ORBIT INTERNATIONAL CORP.

ANNUAL REPORT
DECEMBER 31, 2017

To Our Shareholders:

I am pleased to report that 2017 was once again an excellent year of operating performance for Orbit International Corp. Net income increased by 29% from the prior year and our operating income increased by 47.5%. Specifically, net income for the year ended December 31, 2017 increased to $1,797,000 ($0.47 per diluted share) as compared to $1,392,000 ($0.33 per diluted share) in the prior year. Net income for the current and prior periods include $250,000 ($.07 per diluted share) and $300,000 ($0.07 per diluted share) of a deferred tax benefit resulting from a reduction in the valuation allowance on our deferred tax asset due to our continued confidence in our future profitability. The increase in our net income was attributable to slightly improved sales along with tight management of our costs and operating efficiencies.

Our operating results continue to improve our financial condition and operating cash flow. We entered 2017 debt free which enabled us to repurchase approximately 563,000 shares of our common stock or 13.5% of our outstanding shares. Our current ratio at December 31, 2017 was 9.2 to 1 and our tangible book value increased to $3.83 per share compared to $3.42 per share at December 31, 2016. This does not include any additional value for our remaining deferred tax asset still reserved for at December 31, 2017.

We completed 2017 with a backlog of $27,884,000 compared to $13,017,000 at December 31, 2016. Our bookings were highlighted by a record year of bookings from our Power Group (OPG). In September and November 2017, our OPG received two awards totaling approximately $16,000,000 against an IDIQ contract totaling $21,709,300 for Common Aircraft Armament Test Sets (CAATS) for the U.S. Navy. Deliveries of these CAATS units are expected to commence in the third quarter of 2018. Our gross margins on this contract will be lower than our historical margins due to many aspects of the production and testing that will be offloaded to subcontractors. However, no engineering or selling and administrative personnel will be needed to fulfill our obligations under this contract, so it should have a very positive impact on our profitability during the delivery period which we expect will continue through 2020.

Our Electronics Group (OEG) once again got off to a strong start for the year with the receipt of two large purchase orders in the first quarter of 2018 totaling approximately $2,482,000. These awards came on the heels of our fourth quarter consolidated bookings for 2017 totaling more than $9,300,000. Our OEG had solid operating performance in 2017 due to an increase in sales and excellent gross margins resulting from operating efficiencies, cost management and product mix. Based on expected delivery schedules from our backlog and expected orders from our bid pipeline, we expect the OEG’s strong 2017 operating performance to carry over into 2018.

Aside from the CAATS order, general bookings for our OPG have slowly increased due to a restructuring of our sales team which has led to the implementation of a more aggressive sales strategy. Our bid pipeline for products utilizing our VPX technology is growing and our alliances with prime contractors and industry leaders is widening. Our sales and engineering teams are also working aggressively to remain at the forefront of this technology. Bookings for our VPX power supplies for the first quarter of 2018 exceeded our internal projections and we are hopeful that this momentum will continue, and bookings will continue to increase, particularly when programs move to the production stage.

We enter 2018 with a strong backlog and bid pipeline including engineering contracts that will ultimately lead to new production awards. Our OPG sales team is working to increase our opportunities for our COTS power supplies and we are confident that we will receive our first oil and gas power supply award in several years. Furthermore, we continue to exercise tight management of our costs but have begun to increase those costs related to our sales efforts to further drive our revenue to take advantage of our operating leverage. We are encouraged that the new defense budget passed in Washington D.C. could result in new business opportunities for our Company as increased spending begins to flow down from the prime contractors. Consequently, we are very encouraged with our business outlook and well positioned for improved operating performance in 2018.

On behalf of the entire Orbit team, I want to extend our deep appreciation for your support. And to our employees—thank you once again for your hard work and extreme dedication.

Mitchell Binder
President and Chief Executive Officer
April 2018

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

OTC Pink Basic Disclosure Guidelines

1) Name of the Issuer and its Predecessors (if any)

Orbit International Corp.

2) Address of the Issuer's Principal Executive Offices

Company Headquarters
Address 1: 80 Cabot Court
Address 2: Hauppauge, NY 11788
Address 3:
Phone: 631-435-8300
Email: info@orbitintl.com
Website(s): www.orbitintl.com

IR Contact
Address 1: 80 Cabot Court
Address 2: Hauppauge, NY 11788
Address 3:
Phone: 631-435-8300
Email: dgoldman@orbitintl.com
Website(s): www.orbitintl.com

3) Security Information

Trading Symbol: ORBT
Exact title and class of securities outstanding: Common Stock
CUSIP: 685559304
Par or Stated Value: $.10
Total shares authorized: 10,000,000 as of: 12/31/2017
Total shares outstanding: 3,619,504 as of: 12/31/2017

Additional class of securities (if necessary):
Trading Symbol:
Exact title and class of securities outstanding:
CUSIP:
Par or Stated Value:
Total shares authorized: as of:
Total shares outstanding: as of:

Transfer Agent
Name: American Stock Transfer and Trust Company, LLC
Address 1: 6201 15th Avenue
Address 2: Brooklyn, NY 11219
Address 3:
Phone: 718-921-8200
Is the Transfer Agent registered under the Exchange Act?* Yes: ☒ No: ☐

*To be included in the OTC Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

List any restrictions on the transfer of security:

None.

Describe any trading suspension orders issued by the SEC in the past 12 months.

None.

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None.

