

ORBIT TECHNOLOGIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2015

UNAUDITED

U.S. DOLLARS IN THOUSANDS

INDEX

	<u>Page</u>
Auditors' Letter	2
Consolidated Balance Sheets	3 - 4
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7 - 9
Consolidated Statements of Cash Flows	10 - 11
Note to Consolidated financial Statements	12



Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 6706703, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

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 September 30, 2015 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine and three months periods 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 November 13, 2015, we stated that nothing came to our attention that caused us to believe that the abovementioned interim financial statements 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
November 19 , 2015

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

CONSOLIDATED BALANCE SHEETS

	<u>September 30,</u>		<u>December 31,</u>
	<u>2015</u>	<u>2014</u>	<u>2014</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1,066	4,832	3,385
Short-term deposits	18	618	18
Trade receivables	11,146	9,082	9,649
Other accounts receivable	1,543	1,195	989
Inventory	9,815	12,574	11,051
Amounts due for construction contracts	9,981	5,603	5,803
	<u>33,569</u>	<u>33,904</u>	<u>30,895</u>
NON-CURRENT ASSETS:			
Long-term prepaid receivables	51	39	40
Fixed assets	3,082	2,958	3,089
Intangible assets	7,815	8,009	8,319
Deferred taxes	795	731	798
	<u>11,743</u>	<u>11,737</u>	<u>12,246</u>
	<u>45,312</u>	<u>45,641</u>	<u>43,141</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>2015</u>	<u>2014</u>	<u>2014</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	185	1,279	416
Current maturities of Convertible Bonds	2,369	-	-
Trade payables	6,170	4,895	4,277
Income taxes payable	156	253	248
Other accounts payable	6,912	8,749	7,960
	<u>15,792</u>	<u>15,176</u>	<u>12,901</u>
NON-CURRENT LIABILITIES:			
Long-term loans from banks	13	198	25
Liability for Government grants	841	722	938
Employee benefit liability	235	177	340
Convertible Bonds	9,476	11,674	11,714
Excess of losses over investment in jointly controlled entity	95	80	93
	<u>10,660</u>	<u>12,851</u>	<u>13,110</u>
EQUITY:			
Share capital	3,863	3,833	3,838
Share premium	6,563	6,321	6,346
Retained earnings	7,995	7,250	6,860
Proceeds from conversion option issuance of convertible Bonds	50	50	50
Reserve for share-based payment	855	807	839
Foreign currency translation adjustments	(103)	(51)	(310)
Reserve form hedges	(122)	(364)	(94)
Reserve for defined benefit plans	626	635	468
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>18,860</u>	<u>17,614</u>	<u>17,130</u>
	<u>45,312</u>	<u>45,641</u>	<u>43,141</u>

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

November 19, 2015	Z. Stein	E. Shabirow	A. Rozenstein
Date of approval of the financial statements	Chairman of the Board	CEO	CFO

CONSOLIDATED STATEMENTS OF INCOME

	Nine months ended		Three months ended		Year ended
	September 30,		September 30,		December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	U.S. dollars in thousands (except per share data)				
Revenues from sales and contracts performed	35,869	39,969	11,435	13,311	51,343
Cost of sales and contracts performed	23,257	26,092	7,606	8,673	34,081
Gross profit	12,612	13,877	3,829	4,638	17,262
Research and development costs	4,567	3,974	1,440	1,241	5,226
Selling and marketing expenses	3,312	4,152	1,076	1,360	5,366
General and administrative expenses	2,591	2,829	885	876	3,731
Operating profit	2,142	2,922	428	1,161	2,939
Finance income	-	6	-	-	109
Finance expenses	1,036	1,003	162	570	1,528
Group's share of losses of jointly controlled entity	(2)	(6)	(2)	-	(14)
Profit before taxes on income	1,104	1,919	264	591	1,506
Income tax expense (tax benefit)	(31)	(1)	(53)	20	(24)
Net profit	1,135	1,920	317	571	1,530
Profit (loss) per share attributable to equity holders of the Company (in U.S. dollars):					
Basic and Diluted Profit (loss) per share	0.1	0.2	0.03	0.06	0.17

