

**ORBIT TECHNOLOGIES LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2019**

**UNAUDITED**

**U.S. DOLLARS IN THOUSANDS**

**INDEX**

	<b>Page</b>
<b>Auditors' Letter</b>	<b>2</b>
<b>Consolidated Balance Sheets</b>	<b>3 - 4</b>
<b>Consolidated Statements of Income</b>	<b>5</b>
<b>Consolidated Statements of Comprehensive Income</b>	<b>6</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>7 - 8</b>
<b>Consolidated Statements of Cash Flows</b>	<b>9 - 10</b>
<b>Note to Consolidated financial Statements</b>	<b>11</b>

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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, 2019 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 20, 2019, 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 20, 2019

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

**CONSOLIDATED BALANCE SHEETS**


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	<u>March 31,</u>		<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2018</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	14,241	16,484	12,013
Sort-term deposits	18	18	18
Accounts receivables	7,433	6,779	10,581
Other accounts receivable	854	1,048	580
Inventories	8,067	7,781	7,493
Amounts due for construction contracts	4,689	6,246	4,415
	<u>35,302</u>	<u>38,356</u>	<u>35,100</u>
<b>NON-CURRENT ASSETS:</b>			
Long-term prepaid and a restricted cash in respect of right to use asset	192	12	192
Fixed assets	4,703	5,830	4,900
Intangible assets	5,858	5,246	5,769
Deferred taxes	585	576	579
	<u>11,338</u>	<u>11,664</u>	<u>11,440</u>
	<u>46,640</u>	<u>50,020</u>	<u>46,540</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>2019</u>	<u>2018</u>	<u>2018</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of Convertible Bonds	2,443	2,423	2,434
Trade payables	6,326	6,670	5,565
Income taxes payable	59	5	65
Other accounts payable	10,300	12,082	11,249
	<u>19,128</u>	<u>21,180</u>	<u>19,313</u>
NON-CURRENT LIABILITIES:			
Liability for Government grants	805	560	839
Employee benefit liability	510	600	463
Convertible Bonds	2,443	4,846	2,434
Lease payments liability	9	1,069	182
Deferred taxes	25	24	27
	<u>3,792</u>	<u>7,099</u>	<u>3,945</u>
EQUITY:			
Share capital	5,758	5,743	5,758
Paid-in capital	15,890	15,798	15,890
Warrants	1,904	1,904	1,904
Retained earnings	(80)	(1,887)	(428)
Reserve for share-based payment	1,068	870	997
Proceeds from conversion option issuance of convertible Bonds	20	30	20
Foreign currency translation adjustments	(427)	(248)	(471)
Reserve for defined benefit plans	454	398	479
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>23,720</u>	<u>21,741</u>	<u>23,282</u>
	<u>46,640</u>	<u>50,020</u>	<u>46,540</u>

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

May 20, 2019			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	B. Weinberger CEO	M. Dudek CFO

**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands</b>		
	<b>(except per share data)</b>		
Revenues from sales and contracts performed	12,028	10,106	44,530
Cost of sales and contracts performed	<u>7,973</u>	<u>7,469</u>	<u>30,963</u>
Gross profit	4,055	2,637	13,567
Research and development costs, net	1,175	1,101	4,221
Selling and marketing expenses	1,270	1,149	4,341
General and administrative expenses	<u>1,003</u>	<u>894</u>	<u>3,991</u>
Operating income (loss)	<u>607</u>	<u>(507)</u>	<u>1,014</u>
Finance income	123	27	516
Finance expenses	<u>366</u>	<u>231</u>	<u>658</u>
Income (loss) before taxes on income	364	(711)	872
Income tax expense	<u>16</u>	<u>7</u>	<u>132</u>
Income (loss)	<u><u>348</u></u>	<u><u>(718)</u></u>	<u><u>741</u></u>
Net loss per share attributable to equity holders of the Company (in U.S. dollars):			
Basic profit (loss) per share	<u>0.022</u>	<u>(0.045)</u>	<u>0.046</u>
Diluted profit (loss) per share	<u><u>0.020</u></u>	<u><u>(0.040)</u></u>	<u><u>0.042</u></u>

