

ORBIT TECHNOLOGIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2023

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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CONSOLIDATED BALANCE SHEETS

	<u>June 30,</u>		<u>December 31,</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
	<u>Unaudited</u>		<u>Audited</u>
<u>U.S. dollars in thousands</u>			
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	18,342	24,118	21,746
Short term deposit	13,114	-	12,815
Accounts receivable	13,467	8,866	11,615
Amounts due for construction contracts	18,175	10,906	16,620
Other accounts receivable	1,347	2,125	2,731
Inventories	11,028	7,650	9,528
	<u>75,473</u>	<u>53,665</u>	<u>75,055</u>
NON-CURRENT ASSETS:			
Other assets	10	10	10
Fixed assets	19,096	14,484	18,248
Intangible assets	13,482	10,080 (*)	11,809
Goodwill	785	785 (*)	785
Deferred taxes	222	323	217
	<u>33,595</u>	<u>25,682 (*)</u>	<u>31,069</u>
	<u><u>109,068</u></u>	<u><u>79,347 (*)</u></u>	<u><u>106,124</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>2023</u>	<u>2022</u>	<u>2022</u>
	<u>Unaudited</u>		<u>Audited</u>
<u>U.S. dollars in thousands</u>			
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	8,060	8,095	11,032
Income taxes payable	555	168	258
Other accounts payable	14,553	12,657	13,309
	<u>23,168</u>	<u>20,920</u>	<u>24,599</u>
NON-CURRENT LIABILITIES:			
Liability for Government grants	540	547	518
Employee benefit liability	207	346	212
Lease payments liability	9,192	8,051	9,925
Warranty liability	1,069	640	713
Contingent liability related to acquisition	237	760	467
Deferred taxes	638	(*) 434	349
	<u>11,883</u>	<u>(*) 10,778</u>	<u>12,184</u>
EQUITY:			
Share capital	8,201	6,501	8,196
Paid-in capital	36,706	21,089	36,603
Warrants	-	1,761	-
Retained earnings	27,577	17,577	23,373
Reserve for share-based payment	2,170	1,526	1,907
Foreign currency translation adjustments	(491)	(589)	(592)
Reserve for defined benefit plans	721	651	721
Treasury shares	(867)	(867)	(867)
Total equity	<u>74,017</u>	<u>47,649</u>	<u>69,341</u>
	<u>109,068</u>	<u>(*) 79,347</u>	<u>106,124</u>

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

<u>August 30, 2023</u>			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	D. Eshchar CEO	R. Wirth CFO

CONSOLIDATED STATEMENTS OF INCOME

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	U.S. dollars in thousands (except per share data)				
Revenues from sales and contracts performed	28,982	26,553	15,504	14,052	59,006
Cost of sales and contracts performed	18,606	17,090	9,757	9,314	37,177
Gross profit	10,376	9,463	5,747	4,738	21,829
Research and development costs, net	1,037	1,598	522	980	3,531
Selling and marketing expenses	3,239	2,523	1,874	1,179	5,216
General and administrative expenses	1,724	1,977	727	918	3,788
Operating income before other expenses	4,376	3,365	2,624	1,661	9,294
Other expenses	-	231	-	-	271
Operating income after other expenses	4,376	3,134	2,624	1,661	9,023
Finance income	954	1,769	486	1,469	2,501
Finance expenses	409	158	207	81	349
Income before taxes on income	4,921	4,745	2,903	3,049	11,175
tax expense	717	864	420	575	1,498
Net profit	4,204	3,881	2,483	2,474	9,677
Net profit per share attributable to equity holders of the Company (in U.S. dollars):					
Basic profit per share	0.170	0.208	0.101	0.133	0.493
Diluted profit per share	0.168	0.174	0.099	0.112	0.426