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine months ended		Three months ended		Year ended
	September 30,		September 30,		December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	U.S. dollars in thousands				
Profit	1,135	1,920	317	571	1,530
Other comprehensive income (loss) (net of tax effect):					
Amounts transferred to the income statement for cash flow hedges	356	-	(41)	-	396
Profit from cash flow hedges	(149)	(364)	(363)	(364)	(706)
Actuarial profit (loss) from defined benefit plans	158	-	158	-	(167)
Foreign currency translation adjustments of foreign operation	(28)	(27)	(41)	(60)	(70)
	337	(391)	(287)	(424)	(547)
Total comprehensive Profit	1,472	1,529	30	147	983

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	-	-	1,135	-	-	-	-	-	-	1,135
Other comprehensive income	-	-	-	-	(28)	-	207	158	-	337
Total comprehensive income	-	-	1,135	-	(28)	-	207	158	-	1,472
Exercise of warrants into shares	25	217	-	(66)	-	-	-	-	-	176
Cost of share based-payment	-	-	-	82	-	-	-	-	-	82
Balance at September 30, 2015 (unaudited)	<u>3,863</u>	<u>6,563</u>	<u>7,995</u>	<u>855</u>	<u>(122)</u>	<u>50</u>	<u>(103)</u>	<u>626</u>	<u>(867)</u>	<u>18,860</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	Proceeds from conversion option	Reserve from hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands									
Balance at January 1, 2014 (audited)	3,832	6,314	5,330	704	(24)	-	-	635	(867)	15,924
Net income	-	-	1,920	-	-	-	-	-	-	1,920
Other comprehensive Loss	-	-	-	-	(27)	-	(364)	-	-	(391)
Total comprehensive income (loss)	-	-	1,920	-	(27)	-	(364)	-	-	1,529
Exercise of warrants into shares	1	7	-	-	-	-	-	-	-	8
Proceeds from conversion option of convertible debentures (net of issuance expenses)	-	-	-	-	-	50	-	-	-	50
Cost of share based-payment	-	-	-	103	-	-	-	-	-	103
Balance at September 30, 2014 (unaudited)	<u>3,833</u>	<u>6,321</u>	<u>7,250</u>	<u>807</u>	<u>(51)</u>	<u>50</u>	<u>(364)</u>	<u>635</u>	<u>(867)</u>	<u>17,614</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 July 1, 2015 (unaudited)	3,862	6,558	7,678	824	(81)	50	301	468	(867)	18,793
Net income	-	-	317	-	-	-	-	-	-	317
Other comprehensive income	-	-	-	-	(41)	-	(404)	158	-	(287)
Total comprehensive income	-	-	317	-	(41)	-	(404)	158	-	30
Exercise of warrants into shares	1	5	-	-	-	-	-	-	-	6
Cost of share based-payment	-	-	-	31	-	-	-	-	-	31
Balance at September 30, 2015 (unaudited)	3,863	6,563	7,995	855	(122)	50	(103)	626	(867)	18,860

	Equity attributable to equity holders of the Company									
	Share capital	Share premium	Retained earnings	Capital reserve for share-based payment	Foreign currency translation adjustments	Proceeds from conversion option	Reserve from hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands									
Balance at July 1, 2014 (unaudited)	3,833	6,321	6,679	762	9	50	-	635	(867)	17,422
Net income	-	-	571	-	-	-	-	-	-	571
Other comprehensive loss	-	-	-	-	(60)	-	(364)	-	-	(424)
Total comprehensive income (loss)	-	-	571	-	(60)	-	(364)	-	-	147
Cost of share based-payment	-	-	-	45	-	-	-	-	-	45
Balance at September 30, 2014 (unaudited)	3,833	6,321	7,250	807	(51)	50	(364)	635	(867)	17,614