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**


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	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands</b>		
Net income (loss)	348	(718)	741
Other comprehensive income(loss) (net of tax effect):			
Actuarial loss from defined benefit plans	(25)	-	81
Foreign currency translation adjustments of foreign operation	44	90	(133)
Total other comprehensive income (loss)	19	90	(52)
Total comprehensive income (loss)	<u>367</u>	<u>(628)</u>	<u>689</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	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, 2019	5,758	15,890	1,904	(428)	997	(471)	20	-	479	(867)	23,282
Net Income	-	-	-	348	-	-	-	-	-	-	348
Other comprehensive income (loss)	-	-	-	-	-	44	-	-	(25)	-	19
Total comprehensive loss (loss)	-	-	-	348	-	44	-	-	(25)	-	367
Cost of share based-payment	-	-	-	-	71	-	-	-	-	-	71
Balance at March 31, 2019 (unaudited)	<u>5,758</u>	<u>15,890</u>	<u>1,904</u>	<u>(80)</u>	<u>1,068</u>	<u>(427)</u>	<u>20</u>	<u>-</u>	<u>454</u>	<u>(867)</u>	<u>23,720</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 Income	-	-	-	741	-	-	-	-	-	-	741
Other comprehensive income (loss)	-	-	-	-	-	(133)	-	-	81	-	(52)
Total comprehensive loss (loss)	-	-	-	741	-	(133)	-	-	81	-	689
Exercise of options into shares	24	132	-	-	(19)	-	-	-	-	-	137
Forfeiture of options	-	12	-	-	(2)	-	(10)	-	-	-	-
Cost of share based-payment	-	-	-	-	142	-	-	-	-	-	142
Balance at December 31, 2018	<u>5,758</u>	<u>15,890</u>	<u>1,904</u>	<u>(428)</u>	<u>997</u>	<u>(471)</u>	<u>20</u>	<u>-</u>	<u>479</u>	<u>(867)</u>	<u>23,282</u>

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



**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands</b>		
<u>Cash flows from operating activities:</u>			
Net income (loss)	348	(718)	741
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	654	623	2,505
Cost of share-based payment	71	4	142
Tax expense	16	7	132
Interest expenses, net	39	38	351
Change in employee benefit Liability, net	22	4	(38)
Adjustment to current accounts with foreign operation	(5)	(37)	(27)
	<u>797</u>	<u>639</u>	<u>3,065</u>
Changes in operating asset and liability items:			
Decrease in trade receivables	3,148	3,973	171
Decrease (increase) in amounts due for construction contracts	(274)	(1,475)	357
Decrease (increase) in other accounts receivable	(274)	(222)	245
Decrease (increase) in inventories	(573)	66	354
Increase (Decrease) in trade payables	799	305	(838)
Increase (Decrease) in other accounts payable	(827)	1,862	984
	<u>1,999</u>	<u>4,509</u>	<u>1,273</u>
Cash paid and received during the period for:			
Interest paid	(31)	(38)	(475)
Interest received	48	-	131
Taxes paid	(10)	(4)	(45)
	<u>7</u>	<u>(42)</u>	<u>(389)</u>
Net cash provided by operating activities	<u>3,151</u>	<u>4,388</u>	<u>4,690</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands</b>		
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(388)	(364)	(930)
Restricted cash in respect of right to use asset	-	-	(182)
Capitalization of research and development costs	(221)	(140)	(1,026)
	<u>(609)</u>	<u>(504)</u>	<u>(2,138)</u>
<u>Cash flows from financing activities:</u>			
Short-term bank credit, net	-	(500)	(500)
Government grants received	-	-	230
Payments for Government grants	-	(10)	(14)
Payments of convertible bonds	-	-	(2,462)
Payments of lease liability	(323)	(336)	(1,313)
Exercise of warrants into shares	-	51	137
	<u>(323)</u>	<u>(795)</u>	<u>(3,922)</u>
Translation differences on balances of cash and cash equivalents	9	50	38
Increase in cash and cash equivalents	2,228	3,139	(1,332)
Cash and cash equivalents at the beginning of the period	12,013	13,345	13,345
Cash and cash equivalents at the end of the period	<u>14,241</u>	<u>16,484</u>	<u>12,013</u>
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	<u>38</u>	<u>39</u>	<u>76</u>

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 March 31, 2019 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, 2018 and for the year then ended and accompanying notes ("annual financial statements").

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