766)</u>	<u>1,436</u>	<u>(3,922)</u>
Translation differences on balances of cash and cash equivalents	<u>(146)</u>	<u>(27)</u>	<u>38</u>
Increase (Decrease) in cash and cash equivalents	11,292	250	(1,332)
Cash and cash equivalents at the beginning of the year	<u>12,263</u>	<u>12,013</u>	<u>13,345</u>
Cash and cash equivalents at the end of the year	<u><u>23,555</u></u>	<u><u>12,263</u></u>	<u><u>12,013</u></u>
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	<u>176</u>	<u>97</u>	<u>76</u>
Recognition of the right of use against a lease liability	<u>661</u>	<u>5,371</u>	<u>2,658</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:

	<b>Year ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>U.S. dollars in thousands</b>		
Israel	17,838	18,250	13,193
Europe	7,573	7,024	5,328
America	21,208	18,936	17,800
East Asia	5,636	7,552	8,209
	<u>52,255</u>	<u>51,762</u>	<u>44,530</u>

## c. Major customers:

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

	<b>Year ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>%</b>		
Customer A	14	13	17
Customer B	8	16	12
Customer C	8	10	8

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