

ORBIT TECHNOLOGIES LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

U.S. DOLLARS IN THOUSANDS

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CONSOLIDATED BALANCE SHEETS

	December 31,	
	2022	2021
	U.S. dollars in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	21,746	29,885
Short term deposit	12,815	-
Accounts receivable	11,615	10,708
Amounts due for construction contracts	16,620	7,054
Other accounts receivable	2,731	1,500
Inventories	9,528	5,684
	<u>75,055</u>	<u>54,831</u>
NON-CURRENT ASSETS:		
Long-term other assets	10	10
Fixed assets	18,248	14,607
Intangible assets	11,809	6,269
Goodwill	785	-
Deferred taxes	217	1,191
	<u>31,069</u>	<u>22,077</u>
	<u><u>106,124</u></u>	<u><u>76,908</u></u>

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

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2022	2021
	U.S. dollars in thousands	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	11,032	7,323
Income taxes payable	258	-
Other accounts payable	13,309	14,931
	<u>24,599</u>	<u>22,254</u>
NON-CURRENT LIABILITIES:		
Liability for Government grants	518	516
Employee benefit liability	212	346
Lease payment liability	9,925	9,551
Warranty liability	713	708
Contingent liability related to acquisition	467	-
Deferred taxes	349	-
	<u>12,184</u>	<u>11,121</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:		
Share capital	8,196	6,493
Paid-in capital	36,603	21,039
Warrants	-	1,761
Retained earnings	23,373	13,696
Reserve for share-based payment	1,907	1,118
Foreign currency translation adjustments	(592)	(358)
Reserve for defined benefit plans	721	651
Treasury shares	(867)	(867)
<u>Total equity</u>	<u>69,341</u>	<u>43,533</u>
	<u>106,124</u>	<u>76,908</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

	Year ended December 31,		
	2022	2021	2020
U.S. dollars in thousands (except per share data)			
Revenues from sales and construction performed	59,006	54,789	52,255
Cost of sales and construction performed	37,177	34,559	34,521
Gross profit	21,829	20,230	17,734
Research and development costs, net	3,531	3,672	3,623
Selling and marketing expenses	5,216	5,713	4,557
General and administrative expenses	3,788	3,694	3,603
Operating income before other expenses	9,294	7,151	5,951
Other expenses (income)	271	(16)	147
Operating income after other expenses	9,023	7,167	5,804
Finance income	2,501	24	150
Finance expenses	349	548	1,275
Profit before taxes on income	11,175	6,643	4,679
Tax expenses (income)	1,498	(634)	68
Net profit	9,677	7,277	4,611
Net profit per share attributable to equity holders of the Company (in U.S. dollars):			
Basic profit per share	0.493	0.391	0.249
Diluted profit per share	0.426	0.326	0.248

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2022	2021	2020
	U.S. dollars in thousands		
Net profit	<u>9,677</u>	<u>7,277</u>	<u>4,611</u>
Other comprehensive income (net of tax effect):			
Actuarial profit (loss) from defined benefit plans	70	(3)	(39)
Foreign currency translation adjustments of foreign operation	<u>(234)</u>	<u>(24)</u>	<u>82</u>
Total other comprehensive income (loss)	<u>(164)</u>	<u>(27)</u>	<u>43</u>
Total comprehensive income	<u><u>9,513</u></u>	<u><u>7,250</u></u>	<u><u>4,654</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, 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 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
Net income	-	-	-	9,677	-	-	-	-	-	9,677
Other comprehensive income (loss)	-	-	-	-	-	(234)	-	70	-	(164)
Total comprehensive Income	-	-	-	9,677	-	(234)	-	70	-	9,513
Exercise of warrants into shares by controlling shareholder	1,681	15,335	(1,761)	-	-	-	-	-	-	15,255
Forfeiture of options	23	229	-	-	(75)	-	-	-	-	177
Cost of share based-payment	-	-	-	-	863	-	-	-	-	863
Balance at December 31, 2022	8,196	36,603	-	23,373	1,907	(592)	-	721	(867)	69,341

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2022	2021	2020
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net income	9,677	7,277	4,611
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	3,227	2,591	2,571
Capital (Gain) loss from sale of fixed assets	57	1	(8)
Cost of share-based payment	863	453	75
Tax expense	1,498	(634)	68
Interest expenses, net	90	371	414
Change in employee benefit assets, net	(173)	16	30
Adjustment to current accounts with foreign operation	(323)	42	163
	<u>5,239</u>	<u>2,840</u>	<u>3,313</u>
Changes in asset and liability items:			
Decrease (increase) in trade receivables	206	822	657
Decrease (increase) in amounts due for construction contracts	(9,566)	(1,930)	(1,564)
Decrease (increase) in other accounts receivable	(125)	(458)	(40)
Decrease in inventories	(3,239)	(239)	1,620
Increase (decrease) in trade payables	2,748	1,001	525
Increase in other accounts payable	(4,406)	1,239	2,392
	<u>(14,382)</u>	<u>435</u>	<u>3,590</u>
Cash paid and received during the year for:			
Interest paid	(349)	(396)	(313)
Interest received	259	24	150
Taxes paid	(307)	(172)	(117)
	<u>(397)</u>	<u>(544)</u>	<u>(280)</u>
Net cash provided by operating activities	<u>137</u>	<u>10,008</u>	<u>11,234</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2022	2021	2020
U.S. dollars in thousands			
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(3,757)	(931)	(765)
Capitalization of research and development costs	(4,434)	(1,146)	(421)
Net cash used to activity acquisition	(1,352)	-	-
Deposit in banking corporations	(12,787)	-	5,148
Proceeds from sale of fixed assets	-	-	8
Net cash provided by (used in) investing activities	<u>(22,330)</u>	<u>(2,077)</u>	<u>3,970</u>
<u>Cash flows from financing activities:</u>			
Receipt of Government grants	-	-	4
Payments for Government grants	(5)	-	(39)
Payments of convertible bonds	-	-	(2,462)
Payments of lease liability	(1,696)	(1,690)	(1,313)
Exercise of warrants into shares by controlling shareholder	15,255	-	-
Exercise of warrants into shares	177	129	44
Net cash provided by (used in) financing activities	<u>13,731</u>	<u>(1,561)</u>	<u>(3,766)</u>
Translation differences on balances of cash and cash equivalents	<u>323</u>	<u>(40)</u>	<u>(146)</u>
Increase (Decrease) in cash and cash equivalents	(8,139)	6,330	11,292
Cash and cash equivalents at the beginning of the year	<u>29,885</u>	<u>23,555</u>	<u>12,263</u>
Cash and cash equivalents at the end of the year	<u><u>21,746</u></u>	<u><u>29,885</u></u>	<u><u>23,555</u></u>
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	<u>890</u>	<u>222</u>	<u>176</u>
Recognition of the right of use against a lease liability	<u>2,634</u>	<u>7,088</u>	<u>661</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:

	Year ended December 31,		
	2022	2021	2020
	U.S. dollars in thousands		
Israel	15,924	10,085	17,838
Europe	9,738	10,127	7,573
America	26,533	23,959	21,208
East Asia	6,811	10,618	5,636
	<u>59,006</u>	<u>54,789</u>	<u>52,255</u>

c. Major customers:

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

	Year ended December 31,		
	2022	2021	2020
	%		
Customer A	16	8	8
Customer B	10	10	14
Customer C	7	16	7.5
