

**ORBIT TECHNOLOGIES LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2023**

**U.S. DOLLARS IN THOUSANDS**

**UNAUDITED**

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**CONSOLIDATED BALANCE SHEETS**

	<u>September 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>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	20,279	20,349	21,746
Short term deposit	16,388	-	12,815
Accounts receivable	10,187	10,944	11,615
Amounts due for construction contracts	18,961	14,762	16,620
Other accounts receivable	1,827	1,659	2,731
Inventories	12,288	8,548	9,528
	<u>79,930</u>	<u>56,262</u>	<u>75,055</u>
<b>NON-CURRENT ASSETS:</b>			
Other assets	10	10	10
Fixed assets	18,836	15,278	18,248
Intangible assets	14,445	(*) 10,934	11,809
Goodwill	785	(*) 785	785
Deferred taxes	194	75	217
	<u>34,270</u>	<u>(*) 27,082</u>	<u>31,069</u>
	<u>114,200</u>	<u>(*) 83,344</u>	<u>106,124</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>2023</u>	<u>2022</u>	<u>2022</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	9,417	9,528	11,032
Income taxes payable	1,024	198	258
Other accounts payable	14,729	12,945	13,309
	<u>25,170</u>	<u>22,671</u>	<u>24,599</u>
<b>NON-CURRENT LIABILITIES:</b>			
Liability for Government grants	553	556	518
Employee benefit liability	205	330	212
Lease payments liability	8,778	7,661	9,925
Warranty liability	1,230	742	713
Contingent liability related to acquisition	237	762	467
Deferred taxes	790	(*) 368	349
	<u>11,793</u>	<u>10,419</u>	<u>12,184</u>
<b>EQUITY:</b>			
Share capital	8,201	6,515	8,196
Paid-in capital	36,733	21,252	36,603
Warrants	-	1,761	-
Retained earnings	30,731	19,973	23,373
Reserve for share-based payment	2,295	1,716	1,907
Foreign currency translation adjustments	(577)	(747)	(592)
Reserve for defined benefit plans	721	651	721
Treasury shares	(867)	(867)	(867)
Total equity	<u>77,237</u>	<u>50,254</u>	<u>69,341</u>
	<u>114,200</u>	<u>(*) 83,344</u>	<u>106,124</u>

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

November 22, 2022			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	D. Eshchar CEO	R. 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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>Unaudited</b>				<b>Audited</b>
	<b>U.S. dollars in thousands (except per share data)</b>				
Revenues from sales and contracts performed	45,408	42,570	16,426	16,017	59,006
Cost of sales and contracts performed	28,631	27,007	10,026	9,917	37,177
Gross profit	16,777	15,563	6,400	6,100	21,829
Research and development costs, net	1,481	2,533	444	935	3,531
Selling and marketing expenses	4,859	4,017	1,620	1,494	5,216
General and administrative expenses	2,721	3,018	996	1,041	3,788
Operating income before other expenses	7,716	5,995	3,340	2,630	9,294
Other expenses	-	231	-	-	271
Operating income after other expenses	7,716	5,764	3,340	2,630	9,023
Finance income	1,659	2,185	705	416	2,501
Finance expenses	587	256	178	98	349
Income before taxes on income	8,788	7,693	3,867	2,948	11,175
tax expense	1,429	1,416	713	552	1,498
Net profit	7,358	6,277	3,154	2,396	9,677
Net profit per share attributable to equity holders of the Company (in U.S. dollars):					
Basic profit per share	0.298	0.337	0.128	0.129	0.493
Diluted profit per share	0.294	0.282	0.126	0.107	0.426

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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>Unaudited</b>				<b>Audited</b>
	<b>U.S. dollars in thousands</b>				
Net profit	<u>7,358</u>	<u>6,277</u>	<u>3,154</u>	<u>2,396</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>15</u>	<u>(389)</u>	<u>(86)</u>	<u>(158)</u>	<u>(234)</u>
Total other comprehensive profit (loss)	<u>15</u>	<u>(389)</u>	<u>(86)</u>	<u>(158)</u>	<u>(164)</u>
Total comprehensive income	<u><u>7,373</u></u>	<u><u>5,888</u></u>	<u><u>3,038</u></u>	<u><u>2,238</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	-	-	-	7,358	-	-	-	-	-	7,358
Other comprehensive Income	-	-	-	-	-	15	-	-	-	15
Total comprehensive income	-	-	-	7,358	-	15	-	-	-	7,373
Exercise of warrants into shares	-	-	-	-	(61)	-	-	-	-	74
Cost of share based-payment	-	-	-	-	499	-	-	-	-	499
Balance at September 30, 2023	8,201	36,733	-	30,731	2,295	(577)	721	(867)	77,237	