4) Issuance History

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of equity securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.);

The Company had no offerings in the past two years.
The following is a reconciliation of the Company's outstanding shares from 1/1/16-12/31/17:

Outstanding shares at 1/1/16	4,383,358
Purchase of treasury shares (1/1/16-12/31/16)	(196,201)
Outstanding shares at 12/31/16	4,187,157
Forfeiture of restricted shares (1/1/17-12/31/17):	
Kenneth Ice-Former President, Orbit Electronics Group	(4,400)
Purchase of treasury shares (1/1/17-12/31/17)	(563,253)
Outstanding shares at 12/31/17	3,619,504

B. Any jurisdictions where the offering was registered or qualified;

N/A

C. The number of shares offered;

N/A

D. The number of shares sold;

N/A

E. The price at which the shares were offered, and the amount actually paid to the issuer;

N/A

F. The trading status of the shares; and

N/A

G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

N/A

5) Financial Statements

Provide the financial statements described below for the most recent fiscal year end or quarter end to maintain qualification for the OTC Pink Current Information tier. For the initial disclosure statement (qualifying for Current Information for the first time) please provide reports for the two previous fiscal years and any interim periods.

A. Balance sheet;
B. Statement of income and comprehensive income;
C. Statement of cash flows;
D. Notes to financial statements; and
E. Audit letter, if audited

The financial statements requested pursuant to this item shall be prepared in accordance with US GAAP by persons with sufficient financial skills.

You may either (i) attach/append the financial statements to this disclosure statement or (ii) post such financial statements through the OTC Disclosure & News Service as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial reports separately as described in part (ii) above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to otciq.com in the field below.

Information contained in a Financial Report is considered current until the due date for the subsequent Financial Report. To remain in the OTC Pink Current Information tier, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of its fiscal quarter-end date.

The Company's annual audited consolidated financial statements are included herein beginning on page 11.

6) Describe the Issuer's Business, Products and Services

Describe the issuer's business so a potential investor can clearly understand the company. In answering this item, please include the following:

A. a description of the issuer's business operations;

Orbit International Corp. conducts its operations through its Electronics and Power Groups. The Company's Electronics Group ("OEG") is comprised of its Orbit Instrument, Tulip Development Laboratory ("TDL") and Integrated Combat Systems ("ICS") Divisions. Through its Orbit Instrument and TDL Divisions, the Company is engaged in the design, manufacture and sale of customized electronic components and subsystems. ICS, based in Louisville, Kentucky, performs systems integration for gun weapons systems. The Power Group ("OPG") is comprised of the Company's wholly owned subsidiary, Behlman Electronics Inc. ("Behlman"), and is engaged in the design and manufacture of high quality commercial power units, AC power, frequency converters, uninterruptible power supplies and commercial-off-the-shelf ("COTS") power solutions.

B. date and state (or jurisdiction) of incorporation:

Orbit International Corp. was incorporated under the laws of the State of New York on April 4, 1957 as Orbit Instrument Corp. In December 1986, the state of incorporation was changed from New York to Delaware and in July 1991, the name was changed to Orbit International Corp.

C. the issuer's primary and secondary SIC Codes;

3679 (Electronic Components, not elsewhere classified)

D. the issuer's fiscal year end date;

December 31

E. principal products or services, and their markets;

The Electronics Group's principal products include remote control units ("RCU"), intercommunication panels, displays, keyboards, keypads and pointing devices, operator control trays, command display units ("CDUs") and gun weapons system products. These products are used primarily in support of military programs. The Power Group's principal products include power supplies, frequency converters, uninterruptible power supply products, armament systems and inverters. These products are primarily used in commercial applications and in support of military programs.

7) Describe the Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

Our plant and executive offices are located at 80 Cabot Court, Hauppauge, New York. This facility, which consists of approximately 60,000 square feet (of which approximately 50,000 square feet are available for manufacturing operations) in a two-story, brick building, was completed in October 1982 and expanded in 1985. We are currently operating this facility at approximately 70% of capacity. In March 2001, we completed a sale-leaseback transaction whereby we sold our land and building for $3,000,000 and entered into a twelve-year net lease with the buyer of the property. Effective January 1, 2011, we entered into an amendment to the lease. The amendment extended the lease expiration date to December 31, 2021 and modified the lease payments as follows: approximately $32,500 per month for January 2011 through December 2013, approximately $35,400 per month for January 2014 through December 2016, and approximately $38,600 per month for January 2017 through December 2021. In connection with the lease amendment, our landlord agreed, at its sole expense, to make certain improvements to the facility.

In December 2007, our Behlman subsidiary entered into a lease for a 2,000 square foot facility at 2363 Teller Road, Unit 108, Newbury Park, California, which was used as a selling office for all of the Company's operating units. In December 2012, the lease was amended whereby the expiration date was extended to December 31, 2017 at a lease payment of approximately $2,300 per month for the term of the lease. In November 2016, we requested from the landlord an early termination of the lease and in February 2017, this lease was terminated effective March 31, 2017. In March 2017, we entered into a one-year lease for a 503 square foot facility located at 199 W. Hillcrest Drive, Thousand Oaks, California which is used as a selling office for the Electronics Group. The monthly lease payment is $2,530 per month and the lease is subject to automatic one-year renewals, at prevailing market rates, assuming no prior notification of termination from the landlord or tenant. The lease has automatically renewed for another one-year term and now expires March 31, 2019.

In March 2014, our ICS division entered into a lease for a three-year period, with a three-year renewal option, for approximately 4,700 square feet. The lease payments were as follows: approximately $4,100 per month for April 2014 through March 2015, approximately $4,300 per month for April 2015 through March 2016, and approximately $4,500 per month for April 2016 through March 2017. Our lease at this location expired March 31, 2017. In December 2016, ICS entered into a new two-year sub-lease agreement for a facility located at 11400 Decimal Drive, Louisville, Kentucky. The lease payments at the new facility are $1,685 per month for January 2017 through December 2018.

8) Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant shareholders.

A. Names of Officers, Directors, and Control Persons. In responding to this item, please provide the names of each of the issuer's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), as of the date of this information statement.

