

ORBIT TECHNOLOGIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2019

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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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 June 30, 2019 and 2018 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six 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 August 29, 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
August 29, 2019

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

CONSOLIDATED BALANCE SHEETS

	June 30,		December 31,
	2019	2018	2018
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	11,569	11,322	12,013
Short-term deposits	18	18	18
Accounts receivable	8,697	8,464	10,581
Other accounts receivable	726	970	580
Inventories	8,300	9,010	7,493
Amounts due for construction contracts	5,805	6,319	4,415
	<u>35,115</u>	<u>36,103</u>	<u>35,100</u>
NON-CURRENT ASSETS:			
Long-term prepaid receivables	192	10	192
Fixed assets	4,348	5,530	4,900
Intangible assets	5,844	5,333	5,769
Deferred taxes	586	571	579
	<u>10,970</u>	<u>11,444</u>	<u>11,440</u>
	<u><u>46,085</u></u>	<u><u>47,547</u></u>	<u><u>46,540</u></u>

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

CONSOLIDATED BALANCE SHEETS

	<u>June 30,</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	2,436	2,414	2,434
Trade payables	6,832	7,317	5,565
Income taxes payable	12	24	65
Other accounts payable	11,147	10,975	11,249
	<u>20,427</u>	<u>20,730</u>	<u>19,313</u>
NON-CURRENT LIABILITIES:			
Liability for Government grants	837	641	839
Employee benefit liability	521	584	463
Convertible bonds	-	2,414	2,434
Lease payments liability	13	779	182
Deferred taxes	20	32	27
	<u>1,391</u>	<u>4,450</u>	<u>3,945</u>
EQUITY:			
Share capital	5,758	5,746	5,758
Paid-in capital	15,902	15,826	15,890
Warrants	1,904	1,904	1,904
Retained earnings (loss)	625	(1,132)	(428)
Reserve for share-based payment	974	877	997
Proceeds from conversion option	10	20	20
Foreign currency translation adjustments	(493)	(405)	(471)
Reserve for defined benefit plans	454	398	479
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>24,267</u>	<u>22,367</u>	<u>23,282</u>
	<u>46,085</u>	<u>47,547</u>	<u>46,540</u>

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

August 29, 2019			
Date of approval of the financial statements	Y. Gat Chairman of the Board CEO	M. Dudek CFO	A. Zur Director

CONSOLIDATED STATEMENTS OF INCOME

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	U.S. dollars in thousands (except per share data)				
Revenues from sales and contracts performed	25,141	20,267	13,113	10,161	44,530
Cost of sales and contracts performed	17,108	14,339	9,135	6,870	30,963
Gross profit	8,033	5,928	3,978	3,291	13,567
Research and development costs, net	1,940	2,008	765	907	4,221
Selling and marketing expenses	2,478	2,124	1,208	974	4,341
General and administrative expenses	2,087	1,676	1,084	783	3,991
Operating profit	1,528	120	921	627	1,014
Finance income	236	332	114	340	516
Finance expenses	680	380	314	185	658
Profit before taxes on income	1,084	72	721	782	872
Income tax expense	31	35	16	27	132
Net profit	1,053	37	705	755	741
Net profit per share attributable to equity holders of the Company (in U.S. dollars):					
Basic profit per share	0.066	0.002	0.044	0.047	0.046
Diluted profit per share	0.058	0.002	0.039	0.044	0.042

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	U.S. dollars in thousands				
Net profit (loss)	<u>1,053</u>	<u>37</u>	<u>705</u>	<u>755</u>	<u>741</u>
Other comprehensive income (loss) (net of tax effect):					
Actuarial loss from defined benefit plans	(25)	-	-	-	81
Foreign currency translation adjustments of foreign operation	<u>(22)</u>	<u>(67)</u>	<u>(66)</u>	<u>(157)</u>	<u>(133)</u>
Total other comprehensive income	<u>(47)</u>	<u>(67)</u>	<u>(66)</u>	<u>(157)</u>	<u>(52)</u>
Total comprehensive loss	<u>1,006</u>	<u>(30)</u>	<u>639</u>	<u>598</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 defined benefit plans	Treasury shares	Total equity
	Unaudited									
U.S. dollars in thousands										
Balance at January 1, 2019 (audited)	5,758	15,890	1,904	(428)	997	(471)	20	479	(867)	23,282
Net profit	-	-	-	1,053	-	-	-	-	-	1,053
Other comprehensive income (loss)	-	-	-	-	-	(22)	-	(25)	-	(22)
Total comprehensive loss (loss)	-	-	-	1,053	-	(22)	-	(25)	-	1,006
Exercise of warrants into shares	-*)	2	-	-	(2)	-	-	-	-	-
Forfeiture of Options	-	10	-	-	-	-	(10)	-	-	-
Cost of share based-payment	-	-	-	-	(21)	-	-	-	-	(21)
Balance at June 30, 2019	<u>5,758</u>	<u>15,902</u>	<u>1,904</u>	<u>625</u>	<u>974</u>	<u>(493)</u>	<u>10</u>	<u>454</u>	<u>(867)</u>	<u>24,267</u>

*) Less than 1 thousands.