**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
	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	-	-	-	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	6,515	21,252	1,761	19,973	1,716	(747)	651	(867)	50,254

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 July 1, 2023	8,201	36,706	-	27,577	2,170	(491)	721	(867)	74,017
Net Income	-	-	-	3,154	-	-	-	-	3,154
Other comprehensive Income	-	-	-	-	-	(86)	-	-	(86)
Total comprehensive income (loss)	-	-	-	3,154	-	(86)	-	-	3,068
Exercise of warrants into shares	-	27	-	-	(27)	-	-	-	-
Cost of share based-payment	-	-	-	-	152	-	-	-	152
Balance at September 30, 2023	<u>8,201</u>	<u>36,733</u>	<u>-</u>	<u>30,731</u>	<u>2,295</u>	<u>(577)</u>	<u>651,721</u>	<u>(867)</u>	<u>77,237</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
U.S. dollars in thousands									
Unaudited									
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>

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	8,196	36,603	-	23,373	1,907	(592)	- 721	(867)	69,341

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



**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2023	2022	2023	2022	2022
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from operating activities:</u>					
Net income	7,358	6,277	3,154	2,396	9,677
Adjustments to reconcile loss to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	2,578	2,494	940	930	3,227
Capital Gain from sale of fixed assets	-	-	-	-	57
Cost of share-based payment	449	670	152	212	863
Tax expense	1,429	1,416	712	552	1,498
Interest expenses, net	(417)	135	(204)	15	90
Change in employee benefit liability, net	(7)	(117)	(3)	(16)	(173)
Adjustment to current accounts with foreign operation	6	(116)	(9)	8	(323)
Changes in operating asset and liability items:	4,038	4,482	1,588	1,701	5,239
Decrease (increase) in trade receivables	1,428	877	3,280	(2,078)	206
Increase in amounts due for construction contracts	(2,341)	(7,708)	(787)	(3,856)	(9,566)
Decrease (increase) in other accounts receivable	903	(515)	624	172	(125)
increase in inventories	(2,891)	(2,143)	(1,316)	(916)	(3,239)
Increase (decrease) in trade payables	(952)	933	1,255	336	2,748
Increase (decrease) in other accounts payable	925	(4,780)	(115)	172	(4,406)
	(2,928)	(13,336)	2,941	(6,170)	(14,382)
Cash paid and received during the period for:					
Interest paid	(588)	(248)	(179)	(90)	(349)
Interest received	1,005	113	383	77	259
Taxes paid	(115)	(84)	(40)	(26)	(307)
	302	(219)	164	(39)	(397)
Net cash provided by (used in) operating activities	8,770	(2,796)	7,847	(2,112)	137

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Nine months ended</u>		<u>Three months ended</u>		<u>Year ended</u>
	<u>September 30,</u>		<u>September 30,</u>		<u>December 31,</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2022</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	(2,977)	(981)	(1,373)	(249)	(3,757)
Capitalization of research and development costs	(3,110)	(3,421)	(1,129)	(1,116)	(4,434)
Net cash used to activity acquisition	-	(1,352)	-	-	(1,352)
Deposit in banking corporations	(2,938)	-	(3,000)	-	(12,787)
Net Used in investing activities	(9,025)	(5,754)	(5,502)	(1,365)	(22,330)
<u>Cash flows from financing activities:</u>					
Payments for Government grants	(4)	(4)	-	(4)	(5)
Payments of lease liability	(1,277)	(1,261)	(419)	(435)	(1,696)
Exercise of warrants into shares by controlling shareholder	-	-	-	-	15,255
Exercise of warrants into shares	74	163	-	155	177
Net cash provided by (used in) financing activities	(1,207)	(1,102)	(419)	(284)	13,731
Translation differences on balances of cash and cash equivalents	(6)	116	9	(8)	323
Increase (decrease) in cash and cash equivalents	(1,467)	(9,536)	1,937	(3,769)	(8,139)
Cash and cash equivalents at the beginning of the period	21,746	29,885	18,342	24,118	29,885
Cash and cash equivalents at the end of the period	20,279	20,349	20,279	20,349	21,746
<u>Significant non-cash transaction:</u>					
Purchase of fixed assets on suppliers credit	227	1,200	102	1,097	890
Recognition of the right of use against a lease liability	249	490	87	96	2,634

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, 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").

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