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	U.S. dollars in thousands				
Net profit	<u>4,204</u>	<u>3,881</u>	<u>2,483</u>	<u>2,474</u>	<u>9,677</u>
Other comprehensive income (net of tax effect):					
Actuarial loss from defined benefit plans	-	-	-	-	70
Foreign currency translation adjustments of foreign operation	<u>101</u>	<u>(231)</u>	<u>46</u>	<u>(169)</u>	<u>(234)</u>
Total other comprehensive profit (loss)	<u>101</u>	<u>(231)</u>	<u>46</u>	<u>(169)</u>	<u>(164)</u>
Total comprehensive income	<u><u>4,305</u></u>	<u><u>3,650</u></u>	<u><u>2,529</u></u>	<u><u>2,305</u></u>	<u><u>9,513</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
	U.S. dollars in thousands								
	Unaudited								
Balance at January 1, 2023 (audited)	8,196	36,603	-	23,373	1,907	(592)	- 721	(867)	69,341
Net Income	-	-	-	4,204	-	-	-	-	4,204
Other comprehensive Income	-	-	-	-	-	101	-	-	101
Total comprehensive income	-	-	-	4,204	-	101	-	-	4,305
Exercise of warrants into shares	5	103	-	-	(34)	-	-	-	74
Cost of share based-payment	-	-	-	-	297	-	-	-	297
Balance at June 30, 2023	8,201	36,706	-	27,577	2,170	(491)	721	(867)	74,017

	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
	U.S. dollars in thousands								
	Unaudited								
Balance at January 1, 2022 (audited)	6,493	21,039	1,761	13,696	1,118	(358)	651	(867)	43,533
Net Income	-	-	-	3,881	-	-	-	-	3,881
Other comprehensive loss	-	-	-	-	-	(231)	-	-	(231)
Total comprehensive income (loss)	-	-	-	3,881	-	(231)	-	-	3,651
Exercise of warrants into shares	8	50	-	-	(50)	-	-	-	8
Cost of share based-payment	-	-	-	-	458	-	-	-	458
Balance at June 30, 2022	6,501	21,089	1,761	17,577	1,526	(589)	651	(867)	47,649

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
U.S. dollars in thousands									
Unaudited									
Balance at April 1, 2023	8,198	36,618	-	25,094	2,073	(537)	721	(867)	69,341
Net Income	-	-	-	2,483	-	-	-	-	2,483
Other comprehensive Income	-	-	-	-	-	46	-	-	46
Total comprehensive income (loss)	-	-	-	2,483	-	46	-	-	2,529
Exercise of warrants into shares	3	88	-	-	(26)	-	-	-	65
Cost of share based-payment	-	-	-	-	123	-	-	-	123
Balance at June 30, 2023	<u>6,501</u>	<u>21,089</u>	<u>1,761</u>	<u>17,577</u>	<u>1,526</u>	<u>(589)</u>	<u>651</u>	<u>(867)</u>	<u>74,017</u>
	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
U.S. dollars in thousands									
Unaudited									
Balance at April 1, 2022	6,497	21,071	1,761	15,103	1,321	(420)	651	(867)	45,117
Net Income	-	-	-	2,474	-	-	-	-	2,474
Other comprehensive loss	-	-	-	-	-	(169)	-	-	(169)
Total comprehensive income (loss)	-	-	-	2,474	-	(169)	-	-	2,305
Exercise of warrants into shares	4	18	-	-	(18)	-	-	-	4
Cost of share based-payment	-	-	-	-	223	-	-	-	223
Balance at June 30, 2022	<u>6,501</u>	<u>21,089</u>	<u>1,761</u>	<u>17,577</u>	<u>1,526</u>	<u>(589)</u>	<u>651</u>	<u>(867)</u>	<u>47,649</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
	U.S. dollars in thousands								
	Audited								
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 loss	-	-	-	-	-	(234)	-	-	(164)
Total comprehensive income (loss)	-	-	-	9,677	-	(234)	-	-	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	<u>8,196</u>	<u>36,603</u>	<u>-</u>	<u>23,373</u>	<u>1,907</u>	<u>(592)</u>	<u>-</u>	<u>721</u>	<u>69,341</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,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from operating activities:</u>					
Net income	4,204	3,881	2,483	2,474	9,677
Adjustments to reconcile loss to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	1,638	1,564	851	785	3,227
Capital Gain from sale of fixed assets	-	-	-	-	57
Cost of share-based payment	297	458	123	223	863
Tax expense	717	864	420	575	1,498
Interest expenses, net	(213)	120	(282)	52	90
Change in employee benefit liability, net	(4)	(101)	(2)	(94)	(173)
Adjustment to current accounts with foreign operation	15	(124)	(15)	(92)	(323)
	2,450	2,781	1,095	1,449	5,239
Changes in operating asset and liability items:					
Decrease (increase) in trade receivables	(1,852)	2,955	(3,335)	(211)	206
Increase in amounts due for construction contracts	(1,554)	(3,852)	842	(3,096)	(9,566)
increase in other accounts receivable	279	(687)	505	(520)	(125)
increase in inventories	(1,575)	(1,227)	(52)	(720)	(3,239)
Increase in trade payables	(2,207)	597	(848)	1,640	2,748
Increase (decrease) in other accounts payable	1,043	(4,952)	1,023	(3,216)	(4,406)
	(5,869)	(7,166)	(1,865)	(6,123)	(14,382)
Cash paid and received during the period for:					
Interest paid	(409)	(157)	(208)	(80)	(349)
Interest received	622	36	489	27	259
Taxes paid	(75)	(59)	(64)	(22)	(307)
	138	(179)	217	(75)	(397)
Net cash provided by (used in) operating activities	923	(684)	1,586	(2,275)	137