Officers and Directors
Mitchell Binder-President, CEO and Director
David Goldman-CFO, Treasurer, Secretary and Director
Karl Schmidt-COO
Wayne Cadwallader-Director
Fredric Gruder-Director
Bernard Karcinell-Director

Control Persons:

Name and Address	Shares Beneficially Owned	Percentage of Class
Elkhorn Partners Limited Partnership-Alan S. Parsow General Partner 2222 Skyline Drive Elkhorn, NE 68022	1,689,602 (1)	46.68%

(1) Based on information provided to the Company in June 2017. Includes shares owned individually by the partnership's general partner.

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None.

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None.

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None.

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

None.

C. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

Name and Address	Shares Beneficially Owned	Percentage of Class
Elkhorn Partners Limited Partnership-Alan S. Parsow General Partner 2222 Skyline Drive Elkhorn, NE 68022	1,689,602 (1)	46.68%

(1) Based on information provided to the Company in June 2017. Includes shares owned individually by the partnership's general partner.

9) Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

Legal Counsel
Name: Irvin Brum
Firm: Ruskin Moscou Faltischek P.C.
Address 1: 1425 RXR Plaza
Address 2: East Tower, 15th Floor
Uniondale, NY 11556
Phone: 516-663-6610
Email: ibrum@rmfpc.com

Accountant or Auditor
Name: Michael Monahan
Firm: CohnReznick LLP
Address 1: 100 Jericho Quadrangle
Address 2: Jericho, NY 11753
Phone: 516-336-5509
Email: michael.monahan@cohnreznick.com

Investor Relations Consultant-N/A

Other Advisor: Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

N/A

10) Issuer Certification

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles, but having the same responsibilities).

The certifications shall follow the format below:

I, Mitchell Binder certify that:

1. I have reviewed this annual report of Orbit International Corp. and Subsidiaries;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 30, 2018

/s/ Mitchell Binder
CEO

I, David Goldman certify that:

1. I have reviewed this annual report of Orbit International Corp. and Subsidiaries;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 30, 2018

/s/ David Goldman
CFO

Independent Auditor's Report

To the Board of Directors and Stockholders
Orbit International Corp.

We have audited the accompanying consolidated financial statements of Orbit International Corp. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Orbit International Corp. and Subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ CohnReznick LLP
Jericho, New York
March 30, 2018

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31,	**2017**	**2016**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 941,000	$ 2,076,000
Investments in marketable securities	301,000	210,000
Accounts receivable, less allowance for doubtful accounts of $115,000 at 2017 and 2016	3,248,000	2,775,000
Inventories	10,080,000	10,002,000
Income tax receivable	15,000	18,000
Other current assets	131,000	205,000
Total current assets	14,716,000	15,286,000
Property and equipment, net	183,000	270,000
Goodwill	868,000	868,000
Deferred tax assets, net	550,000	300,000
Other assets	33,000	40,000
Total Assets	$16,350,000	$16,764,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 524,000	$ 483,000
Accrued expenses	1,014,000	1,000,000
Customer advances	69,000	87,000
Total current liabilities	1,607,000	1,570,000
Commitments and contingencies		
Stockholders' Equity:		
Common stock, $.10 par value, 10,000,000 shares authorized, 4,582,000 and 4,877,000 shares issued at 2017 and 2016, respectively, and 3,620,000 and 4,187,000 shares outstanding at 2017 and 2016, respectively	458,000	488,000
Additional paid-in capital	20,932,000	22,029,000
Treasury stock, at cost, 962,000 and 690,000 shares at 2017 and 2016, respectively	(3,419,000)	(2,273,000)
Accumulated other comprehensive income (loss), net of income tax	1,000	(24,000)
Accumulated deficit	(3,229,000)	(5,026,000)
Stockholders' equity	14,743,000	15,194,000
Total Liabilities and Stockholders' Equity	$16,350,000	$16,764,000

See Notes to Consolidated Financial Statements

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years ended December 31,	**2017**	**2016**
Net sales	$20,851,000	$20,726,000
Cost of sales	12,711,000	13,093,000
Gross profit	8,140,000	7,633,000
Selling, general and administrative expenses	6,569,000	6,568,000
Interest expense	-	27,000
Investment and other (income) expense, net	5,000	(30,000)
Total expenses, net	6,574,000	6,565,000
Income before benefit from income taxes	1,566,000	1,068,000
Benefit from income taxes	(231,000)	(324,000)
Net income	**1,797,000**	**1,392,000**
Change in unrealized gains (losses) on marketable securities, net of income tax of $14,000 and $7,000, respectively	3,000	13,000
Reclassification adjustment for loss realized	22,000	-
Other comprehensive income	25,000	13,000
Comprehensive income	$ 1,822,000	$ 1,405,000
Net income per common share:		
Basic	$ 0.47	$ 0.33
Diluted	$ 0.47	$ 0.33
Weighted average number of common shares outstanding:		
Basic	3,838,000	4,234,000
Diluted	3,844,000	4,245,000

