

**ORBIT TECHNOLOGIES LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2022**

**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, 2022 and 2021 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 November 21, 2022 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 21, 2022

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

**CONSOLIDATED BALANCE SHEETS**

|  | <u>September 30,</u>             |                      | <u>December 31,</u>  |
|--|----------------------------------|----------------------|----------------------|
|  | <u>2022</u>                      | <u>2021</u>          | <u>2021</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              | 20,349                           | 25,638               | 29,885               |
| Accounts receivable                    | 10,944                           | 10,980               | 10,708               |
| Amounts due for construction contracts | 14,762                           | 7,004                | 7,054                |
| Other accounts receivable              | 1,659                            | 1,241                | 1,500                |
| Inventories                            | 8,548                            | 6,653                | 5,684                |
|  | <u>56,262</u>                    | <u>51,516</u>        | <u>54,831</u>        |
| <b>NON-CURRENT ASSETS:</b>             |                                  |                      |                      |
| Other assets                           | 10                               | 10                   | 10                   |
| Fixed assets                           | 15,278                           | 7,934                | 14,607               |
| Intangible assets                      | 11,045                           | 5,690                | 6,269                |
| Goodwill                               | 699                              | -                    | -                    |
| Deferred taxes                         | 75                               | 668                  | 1,191                |
|  | <u>27,107</u>                    | <u>14,302</u>        | <u>22,077</u>        |
|  | <u><u>83,369</u></u>             | <u><u>65,818</u></u> | <u><u>76,908</u></u> |

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

**CONSOLIDATED BALANCE SHEETS**

|   | <b>September 30,</b> |               | <b>December 31,</b> |
|---|----------------------|---------------|---------------------|
|   | <b>2022</b>          | <b>2021</b>   | <b>2021</b>         |
|   | <b>Unaudited</b>     |               | <b>Audited</b>      |
| <b>U.S. dollars in thousands</b>            |                      |               |                     |
| <b>LIABILITIES AND EQUITY</b>               |                      |               |                     |
| <b>CURRENT LIABILITIES:</b>                 |                      |               |                     |
| Trade payables                              | 9,528                | 6,645         | 7,323               |
| Income taxes payable                        | 198                  | 27            | -                   |
| Other accounts payable                      | 12,945               | 14,204        | 14,931              |
|   | <u>22,671</u>        | <u>20,876</u> | <u>22,254</u>       |
| <b>NON-CURRENT LIABILITIES:</b>             |                      |               |                     |
| Liability for Government grants             | 556                  | 536           | 516                 |
| Employee benefit liability                  | 330                  | 328           | 346                 |
| Lease payments liability                    | 7,661                | 3,205         | 9,551               |
| Warranty liability                          | 742                  | 694           | 708                 |
| Contingent liability related to acquisition | 762                  | -             | -                   |
| Deferred taxes                              | 393                  | 9             | -                   |
|   | <u>10,444</u>        | <u>4,772</u>  | <u>11,121</u>       |
| <b>EQUITY:</b>                              |                      |               |                     |
| Share capital                               | 6,515                | 6,483         | 6,493               |
| Paid-in capital                             | 21,252               | 21,013        | 21,039              |
| Warrants                                    | 1,761                | 1,761         | 1,761               |
| Retained earnings                           | 19,973               | 10,543        | 13,696              |
| Reserve for share-based payment             | 1,716                | 953           | 1,118               |
| Foreign currency translation adjustments    | (747)                | (370)         | (358)               |
| Reserve for defined benefit plans           | 651                  | 654           | 651                 |
| Treasury shares                             | (867)                | (867)         | (867)               |
| Total equity                                | <u>50,254</u>        | <u>40,170</u> | <u>43,533</u>       |
|   | <u>83,369</u>        | <u>65,818</u> | <u>76,908</u>       |

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

|  |                                       |                   |                 |
|--|---------------------------------------|-------------------|-----------------|
| November 21, 2022                            |                                       |                   |                 |
| Date of approval of the financial statements | Yitzchak Gat<br>Chairman of the Board | D. Eshchar<br>CEO | R. Wirth<br>CFO |