	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 defined benefit plans	Treasury shares	Total equity
	Unaudited									
U.S. dollars in thousands										
Balance at January 1, 2018 (audited)	5,734	15,746	1,904	(1,169)	876	(338)	30	398	(867)	22,314
Net profit	-	-	-	37	-	-	-	-	-	37
Other comprehensive income (loss)	-	-	-	-	-	(67)	-	-	-	(67)
Total comprehensive loss (loss)	-	-	-	37	-	(67)	-	-	-	(30)
Exercise of warrants into shares	12	68	-	-	(11)	-	-	-	-	69
Forfeiture of Options	-	12	-	-	(2)	-	(10)	-	-	-
Cost of share based-payment	-	-	-	-	14	-	-	-	-	14
Balance at June 30, 2018	<u>5,746</u>	<u>15,826</u>	<u>1,904</u>	<u>(1,132)</u>	<u>877</u>	<u>(405)</u>	<u>20</u>	<u>398</u>	<u>(867)</u>	<u>22,367</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 defined benefit plans	Treasury shares	Total equity	
Unaudited										
U.S. dollars in thousands										
Balance at April 1, 2019	5,758	15,890	1,904	(80)	1,068	(427)	20	454	(867)	23,720
Net profit	-	-	-	705	-	-	-	-	-	705
Other comprehensive income (loss)	-	-	-	-	-	(66)	-	-	-	(66)
Total comprehensive loss (loss)	-	-	-	-	-	(66)	-	-	-	(639)
Exercise of warrants into shares	*)	2	-	-	(2)	-	-	-	-	-
Forfeiture of Options	-	10	-	-	-	-	(10)	-	-	-
Cost of share based-payment	-	-	-	-	(92)	-	-	-	-	(92)
Balance at June 30, 2019	<u>5,758</u>	<u>15,902</u>	<u>1,904</u>	<u>625</u>	<u>974</u>	<u>(493)</u>	<u>10</u>	<u>454</u>	<u>(867)</u>	<u>24,267</u>

*) Less than 1 thousands.

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 defined benefit plans	Treasury shares	Total equity	
Unaudited										
U.S. dollars in thousands										
Balance at April 1, 2018	5,743	15,798	1,904	(1,887)	870	(248)	30	398	(867)	21,741
Net profit	-	-	-	755	-	-	-	-	-	755
Other comprehensive income (loss)	-	-	-	-	-	(157)	-	-	-	(157)
Total comprehensive loss (loss)	-	-	-	755	-	(157)	-	-	-	598
Exercise of warrants into shares	3	16	-	-	(1)	-	-	-	-	18
Forfeiture of Options	-	12	-	-	(2)	-	(10)	-	-	-
Cost of share based-payment	-	-	-	-	10	-	-	-	-	10
Balance at June 30, 2018	<u>5,746</u>	<u>15,826</u>	<u>1,904</u>	<u>(1,132)</u>	<u>877</u>	<u>(405)</u>	<u>20</u>	<u>398</u>	<u>(867)</u>	<u>22,367</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

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from operating activities:</u>					
Net profit (loss)	1,053	37	705	755	741
Adjustments to reconcile loss to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	1,314	1,240	660	617	2,505
Cost of share-based payment	(21)	14	(92)	10	142
Income tax expense	31	35	15	28	132
Interest expenses, net	262	302	223	254	351
Change in employee benefit liability, net	33	12	11	8	(38)
Adjustment to current accounts with foreign operation	(42)	(15)	(37)	22	(27)
	1,577	1,588	780	939	3,065
Changes in operating asset and liability items:					
Decrease (increase) in trade receivables	1,884	2,288	(1,464)	(1,685)	171
Decrease in amounts due for construction contracts	(1,391)	(1,548)	(1,117)	(73)	357
Decrease (increase) in other accounts receivable	(146)	(144)	106	78	245
Decrease (increase) in inventories	(807)	(1,163)	(234)	(1,229)	354
Increase in trade payables	1,255	862	478	557	(838)
Increase (decrease) in other accounts payable	198	524	1,219	(1,338)	984
	993	819	(1,012)	(3,690)	1,273
Cash paid and received during the period for:					
Interest paid	(227)	(290)	(196)	(252)	(475)
Interest received	90	67	48	40	131
Taxes paid	(17)	(12)	(7)	(8)	(45)
	(154)	(302)	(155)	(260)	(389)
Net cash provided by (used in) operating activities	3,469	2,142	318	(2,256)	4,690

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from investing activities:</u>					
Purchase of fixed assets	(496)	(491)	(108)	(127)	(930)
Capitalization of research and development costs	(347)	(342)	(126)	(202)	(182)
Proceeds from sale of fixed assets	-	-	-	-	(1,026)
Net cash used in investing activities	(843)	(833)	(234)	(329)	(2,138)
<u>Cash flows from financing activities:</u>					
Short-term bank credit, net	-	(500)	-	-	(500)
Receipt of Government grants	81	211	81	211	230
Payments for Government grants	(8)	(10)	(8)	-	(14)
Payments of convertible bonds	(2,462)	(2,462)	(2,462)	(2,462)	(2,462)
Payments of lease liability	(643)	(668)	(320)	(332)	(1,313)
Exercise of warrants into shares	-	69	-	18	137
Net cash provided by (used in) financing activities	(3,032)	(3,360)	(2,709)	(2,565)	(3,922)
Translation differences on balances of cash and cash equivalents	(38)	28	(47)	(12)	38
Decrease in cash and cash equivalents	(444)	(2,023)	(2,672)	(5,162)	(1,332)
Cash and cash equivalents at the beginning of the period	12,013	13,345	14,241	16,484	13,345
Cash and cash equivalents at the end of the period	11,569	11,322	11,569	11,322	12,013
<u>Significant non-cash transaction:</u>					
Purchase of fixed assets on suppliers credit	50	129	50	129	76

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 June 30, 2019 and for the six and 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").
