

**ORBIT TECHNOLOGIES LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 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 September 30, 2021 and 2020 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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 \_\_\_\_\_ 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  
November 18 , 2021

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

**CONSOLIDATED BALANCE SHEETS**

	<u>September 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	25,638	12,518	23,555
Short-term deposits	-	5,208	-
Accounts receivable	10,980	11,208	11,530
Other accounts receivable	1,241	885	763
Inventories	6,653	6,876	5,720
Amounts due for construction contracts	7,004	5,193	5,124
	<u>51,516</u>	<u>41,888</u>	<u>46,692</u>
<b>NON-CURRENT ASSETS:</b>			
Long-term other assets	10	10	10
Fixed assets	7,934	8,023	8,465
Intangible assets	5,690	5,619	5,534
Deferred taxes	668	683	630
	<u>14,302</u>	<u>14,335</u>	<u>14,639</u>
	<u><u>65,818</u></u>	<u><u>56,223</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>September 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	6,645	5,421	6,274
Income taxes payable	27	49	19
Other accounts payable	14,204	11,782	13,674
	<u>20,876</u>	<u>17,252</u>	<u>19,967</u>
<b>NON-CURRENT LIABILITIES:</b>			
Liability for Government grants	536	716	756
Employee benefit liability	328	266	328
Lease payments liability	3,205	3,838	4,125
Warranty	694	341	441
Deferred taxes	9	13	14
	<u>4,772</u>	<u>5,174</u>	<u>5,664</u>
<b>EQUITY:</b>			
Share capital	6,483	6,455	6,458
Paid-in capital	21,013	20,772	20,788
Warrants	1,761	1,761	1,761
Retained earnings	10,543	4,641	6,419
Reserve for share-based payment	953	805	821
Foreign currency translation adjustments	(370)	(463)	(334)
Reserve for defined benefit plans	654	693	654
Treasury shares	(867)	(867)	(867)
Total equity	<u>40,170</u>	<u>33,797</u>	<u>35,700</u>
	<u>65,818</u>	<u>56,223</u>	<u>61,331</u>

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

November 18, 2021

Date of approval of the  
financial statements

Yitzchak Gat  
Chairman of the Board

Daniel Eshchar  
CEO

Roi Wirth  
CFO

**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Nine months ended September 30,</b>		<b>Three months ended September 30,</b>		<b>Year ended 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	38,887	36,379	14,036	12,725	52,255
Cost of sales and contracts performed	24,894	24,706	8,550	7,888	34,521
Gross profit	13,993	11,673	5,486	4,837	17,734
Research and development costs, net	2,646	2,358	933	1,000	3,623
Selling and marketing expenses	4,032	3,209	1,309	1,170	4,557
General and administrative expenses	2,773	2,662	839	843	3,603
Operating income before other expenses	4,542	3,444	2,405	1,824	5,951
Other expenses	39	100	8	54	147
Operating income after other expenses	4,503	3,344	2,397	1,770	5,804
Finance income	19	208	-	42	150
Finance expenses	363	631	123	385	1,275
Profit before taxes on income	4,159	2,921	2,274	1,427	4,679
Tax expenses	35	88	18	38	68
Net profit	4,124	2,833	2,256	1,389	4,611
Net profit per share attributable to equity holders of the Company (in U.S. dollars):					
Basic profit per share	0.222	0.153	0.122	0.075	0.249
Diluted profit per share	0.186	0.153	0.101	0.075	0.248

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Nine months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>September 30,</b>		<b>September 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>4,124</u>	<u>2,833</u>	<u>2,256</u>	<u>1,389</u>	<u>4,611</u>
Other comprehensive income (net of tax effect):					
Actuarial loss from defined benefit plans	-	-	-	(14)	(39)
Foreign currency translation adjustments of foreign operation	<u>(36)</u>	<u>(47)</u>	<u>(65)</u>	<u>82</u>	<u>82</u>
Total other comprehensive income (loss)	<u>(36)</u>	<u>(47)</u>	<u>(65)</u>	<u>68</u>	<u>43</u>
Total comprehensive income	<u><u>2,786</u></u>	<u><u>2,786</u></u>	<u><u>2,191</u></u>	<u><u>1,457</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