**CONSOLIDATED STATEMENTS OF INCOME**

|   | <b>Nine months ended<br/>September 30,</b>               |             | <b>Three months ended<br/>September 30,</b> |             | <b>Year ended<br/>December 31,</b> |
|---|--|-------------|---|-------------|------------------------------------|
|   | <b>2022</b>  | <b>2021</b> | <b>2022</b>                                 | <b>2021</b> | <b>2021</b>                        |
|   | <b>Unaudited</b>   |             |   |             | <b>Audited</b>                     |
|   | <b>U.S. dollars in thousands (except per share data)</b> |             |   |             |                                    |
| Revenues from sales and contracts performed   | 42,570   | 38,887      | 16,017                                      | 14,036      | 54,789                             |
| Cost of sales and contracts performed   | 27,007   | 24,894      | 9,917                                       | 8,550       | 34,559                             |
| Gross profit  | 15,563   | 13,993      | 6,100                                       | 5,486       | 20,230                             |
| Research and development costs, net   | 2,533  | 2,646       | 935   | 933         | 3,672                              |
| Selling and marketing expenses  | 4,017  | 4,032       | 1,494                                       | 1,309       | 5,713                              |
| General and administrative expenses   | 3,018  | 2,773       | 1,041                                       | 839         | 3,694                              |
| Operating income before other expenses  | 5,995  | 4,542       | 2,630                                       | 2,405       | 7,151                              |
| Other expenses (income)   | 231  | 39          | -   | 8           | (16)                               |
| Operating income after other expenses   | 5,764  | 4,503       | 2,630                                       | 2,397       | 7,167                              |
| Finance income  | 2,185  | 19          | 416   | -           | 24                                 |
| Finance expenses  | 256  | 363         | 98  | 123         | 548                                |
| Income before taxes on income   | 7,693  | 4,159       | 2,948                                       | 2,274       | 6,643                              |
| tax expense (Income)  | 1,416  | 35          | 552   | 18          | (634)                              |
| Net profit  | 6,277  | 4,124       | 2,396                                       | 2,256       | 7,277                              |
| Net profit per share attributable to equity holders of the Company (in U.S. dollars): |  |             |   |             |                                    |
| Basic profit per share  | 0.337  | 0.222       | 0.129                                       | 0.122       | 0.391                              |
| Diluted profit per share  | 0.282  | 0.186       | 0.107                                       | 0.101       | 0.326                              |

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>2022</b>                      | <b>2021</b>         | <b>2022</b>               | <b>2021</b>         | <b>2021</b>         |
|   | <b>Unaudited</b>                 |                     |                           |                     | <b>Audited</b>      |
|   | <b>U.S. dollars in thousands</b> |                     |                           |                     |                     |
| Net profit  | <u>6,277</u>                     | <u>4,124</u>        | <u>2,396</u>              | <u>2,256</u>        | <u>7,277</u>        |
| Other comprehensive income (net of tax effect):               |                                  |                     |                           |                     |                     |
| Actuarial loss from defined benefit plans                     | -                                | -                   | -                         | -                   | (3)                 |
| Foreign currency translation adjustments of foreign operation | <u>(389)</u>                     | <u>(36)</u>         | <u>(158)</u>              | <u>(65)</u>         | <u>(24)</u>         |
| Total other comprehensive loss                                | <u>(389)</u>                     | <u>(36)</u>         | <u>(158)</u>              | <u>(65)</u>         | <u>(27)</u>         |
| Total comprehensive income                                    | <u><u>5,888</u></u>              | <u><u>2,786</u></u> | <u><u>2,238</u></u>       | <u><u>2,191</u></u> | <u><u>7,250</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, 2022 (audited)                 | 6,493           | 21,039        | 1,761             | 13,696                          | 1,118                                    | (358)                           | 651             | (867)        | 43,533        |
| Net Income   | -               | -             | -                 | 6,277                           | -  | -                               | -               | -            | 6,277         |
| Other comprehensive loss                             | -               | -             | -                 | -                               | -  | (389)                           | -               | -            | (389)         |
| Total comprehensive income (loss)                    | -               | -             | -                 | 6,277                           | -  | (389)                           | -               | -            | 5,888         |
| Exercise of warrants into shares                     | 22              | 213           | -                 | -                               | (72)                                     | -                               | -               | -            | 163           |
| Cost of share based-payment                          | -               | -             | -                 | -                               | 670                                      | -                               | -               | -            | 670           |
| Balance at September 30, 2022                        | <u>6,515</u>    | <u>21,252</u> | <u>1,761</u>      | <u>19,973</u>                   | <u>1,716</u>                             | <u>(747)</u>                    | <u>651</u>      | <u>(867)</u> | <u>50,254</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 | 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 loss                             | -               | -             | -                 | -                               | -  | (36)                            | -               | -            | (36)          |
| Total comprehensive income (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> |