See Notes to Consolidated Financial Statements

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2017 and 2016

	Common Stock 10,000,000 Shares Authorized		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Accumulated Other Comprehensive Income (Loss), Net of Income Tax	Total
	Shares Issued	Amount			Shares	Amount		
Balance at January 1, 2016	5,137,000	$514,000	$22,659,000	$(6,418,000)	754,000	$ (2,273,000)	$ (37,000)	$14,445,000
Share-based compensation expense	-	-	54,000	-	-	-	-	54,000
Retirement of treasury stock	(260,000)	(26,000)	(684,000)	-	(260,000)	710,000	-	-
Purchase of treasury stock	-	-	-	-	196,000	(710,000)	-	(710,000)
Change in unrealized gains and losses on marketable securities, net of income tax	-	-	-	-	-	-	13,000	13,000
Net income	-	-	-	1,392,000	-	-	-	1,392,000
Balance at December 31, 2016	4,877,000	488,000	22,029,000	(5,026,000)	690,000	(2,273,000)	(24,000)	15,194,000
Share-based compensation expense	-	-	74,000	-	-	-	-	74,000
Retirement of treasury stock	(291,000)	(29,000)	(1,171,000)	-	(291,000)	1,200,000	-	-
Forfeiture of restricted stock	(4,000)	(1,000)	-	-	-	-	-	(1,000)
Purchase of treasury stock	-	-	-	-	563,000	(2,346,000)	-	(2,346,000)
Change in unrealized gains and losses on marketable securities, net of income tax	-	-	-	-	-	-	3,000	25,000
Reclassification adjustment for loss realized							22,000	
Net income	-	-	-	1,797,000	-	-	-	1,797,000
Balance at December 31, 2017	4,582,000	$458,000	$20,932,000	$(3,229,000)	962,000	$ (3,419,000)	$ 1,000	$14,743,000

See Notes to Consolidated Financial Statements

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,	**2017**	**2016**
Cash flows from operating activities:		
Net income	$ 1,797,000	$ 1,392,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	74,000	54,000
Depreciation and amortization	114,000	185,000
Bond amortization	(2,000)	(5,000)
Deferred tax benefit	(250,000)	(300,000)
Loss on sale of marketable securities	22,000	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(473,000)	489,000
(Increase) decrease in inventories	(78,000)	692,000
Decrease (increase) in income tax receivable	3,000	(9,000)
Decrease in other current assets	74,000	54,000
Increase (decrease) in accounts payable	41,000	(125,000)
Decrease in customer advances	(18,000)	(102,000)
Increase in accrued expenses	14,000	144,000
Decrease in other liabilities	-	(16,000)
Decrease in other assets	7,000	-
Net cash provided by operating activities	1,325,000	2,453,000
Cash flows from investing activities:		
Purchase of marketable securities	(202,000)	-
Proceeds from sale of marketable securities	117,000	43,000
Purchase of property and equipment	(29,000)	(47,000)
Net cash used in investing activities	(114,000)	(4,000)
Cash flows from financing activities:		
Purchase of treasury stock	(2,346,000)	(710,000)
Repayments of line of credit	-	(1,410,000)
Net cash used in financing activities	(2,346,000)	(2,120,000)

(continued)

ORBIT INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

Years ended December 31,	**2017**	**2016**
Net (decrease) increase in cash and cash equivalents	$ (1,135,000)	$ 329,000
Cash and cash equivalents at beginning of year	2,076,000	1,747,000
Cash and cash equivalents at end of year	$ 941,000	$ 2,076,000
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ -	$ 28,000
Cash paid (refunds received) during the year for income taxes, net	$ 16,000	$ (15,000)

See Notes to Consolidated Financial Statements

1. ORGANIZATION AND BUSINESS:

The consolidated financial statements include the accounts of Orbit International Corp. and its wholly owned subsidiaries (collectively, the "Company"). All significant intercompany transactions have been eliminated in consolidation.

The Company currently operates in two reporting segments, the Electronics Group and the Power Group. The Electronics Group is comprised of the Company's Orbit Instrument ("Orbit"), Tulip Development Laboratory ("TDL") and Integrated Combat Systems ("ICS") divisions. Orbit and TDL are engaged in the design and manufacture of electronic components and subsystems. ICS performs system integration for gun weapons systems. The Power Group is comprised of the Company's Behlman subsidiary and is engaged in the design and manufacture of commercial and custom power units. The Electronics Group and the Power Group both conduct their operations in the United States. The majority of the Company's customers are comprised of various agencies and prime and lower tier subcontractors of the U.S. government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. On an ongoing basis, the Company re-evaluates its judgments and estimates including those related to inventory valuation, the valuation allowance on its deferred tax assets, goodwill impairment, valuation of share-based compensation and other-than-temporary impairment on marketable securities, among others.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash in bank deposit accounts, which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts.

Marketable Securities

The Company's investments are classified as available-for-sale securities and are stated at fair value, based on quoted market prices, with the unrealized gains and losses, net of income tax, reported in accumulated other comprehensive income (loss). Realized gains and losses are included in investment income. Any decline in value judged to be other-than-temporary on available-for-sale securities are included in earnings to the extent they relate to a credit loss. A credit loss is the difference between the present value of cash flows expected to be collected from the security and the amortized cost basis. The amount of any impairment related to other factors will be recognized in comprehensive income (loss). The cost of securities is based on the specific-identification method. Interest and dividends on such securities are included in investment income.

Allowance for Doubtful Accounts

Accounts receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Company estimates doubtful accounts based on historical bad debts, factors related to specific customers' ability to pay and current economic trends. The Company writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

Inventories

Inventories, which consist of raw materials, work-in-process, and finished goods, are recorded at the lower of cost (average cost method) or net realizable value. Inventories are shown net of any reserves relating to any potential slow moving or obsolete inventory.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization of the respective assets are computed using the straight-line method over their estimated useful lives ranging from 3 to 10 years. Leasehold improvements are amortized using the straight-line method over the remaining term of the lease or the estimated useful life of the improvement, whichever is less.

Long-Lived Assets

When impairment indicators are present, the Company reviews the carrying value of its long-lived assets in determining the ultimate recoverability of their unamortized values using future undiscounted cash flow analyses. In the event the future undiscounted cash flows of the long-lived asset are less than the carrying value, the Company will record an impairment charge for the difference between the carrying value and the fair value of the long-lived asset.