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	Treasury shares	Total equity
Unaudited									
U.S. dollars in thousands									
Balance at January 1, 2021 (audited)	6,458	20,788	1,761	6,419	821	(334)	654	(867)	35,700
Net profit	-	-	-	4,124	-	-	-	-	4,124
Other comprehensive income (loss)	-	-	-	-	-	(36)	-	-	(36)
Total comprehensive loss (loss)	-	-	-	4,124	-	(36)	-	-	4,088
Exercise of warrants into shares	25	225	-	-	(129)	-	-	-	121
Forfeiture of Options	-	-	-	-	(15)	-	-	-	(15)
Cost of share based-payment	-	-	-	-	276	-	-	-	276
Balance at September 30, 2021	<u>6,483</u>	<u>21,013</u>	<u>1,761</u>	<u>10,543</u>	<u>953</u>	<u>(370)</u>	<u>654</u>	<u>(867)</u>	<u>40,170</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 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	-	-	-	2,833	-	-	-	-	-	2,833
Other comprehensive income (loss)	-	-	-	-	-	(47)	-	-	-	(47)
Total comprehensive loss (loss)	-	-	-	2,833	-	(47)	-	-	-	2,786
Exercise of warrants into shares	5	27	-	-	(4)	-	-	-	-	28
Forfeiture of Options	-	20	-	-	(10)	-	(10)	-	-	-
Cost of share based-payment	-	-	-	-	56	-	-	-	-	56
Balance at September 30, 2020	<u>6,455</u>	<u>20,772</u>	<u>1,761</u>	<u>4,641</u>	<u>805</u>	<u>(463)</u>	<u>-</u>	<u>693</u>	<u>(867)</u>	<u>33,797</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	Treasury shares	Total equity
	Unaudited U.S. dollars in thousands								
Balance at July 1, 2021	6,467	20,991	1,761	8,287	848	(305)	654	(867)	37,836
Net profit	-	-	-	2,256	-	-	-	-	2,256
Other comprehensive income (loss)	-	-	-	-	-	(65)	-	-	(65)
Total comprehensive loss (loss)	-	-	-	2,256	-	(65)	-	-	2,191
Exercise of options into shares	16	22	-	-	(15)	-	-	-	23
Forfeiture of Options	-	-	-	-	(5)	-	-	-	(5)
Cost of share based-payment	-	-	-	-	125	-	-	-	125
Balance at September 30, 2021	<u>6,483</u>	<u>21,013</u>	<u>1,761</u>	<u>10,543</u>	<u>953</u>	<u>(370)</u>	<u>654</u>	<u>(867)</u>	<u>40,170</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 defined benefit plans	Treasury shares	Total equity
	Unaudited U.S. dollars in thousands									
Balance at July 1, 2020	6,452	20,752	1,761	3,252	792	(545)	-	707	(867)	32,304
Net profit	-	-	-	1,389	-	-	-	-	-	1,389
Other comprehensive income (loss)	-	-	-	-	-	82	-	(14)	-	68
Total comprehensive loss (loss)	-	-	-	1,389	-	82	-	(14)	-	1,457
Exercise of options into shares	3	17	-	-	(3)	-	-	-	-	17
Forfeiture of Options	-	3	-	-	(3)	-	-	-	-	-
Cost of share based-payment	-	-	-	-	19	-	-	-	-	19
Balance at September 30, 2020	<u>6,455</u>	<u>20,772</u>	<u>1,761</u>	<u>4,641</u>	<u>805</u>	<u>(463)</u>	<u>-</u>	<u>693</u>	<u>(867)</u>	<u>33,797</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 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**

