

ORBIT TECHNOLOGIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2016

UNAUDITED

U.S. DOLLARS IN THOUSANDS

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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 March 31, 2016 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period 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 May 14, 2016, 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
26 May, 2016

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

CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u>		<u>December 31,</u>
	<u>2016</u>	<u>2015</u>	<u>2015</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3,448	3,873	3,435
Sort-term deposits	18	18	18
Accounts receivables	11,196	9,437	11,129
Income taxes receivable	255	-	261
Other accounts receivable	1,859	1,409	769
Inventories	9,993	10,444	10,405
Amounts due for construction contracts	7,774	8,355	7,196
	<u>34,543</u>	<u>33,536</u>	<u>33,213</u>
NON-CURRENT ASSETS:			
Long-term prepaid receivables	13	39	39
Fixed assets	3,291	3,067	3,280
Intangible assets	7,488	8,150	7,649
Deferred taxes	770	798	768
	<u>11,562</u>	<u>12,054</u>	<u>11,736</u>
	<u><u>46,105</u></u>	<u><u>45,590</u></u>	<u><u>44,949</u></u>

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

CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u>		<u>December 31,</u>
	<u>2016</u>	<u>2015</u>	<u>2015</u>
	<u>Unaudited</u>		<u>Audited</u>
<u>U.S. dollars in thousands</u>			
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	-	353	18
Current maturities of Convertible Bonds	2,387	-	2,378
Trade payables	5,795	6,008	5,691
Income taxes payable	38	190	30
Other accounts payable	7,730	8,199	7,102
	<u>15,950</u>	<u>14,750</u>	<u>15,219</u>
NON-CURRENT LIABILITIES:			
Loans from banks	-	20	9
Employee benefit liability	266	353	250
Liability for Government grants	846	897	827
Convertible Bonds	9,548	11,760	9,512
Financials liabilities	40	-	-
Deferred taxes	55	-	60
Excess of losses over investment in jointly controlled entity	95	93	95
	<u>10,850</u>	<u>13,123</u>	<u>10,753</u>
EQUITY:			
Share capital	3,872	3,858	3,866
Paid-in capital	6,618	6,496	6,582
Retained earnings	8,191	7,269	8,120
Reserve for share-based payment	50	50	50
Proceeds from conversion option issuance of convertible Bonds (net of issue expenses)	935	845	895
Foreign currency translation adjustments	128	(248)	(105)
Reserve form hedges	(221)	(154)	(163)
Reserve for defined benefit plans	599	468	599
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>19,305</u>	<u>17,717</u>	<u>18,977</u>
	<u>46,105</u>	<u>45,590</u>	<u>44,949</u>

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

26 May, 2016			
Date of approval of the financial statements	Z. Stein Chairman of the Board	E. Shabirow CEO	A. Rozenstein CFO

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2016	2015	2015
	Unaudited		Audited
	U.S. dollars in thousands		
	(except per share data)		
Revenues from sales and contracts performed	10,034	12,201	45,114
Cost of sales and contracts performed	6,751	7,774	28,908
Gross profit	3,283	4,427	16,206
Research and development costs	1,523	1,580	6,004
Selling and marketing expenses	1,305	1,098	4,409
General and administrative expenses	864	882	3,579
Other income, net	650	-	6
Operating income	241	867	2,220
Finance income	138	-	-
Finance expenses	302	446	1,290
Group's share of earnings (losses) of jointly controlled entity	-	-	(2)
Profit before taxes on income	77	421	928
Income tax expense (tax benefit)	6	12	(332)
Net income	71	409	1,260
Net profit per share attributable to equity holders of the Company (in U.S. dollars):			
Basic Profit per share	0.008	0.043	0.136
Diluted Profit per share	0.008	0.043	0.134

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2016	2015	2015
	Unaudited		Audited
	U.S. dollars in thousands		
Profit	71	409	1,260
Other comprehensive income (net of tax effect):			
	-		
Amounts transferred to the income statement for cash			
flow hedges	203	343	303
Profit (loss) from cash flow hedges	30	(281)	(98)
Actuarial profit (loss) from defined benefit plans	-	-	131
Foreign currency translation adjustments of foreign operation	(58)	(60)	(69)
Total other comprehensive income	175	2	267
Total comprehensive income	246	411	1,527

