

**ORBIT TECHNOLOGIES LTD.**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2021**

**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, 2021 and 2020 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, 2021, 2020 and 2019 in accordance with generally accepted auditing standards in Israel.

Based on our audits and our report dated March 20, 2022, 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  
March 20, 2022

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

**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>U.S. dollars in thousands</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	29,885	23,555
Accounts receivable	10,708	11,530
Other accounts receivable	1,500	763
Inventories	5,684	5,720
Amounts due for construction contracts	7,054	5,124
	<u>54,831</u>	<u>46,692</u>
<b>NON-CURRENT ASSETS:</b>		
Long-term other assets	10	10
Fixed assets	14,607	8,465
Intangible assets	6,269	5,534
Deferred taxes	1,191	630
	<u>22,077</u>	<u>14,639</u>
	<u><u>76,908</u></u>	<u><u>61,331</u></u>

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

**CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>U.S. dollars in thousands</b>	
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	7,323	6,274
Other accounts payable	14,931	13,693
	<u>22,254</u>	<u>19,967</u>
<b>NON-CURRENT LIABILITIES:</b>		
Liability for Government grants	516	756
Employee benefit liability	346	328
Lease payment liability	9,551	4,125
Warranty liability	708	441
Deferred taxes	-	14
	<u>11,121</u>	<u>5,664</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>		
Share capital	6,493	6,458
Paid-in capital	21,039	20,788
Warrants	1,761	1,761
Retained earnings	13,696	6,419
Reserve for share-based payment	1,118	821
Foreign currency translation adjustments	(358)	(334)
Reserve for defined benefit plans	651	654
Treasury shares	(867)	(867)
<u>Total equity</u>	<u>43,533</u>	<u>35,700</u>
	<u><u>76,908</u></u>	<u><u>61,331</u></u>

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

March 20, 2022			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	Daniel Eshchar CEO	Roi Wirth CFO

**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>U.S. dollars in thousands</b>		
	<b>(except per share data)</b>		
Revenues from sales and construction performed	54,789	52,255	51,762
Cost of sales and construction performed	34,559	34,521	35,953
Gross profit	20,230	17,734	15,809
Research and development costs, net	3,672	3,623	3,525
Selling and marketing expenses	5,713	4,557	4,739
General and administrative expenses	3,694	3,603	3,898
Operating income before other expenses	7,151	5,951	3,647
Other expenses (income)	(16)	147	516
Operating income after other expenses	7,167	5,804	3,131
Finance income	24	150	164
Finance expenses	548	1,275	891
Profit before taxes on income	6,643	4,679	2,404
Tax expenses (income)	(634)	68	168
Net profit	7,277	4,611	2,236
Net profit per share attributable to equity holders of the Company (in U.S. dollars):			
Basic profit per share	0.391	0.249	0.136
Diluted profit per share	0.326	0.248	0.123

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>U.S. dollars in thousands</b>		
Net profit	<u>7,277</u>	<u>4,611</u>	<u>2,236</u>
Other comprehensive income (net of tax effect):			
Actuarial profit (loss) from defined benefit plans	(3)	(39)	214
Foreign currency translation adjustments of foreign operation	<u>(24)</u>	<u>82</u>	<u>55</u>
Total other comprehensive income (loss)	<u>(27)</u>	<u>43</u>	<u>269</u>
Total comprehensive income	<u><u>7,250</u></u>	<u><u>4,654</u></u>	<u><u>2,505</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	Proceeds from conversion option	Reserve for defined benefit plans	Treasury shares	Total equity
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	-	-	-	-	-	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
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
Balance at December 31, 2021	6,493	21,039	1,761	13,696	1,118	(358)	-	651	(867)	43,533

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended December 31,		
	2021	2020	2019
U.S. dollars in thousands			
<u>Cash flows from operating activities:</u>			
Net income	7,277	4,611	2,236
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	2,591	2,571	2,704
Capital (Gain) loss from sale of fixed assets	1	(8)	338
Cost of share-based payment	453	75	15
Tax expense	(634)	68	168
Interest expenses, net	371	414	296
Change in employee benefit assets, net	16	30	10
Adjustment to current accounts with foreign operation	42	163	31
	<u>2,840</u>	<u>3,313</u>	<u>3,562</u>
Changes in asset and liability items:			
Decrease (increase) in trade receivables	822	657	(1,606)
Decrease (increase) in amounts due for construction contracts	(1,930)	(1,564)	855
Decrease (increase) in other accounts receivable	(458)	(40)	(67)
Decrease in inventories	(239)	1,620	154
Increase (decrease) in trade payables	1,001	525	66
Increase in other accounts payable	1,239	2,392	539
	<u>435</u>	<u>3,590</u>	<u>(59)</u>
Cash paid and received during the year for:			
Interest paid	(396)	(313)	(359)
Interest received	24	150	164
Taxes paid	(172)	(117)	(107)
	<u>(544)</u>	<u>(280)</u>	<u>(302)</u>
Net cash provided by operating activities	<u>10,008</u>	<u>11,234</u>	<u>5,437</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>2021</b>	<b>2020</b>	<b>2019</b>
<b>U.S. dollars in thousands</b>			
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(931)	(765)	(1,097)
Restricted cash in respect of right to use asset	-	-	182
Capitalization of research and development costs	(1,146)	(421)	(555)
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>(2,077)</u>	<u>3,970</u>	<u>(6,596)</u>
<u>Cash flows from financing activities:</u>			
Receipt of Government grants	-	4	84
Payments for Government grants	-	(39)	(19)
Payments of convertible bonds	-	(2,462)	(2,462)
Exercise of warrants into shares by controlling shareholder	-	-	5,120
Payments of lease liability	(1,690)	(1,313)	(1,292)
Exercise of warrants into shares	129	44	5
Net cash provided by (used in) financing activities	<u>(1,561)</u>	<u>(3,766)</u>	<u>1,436</u>
Translation differences on balances of cash and cash equivalents	<u>(40)</u>	<u>(146)</u>	<u>(27)</u>
Increase (Decrease) in cash and cash equivalents	6,330	11,292	250
Cash and cash equivalents at the beginning of the year	<u>23,555</u>	<u>12,263</u>	<u>12,013</u>
Cash and cash equivalents at the end of the year	<u><u>29,885</u></u>	<u><u>23,555</u></u>	<u><u>12,263</u></u>
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	<u>222</u>	<u>176</u>	<u>97</u>
Recognition of the right of use against a lease liability	<u>7,088</u>	<u>661</u>	<u>5,371</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>2021</b>	<b>2020</b>	<b>2019</b>
	<b>U.S. dollars in thousands</b>		
Israel	10,085	17,838	18,250
Europe	10,127	7,573	7,024
America	23,959	21,208	18,936
East Asia	10,618	5,636	7,552
	<u>54,789</u>	<u>52,255</u>	<u>51,762</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>2021</b>	<b>2020</b>	<b>2019</b>
	<b>%</b>		
Customer A	16	7.5	4.4
Customer B	10	14	13

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