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,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from investing activities:</u>					
Purchase of fixed assets	(1,604)	(732)	(938)	(504)	(3,757)
Capitalization of research and development costs	(1,981)	(2,305)	(955)	(1,023)	(4,434)
Net cash used to activity acquisition	-	(1,352)	-	-	(1,352)
Deposit in banking corporations	62		62	-	(12,787)
Net Used in investing activities	<u>(3,523)</u>	<u>(4,389)</u>	<u>(1,831)</u>	<u>(1,527)</u>	<u>(22,330)</u>
<u>Cash flows from financing activities:</u>					
Payments for Government grants	(4)		(4)		(5)
Payments of lease liability	(859)	(826)	(425)	(353)	(1,696)
Exercise of warrants into shares by controlling shareholder	-	-	-	-	15,255
Exercise of warrants into shares	74	8	65	4	177
Net cash used in financing activities	<u>(789)</u>	<u>(818)</u>	<u>(364)</u>	<u>(349)</u>	<u>13,731</u>
Translation differences on balances of cash and cash equivalents	<u>(15)</u>	<u>124</u>	<u>15</u>	<u>92</u>	<u>323</u>
Increase (decrease) in cash and cash equivalents	<u>(3,404)</u>	<u>(5,767)</u>	<u>(594)</u>	<u>(4,059)</u>	<u>(8,139)</u>
Cash and cash equivalents at the beginning of the period	<u>21,746</u>	<u>29,885</u>	<u>18,936</u>	<u>28,177</u>	<u>29,885</u>
Cash and cash equivalents at the end of the period	<u>18,342</u>	<u>24,118</u>	<u>18,342</u>	<u>24,118</u>	<u>21,746</u>
<u>Significant non-cash transaction:</u>					
Purchase of fixed assets on suppliers credit	<u>125</u>	<u>103</u>	<u>125</u>	<u>(256)</u>	<u>890</u>
Recognition of the right of use against a lease liability	<u>162</u>	<u>394</u>	<u>61</u>	<u>208</u>	<u>2,634</u>

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

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

These financial statements have been prepared in a condensed format as of June 30, 2023 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, 2022 and for the year then ended and accompanying notes ("annual financial statements").
