

**ORBIT TECHNOLOGIES LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2021**

**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, 2021 and 2020 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 24, 2021 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 24, 2021

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

**CONSOLIDATED BALANCE SHEETS**

	<u>June 30,</u>		<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	19,052	11,008	23,555
Short-term deposits	-	5,198	-
Accounts receivable	13,011	10,154	11,530
Other accounts receivable	1,352	685	763
Inventories	6,680	6,892	5,720
Amounts due for construction contracts	8,160	5,675	5,124
	<u>48,255</u>	<u>39,612</u>	<u>46,692</u>
<b>NON-CURRENT ASSETS:</b>			
Long-term other assets	10	10	10
Fixed assets	8,025	8,227	8,465
Intangible assets	5,673	5,683	5,534
Deferred taxes	667	673	630
	<u>14,375</u>	<u>14,593</u>	<u>14,639</u>
	<u><u>62,630</u></u>	<u><u>54,205</u></u>	<u><u>61,331</u></u>

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>2021</u>	<u>2020</u>	<u>2020</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables	7,182	5,063	6,274
Income taxes payable	39	49	19
Other accounts payable	12,313	11,328	13,674
	<u>19,534</u>	<u>16,440</u>	<u>19,967</u>
<b>NON-CURRENT LIABILITIES:</b>			
Liability for Government grants	635	797	756
Employee benefit liability	323	244	328
Lease payments liability	3,598	4,080	4,125
Warranty	694	331	441
Deferred taxes	10	9	14
	<u>5,260</u>	<u>5,461</u>	<u>5,664</u>
<b>EQUITY:</b>			
Share capital	6,467	6,452	6,458
Paid-in capital	20,991	20,752	20,788
Warrants	1,761	1,761	1,761
Retained earnings	8,287	3,252	6,419
Reserve for share-based payment	848	792	821
Foreign currency translation adjustments	(305)	(545)	(334)
Reserve for defined benefit plans	654	707	654
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>37,836</u>	<u>32,304</u>	<u>35,700</u>
	<u>62,630</u>	<u>54,205</u>	<u>61,331</u>

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

<u>August 24, 2021, 2021</u>			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	Daniel Eshchar CEO	Roi Wirth CFO

**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Six months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Unaudited</b>				<b>Audited</b>
	<b>U.S. dollars in thousands (except per share data)</b>				
Revenues from sales and contracts performed	24,851	23,653	12,793	12,077	52,255
Cost of sales and contracts performed	16,344	16,818	8,193	8,102	34,521
Gross profit	8,507	6,835	4,600	3,975	17,734
Research and development costs, net	1,713	1,358	782	640	3,623
Selling and marketing expenses	2,724	2,039	1,414	876	4,557
General and administrative expenses	1,934	1,819	1,049	913	3,603
Operating income before other expenses	2,136	1,619	1,355	1,546	5,951
Other expenses	30	46	23	46	147
Operating income after other expenses	2,106	1,573	1,332	1,500	5,804
Finance income	102	340	76	26	150
Finance expenses	323	418	388	174	1,275
Profit before taxes on income	1,885	1,495	1,020	1,352	4,679
Tax expenses	17	51	9	43	68
Net profit	1,868	1,444	1,011	1,309	4,611
Net profit per share attributable to equity holders of the Company (in U.S. dollars):					
Basic profit per share	0.101	0.078	0.054	0.071	0.249
Diluted profit per share	0.086	0.078	0.046	0.071	0.248

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Six months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Unaudited</b>				<b>Audited</b>
	<b>U.S. dollars in thousands</b>				
Net profit	<u>1,868</u>	<u>1,444</u>	<u>1,011</u>	<u>1,309</u>	<u>4,611</u>
Other comprehensive income (net of tax effect):					
Actuarial profit (loss) from defined benefit plans	-	14	-	5	(39)
Foreign currency translation adjustments of foreign operation	<u>29</u>	<u>(129)</u>	<u>44</u>	<u>(9)</u>	<u>82</u>
Total other comprehensive income (loss)	<u>29</u>	<u>(115)</u>	<u>44</u>	<u>(4)</u>	<u>43</u>
Total comprehensive income	<u><u>1,897</u></u>	<u><u>1,329</u></u>	<u><u>1,055</u></u>	<u><u>1,305</u></u>	<u><u>4,654</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
Balance at January 1, 2021	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)	6,467	20,991	1,761	8,287	848	(305)	654	(867)	37,836

## 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 defined benefit plans	Treasury shares	Total equity
Unaudited										
U.S. dollars in thousands										
Balance at January 1, 2020 (audited)	6,450	20,725	1,761	1,808	763	(416)	10	693	(867)	30,927
Net profit	-	-	-	1,444	-	-	-	-	-	1,444
Other comprehensive income (loss)	-	-	-	-	-	(129)	-	14	-	(115)
Total comprehensive income (loss)	-	-	-	1,444	-	(129)	-	14	-	1,329
Exercise of warrants into shares	2	10	-	-	(1)	-	-	-	-	11
Forfeiture of Options	-	17	-	-	(7)	-	(10)	-	-	-
Cost of share based-payment	-	-	-	-	37	-	-	-	-	37
Balance at June 30, 2020	6,452	20,752	1,761	3,252	792	(545)	-	707	(867)	32,304

\*) Less than 1 thousands.