	<b>Nine months ended September 30,</b>		<b>Three months ended September 30,</b>		<b>Year ended 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 operating activities:</u>					
Net income	4,124	2,833	2,256	1,389	4,611
Adjustments to reconcile loss to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	1,864	1,921	634	623	2,571
Capital Gain from sale of fixed assets	-	-	-	-	(8)
Cost of share-based payment	261	56	109	19	75
Tax expense	35	88	18	38	68
Interest expenses, net	249	160	89	56	414
Change in employee benefit liability, net	-	7	5	6	30
Adjustment to current accounts with foreign operation	51	122	11	90	163
	<u>2,460</u>	<u>2,354</u>	<u>866</u>	<u>832</u>	<u>3,313</u>
Changes in operating asset and liability items:					
Decrease (increase) in trade receivables	550	979	2,031	(1,054)	657
Decrease (increase) in amounts due for construction contracts	(1,880)	(1,633)	1,156	482	(1,564)
Decrease (increase) in other accounts receivable	(435)	(239)	154	(200)	(40)
Decrease (increase) in inventories	(933)	464	27	16	1,620
Increase (decrease) in trade payables	444	(338)	(474)	257	525
Increase (decrease) in other accounts payable	317	426	1,590	525	2,392
	<u>(1,937)</u>	<u>(341)</u>	<u>4,484</u>	<u>26</u>	<u>3,590</u>
Cash paid and received during the period for:					
Interest paid	(268)	(286)	(196)	(64)	(313)
Interest received	19	143	1	21	150
Taxes paid	(36)	(53)	(5)	(10)	(117)
	<u>(285)</u>	<u>(196)</u>	<u>(200)</u>	<u>(53)</u>	<u>(280)</u>
Net cash provided by operating activities	<u>4,362</u>	<u>4,650</u>	<u>7,406</u>	<u>2,194</u>	<u>11,234</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Nine months ended</u> <u>September 30,</u>		<u>Three months ended</u> <u>September 30,</u>		<u>Year ended</u> <u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>Unaudited</u>				<u>Audited</u>
	<u>U.S. dollars in thousands</u>				
<u>Cash flows from investing activities:</u>					
Purchase of fixed assets	(641)	(430)	(281)	(153)	(765)
Capitalization of research and development costs	(463)	(345)	(121)	(96)	(421)
Deposit in banking corporations	-	(60)	-	(10)	5,148
Proceeds from sale of fixed assets	-	-	-	-	8
Net cash provided by (used in) investing activities	<u>(1,104)</u>	<u>(835)</u>	<u>(402)</u>	<u>(259)</u>	<u>3,970</u>
<u>Cash flows from financing activities:</u>					
Receipt of Government grants	-	4	-	-	4
Payments for Government grants	-	(42)	-	(39)	(39)
Payments of convertible bonds	-	(2,462)	-	-	(2,462)
Payments of lease liability	(1,245)	(964)	(439)	(312)	(1,313)
Exercise of warrants into shares	121	28	33	17	44
Net cash used in financing activities	<u>(1,124)</u>	<u>(3,436)</u>	<u>(406)</u>	<u>(334)</u>	<u>(3,766)</u>
Translation differences on balances of cash and cash equivalents	<u>(51)</u>	<u>(124)</u>	<u>(12)</u>	<u>(91)</u>	<u>(146)</u>
Increase in cash and cash equivalents	<u>2,083</u>	<u>255</u>	<u>6,586</u>	<u>1,510</u>	<u>11,292</u>
Cash and cash equivalents at the beginning of the period	<u>23,555</u>	<u>12,263</u>	<u>19,052</u>	<u>11,008</u>	<u>12,263</u>
Cash and cash equivalents at the end of the period	<u>25,638</u>	<u>12,518</u>	<u>25,638</u>	<u>12,518</u>	<u>23,555</u>
<u>Significant non-cash transaction:</u>					
Purchase of fixed assets on suppliers credit	<u>102</u>	<u>117</u>	<u>102</u>	<u>117</u>	<u>176</u>
Recognition of the right of use against a lease liability	<u>458</u>	<u>69</u>	<u>218</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 September 30, 2021 and for the nine 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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