

**ORBIT TECHNOLOGIES LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2015**

**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 - 9</b>
<b>Consolidated Statements of Cash Flows</b>	<b>10 - 11</b>
<b>Note to Consolidated financial Statements</b>	<b>12</b>

-----



**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 June 30, 2015 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six and three months 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 12, 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  
12 August , 2015

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

**CONSOLIDATED BALANCE SHEETS**

	<b>June 30,</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands</b>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	3,006	6,431	3,385
Sort-term deposits	18	600	18
Trade receivables	10,356	9,090	9,649
Other accounts receivable	1,537	1,500	989
Inventories	10,367	13,618	11,051
Amounts due for construction contracts	9,688	5,568	5,803
	<u>34,972</u>	<u>36,807</u>	<u>30,895</u>
<b>NON-CURRENT ASSETS:</b>			
Long-term prepaid receivables	41	42	40
Fixed assets	3,128	3,056	3,089
Intangible assets	7,982	7,823	8,319
Deferred taxes	798	731	798
	<u>11,949</u>	<u>11,652</u>	<u>12,246</u>
	<u>46,921</u>	<u>48,459</u>	<u>43,141</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>2015</u>	<u>2014</u>	<u>2014</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Credit from banks	187	3,341	416
Current maturities of Convertible Bonds	2,360	-	-
Trade payables	8,047	5,737	4,277
Income taxes payable	185	243	248
Other accounts payable	6,503	8,794	7,960
	<u>17,282</u>	<u>18,115</u>	<u>12,901</u>
<b>NON-CURRENT LIABILITIES:</b>			
Loans from banks	17	208	25
Employee benefit liability	903	810	938
Liability for Government grants	389	181	340
Convertible Bonds	9,442	11,638	11,714
Excess of losses over investment in jointly controlled entity	95	85	93
	<u>10,846</u>	<u>12,922</u>	<u>13,110</u>
<b>EQUITY:</b>			
Share capital	3,862	3,833	3,838
Paid-in capital	6,558	6,321	6,346
Retained earnings	7,678	6,679	6,860
Reserve for share-based payment	50	50	50
Proceeds from conversion option issuance of convertible Bonds (net of issue expenses)	824	762	839
Foreign currency translation adjustments	301	-	(310)
Reserve form hedges	(81)	9	(94)
Reserve for defined benefit plans	468	635	468
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>18,793</u>	<u>17,422</u>	<u>17,130</u>
	<u>46,921</u>	<u>48,459</u>	<u>43,141</u>

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

12 August, 2015			
Date of approval of the financial statements	Z. Stein Chairman of the Board	E. Shabirow CEO	A. Rozenshein CFO

**CONSOLIDATED STATEMENTS OF INCOME**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	U.S. dollars in thousands (except per share data)				
Revenues from sales and contracts performed	24,434	26,658	12,233	13,066	51,343
Cost of sales and contracts performed	15,651	17,419	7,877	8,458	34,081
Gross profit	8,783	9,239	4,356	4,608	17,262
Research and development costs	3,127	2,733	1,547	1,341	5,226
Selling and marketing expenses	2,236	2,792	1,138	1,374	5,366
General and administrative expenses	1,706	1,953	824	955	3,731
Operating profit	1,714	1,761	847	938	2,939
Finance income	-	49	-	49	109
Finance expenses	874	476	428	314	1,528
Group's share of profit (losses) of jointly controlled entity	-	6	-	4	(14)
Profit before taxes on income	840	1,328	419	669	1,506
Income tax expense (tax benefit)	22	(21)	10	3	(24)
Net profit	818	1,349	409	666	1,530
Net earnings per share attributable to equity holders of the Company (in U.S. dollars):					
Basic and Diluted Profit (loss) per share	0.09	0.15	0.04	0.07	0.17