Goodwill

The Company records goodwill as the excess of purchase price over the fair value of identifiable net assets acquired. In accordance with Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other*, goodwill is not amortized but instead tested for impairment on at least an annual basis. The Company, where appropriate, will utilize Accounting Standards Update ("ASU") 2011-08, *Intangible - Goodwill and Other*, which allows the Company to not perform the two-step goodwill impairment test if it determines that it is not more likely than not that the fair value of the reporting unit is less than the carrying amount based on a qualitative assessment of the reporting unit. The Company's annual goodwill impairment test is performed in the fourth quarter each year or sooner when impairment indicators are present. If the goodwill is deemed to be impaired, the difference between the carrying amount reflected in the consolidated financial statements and the estimated fair value is recognized as an expense in the period in which the impairment occurs. In determining the recoverability of goodwill, assumptions are made regarding estimated future cash flows and other factors to determine the fair value of the assets.

Income Taxes

The Company recognizes deferred tax assets and liabilities in accordance with ASC 740, *Income Taxes*, based on the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the consolidated financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances have been established to reduce deferred tax assets to the amount expected to be realized. The Company evaluates uncertain tax positions and accounts for such items in accordance with ASC 740-10, *Income Taxes – Overall*. The Company is subject to federal income taxes and files a consolidated U.S. federal income tax return. In addition to the federal tax return, the Company files income tax returns in various state jurisdictions on both an unconsolidated and consolidated basis depending on the respective state. The Company is subject to routine income tax audits in various jurisdictions and tax returns remain open to examination by such taxing authorities in accordance with their respective statutes.

Revenue and Cost Recognition

The Company recognizes its revenue upon the shipment of product. The Company recognizes such revenue when title and risk of loss are transferred to the customer and when: i) there is persuasive evidence that an arrangement with the customer exists, which is generally a customer purchase order, ii) the selling price is fixed and determinable, iii) collection of the customer receivable is deemed probable, and iv) the Company does not have any continuing obligations.

All contracts are for products made to customer specifications with no right of return. All units are shipped with a one-year warranty. There were no material warranty claims during the years ended December 31, 2017 and 2016.

Comprehensive Income

Comprehensive income consists of net income and unrealized gains and losses on marketable securities, net of tax. The Company has elected to present the components of net income, the components of other comprehensive income and total comprehensive income as a single continuous statement.

Stock-Based Compensation

The Company accounts for stock-based compensation awards based on the fair value of the awards on the date of grant and expenses such compensation over the vesting periods of the awards.

Earnings Per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net earnings by the sum of the weighted average number of shares of common stock and the dilutive effect of unexercised stock options and the unearned portion of restricted stock awards.

Deferred Rent

Certain of the Company's leases have escalation clauses which are recognized on a straight-line basis over the life of the lease. The amounts are recorded in accrued expenses in the accompanying consolidated financial statements.

Freight and Delivery Costs

The Company's freight out and delivery costs were $54,000 and $98,000 for the years ended December 31, 2017 and 2016, respectively. These costs are included in selling, general and administrative expenses.

Research and Development Expenses

Research and development expenses are expensed when incurred. The Company expensed approximately $1,471,000 and $1,495,000 for research and development during the years ended December 31, 2017 and 2016, respectively, which is included in selling, general and administrative expenses.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. In April 2015, the FASB proposed deferring the effective date of ASU 2014-09 for one year, and proposed some modifications to the original provisions. On July 9, 2015, the one-year deferral of the effective date was approved and, as such, ASU 2014-09 is effective for the first quarter of fiscal year 2018 using either the retrospective or cumulative effect transition method. The Company has been evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has elected to use the cumulative effect transition method and the practical expedient of applying the transition method to only contracts that are not completed at the date of initial application. The Company anticipates that the initial application of this standard will result in an increase to stockholders' equity of approximately $200,000-$400,000 at the date of initial application (January 1, 2018).

After adoption, the Company will recognize revenue when control transfers to the customer. The Company has determined that control transfers to its customers over time when the contract contains a termination for convenience provision and when the product has no alternative use which is usually in the finished good/top assembly stage. The Company will recognize revenue over time using an output method based on units shipped with an adjustment to ending inventory for any product where control has deemed to transfer to the customer. The Company will recognize revenue at a point in time (when shipped) for all other contracts that either do not contain a termination for convenience provision or where the top assembly/finished good has alternative use.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases (Topic 842)*. The updated guidance requires lessees to recognize lease assets and lease liabilities for most operating leases. In addition, the updated guidance requires that lessors separate lease and nonlease components in a contract in accordance with the new revenue guidance in ASU 2014-09. The updated guidance is effective for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the effect on its consolidated financial statements.

3. INVENTORIES:

Inventories consist of the following:

December 31,	2017	2016
Raw materials	$ 5,671,000	$ 5,705,000
Work-in-process	4,001,000	3,805,000
Finished goods	408,000	492,000
	$10,080,000	$10,002,000

4. MARKETABLE SECURITIES:

The following is a summary of the Company's available-for-sale marketable securities at December 31, 2017 and 2016:

December 31, 2017	Adjusted Cost	Fair Value	Unrealized Holding Loss
Corporate Bonds	$ 302,000	$ 301,000	$ (1,000)
December 31, 2016			
Corporate Bonds	$ 251,000	$ 210,000	$ (41,000)

Maturities of marketable securities classified as available-for-sale at December 31, 2017 are as follows:

Due after one year through ten years	$203,000
Due after ten years	$ 99,000

5. FAIR VALUE OF FINANCIAL INSTRUMENTS:

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. This statement enables the reader of the consolidated financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs an analysis of the assets and liabilities that are subject to ASC 820.

The tables below present the balances, as of December 31, 2017 and 2016, of assets measured at fair value on a recurring basis by level within the hierarchy.

2017	Total	Level 1	Level 2	Level 3
Corporate Bonds	$ 301,000	$ 301,000	$ -	$ -
2016	**Total**	**Level 1**	**Level 2**	**Level 3**
Corporate Bonds	$ 210,000	$ 210,000	$ -	$ -

6. GOODWILL:

At December 31, 2017 and 2016, the Company's goodwill was $868,000.