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, 2022           | 6,501  | 21,089          | 1,761        | 17,577            | 1,526                           | (589)                                    | 651                             | (867)           | 47,649        |
| Net Income                        | -  | -               | -            | 2,396             | -                               | -  | -                               | -               | 2,396         |
| Other comprehensive loss          | -  | -               | -            | -                 | -                               | (158)                                    | -                               | -               | (158)         |
| Total comprehensive income (loss) | -  | -               | -            | 2,396             | -                               | (158)                                    | -                               | -               | 2,238         |
| Exercise of warrants into shares  | 14   | 163             | -            | -                 | (22)                            | -  | -                               | -               | 155           |
| Cost of share based-payment       | -  | -               | -            | -                 | 212                             | -  | -                               | -               | 212           |
| Balance at September 30, 2022     | <u>6,515</u>   | <u>21,252</u>   | <u>1,761</u> | <u>19,673</u>     | <u>1,716</u>                    | <u>(747)</u>                             | <u>651</u>                      | <u>(867)</u>    | <u>50,254</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 | 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> |

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                            |                 |          |                   |                                 |  |                                 |                                   |                 |              |
|   | Audited  |                 |          |                   |                                 |  |                                 |                                   |                 |              |
| 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 loss                                    | -  | -               | -        | -                 | -                               | (24)                                     | -                               | (3)                               | -               | (27)         |
| Total comprehensive Income (loss)                           | -  | -               | -        | 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 interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | Nine months ended<br>September 30, |         | Three months ended<br>September 30, |       | Year ended<br>December 31, |
|--|------------------------------------|---------|-------------------------------------|-------|----------------------------|
|  | 2022                               | 2021    | 2022                                | 2021  | 2021                       |
|  | Unaudited                          |         |                                     |       | Audited                    |
|  | U.S. dollars in thousands          |         |                                     |       |                            |
| <u>Cash flows from operating activities:</u>                                   |                                    |         |                                     |       |                            |
| Net income   | 6,277                              | 4,124   | 2,396                               | 2,256 | 7,277                      |
| Adjustments to reconcile loss to net cash<br>provided by operating activities: |                                    |         |                                     |       |                            |
| Adjustments to the profit or loss items:                                       |                                    |         |                                     |       |                            |
| Depreciation and amortization  | 2,494                              | 1,864   | 930                                 | 634   | 2,591                      |
| Capital Gain from sale of fixed assets   | -                                  | -       | -                                   | -     | 1                          |
| Cost of share-based payment  | 670                                | 261     | 212                                 | 109   | 453                        |
| Tax expense  | 1,416                              | 35      | 552                                 | 18    | (634)                      |
| Interest expenses, net   | 135                                | 249     | 15                                  | 89    | 371                        |
| Change in employee benefit liability, net                                      | (117)                              | -       | (16)                                | 5     | 16                         |
| Adjustment to current accounts with<br>foreign operation                       | (116)                              | 51      | 8                                   | 11    | 42                         |
|  | 4,482                              | 2,460   | 1,701                               | 866   | 2,840                      |
| Changes in operating asset and liability<br>items:                             |                                    |         |                                     |       |                            |
| Decrease (increase) in trade receivables                                       | 877                                | 550     | (2,078)                             | 2,031 | 822                        |
| Decrease (increase) in amounts due for<br>construction contracts               | (7,708)                            | (1,880) | (3,856)                             | 1,156 | (1,930)                    |
| Decrease (increase) in other accounts<br>receivable                            | (515)                              | (435)   | 172                                 | 154   | (458)                      |
| Decrease (increase) in inventories   | (2,143)                            | (933)   | (916)                               | 27    | (239)                      |
| Increase (decrease) in trade payables  | 933                                | 444     | 586                                 | (474) | 1,001                      |
| Increase (decrease) in other accounts<br>payable                               | (4,780)                            | 317     | 336                                 | 1,590 | 1,239                      |
|  | (13,336)                           | (1,937) | (6,170)                             | 4,484 | 435                        |
| Cash paid and received during the period<br>for:                               |                                    |         |                                     |       |                            |
| Interest paid  | (248)                              | (268)   | (90)                                | (196) | (369)                      |
| Interest received  | 113                                | 19      | 77                                  | 1     | 24                         |
| Taxes paid   | (84)                               | (36)    | (26)                                | (5)   | (172)                      |
|  | (219)                              | (285)   | (39)                                | (200) | (544)                      |
| Net cash provided by (used in) operating<br>activities                         | (2,796)                            | 4,362   | (2,112)                             | 7,406 | 10,008                     |

