

**ORBIT TECHNOLOGIES LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2017**

**UNAUDITED**

**U.S. DOLLARS IN THOUSANDS**

**INDEX**

	<u>Page</u>
<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>

-----



**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 March 31, 2017 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 14, 2017, 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  
29 May , 2017

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

**CONSOLIDATED BALANCE SHEETS**


---

	<u>March 31,</u>		<u>December 31,</u>
	<u>2017</u>	<u>2016</u>	<u>2016</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5,248	3,448	3,917
Sort-term deposits	18	18	18
Accounts receivables	8,059	11,196	6,124
Income taxes receivable	-	255	-
Other accounts receivable	757	1,859	621
Inventories	9,317	9,993	9,606
Amounts due for construction contracts	4,247	7,774	5,606
	<u>27,646</u>	<u>34,543</u>	<u>25,892</u>
NON-CURRENT ASSETS:			
Long-term prepaid receivables	15	13	14
Fixed assets	3,409	3,291	3,467
Intangible assets	6,842	7,488	7,000
Deferred taxes	637	770	637
	<u>10,903</u>	<u>11,562</u>	<u>11,118</u>
	<u>38,549</u>	<u>46,105</u>	<u>37,010</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>2017</u>	<u>2016</u>	<u>2016</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	1,000	-	2,016
Current maturities of Convertible Bonds	2,405	2,387	2,396
Trade payables	4,048	5,795	2,954
Income taxes payable	37	38	33
Other accounts payable	8,276	7,730	7,327
	<u>15,766</u>	<u>15,950</u>	<u>14,726</u>
NON-CURRENT LIABILITIES:			
Liability for government grants	529	846	522
Employee benefit liability	336	266	311
Convertible Bonds	7,214	9,548	7,187
Financials liabilities	19	40	24
Deferred taxes	39	55	40
Excess of losses over investment in jointly controlled entity	95	95	95
	<u>8,232</u>	<u>10,850</u>	<u>8,179</u>
EQUITY:			
Share capital	4,226	3,872	3,896
Paid-in capital	9,003	6,618	7,100
Retained earnings	1,363	8,191	3,207
Reserve for share-based payment	704	935	665
Proceeds from conversion option issuance of convertible Bonds (net of issue expenses)	40	50	40
Foreign currency translation adjustments	(497)	(221)	(523)
Reserve form hedges	-	128	8
Reserve for defined benefit plans	579	599	579
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>14,551</u>	<u>19,305</u>	<u>14,105</u>
	<u>38,549</u>	<u>46,105</u>	<u>37,010</u>

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

<u>29 May , 2017</u>			
Date of approval of the financial statements	Z. Stein Chairman of the Board	E. Livneh 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>2017</b>	<b>2016</b>	<b>2016</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	7,223	10,034	29,856
Cost of sales and contracts performed	5,235	6,751	20,708
Gross profit	1,988	3,283	9,148
Research and development costs	1,353	1,523	5,730
Selling and marketing expenses	1,240	1,305	4,681
General and administrative expenses	817	864	3,305
Other income, net	(36)	650	737
Operating income (loss)	(1,458)	241	(3,831)
Finance income	-	138	516
Finance expenses	383	302	1,159
Profit (loss) before taxes on income	(1,841)	77	(4,474)
Income tax expense (tax benefit)	3	6	439
Net income (loss)	(1,844)	71	(4,913)
Net profit per share attributable to equity holders of the Company (in U.S. dollars):			
Basic Profit (loss) per share	(0.19)	0.01	(0.53)
Diluted Profit (loss) per share	(0.19)	0.01	(0.53)