At December 31, 2017 and 2016, in connection with the annual impairment testing pursuant to ASC 350, the Company performed a qualitative assessment of Behlman's goodwill. Based on the assessment, the Company concluded at December 31, 2017 and 2016 that the fair value of Behlman was more likely than not greater than its carrying amount. The Company's conclusion was based on certain factors, such as: i) Behlman's bookings and revenue in 2017 and 2016, (ii) Behlman's net income in 2016 (iii) Behlman's backlog at December 31, 2017 and 2016 and (iv) Behlman's projected bookings, revenue and net income in 2018.

7. PROPERTY AND EQUIPMENT:

Property and equipment, at cost, consist of the following:

December 31,	2017	2016
Leasehold improvements	$ 208,000	$ 205,000
Computer equipment	994,000	991,000
Machinery and equipment	1,804,000	1,787,000
Autos	21,000	21,000
Furniture and fixtures	747,000	743,000
	3,774,000	3,747,000
Accumulated depreciation and amortization	(3,591,000)	(3,477,000)
	$ 183,000	$ 270,000

The Company recognized, on a straight-line basis, depreciation and amortization expense of $114,000 and $185,000 for the years ended December 31, 2017 and 2016, respectively.

8. DEBT:

On November 8, 2012, the Company entered into a credit agreement ("Credit Agreement") with a commercial lender pursuant to which the Company established a committed line of credit of up to $6,000,000. This line of credit was used to pay off, in full, all of the Company's obligations to its former primary lender and to provide for its general working capital needs. In March 2015, the Credit Agreement was amended whereby the line of credit was reduced to $4,000,000 from $6,000,000. In January 2018, the Company's Credit Agreement was further amended whereby the expiration date on its credit facility was extended to August 1, 2020.

Payment of interest on the line of credit is due at a rate per annum as follows: either (i) variable at the lender's prime lending rate (4.50% at December 31, 2017) and/or (ii) 2% over LIBOR for 30, 60 and 90 day LIBOR maturities, at the Company's sole discretion. The line of credit is collateralized by a first priority security interest in all of the Company's tangible and intangible assets. The Company had no borrowings under the line of credit at December 31, 2017. The Company had $4,000,000 of availability under its line of credit at December 31, 2017.

The Credit Agreement contains customary affirmative and negative covenants and certain financial covenants. Additionally, available borrowings under the line of credit are subject to a borrowing base of eligible accounts receivable and inventory. All outstanding borrowings under the line of credit are accelerated and become immediately due and payable (and the line of credit terminates) in the event of a default, as defined, under the Credit Agreement. The Company was in compliance with the financial covenants contained in its Credit Agreement at December 31, 2017.

9. STOCK-BASED COMPENSATION PLANS:

The Company had stock-based employee compensation plans, which provided for the granting of nonqualified and incentive stock options, as well as restricted stock awards and stock appreciation rights to officers, employees and key persons. The plans granted options at the market value of the Company's stock on the date of such grant and all options expired ten years after grant. The terms and vesting schedules for stock-based awards vary by type of grant and generally the awards vest based upon time-based conditions. Stock option exercises were funded through the issuance of the Company's common stock. Stock-based compensation expense for the years ended December 31, 2017 and 2016 was $74,000 and $54,000, respectively.

There are currently no stock-based compensation plans in effect that provide for the granting of stock options, restricted shares or stock appreciation rights.

The following table summarizes the Company's nonvested restricted stock activity for the year ended December 31, 2017:

	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested restricted stock at January 1, 2017...........	69,000	$3.23
Granted	-	-
Vested...............................	(39,000)	$3.23
Forfeited...........................	(4,000)	-
Nonvested restricted stock at December 31, 2017……	26,000	$3.23

The Company's stock-based employee compensation plans allowed for the issuance of restricted stock awards that may not be sold or otherwise transferred until certain restrictions have lapsed. The unearned stock-based compensation related to restricted stock granted is being amortized to compensation expense over the vesting period, which is seven years. The share-based expense for these awards was determined based on the market price of the Company's stock at the date of grant applied to the total number of shares that were anticipated to vest. As of December 31, 2017, the Company had unearned compensation of $82,000 associated with all of the Company's restricted stock awards, which will be expensed over approximately the next two years. The unvested portion of restricted stock awards at December 31, 2017 and 2016 was approximately 26,000 and 69,000 shares, respectively.

10. EMPLOYEE BENEFIT PLAN:

A defined contribution plan provides benefits to certain employees who meet specified minimum service and age requirements. The plan provides for contributions by the Company equal to 1/2 of employee contributions (but not more than 2% of eligible compensation) and the Company may make additional contributions out of current or accumulated net earnings at the sole discretion of the Company's management.

The Company contributed approximately $122,000 and $118,000 to the plan during the years ended December 31, 2017 and 2016, respectively.

11. INCOME TAXES:

The Company is subject to federal income taxes and files a consolidated U.S. federal income tax return. In addition to the federal tax return, the Company files income tax returns in various state jurisdictions on a combined or separate basis.

At September 30, 2017, the Company evaluated its cumulative pre-tax income for the trailing thirty-six months as well as its income projections and determined that more likely than not certain deferred tax assets will be realized. As a result, the Company reduced the valuation allowance on its deferred tax asset resulting in a net deferred tax asset of $550,000. At December 31, 2016, the Company evaluated its cumulative pre-tax income for the three most recent years as well as its income projections and determined that more likely than not certain deferred tax assets will be realized. As a result, the Company reduced the valuation allowance on its deferred tax asset resulting in a net deferred tax asset of $300,000.