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
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 (unaudited)	6,467	20,991	1,761	8,287	848	(305)	654	(867)	37,836

**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 defined benefit plans	Treasury shares	Total equity
Unaudited										
U.S. dollars in thousands										
Balance at April 1, 2020	6,450	20,728	1,761	1,943	772	(536)	10	702	(867)	30,963
Net profit	-	-	-	1,309	-	-	-	-	-	1,309
Other comprehensive income (loss)	-	-	-	-	-	(9)	-	5	-	(4)
Total comprehensive loss (loss)	-	-	-	1,309	-	(9)	-	5	-	1,305
Exercise of warrants into shares	2	10	-	-	(1)	-	-	-	-	11
Forfeiture of Options	-	14	-	-	(4)	-	(10)	-	-	-
Cost of share based-payment	-	-	-	-	25	-	-	-	-	25
Balance at June 30, 2020	6,452	20,752	1,761	3,252	792	(545)	-	707	(867)	32,304

\*) Less than 1 thousands.

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 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	-	-	-	4,611	-	-	-	-	-	4,611
Other comprehensive income (loss)	-	-	-	-	-	82	-	(39)	-	43
Total comprehensive loss (loss)	-	-	-	4,611	-	82	-	(39)	-	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	<u>6,458</u>	<u>20,788</u>	<u>1,761</u>	<u>6,419</u>	<u>821</u>	<u>(334)</u>	<u>-</u>	<u>654</u>	<u>(867)</u>	<u>35,700</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,
	2021	2020	2021	2020	2020
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from operating activities:</u>					
Net income	1,868	1,444	1,011	1,309	4,611
Adjustments to reconcile loss to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	1,230	1,298	614	617	2,571
Capital Gain from sale of fixed assets	-	-	-	-	(8)
Cost of share-based payment	152	37	81	25	75
Tax expense	17	51	9	43	68
Interest expenses, net	160	104	86	195	414
Change in employee benefit liability, net	(5)	1	9	14	30
Adjustment to current accounts with foreign operation	40	32	(11)	(8)	163
	1,594	1,523	788	886	3,313
Changes in operating asset and liability items:					
Decrease (increase) in trade receivables	(1,481)	2,033	(4,683)	(634)	657
Increase in amounts due for construction contracts	(3,036)	(2,115)	(58)	(2,331)	(1,564)
Decrease (increase) in other accounts receivable	(589)	(39)	(297)	134	(40)
Decrease (increase) in inventories	(960)	448	(985)	(541)	1,620
Increase (decrease) in trade payables	918	(595)	495	(18)	525
Increase (decrease) in other accounts payable	(1,273)	(99)	(763)	1,406	2,392
	(6,421)	(367)	(6,291)	(1,984)	3,590
Cash paid and received during the period for:					
Interest paid	(72)	(222)	(47)	(180)	(313)
Interest received	18	122	8	50	150
Taxes paid	(31)	(43)	(20)	(8)	(117)
	(85)	(143)	(59)	(138)	(280)
Net cash provided by (used in) operating activities	(3,044)	2,457	(4,551)	73	11,234

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Six months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>Unaudited</b>				<b>Audited</b>
	<b>U.S. dollars in thousands</b>				
<u>Cash flows from investing activities:</u>					
Purchase of fixed assets	(360)	(277)	(145)	(65)	(765)
Capitalization of research and development costs	(342)	(249)	(280)	(107)	(421)
Deposit in banking corporations	-	(51)	-	(15)	5,148
Proceeds from sale of fixed assets	-	-	-	-	8
Net cash provided by (used in) investing activities	<u>(702)</u>	<u>(577)</u>	<u>(425)</u>	<u>(187)</u>	<u>3,970</u>
<u>Cash flows from financing activities:</u>					
Receipt of Government grants	-	4	-	-	4
Payments for Government grants	-	(3)	-	(3)	(39)
Payments of convertible bonds	-	(2,462)	-	(2,462)	(2,462)
Payments of lease liability	(805)	(652)	(405)	(313)	(1,313)
Exercise of warrants into shares	87	11	51	11	44
Net cash used in financing activities	<u>(718)</u>	<u>(3,102)</u>	<u>(354)</u>	<u>(2,767)</u>	<u>(3,766)</u>
Translation differences on balances of cash and cash equivalents	<u>(39)</u>	<u>(33)</u>	<u>11</u>	<u>8</u>	<u>(146)</u>
Increase (decrease) in cash and cash equivalents	(4,503)	(1,255)	(5,319)	(2,873)	11,292
Cash and cash equivalents at the beginning of the period	<u>23,555</u>	<u>12,263</u>	<u>24,371</u>	<u>13,881</u>	<u>12,263</u>
Cash and cash equivalents at the end of the period	<u>19,052</u>	<u>11,008</u>	<u>19,052</u>	<u>11,008</u>	<u>23,555</u>
<u>Significant non-cash transaction:</u>					
Purchase of fixed assets on suppliers credit	<u>163</u>	<u>29</u>	<u>163</u>	<u>29</u>	<u>176</u>
Recognition of the right of use against a lease liability	<u>240</u>	<u>69</u>	<u>22</u>	<u>-</u>	<u>661</u>

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

**NOTE TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1:- GENERAL**

These financial statements have been prepared in a condensed format as of June 30, 2021 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, 2020 and for the year then ended and accompanying notes ("annual financial statements").

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