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**


---

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands</b>		
Profit (loss)	<u>(1,844)</u>	<u>71</u>	<u>(4,913)</u>
Other comprehensive income (net of tax effect):			
Amounts transferred to the income statement for cash			
flow hedges	(81)	203	57
Profit (loss) from cash flow hedges	73	30	56
Actuarial profit (loss) from defined benefit plans	-	-	(20)
Foreign currency translation adjustments of foreign operation	<u>26</u>	<u>(58)</u>	<u>(360)</u>
Total other comprehensive income	<u>18</u>	<u>175</u>	<u>(267)</u>
Total comprehensive income	<u><u>(1,826)</u></u>	<u><u>246</u></u>	<u><u>(5,180)</u></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, 2017 (audited)	3,896	7,100	3,207	665	(523)	40	8	579	(867)	14,105
Net income (loss)	-	-	(1,844)	-	-	-	-	-	-	(1,844)
Other comprehensive income (loss)	-	-	-	-	26	-	(8)	-	-	18
Total comprehensive income (loss)	-	-	(1,844)	-	26	-	(8)	-	-	(1,826)
Exercise of warrants into shares	-	2	-	(2)	-	-	-	-	-	-
Issuance of share capital (net of issuance expenses)	330	1,901	-	-	-	-	-	-	-	2,231
Cost of share based-payment	-	-	-	41	-	-	-	-	-	41
Balance at March 31, 2017 (unaudited)	<u>4,226</u>	<u>9,003</u>	<u>1,363</u>	<u>704</u>	<u>(497)</u>	<u>40</u>	<u>-</u>	<u>579</u>	<u>(867)</u>	<u>14,551</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	conversion option Receipts	Reserve for hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands									
Balance at January 1, 2016	3,866	6,582	8,120	895	(163)	50	(105)	599	(867)	18,977
Net income	-	-	71	-	-	-	-	-	-	71
Other comprehensive income (loss)	-	-	-	-	(58)	-	233	-	-	175
Total comprehensive income	-	-	71	-	(58)	-	233	-	-	246
Exercise of warrants into shares	6	31	-	-	-	-	-	-	-	37
Forfeiture of Options	-	5	-	(5)	-	-	-	-	-	-
Cost of share based-payment	-	-	-	45	-	-	-	-	-	45
Balance at March 31, 2016 (unaudited)	<u>3,872</u>	<u>6,618</u>	<u>8,191</u>	<u>935</u>	<u>(221)</u>	<u>50</u>	<u>128</u>	<u>599</u>	<u>(867)</u>	<u>19,305</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
	Audited									
	U.S. dollars in thousands									
Balance at January 1, 2016	3,866	6,582	8,120	895	(163)	50	(105)	599	(867)	18,977
Net income	-	-	(4,913)	-	-	-	-	-	-	(4,913)
Other comprehensive income (loss)	-	-	-	-	(360)	-	113	(20)	-	(267)
Total comprehensive income	-	-	(4,913)	-	(360)	-	113	(20)	-	(5,180)
Exercise of warrants into shares	30	294	-	(67)	-	-	-	-	-	257
Forfeiture of Options	-	224	-	(214)	-	(10)	-	-	-	-
Cost of share based-payment	-	-	-	51	-	-	-	-	-	51
Balance at December 31, 2016	<u>3,896</u>	<u>7,100</u>	<u>3,207</u>	<u>665</u>	<u>(523)</u>	<u>40</u>	<u>8</u>	<u>579</u>	<u>(867)</u>	<u>14,105</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>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>U.S. dollars in thousands</b>		
<u>Cash flows from operating activities:</u>			
Net income (loss)	(1,844)	71	(4,913)
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	322	326	1,319
Cost of share-based payment	41	45	51
Tax benefit	3	6	439
Interest expenses, net	62	67	674
Change in employee benefit Liability, net	24	16	41
Adjustment to current accounts with foreign operation	4	(56)	(60)
	<u>456</u>	<u>404</u>	<u>2,464</u>
Changes in operating asset and liability items:			
Decrease (increase) in trade receivables	(1,934)	(68)	5,005
Decrease (increase) in amounts due for construction contracts	1,359	(578)	1,590
Decrease (increase) in other accounts receivable	(267)	(1,064)	172
Decrease in inventories	290	412	843
Increase (decrease) in trade payables	1,044	92	(2,808)
Increase (decrease) in other accounts payable	1,095	822	(39)
	<u>1,587</u>	<u>(384)</u>	<u>4,763</u>
Cash paid and received during the period for:			
Interest paid	(22)	(36)	(781)
Taxes paid	(1)	(3)	(64)
	<u>(23)</u>	<u>(39)</u>	<u>(845)</u>
Net cash provided by operating activities	<u>176</u>	<u>52</u>	<u>1,469</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>2017</b>	<b>2016</b>	<b>2016</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	(56)	(103)	(791)
Net cash used in investing activities	(56)	(103)	(791)
<u>Cash flows from financing activities:</u>			
Short-term bank credit, net	(1,016)	-	2,016
Receipt of Government grants	-	-	28
Payments for Government grants	-	-	(62)
Issuance of share capital (net of issuance expenses)	2,231	-	-
Payments of convertible bonds (net of issuance expenses)	-	-	(2,462)
Payments of loans from banks	-	(27)	(27)
Exercise of warrants into shares	-	37	257
Net cash provided by (used in) financing activities	1,215	10	(250)
Translation differences on balances of cash and cash equivalents	(4)	54	54
Increase in cash and cash equivalents	1,331	13	482
Cash and cash equivalents at the beginning of the period	3,917	3,435	3,435
Cash and cash equivalents at the end of the period	5,248	3,448	3,917
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	49	147	73
Purchase of fixed assets on finance Lease	-	63	-

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, 2017 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, 2016 and for the year then ended and accompanying notes ("annual financial statements").

-----

F:\W2000\w2000\2855\M\17\EC3-ORBIT TECHNOLOGIES-IFRS.docx