

ORBIT TECHNOLOGIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2015

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, 2015 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 21, 2015, 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 21, 2015

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

CONSOLIDATED BALANCE SHEETS

	March 31,		December 31,
	2015	2014	2014
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3,873	2,180	3,385
Sort-term deposits	18	912	18
Trade receivables	9,437	8,622	9,649
Other accounts receivable	1,409	1,345	989
Inventories	10,444	15,202	11,051
Amounts due for construction contracts	8,355	3,975	5,803
	33,536	32,236	30,895
NON-CURRENT ASSETS:			
Long-term prepaid receivables	39	53	40
Fixed assets	3,067	2,900	3,089
Intangible assets	8,150	7,096	8,319
Deferred taxes	798	731	798
	12,054	10,780	12,246
	45,590	43,016	43,141

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>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	353	9,023	416
Trade payables	6,008	5,900	4,277
Income taxes payable	190	257	248
Other accounts payable	8,199	9,712	7,960
	<u>14,750</u>	<u>24,892</u>	<u>12,901</u>
NON-CURRENT LIABILITIES:			
Loans from banks	20	378	25
Employee benefit liability	353	157	340
Liability for Government grants	897	856	938
Convertible Bonds	11,760	-	11,714
Excess of losses over investment in jointly controlled entity	93	81	93
	<u>13,123</u>	<u>1,472</u>	<u>13,110</u>
EQUITY:			
Share capital	3,858	3,833	3,838
Paid-in capital	6,496	6,321	6,346
Retained earnings	7,269	6,013	6,860
Reserve for share-based payment	845	732	839
Proceeds from conversion option issuance of convertible Bonds (net of issue expenses)	50	-	50
Foreign currency translation adjustments	(154)	(15)	(94)
Reserve form hedges	(248)	-	(310)
Reserve for defined benefit plans	468	635	468
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>17,717</u>	<u>16,652</u>	<u>17,130</u>
	<u>45,590</u>	<u>43,016</u>	<u>43,141</u>

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

<u>May 21, 2015</u> Date of approval of the financial statements	<u>Z. Stein</u> Chairman of the Board	<u>O. Greenberger</u> CEO	<u>A. Rozenshein</u> CFO
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CONSOLIDATED STATEMENTS OF INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2015	2014	2014
	Unaudited		Audited
	U.S. dollars in thousands		
	(except per share data)		
Revenues from sales and contracts performed	12,201	13,592	51,343
Cost of sales and contracts performed	7,774	8,961	34,081
Gross profit	4,427	4,631	17,262
Research and development costs	1,580	1,392	5,226
Selling and marketing expenses	1,098	1,418	5,366
General and administrative expenses	882	998	3,731
Operating income	867	823	2,939
Finance income	-	-	109
Finance expenses	446	162	1,528
Group's share of earnings (losses) of jointly controlled entity	-	(2)	(14)
Profit before taxes on income	421	659	1,506
Income tax expense (tax benefit)	12	(24)	(24)
Net income	409	683	1,530
Net earnings per share attributable to equity holders of the Company (in U.S. dollars):			
Basic and Diluted loss	0.04	0.07	0.17

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,
	2015	2014	2014
	Unaudited		Audited
	U.S. dollars in thousands		
Profit	409	683	1,530
Other comprehensive income (net of tax effect):			
Amounts transferred to the income statement for cash			
flow hedges	343	-	396
Profit (loss) from cash flow hedges	(281)	-	(706)
Actuarial profit (loss) from defined benefit plans	-	-	(167)
Foreign currency translation adjustments of foreign operation	(60)	9	(70)
Total other comprehensive income (loss)	2	9	(547)
Total comprehensive income	411	692	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	-	-	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>

	Attributable to equity holders of the Company								
	Share capital	Paid-in capital	Retained earnings	Capital reserve for share-based payment	Foreign currency translation reserve	Reserve from hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	Unaudited								
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	-	-	683	-	-	-	-	-	683
Other comprehensive income	-	-	-	-	9	-	-	-	9
Total comprehensive income	-	-	683	-	9	-	-	-	692
Exercise of warrants into shares	1	7	-	(1)	-	-	-	-	7
Cost of share based-payment	-	-	-	29	-	-	-	-	29
Balance at March 31, 2014	<u>3,833</u>	<u>6,321</u>	<u>6,013</u>	<u>732</u>	<u>(15)</u>	<u>-</u>	<u>635</u>	<u>(867)</u>	<u>16,652</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, 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

	Three months ended		Year ended
	March 31,		December 31,
	2015	2014	2014
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net income	409	683	1,530
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	332	324	1,245
Share of losses (earnings) of jointly controlled entity	-	2	14
Cost of share-based payment	31	29	136
Income tax expense (tax benefit)	12	(24)	(24)
Interest expenses, net	377	125	882
Change in employee benefit Liability, net	13	22	7
Adjustment to current accounts with foreign operation	47	(12)	(70)
	<u>812</u>	<u>1,830</u>	<u>2,190</u>
Changes in operating asset and liability items:			
Decrease in trade receivables	184	2,680	1,627
increase in amounts due for construction contracts	(2,551)	(455)	(2,283)
increase in other accounts receivable	(434)	(730)	(372)
Decrease in inventories	607	170	4,313
Increase (decrease) in trade payables	1,736	(1,447)	(2,914)
decrease in other accounts payable	(61)	(1,045)	(3,112)
	<u>(519)</u>	<u>(827)</u>	<u>(2,741)</u>
Cash paid and received during the period for:			
Interest paid	(6)	(125)	(713)
Taxes paid	(71)	(3)	(48)
	<u>(77)</u>	<u>(128)</u>	<u>(761)</u>
Net cash provided by operating activities	<u>625</u>	<u>194</u>	<u>218</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,
	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	-	(441)	(2,069)
Purchase of fixed assets	(159)	(146)	(1,016)
Deposit to short-term deposits	-	(293)	(311)
Proceeds from short-term deposits	-	-	912
Net cash used in investing activities	<u>(159)</u>	<u>(880)</u>	<u>(2,484)</u>
<u>Cash flows from financing activities:</u>			
Short-term bank credit, net	-	(72)	(8,492)
Receipt of Government grants	-	94	208
Payments for Government grants	-	(75)	(163)
Issuance of convertible bonds (net of issuance expenses)	-	-	11,658
Payments of loans from banks	(68)	(298)	(839)
Exercise of warrants into shares	145	7	37
Net cash provided by (used in) financing activities	<u>77</u>	<u>(344)</u>	<u>2,409</u>
Translation differences on balances of cash and cash equivalents	<u>(55)</u>	<u>13</u>	<u>45</u>
Increase in cash and cash equivalents	488	(1,017)	188
Cash and cash equivalents at the beginning of the period	<u>3,385</u>	<u>3,197</u>	<u>3,197</u>
Cash and cash equivalents at the end of the period	<u><u>3,873</u></u>	<u><u>2,180</u></u>	<u><u>3,385</u></u>
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	<u>56</u>	<u>147</u>	<u>67</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, 2015 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, 2014 and for the year then ended and accompanying notes ("annual financial statements").

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