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,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	U.S. dollars in thousands				
Profit	818	1,349	409	666	1,530
Other comprehensive income (loss) (net of tax effect):					
Amounts transferred to the income statement for cash flow hedges	397	-	54	-	396
Profit (loss) from cash flow hedges	214	-	495	-	(706)
Actuarial profit (loss) from defined benefit plans	-	-	-	-	(167)
Foreign currency translation adjustments of foreign operation	13	33	73	24	(70)
	624	33	622	24	(547)
Total comprehensive Profit	1,442	1,382	1,031	690	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	-	-	818	-	-	-	-	-	-	818
Other comprehensive income	-	-	-	-	13	-	611	-	-	624
Total comprehensive income	-	-	818	-	13	-	611	-	-	1,442
Exercise of warrants into shares	24	212	-	(66)	-	-	-	-	-	170
Cost of share based-payment	-	-	-	51	-	-	-	-	-	51
Balance at June 30, 2015 (unaudited)	<u>3,862</u>	<u>6,558</u>	<u>7,678</u>	<u>824</u>	<u>(81)</u>	<u>50</u>	<u>301</u>	<u>468</u>	<u>(867)</u>	<u>18,793</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 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	-	-	1,349	-	-	-	-	-	1,349
Other comprehensive income	-	-	-	-	33	-	-	-	33
Total comprehensive income (loss)	-	-	1,349	-	33	-	-	-	1,382
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	-	-	-	58	-	-	-	-	58
Balance at June 30, 2014 (unaudited)	<u>3,833</u>	<u>6,321</u>	<u>6,679</u>	<u>762</u>	<u>9</u>	<u>50</u>	<u>635</u>	<u>(867)</u>	<u>17,422</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 April 1, 2015 (unaudited)	3,858	6,496	7,269	845	(154)	50	(248)	468	(867)	17,717
Net income	-	-	409	-	-	-	-	-	-	409
Other comprehensive income	-	-	-	-	73	-	549	-	-	622
Total comprehensive income	-	-	409	-	73	-	549	-	-	1,031
Exercise of warrants into shares	4	62	-	(41)	-	-	-	-	-	25
Cost of share based-payment	-	-	-	20	-	-	-	-	-	20
Balance at June 30, 2015 (unaudited)	<u>3,862</u>	<u>6,558</u>	<u>7,678</u>	<u>824</u>	<u>(81)</u>	<u>50</u>	<u>301</u>	<u>468</u>	<u>(867)</u>	<u>18,793</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 for defined benefit plans	Treasury shares	Total equity	
	U.S. dollars in thousands									
Balance at April 1, 2014 (unaudited)		3,833	6,321	6,013	732	(15)	-	635	(867)	16,652
Net income		-	-	666	-	-	-	-	-	666
Other comprehensive income		-	-	-	-	24	-	-	-	24
Total comprehensive income		-	-	666	-	24	-	-	-	690
Proceeds from conversion option of convertible debentures (net of issuance expenses)		-	-	-	-	50	-	-	-	50
Cost of share based-payment		-	-	-	30	-	-	-	-	30
Balance at June 30, 2014 (unaudited)		<u>3,833</u>	<u>6,321</u>	<u>6,679</u>	<u>762</u>	<u>9</u>	<u>50</u>	<u>635</u>	<u>(867)</u>	<u>17,422</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**

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from operating activities:</u>					
Net income	818	1,349	409	666	1,530
Adjustments to reconcile net income to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	687	640	355	316	1,245
Share of losses of jointly controlled entity	-	6	-	4	14
Cost of share-based payment	51	58	20	29	136
Income tax expense (tax benefit)	22	(21)	10	3	(24)
Interest expenses, net	413	217	36	92	882
Change in employee benefit liability, net	49	47	36	25	7
Adjustment to current accounts with foreign operation	37	(15)	(10)	(3)	(70)
	1,259	932	447	466	2,190
Changes in operating asset and liability items:					
Decrease (increase) in trade receivables	(702)	2,221	(886)	(459)	1,627
Increase in amounts due for construction contracts	(3,885)	(2,048)	(1,334)	(1,593)	(2,283)
Increase in other accounts receivable	(545)	(873)	(111)	(143)	(372)
Decrease in inventories	684	1,766	77	1,596	4,313
Increase (decrease) in trade payables	3,750	(1,629)	2,014	(182)	(2,914)
Decrease in other accounts payable	(971)	(2,022)	(910)	(977)	(3,112)
	(1,669)	(2,585)	(1,150)	(1,758)	(2,741)
Cash paid and received during the period for:					
Interest paid	(235)	(193)	(229)	(68)	(713)
Interest received	-	6	-	6	-
Taxes paid	(86)	(19)	(15)	(16)	(48)
	(321)	(206)	(244)	(78)	(761)
Net cash provided by (used in) operating activities	87	(510)	(538)	(704)	218

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,
	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	-	(1,301)	-	(860)	(2,069)
Purchase of fixed assets	(368)	(465)	(209)	(319)	(1,016)
Deposit to short-term deposits	-	312	-	312	(311)
Proceeds from short-term deposits	-	(293)	-	-	912
Net cash used in investing activities	(368)	(1,747)	(209)	(867)	(2,484)
<u>Cash flows from financing activities:</u>					
Short-term bank credit, net	-	(5,692)	-	(5,620)	(8,492)
Receipt of Government grants	-	101	-	7	208
Payments for Government grants	-	(75)	-	-	(163)
Payments of loans from banks	(237)	(531)	(169)	(233)	(839)
Issuance of convertible bonds (net of issuance expenses)	-	11,658	-	11,658	11,658
Exercise of warrants into shares	170	8	25	1	37
Net cash provided by (used in) financing activities	(67)	5,469	(144)	5,813	2,409
Translation differences on balances of cash and cash equivalents	(31)	22	24	9	45
Increase (decrease) in cash and cash equivalents	(379)	3,234	(867)	4,251	188
Cash and cash equivalents at the beginning of the period	3,385	3,197	3,873	2,180	3,197
Cash and cash equivalents at the end of the period	3,006	6,431	3,006	6,431	3,385
<u>Significant non-cash transaction:</u>					
Purchase of fixed assets on suppliers credit	90	166	90	166	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 June 30, 2015 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, 2014 and for the year then ended and accompanying notes ("annual financial statements").

-----

X:\Finances.Department\2015\דוחות כספיים\Q2-15\Financials reports\דוחות כספיים\EC6-ORBIT TECHNOLOGIES-IFRS-V6.docx