

**ORBIT TECHNOLOGIES LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF SEPTEMBER 30, 2018**

**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 September 30, 2018 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 20, 2018, 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  
November 20, 2018

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

**CONSOLIDATED BALANCE SHEETS**


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	<u>September 30,</u>		<u>December 31,</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	9,637	4,014	13,345
Short-term deposits	18	18	18
Accounts receivable	12,117	8,129	10,752
Other accounts receivable	1,091	492	826
Inventories	8,389	8,822	7,847
Amounts due for construction contracts	5,813	5,185	4,771
	<u>37,065</u>	<u>26,660</u>	<u>37,559</u>
<b>NON-CURRENT ASSETS:</b>			
Long-term prepaid receivables	11	15	12
Fixed assets	5,143	3,371	3,527
Intangible assets	5,572	5,335	5,222
Deferred taxes	594	650	570
	<u>11,320</u>	<u>9,371</u>	<u>9,331</u>
	<u>48,385</u>	<u>36,031</u>	<u>46,890</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>2018</u>	<u>2017</u>	<u>2017</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	-	1,500	500
Current maturities of convertible bonds	2,424	2,402	2,414
Trade payables	6,314	5,875	6,580
Income taxes payable	35	65	-
Other accounts payable	12,474	7,854	9,046
	<u>21,247</u>	<u>17,696</u>	<u>18,540</u>
<b>NON-CURRENT LIABILITIES:</b>			
Liability for Government grants	594	601	585
Employee benefit liability	596	347	596
Convertible bonds	2,424	4,811	4,827
Lease payment liability	482	9	4
Deferred taxes	29	27	24
	<u>4,125</u>	<u>5,795</u>	<u>6,036</u>
<b>EQUITY:</b>			
Share capital	5,753	4,226	5,734
Paid-in capital	15,862	9,040	15,746
Warrants	1,904	-	1,904
Retained earnings (deficit)	(553)	(864)	(1,169)
Reserve for share-based payment	918	729	876
Proceeds from conversion option	20	30	30
Foreign currency translation adjustments	(422)	(350)	(338)
Reserve for defined benefit plans	398	596	398
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>23,013</u>	<u>12,540</u>	<u>22,314</u>
	<u>48,385</u>	<u>36,031</u>	<u>46,890</u>

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

November 20, 2018			
Date of approval of the financial statements	Y. Gat Chairman of the Board	B. Weinberger CEO	M. Dudek CFO

**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Nine months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>September 30,</b>		<b>September 30,</b>		<b>December 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Unaudited</b>				<b>Audited</b>
	<b>U.S. dollars in thousands (except per share data)</b>				
Revenues from sales and contracts performed	32,370	26,973	12,103	10,621	39,047
Cost of sales and contracts performed	22,529	19,018	8,190	7,439	27,509
Gross profit	9,841	7,955	3,913	3,182	11,538
Research and development costs, net	3,012	3,897	1,005	1,250	4,867
Selling and marketing expenses	3,210	3,437	1,086	1,047	4,505
General and administrative expenses	2,786	2,438	1,110	753	3,457
Operating profit (loss) before other expenses	833	(1,817)	712	132	(1,291)
Other expenses	-	1,275	-	1,239	1,590
Operating profit (loss) after other expenses	833	(3,092)	712	(1,107)	(2,881)
Finance income	352	-	20	-	-
Finance expenses	527	932	146	175	1,303
Profit (loss) before taxes on income	658	(4,024)	586	(1,282)	(4,184)
Income tax expense	42	47	7	35	192
Net profit (loss)	616	(4,071)	579	(1,317)	(4,376)
Net profit (loss) per share attributable to equity holders of the Company (in U.S. dollars):					
Basic and diluted profit (loss) per share	0.038	(0.405)	0.036	(0.112)	(0.401)

