

ORBIT TECHNOLOGIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2018

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, 2018 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, 2018, 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
May 31 , 2018

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

CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u>		<u>December 31,</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	16,484	5,248	13,345
Sort-term deposits	18	18	18
Accounts receivables	6,779	8,059	10,752
Other accounts receivable	1,048	757	826
Inventories	7,781	9,317	7,847
Amounts due for construction contracts	<u>6,246</u>	<u>4,247</u>	<u>4,771</u>
	<u>38,356</u>	<u>27,646</u>	<u>37,559</u>
NON-CURRENT ASSETS:			
Long-term prepaid receivables	12	15	12
Fixed assets	5,830	3,409	3,527
Intangible assets	5,246	6,842	5,222
Deferred taxes	<u>576</u>	<u>637</u>	<u>570</u>
	<u>11,664</u>	<u>10,903</u>	<u>9,331</u>
	<u><u>50,020</u></u>	<u><u>38,549</u></u>	<u><u>46,890</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>2018</u>	<u>2017</u>	<u>2017</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	-	1,000	500
Current maturities of Convertible Bonds	2,423	2,405	2,414
Trade payables	6,670	4,048	6,580
Income taxes payable	5	37	-
Other accounts payable	12,082	8,276	9,046
	<u>21,180</u>	<u>15,766</u>	<u>18,540</u>
NON-CURRENT LIABILITIES:			
Employee benefit liability	600	336	596
Liability for Government grants	560	529	585
Convertible Bonds	4,846	7,214	4,827
Lease payments liability	1,069	-	-
Financials liabilities	-	19	4
Deferred taxes	24	39	24
Excess of losses over investment in jointly controlled entity	-	95	-
	<u>7,099</u>	<u>8,232</u>	<u>6,036</u>
EQUITY:			
Share capital	5,743	4,226	5,734
Paid-in capital	15,798	9,003	15,746
Warrants	1,904	-	1,904
Retained earnings	(1,887)	1,363	(1,169)
Reserve for share-based payment	870	704	876
Proceeds from conversion option issuance of convertible Bonds	30	40	30
Foreign currency translation adjustments	(248)	(497)	(338)
Reserve for defined benefit plans	398	579	398
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>21,741</u>	<u>14,551</u>	<u>22,314</u>
	<u>50,020</u>	<u>38,549</u>	<u>46,890</u>

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

<u>May 31, 2018</u>			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	E. Livneh CEO	M. Dudek CFO

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2018	2017	2017
	Unaudited		Audited
	U.S. dollars in thousands		
	(except per share data)		
Revenues from sales and contracts performed	10,106	7,223	39,047
Cost of sales and contracts performed	<u>7,469</u>	<u>5,235</u>	<u>27,509</u>
Gross profit	2,637	1,988	11,538
Research and development costs	1,101	1,353	4,867
Selling and marketing expenses	1,149	1,240	4,505
General and administrative expenses	<u>894</u>	<u>817</u>	<u>3,457</u>
Operating loss before other expenses	(507)	(1,422)	(1,291)
Other expenses	<u>-</u>	<u>36</u>	<u>1,590</u>
Operating loss after other expenses	(507)	(1,458)	(2,881)
Finance income	27	-	-
Finance expenses	<u>231</u>	<u>383</u>	<u>1,303</u>
Loss before taxes on income	(711)	(1,841)	(4,184)
Income tax expense	<u>7</u>	<u>3</u>	<u>192</u>
Loss	<u>(718)</u>	<u>(1,844)</u>	<u>(4,376)</u>
Net loss per share attributable to equity holders of the Company (in U.S. dollars):			
Basic and diluted loss per share	<u>(0.04)</u>	<u>(0.19)</u>	<u>(0.401)</u>