The reconciliation of income tax computed at the U.S. federal statutory tax rates to income tax expense is as follows:

December 31,	2017	2016
Tax at U.S. statutory rates	34.0%	34.0%
State income and federal minimum taxes	1.0%	(2.0)%
Effect of tax rate change	115.0%	- %
Change in valuation allowance	(163.0)%	(62.0)%
Other items, net	(2.0)%	- %
	(15.0)%	(30.0)%

Deferred tax assets (liabilities) are comprised of the following:

December 31,	2017	2016
Alternative minimum tax credit carryforward	$ 573,000	$ 573,000
Net operating loss carryforwards	2,072,000	3,672,000
Temporary differences in bases of assets and liabilities:		
Accounts receivable and inventory	456,000	744,000
Accrued expenses	112,000	133,000
Goodwill	252,000	618,000
Intangible assets	226,000	464,000
Property and equipment	-	(2,000)
	1,046,000	1,957,000
Total deferred tax assets, net	3,691,000	6,202,000
Valuation allowance	(3,141,000)	(5,902,000)
Net deferred tax assets	$ 550,000	$ 300,000

The provision for (benefit from) income taxes consists of the following:

	2017	2016
Current income tax expense (benefit):		
Federal	$ -	$ 8,000
State	19,000	(32,000)
Total	19,000	(24,000)
Deferred income tax expense (benefit), net:		
Federal	(243,000)	(287,000)
State	(7,000)	(13,000)
Total	(250,000)	(300,000)
Total	$ (231,000)	$ (324,000)

At December 31, 2017, the Company valued its net deferred tax assets based on tax rates expected to be in effect when its temporary differences reverse. The passage of the Tax Cuts and Job Act in December 2017 resulted in a lower federal tax rate (21%) and the elimination of the corporate alternative minimum tax. As a result, the Company's deferred tax assets and valuation allowance were reduced by approximately $1,805,000 at December 31, 2017.

As of December 31, 2017 and 2016, the Company has no material uncertain tax positions. The Company is subject to routine income tax audits in various jurisdictions and tax returns from December 31, 2014 remain open to examination by such taxing authorities. The Company did not record any tax related interest or penalties.

12. SIGNIFICANT CUSTOMERS AND CONCENTRATIONS OF CREDIT RISK:

Sales to significant customers accounted for approximately 35% (22% and 13%) and 36% (15%, 11%, and 10%) of the Company's consolidated net sales for the years ended December 31, 2017 and 2016, respectively. The significant customers of the Company accounted for approximately 59% (39% and 20%) of its consolidated accounts receivable balance at December 31, 2017. The majority of the Company's consolidated sales are related to programs procured by the Department of Defense.

For the years ended December 31, 2017 and 2016, significant customers of the Company's Electronics Group accounted for approximately 63% (34%, 15%, and 14%) and 54% (27%, 15%, and 12%), respectively, of the Electronics Group's net sales. Significant customers of the Company's Electronics Group accounted for approximately 80% (52%, 27%, and 1%), of the Electronics Group's accounts receivable balance at December 31, 2017.

Significant customers of the Company's Power Group accounted for approximately 22% (11% and 11%) and 35% (22% and 13%) of the Power Group's net sales for the years ended December 31, 2017 and 2016, respectively. Significant customers of the Company's Power Group accounted for approximately 21% (8% and 13%), of the Power Group's accounts receivable balance at December 31, 2017.

A substantial portion of the net sales is subject to audit by agencies of the U.S. government. In the opinion of management, adjustments to such sales, if any, will not have a material effect on the Company's consolidated financial position or results of operations.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and trade receivables from its customers.

The Company performs credit evaluations on its customers and collateral is generally not required. Credit losses are provided for in the consolidated financial statements during the period in which an impairment has been determined.

13. LEASING ARRANGEMENTS:

Effective January 1, 2011, the Company entered into an amendment to its lease. The amendment extended the lease expiration date to December 31, 2021 and modified the annual lease payments as follows: approximately $390,000 per year for the years 2011 through 2013, approximately $424,800 per year for the years 2014 through 2016, and approximately $463,200 per year for the years 2017 through 2021. The Company's landlord agreed, at its sole expense, to make certain improvements to the facility.

In December 2016, the Company's ICS division entered into a two-year sub-lease agreement which calls for lease payments of approximately $1,685 per month for January 2017 through December 2018.

Additional operating leases are for a sales office and office equipment. The Company has escalation clauses which are recognized on a straight-line basis over the life of the lease. The amounts are recorded in accrued expenses in the accompanying consolidated financial statements.

Future minimum lease payments as of December 31, 2017 under all operating lease agreements that have initial or remaining noncancelable lease terms in excess of one year are as follows:

Year ending December 31,	
2018	$ 521,000
2019	493,000
2020	470,000
2021	470,000
Total future minimum lease payments	$1,954,000

Rent expense for operating leases was approximately $497,000 and $514,000 for the years ended December 31, 2017 and 2016, respectively.

14. COMMITMENTS:

The Company has employment agreements with three executive officers. At December 31, 2017, the total contractual obligations under these agreements over the next three years are approximately $1,902,000. In addition, two executive officers are entitled to bonuses based on certain performance criteria, as defined, and one executive officer and six key employees are entitled to bonuses based on a percentage of earnings before taxes, as defined in the employment agreements. Total bonus compensation expense was approximately $232,000 and $196,000 for years ended December 31, 2017 and 2016, respectively.

From time to time, the Company may become a party to litigation or other legal proceedings that it considers to be a part of the ordinary course of business. The Company is not currently involved in any other legal proceedings that could reasonably be expected to have a material adverse effect on its business, prospects, financial condition or results of operations.