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	Share premium	Retained earnings	Capital reserve for share-based payment	Foreign currency translation adjustments	conversion option Receipts	Reserve for hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands									
Balance at January 1, 2016	3,866	6,582	8,120	895	(163)	50	(105)	599	(867)	18,977
Net income	-	-	71	-	-	-	-	-	-	71
Other comprehensive income (loss)	-	-	-	-	(58)	-	233	-	-	175
Total comprehensive income	-	-	71	-	(58)	-	233	-	-	246
Exercise of warrants into shares	6	31	-	-	-	-	-	-	-	37
Forfeiture of Options	-	5	-	(5)	-	-	-	-	-	-
Cost of share based-payment	-	-	-	45	-	-	-	-	-	45
Balance at March 31, 2016 (unaudited)	<u>3,872</u>	<u>6,618</u>	<u>8,191</u>	<u>935</u>	<u>(221)</u>	<u>50</u>	<u>128</u>	<u>599</u>	<u>(867)</u>	<u>19,305</u>
	Equity attributable to equity holders of the Company									
	Share capital	Share premium	Retained earnings	Capital reserve for share-based payment	Foreign currency translation adjustments	conversion option Receipts	Reserve for hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands									
	U.S. dollars in thousands									
Balance at January 1, 2015	3,838	6,346	6,860	839	(94)	50	(310)	468	(867)	17,130
Net income	-	-	409	-	-	-	-	-	-	409
Other comprehensive income (loss)	-	-	-	-	(60)	-	62	-	-	2
Total comprehensive income	-	-	409	-	(60)	-	62	-	-	411
Exercise of warrants into shares	20	150	-	(25)	-	-	-	-	-	145
Cost of share based-payment	-	-	-	31	-	-	-	-	-	31
Balance at March 31, 2015 (unaudited)	<u>3,858</u>	<u>6,496</u>	<u>7,269</u>	<u>845</u>	<u>(154)</u>	<u>50</u>	<u>(248)</u>	<u>468</u>	<u>(867)</u>	<u>17,717</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	Share premium	Retained earnings	Capital reserve for share-based payment	Foreign currency translation adjustments	conversion option Receipts	Reserve for hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands									
Balance at January 1, 2015	3,838	6,346	6,860	839	(94)	50	(310)	468	(867)	17,130
Net income	-	-	1,260	-	-	-	-	-	-	1,260
Other comprehensive income (loss)	-	-	-	-	(69)	-	205	131	-	267
Total comprehensive income	-	-	1,260	-	(69)	-	205	131	-	1,527
Exercise of warrants into shares	28	231	-	(68)	-	-	-	-	-	191
Forfeiture of Options	-	5	-	(5)	-	-	-	-	-	-
Cost of share based-payment	-	-	-	129	-	-	-	-	-	129
Balance at December 31, 2015	3,866	6,582	8,120	895	(163)	50	(105)	599	(867)	18,977

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2016	2015	2015
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net income	71	409	1,260
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	326	332	1,374
Capital Gain from sale of fixed assets	-	-	(3)
Share of losses of jointly controlled entity	-	-	2
Cost of share-based payment	45	31	129
Tax benefit	6	12	(332)
Interest expenses, net	67	377	1,092
Change in employee benefit Liability, net	16	13	40
Adjustment to current accounts with foreign operation	(56)	47	(26)
	<u>404</u>	<u>812</u>	<u>2,276</u>
Changes in operating asset and liability items:			
Decrease in trade receivables	(68)	184	(1,503)
increase in amounts due for construction contracts	(578)	(2,551)	(1,393)
increase in other accounts receivable	(1,064)	(434)	221
Decrease in inventories	412	607	646
Increase in trade payables	92	1,736	1,322
Increase (decrease) in other accounts payable	822	(61)	(742)
	<u>(384)</u>	<u>(519)</u>	<u>(1,449)</u>
Cash paid and received during the period for:			
Interest paid	(36)	(6)	(889)
Taxes paid	(3)	(71)	(59)
	<u>(39)</u>	<u>(77)</u>	<u>(948)</u>
Net cash provided by operating activities	<u>52</u>	<u>625</u>	<u>1,139</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2016	2015	2015
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(103)	(159)	(806)
Net cash used in investing activities	(103)	(159)	(806)
<u>Cash flows from financing activities:</u>			
Payments for Government grants	-	-	(82)
Payments of loans from banks	(27)	(68)	(414)
Exercise of warrants into shares	37	145	191
Net cash provided by (used in) financing activities	10	77	(305)
Translation differences on balances of cash and cash equivalents	54	(55)	22
Increase in cash and cash equivalents	13	488	50
Cash and cash equivalents at the beginning of the period	3,435	3,385	3,385
Cash and cash equivalents at the end of the period	3,448	3,873	3,435
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	147	56	92
Purchase of fixed assets on finance Lease	63	-	-

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 March 31, 2016 and for the 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, 2015 and for the year then ended and accompanying notes ("annual financial statements").

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