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,
	2018	2017	2017
	Unaudited		Audited
	U.S. dollars in thousands		
Net loss	<u>(718)</u>	<u>(1,844)</u>	<u>(4,376)</u>
Other comprehensive income(loss) (net of tax effect):			
Amounts transferred to the income statement for cash			
flow hedges	-	(81)	(118)
Profit from cash flow hedges	-	73	110
Actuarial loss from defined benefit plans	-	-	(181)
Foreign currency translation adjustments of foreign operation	<u>90</u>	<u>26</u>	<u>185</u>
Total other comprehensive income (loss)	<u>90</u>	<u>18</u>	<u>(4)</u>
Total comprehensive loss	<u><u>(628)</u></u>	<u><u>(1,826)</u></u>	<u><u>(4,380)</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	Reserve for hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands										
Balance at January 1, 2018	5,734	15,746	1,904	(1,169)	876	(338)	30	-	398	(867)	22,314
Net loss	-	-	-	(718)	-	-	-	-	-	-	(718)
Other comprehensive income (loss)	-	-	-	-	-	90	-	-	-	-	90
Total comprehensive loss (loss)	-	-	-	(718)	-	90	-	-	-	-	(628)
Exercise of warrants into shares	9	52	-	-	(10)	-	-	-	-	-	51
Cost of share based-payment	-	-	-	-	4	-	-	-	-	-	4
Balance at March 31, 2018 (unaudited)	<u>5,743</u>	<u>15,798</u>	<u>1,904</u>	<u>(1,887)</u>	<u>870</u>	<u>(248)</u>	<u>30</u>	<u>-</u>	<u>398</u>	<u>(867)</u>	<u>21,741</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										
Balance at January 1, 2017 (audited)	3,896	7,100	3,207	665	(523)	40	8	579	(867)	14,105	
Net income (loss)	-	-	(1,844)	-	-	-	-	-	-	(1,844)	
Other comprehensive income (loss)	-	-	-	-	26	-	(8)	-	-	18	
Total comprehensive income (loss)	-	-	(1,844)	-	26	-	(8)	-	-	(1,826)	
Exercise of warrants into shares	-	2	-	(2)	-	-	-	-	-	-	
Issuance of share capital (net of issuance expenses)	330	1,901	-	-	-	-	-	-	-	2,231	
Cost of share based-payment	-	-	-	41	-	-	-	-	-	41	
Balance at March 31, 2017 (unaudited)	<u>4,226</u>	<u>9,003</u>	<u>1,363</u>	<u>704</u>	<u>(497)</u>	<u>40</u>	<u>-</u>	<u>579</u>	<u>(867)</u>	<u>14,551</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 hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands										
Balance at January 1, 2017	3,896	7,100	-	3,207	665	(523)	40	8	579	(867)	14,105
Net loss	-	-	-	(4,376)	-	-	-	-	-	-	(4,376)
Other comprehensive income (loss)	-	-	-	-	-	185	-	(8)	(181)	-	(4)
Total comprehensive loss (loss)	-	-	-	(4,376)	-	185	-	(8)	(181)	-	(4,380)
Issuance of Shares (net of issuance expenses)	1,833	8,565	1,904	-	-	-	-	-	-	-	12,302
Exercise of warrants into shares	5	30	-	-	(8)	-	-	-	-	-	27
Forfeiture of Options	-	51	-	-	(41)	-	(10)	-	-	-	-
Cost of share based-payment	-	-	-	-	260	-	-	-	-	-	260
Balance at December 31, 2017	<u>5,734</u>	<u>15,746</u>	<u>1,904</u>	<u>(1,169)</u>	<u>876</u>	<u>(338)</u>	<u>30</u>	<u>-</u>	<u>398</u>	<u>(867)</u>	<u>22,314</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,
	2018	2017	2017
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net income (loss)	(718)	(1,844)	(4,376)
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	623	322	2,429
Capital Gain from sale of fixed assets	-	-	(22)
Cost of share-based payment	4	41	260
Tax expense (benefit)	7	3	192
Interest expenses, net	38	62	797
Change in employee benefit Liability, net	4	24	70
Adjustment to current accounts with foreign operation	(37)	4	(53)
	<u>639</u>	<u>456</u>	<u>3,673</u>
Changes in operating asset and liability items:			
Decrease (increase) in trade receivables	3,973	(1,934)	(4,723)
Decrease (increase) in amounts due for construction contracts	(1,475)	1,359	835
Increase in other accounts receivable	(222)	(267)	(203)
Decrease in inventories	66	290	1,759
Increase in trade payables	305	1,044	3,458
Increase in other accounts payable	1,862	1,095	2,125
	<u>4,509</u>	<u>1,587</u>	<u>3,251</u>
Cash paid and received during the period for:			
Interest paid	(38)	(22)	(901)
Taxes paid	(4)	(1)	(110)
	<u>(42)</u>	<u>(23)</u>	<u>(1,011)</u>
Net cash provided by operating activities	<u>4,388</u>	<u>176</u>	<u>1,537</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,
	2018	2017	2017
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(364)	(56)	(542)
Capitalization of research and development costs	(140)	-	-
Proceeds from sale of fixed assets	-	-	25
Net cash used in investing activities	<u>(504)</u>	<u>(56)</u>	<u>(517)</u>
<u>Cash flows from financing activities:</u>			
Short-term bank credit, net	(500)	(1,016)	(1,516)
Payments for Government grants	(10)	-	(17)
Issuance of share capital (net of issuance expenses)	-	2,231	12,302
Payments of convertible bonds	-	-	(2,462)
Payments of lease liability	(336)	-	-
Exercise of warrants into shares	51	-	27
Net cash provided by (used in) financing activities	<u>(795)</u>	<u>1,215</u>	<u>8,334</u>
Translation differences on balances of cash and cash equivalents	<u>50</u>	<u>(4)</u>	<u>74</u>
Increase in cash and cash equivalents	3,139	1,331	9,428
Cash and cash equivalents at the beginning of the period	<u>13,345</u>	<u>3,917</u>	<u>3,917</u>
Cash and cash equivalents at the end of the period	<u><u>16,484</u></u>	<u><u>5,248</u></u>	<u><u>13,345</u></u>
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	<u>39</u>	<u>49</u>	<u>168</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 March 31, 2018 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, 2017 and for the year then ended and accompanying notes ("annual financial statements").