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<u>Nine months ended</u> <u>September 30,</u>		<u>Three months ended</u> <u>September 30,</u>		<u>Year ended</u> <u>December 31,</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>
	<u>Unaudited</u>				<u>Audited</u>
	<u>U.S. dollars in thousands</u>				
Net profit (loss)	616	(4,071)	579	(1,317)	(4,376)
Other comprehensive income (loss) (net of tax effect):					
Amounts transferred to the statement of income for cash flow hedges	-	(118)	-	(1)	(118)
Profit (loss) from cash flow hedges	-	110	-	(1)	110
Actuarial profit (loss) from defined benefit plans	-	17	-	17	(181)
Foreign currency translation adjustments of foreign operation	(84)	173	(17)	66	185
Total other comprehensive income	(84)	182	(17)	81	(4)
Total comprehensive loss	<u>532</u>	<u>(3,889)</u>	<u>562</u>	<u>(1,236)</u>	<u>(4,380)</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, 2018 (audited)	5,734	15,746	1,904	(1,169)	876	(338)	30	398	(867)	22,314
Net profit	-	-	-	616	-	-	-	-	-	616
Other comprehensive income (loss)	-	-	-	-	-	(84)	-	-	-	(84)
Total comprehensive loss (loss)	-	-	-	616	-	(84)	-	-	-	532
Exercise of warrants into shares	19	104	-	-	(16)	-	-	-	-	107
Forfeiture of options	-	12	-	-	(2)	-	(10)	-	-	-
Cost of share-based-payment	-	-	-	-	60	-	-	-	-	60
Balance at September 30, 2018	<u>5,753</u>	<u>15,862</u>	<u>1,904</u>	<u>(553)</u>	<u>918</u>	<u>(422)</u>	<u>20</u>	<u>398</u>	<u>(867)</u>	<u>23,013</u>
	Equity attributable to equity holders of the Company									
	Share capital	Paid-in capital	Retained earnings	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
	Unaudited									
	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
Loss	-	-	(4,071)	-	-	-	-	-	-	(4,071)
Other comprehensive income (loss)	-	-	-	-	173	-	(8)	17	-	182
Total comprehensive loss	-	-	(4,071)	-	173	-	(8)	17	-	(3,889)
Issuance of share capital (net of issuance expenses)	330	1901	-	-	-	-	-	-	-	2,231
Exercise of warrants into shares	-	2	-	(2)	-	-	-	-	-	-
Forfeiture of options	-	37	-	(27)	-	(10)	-	-	-	-
Cost of share-based-payment	-	-	-	93	-	-	-	-	-	93
Balance at September 30, 2017	<u>4,226</u>	<u>9,040</u>	<u>(864)</u>	<u>729</u>	<u>(350)</u>	<u>30</u>	<u>-</u>	<u>596</u>	<u>(867)</u>	<u>12,540</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 July 1, 2018	5,746	15,826	1,904	(1,132)	877	(405)	20	398	(867)	22,367
Net profit	-	-	-	579	-	-	-	-	-	579
Other comprehensive income (loss)	-	-	-	-	-	(17)	-	-	-	(17)
Total comprehensive loss (loss)	-	-	-	579	-	(17)	-	-	-	562
Exercise of warrants into shares	7	36	-	-	(5)	-	-	-	-	38
Forfeiture of options	-	-	-	-	-	-	-	-	-	-
Cost of share-based-payment	-	-	-	-	46	-	-	-	-	46
Balance at September 30, 2018	<u>5,753</u>	<u>15,862</u>	<u>1,904</u>	<u>(553)</u>	<u>918</u>	<u>(422)</u>	<u>20</u>	<u>398</u>	<u>(867)</u>	<u>23,013</u>
	Equity attributable to equity holders of the Company									
	Share capital	Paid-in capital	Retained earnings	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
	Unaudited									
	U.S. dollars in thousands									
Balance at July 1, 2017	4,226	9,014	453	744	(416)	30	2	579	(867)	13,765
Loss	-	-	(1,317)	-	-	-	-	-	-	(1,317)
Other comprehensive income	-	-	-	-	66	-	(2)	17	-	81
Total comprehensive loss	-	-	(1,317)	-	66	-	(2)	17	-	(1,236)
Forfeiture of Options	-	26	-	(26)	-	-	-	-	-	-
Cost of share based-payment	-	-	-	11	-	-	-	-	-	11
Balance at September 30, 2017	<u>4,226</u>	<u>9,040</u>	<u>(864)</u>	<u>729</u>	<u>(350)</u>	<u>30</u>	<u>-</u>	<u>596</u>	<u>(867)</u>	<u>12,540</u>