15. BUSINESS SEGMENTS:

The Company conducts its operations through two business segments, the Electronics Segment (or "Electronics Group") and the Power Units Segment (or "Power Group"). The Electronics Group is comprised of the Orbit Instrument, TDL and ICS Divisions. Through its Orbit Instrument and TDL Divisions, the Company is engaged in the design, manufacture and sale of customized electronic components and subsystems. ICS, located in Louisville, Kentucky, performs systems integration for gun weapons systems. The Power Group is comprised of Behlman and is engaged in the design and manufacture of high quality commercial power units, AC power, frequency converters, uninterruptible power supplies and commercial-off-the-shelf power solutions.

The Company's reportable segments are business units that offer different products with each segment utilizing its own direct labor personnel. The Company's reportable segments are each managed separately as they manufacture and distribute distinct products with different production processes. Management evaluates performance of the Company's reportable segments based on each segment's revenue and profitability.

The following is the Company's reporting segment information as of and for the years ended December 31, 2017 and 2016:

Year ended December 31,	2017	2016
Net sales:		
Electronics Group:		
Domestic	$12,450,000	$11,356,000
Foreign	867,000	546,000
Total Electronics Group	13,317,000	11,902,000
Power Group:		
Domestic	6,090,000	8,043,000
Foreign	1,532,000	781,000
Total Power Group	7,622,000	8,824,000
Intersegment sales	(88,000)	-
Total net sales	$20,851,000	$20,726,000
Income before benefit from income taxes:		
Electronics Group	$3,050,000	$1,646,000
Power Group	(663,000)	182,000
General corporate expenses not allocated	(805,000)	(763,000)
Interest expense	-	(27,000)
Investment and other (income) expense, net	(5,000)	30,000
Intersegment profit	(11,000)	-
Income before benefit from income taxes	$ 1,566,000	$ 1,068,000

December 31,	2017	2016
Assets:		
Electronics Group (1)	$ 7,585,000	$ 7,266,000
Power Group (2)	6,090,000	6,008,000
General corporate assets not allocated	2,708,000	3,512,000
Elimination of intersegment gross profit in ending inventory	(33,000)	(22,000)
Total assets	$16,350,000	$ 16,764,000

(1) Includes property and equipment, net of $128,000 and $204,000 at December 31, 2017 and 2016, respectively.
(2) Includes property and equipment, net of $55,000 and $66,000 at December 31, 2017 and 2016, respectively.

Depreciation and amortization:		
Electronics Group	$ 93,000	$ 156,000
Power Group	21,000	29,000
Total depreciation and amortization	$ 114,000	$ 185,000

16. NET INCOME PER COMMON SHARE: The following table sets forth the computation of basic and diluted net income per common share:

Year Ended December 31,	2017	2016
Denominator:		
Denominator for basic net income per share - weighted average common shares	3,838,000	4,234,000
Effect of dilutive securities:		
Nonvested restricted stock to employees	6,000	11,000
Denominator for diluted net income per share – weighted average common shares and assumed conversions	3,844,000	4,245,000

The numerator for basic and diluted net income per share for the years ended December 31, 2017 and 2016 is the net income for each year.

Approximately 37,000 and 69,000 shares of restricted common stock were outstanding at December 31, 2017 and 2016, respectively, but were not included in the computation of basic net income per share. These shares were excluded because they represent the unvested portion of restricted stock awards.

17. EQUITY: In November 2015, the Company’s Board of Directors authorized management to enter into a 10b5-1 Plan (the “2015 Plan”) which allowed the Company to purchase up to approximately $359,000 of its common stock. From November 19, 2015 to June 30, 2016, the Company purchased a total of 70,282 shares of common stock under the 2015 Plan for total cash consideration of approximately $237,000 at an average price of $3.37 per share. The 2015 Plan expired June 30, 2016.

In May 2016, the Company's Board of Directors authorized management to enter into a new 10b5-1 Plan ("2016 Plan"), effective July 1, 2016. The 2016 Plan allowed the Company to purchase up to $400,000 of its common stock through June 30, 2017. From July 1, 2016 through January 6, 2017 the Company purchased a total of 104,427 shares of common stock under this plan for total cash consideration of approximately $400,000 at an average price of $3.83 per share. During the same period, the Company also purchased 54,201 shares of its common stock outside of the 2016 Plan for cash consideration of approximately $200,000 at an average share price of $3.73 per share.

In March 2017, the Company's Board of Directors authorized management to enter into a new 10b5-1 Plan (the "2017 Plan"). The 2017 Plan allowed the Company to purchase up to $450,000 of its common stock through June 30, 2017. From March 14, 2017 through June 30, 2017, the Company purchased a total of 115,293 shares of common stock under the 2017 Plan for total cash consideration of approximately $450,000 at an average price of $3.90 per share. During the same period, the Company also purchased 70,000 shares of its common stock outside of the 2017 Plan for cash consideration of approximately $282,000 at an average price of $4.03 per share.

In May 2017, the Company's Board of Directors authorized management to enter into a new 10b5-1 Plan (the "New 2017 Plan"). The New 2017 Plan allowed the Company to purchase up to $400,000 of its common stock from July 1, 2017 through June 30, 2018. In August 2017, the Company's Board of Directors amended the New 2017 Plan whereby the dollar value of common stock that management was authorized to purchase under this plan increased to $728,000. From July 1, 2017 to March 23, 2018, the Company purchased a total of 144,938 shares of common stock under the New 2017 Plan, as amended, for total cash consideration of approximately $626,000 at an average price of $4.32 per share. During the same period, the Company also purchased 204,383 shares of its common stock outside of the 2017 Plan for cash consideration of approximately $872,000 at an average price of $4.27 per share.

During the years ending December 31, 2017 and 2016, the aggregate amounts expended by the Company in purchases of its common stock, both pursuant to Plans and outside of Plans, was $2,346,000 and $710,000, respectively. These shares are all classified as treasury stock.