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, 2014	3,832	6,314	5,330	704	(24)	-	-	635	(867)	15,924
Net income	-	-	1,530	-	-	-	-	-	-	1,530
Other comprehensive income (loss)	-	-	-	-	(70)	-	(310)	(167)	-	(547)
Total comprehensive income	-	-	1,530	-	(70)	-	(310)	(167)	-	983
Exercise of warrants into shares	6	31	-	-	-	-	-	-	-	37
Forfeiture of Options	-	1	-	(1)	-	-	-	-	-	-
Proceeds from conversion option of convertible debentures (net of issuance expenses)	-	-	-	-	-	50	-	-	-	50
Cost of share based-payment	-	-	-	136	-	-	-	-	-	136
Balance at December 31, 2014	<u>3,838</u>	<u>6,346</u>	<u>6,860</u>	<u>839</u>	<u>(94)</u>	<u>50</u>	<u>(310)</u>	<u>468</u>	<u>(867)</u>	<u>17,130</u>

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,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	U.S. dollars in thousands				
Cash flows from operating activities:					
Net income	1,135	1,920	317	571	1,530
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	1,032	946	345	306	1,245
Share of losses of jointly controlled entity	2	6	2	-	14
Cost of share-based payment	82	103	31	45	136
Income tax expense (tax benefit)	(31)	(1)	(53)	20	(24)
Interest expenses, net	787	267	374	50	882
Change in employee benefit liability, net	53	43	4	(4)	7
Adjustment to current accounts with foreign operation	(31)	110	(68)	125	(70)
	1,894	1,474	635	542	2,190
Changes in operating asset and liability items:					
Decrease (increase) in trade receivables	(1,507)	2,212	(805)	(9)	1,627
Increase in amounts due for construction contracts	(4,816)	(2,082)	(931)	(34)	(2,283)
Decrease (increase) in other accounts receivable	73	(567)	618	306	(372)
Decrease in inventories	1,236	2,780	552	1,014	4,313
Increase (decrease) in trade payables	1,912	(2,375)	(1,838)	(746)	(2,914)
decrease in other accounts payable	(1,165)	(2,408)	(194)	(386)	(3,112)
	(4,267)	(2,440)	(2,598)	145	(2,741)
Cash paid and received during the period for:					
Interest paid	(402)	(272)	(167)	(79)	(713)
Interest received	-	6	-	-	-
Taxes paid	(62)	(30)	24	(11)	(48)
	(464)	(296)	(143)	(90)	(761)
Net cash provided by (used in) operating activities	(1,702)	658	(1,789)	1,168	218

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended		Three months ended		Year ended
	September 30,		September 30,		December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from investing activities:</u>					
Purchase of intangible assets and capitalization of research and development costs	-	(1,622)	-	(321)	(2,069)
Purchase of fixed assets	(540)	(638)	(172)	(173)	(1,016)
Proceeds from short-term deposits	-	312	-	-	(311)
Deposit to short-term deposits	-	(311)	-	(18)	912
Net cash used in investing activities	(540)	(2,259)	(172)	(512)	(2,484)
<u>Cash flows from financing activities:</u>					
Short-term bank credit, net	-	(7,692)	-	(2,000)	(8,492)
Receipt of Government grants	-	101	-	-	208
Payments for Government grants	(39)	(115)	(39)	(40)	(163)
Payments of loans from banks	(243)	(603)	(6)	(72)	11,658
Issuance of convertible bonds (net of issuance expenses)	-	11,658	-	-	(839)
Exercise of warrants into shares	176	8	6	-	37
Net cash provided by (used in) financing activities	(106)	3,357	(39)	(2,112)	2,409
Translation differences on balances of cash and cash equivalents	29	(121)	60	(143)	45
Increase (Decrease) in cash and cash equivalents	(2,319)	1,635	(1,940)	(1,599)	188
Cash and cash equivalents at the beginning of the period	3,385	3,197	3,006	6,431	3,197
Cash and cash equivalents at the end of the period	1,066	4,832	1,066	4,832	3,385
<u>Significant non-cash transaction:</u>					
Purchase of fixed assets on suppliers credit	51	70	51	70	67

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 September 30, 2015 and for the nine and three months periods then ended ("interim financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2014 and for the year then ended and accompanying notes ("annual financial statements").

X:\Finances.Department\2015\דוחות כספיים\Q3-15\Financials reports\דוחות כספיים\EC9-ORBIT TECHNOLOGIES-IFRS V2.docx