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



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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
Audited											
U.S. dollars in thousands											
Balance at January 1, 2017	3,896	7,100	-	3,207	665	(523)	40	8	579	(867)	14,105
Net loss	-	-	-	(4,376)	-	-	-	-	-	-	(4,376)
Other comprehensive income (loss)	-	-	-	-	-	185	-	(8)	(181)	-	(4)
Total comprehensive loss (loss)	-	-	-	(4,376)	-	185	-	(8)	(181)	-	(4,380)
Issuance of Shares (net of issuance expenses)	1,833	8,565	1,904	-	-	-	-	-	-	-	12,302
Exercise of warrants into shares	5	30	-	-	(8)	-	-	-	-	-	27
Forfeiture of options	-	51	-	-	(41)	-	(10)	-	-	-	-
Cost of share-based-payment	-	-	-	-	260	-	-	-	-	-	260
Balance at December 31, 2017	<u>5,734</u>	<u>15,746</u>	<u>1,904</u>	<u>(1,169)</u>	<u>876</u>	<u>(338)</u>	<u>30</u>	<u>-</u>	<u>398</u>	<u>(867)</u>	<u>22,314</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Nine months ended September 30,</b>		<b>Three months ended September 30,</b>		<b>Year ended December 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Unaudited</b>				<b>Audited</b>
	<b>U.S. dollars in thousands</b>				
<b>Cash flows from operating activities:</b>					
Net profit (loss)	616	(4,071)	579	(1,317)	(4,376)
Adjustments to reconcile loss to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	1,861	2,150	621	1,524	2,429
Capital gain from sale of fixed assets	-	-	-	-	(22)
Cost of share-based payment	60	93	46	10	260
Income tax expense	42	25	7	13	192
Interest expenses, net	371	333	69	(98)	797
Change in employee benefit liability, net	-	53	(12)	3	70
Adjustment to current accounts with foreign operation	(10)	33	5	25	(53)
	2,324	2,687	736	1,477	3,673
Changes in operating asset and liability items:					
Increase in trade receivables	(1,365)	(2,100)	(3,653)	(911)	(4,723)
Decrease in amounts due for construction contracts	(1,042)	421	506	(1,400)	835
Decrease (increase) in other accounts receivable	(265)	129	(121)	406	(203)
Decrease (increase) in inventories	(542)	784	621	639	1,759
Increase (decrease) in trade payables	(85)	2,870	(947)	449	3,458
Increase in other accounts payable	1,978	907	1,454	245	2,125
	(1,321)	3,011	(2,140)	(572)	3,251
Cash paid and received during the period for:					
Interest paid	(303)	(375)	(13)	(22)	(901)
Taxes paid	(33)	(20)	(21)	(10)	(110)
	(336)	(395)	(34)	(32)	(1,011)
Net cash provided by (used in) operating activities	1,283	1,232	(859)	(444)	1,537

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Nine months ended</b>		<b>Three months ended</b>		<b>Year ended</b>
	<b>September 30,</b>		<b>September 30,</b>		<b>December 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2017</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	(664)	(340)	(173)	(140)	(542)
Capitalization of research and development costs	(697)	-	(355)	-	-
Proceeds from sale of fixed assets	-	-	-	-	25
Net cash used in investing activities	<u>(1,361)</u>	<u>(340)</u>	<u>(528)</u>	<u>(140)</u>	<u>(517)</u>
<u>Cash flows from financing activities:</u>					
Short-term bank credit, net	(500)	(516)	-	-	(1,516)
Receipt of Government grants	211	-	-	-	-
Payments for Government grants	(14)	(17)	(4)	(7)	(17)
Issuance of share capital (net of issuance expenses)	-	2,231	-	-	12,302
Payments of convertible bonds	(2,462)	(2,462)	-	-	(2,462)
Payments of lease liability	(991)	-	(323)	-	-
Exercise of warrants into shares	104	-	35	-	27
Net cash provided by (used in) financing activities	<u>(3,652)</u>	<u>(764)</u>	<u>(292)</u>	<u>(7)</u>	<u>8,334</u>
Translation differences on balances of cash and cash equivalents	<u>22</u>	<u>(31)</u>	<u>(6)</u>	<u>(31)</u>	<u>74</u>
Increase (decrease) in cash and cash equivalents	(3,708)	97	(1,685)	(622)	9,428
Cash and cash equivalents at the beginning of the period	<u>13,345</u>	<u>3,917</u>	<u>11,322</u>	<u>4,636</u>	<u>3,917</u>
Cash and cash equivalents at the end of the period	<u>9,637</u>	<u>4,014</u>	<u>9,637</u>	<u>4,014</u>	<u>13,345</u>
<u>Significant non-cash transaction:</u>					
Purchase of fixed assets on suppliers credit	<u>73</u>	<u>50</u>	<u>73</u>	<u>50</u>	<u>168</u>

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

**NOTE TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1:- GENERAL**

These financial statements have been prepared in a condensed format as of September 30, 2018 and for the nine 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, 2017 and for the year then ended and accompanying notes ("annual financial statements").

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