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | Nine months ended<br>September 30, |         | Three months ended<br>September 30, |        | Year ended<br>December 31, |
|--|------------------------------------|---------|-------------------------------------|--------|----------------------------|
|  | 2022                               | 2021    | 2022                                | 2021   | 2021                       |
|  | Unaudited                          |         |                                     |        | Audited                    |
|  | U.S. dollars in thousands          |         |                                     |        |                            |
| <u>Cash flows from investing activities:</u>                     |                                    |         |                                     |        |                            |
| Purchase of fixed assets   | (981)                              | (641)   | (249)                               | (281)  | (931)                      |
| Net cash used to activity acquisition                            | (1,352)                            | -       | -                                   | -      | -                          |
| Capitalization of research and development costs                 | (3,421)                            | (463)   | (1,116)                             | (121)  | (1,146)                    |
| Net Used in investing activities                                 | (5,754)                            | (1,104) | (1,365)                             | (402)  | (2,077)                    |
| <u>Cash flows from financing activities:</u>                     |                                    |         |                                     |        |                            |
| Payments of lease liability                                      | (1,261)                            | (1,245) | (435)                               | (439)  | (1,690)                    |
| Payments for Government grants                                   | (4)                                | -       | (4)                                 | -      | -                          |
| Exercise of warrants into shares                                 | 163                                | 121     | 155                                 | 33     | 129                        |
| Net cash used in financing activities                            | (1,102)                            | (1,124) | (284)                               | (406)  | (1,561)                    |
| Translation differences on balances of cash and cash equivalents | 116                                | (51)    | (8)                                 | (12)   | (40)                       |
| Increase (decrease) in cash and cash equivalents                 | (9,536)                            | 2,083   | (3,769)                             | 6,586  | 6,330                      |
| Cash and cash equivalents at the beginning of the period         | 29,885                             | 23,555  | 24,118                              | 19,052 | 23,555                     |
| Cash and cash equivalents at the end of the period               | 20,349                             | 25,638  | 20,349                              | 25,638 | 29,885                     |
| <u>Significant non-cash transaction:</u>                         |                                    |         |                                     |        |                            |
| Purchase of fixed assets on suppliers credit                     | 1,200                              | 102     | 1,097                               | 102    | 222                        |
| Recognition of the right of use against a lease liability        | 490                                | 458     | 96                                  | 218    | 7,088                      |

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, 2022 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, 2021 and for the year then ended and accompanying notes ("annual financial statements").

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