

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands

	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
Revenues	\$ 24,463	\$ 23,557	\$ 7,914	\$ 7,714
Cost of revenues	19,709	18,736	6,542	6,110
Gross profit	4,754	4,821	1,372	1,604
Operating costs and expenses:				
Sales and marketing	2,907	2,726	1,008	879
General and administrative	1,632	1,301	474	451
Impairment of Goodwill	614	-	614	-
Total operating costs and expenses	5,153	4,027	2,096	1,330
Operating income (loss)	(399)	794	(724)	274
Financial expenses, net	(240)	(170)	(111)	(47)
Income (loss) before taxes on income	(639)	624	(835)	227
Taxes on income (tax benefit)	(61)	11	(81)	11
Net income (loss)	\$ (578)	\$ 613	\$ (754)	\$ 216
Basic and diluted net income (loss) per share	\$ (0.15)	\$ 0.18	\$ (0.18)	\$ 0.06
Weighted average number of shares used in computing basic net income (loss) per share	3,984	3,483	4,258	3,554
Weighted average number of shares used in computing diluted net income (loss) per share	3,989	3,483	4,260	3,556

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

	September 30, 2019	December 31, 2018
	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,094	\$ 1,410
Restricted bank deposits	330	332
Trade receivables	9,615	8,624
Other accounts receivable and prepaid expenses	1,277	829
Inventories, net of advances	<u>5,048</u>	<u>2,874</u>
<u>Total current assets</u>	<u>17,364</u>	<u>14,069</u>
LONG-TERM ASSETS	<u>153</u>	<u>177</u>
PROPERTY AND EQUIPMENT, NET	<u>1,292</u>	<u>1,108</u>
OPERATING LEASE RIGHT-OF-USE ASSETS, NET	<u>803</u>	<u>-</u>
OTHER INTANGIBLE ASSETS, NET	<u>982</u>	<u>81</u>
GOODWILL	<u>5,147</u>	<u>4,676</u>
<u>Total assets</u>	<u>\$ 25,741</u>	<u>\$ 20,111</u>

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

	September 30, 2019	December 31, 2018
	(Unaudited)	(Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term bank loans and current maturities	\$ 1,002	\$ 467
Operating lease liabilities, current	536	-
Trade payables	6,386	4,106
Employees and payroll accruals	812	778
Deferred revenues	696	768
Advances net of inventory in progress	262	-
Accrued expenses and other liabilities	326	313
<u>Total</u> current liabilities	<u>10,020</u>	<u>6,432</u>
LONG-TERM LIABILITIES:		
Long-term loans, net of current maturities	2,201	1,867
Operating lease liabilities, non-current	356	-
Accrued severance pay	279	301
<u>Total</u> long-term liabilities	<u>2,836</u>	<u>2,168</u>
SHAREHOLDERS' EQUITY	<u>12,885</u>	<u>11,511</u>
<u>Total</u> liabilities and shareholders' equity	<u>\$ 25,741</u>	<u>\$ 20,111</u>

RECONCILIATION OF NON-GAAP FINANCIAL RESULTS

(U.S. dollars in thousands)

	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
Net Income (loss) as reported	\$ (578)	\$ 613	\$ (754)	\$ 216
Adjustments:				
Impairment of Goodwill	614	-	614	-
Amortization of intangible assets	52	43	33	15
Stock based compensation	59	46	20	18
Cost associated with a special shareholders' meeting convened at the demand of an activist shareholder	88	-	-	-
Imdecol' acquisition expenses	128	-	-	-
Currency diff. due to operating lease liabilities *	89	-	32	-
Total Adjustments	<u>1,030</u>	<u>89</u>	<u>699</u>	<u>33</u>
Net Income (loss) on a Non-GAAP basis	<u>\$ 452</u>	<u>\$ 702</u>	<u>\$ (55)</u>	<u>\$ 249</u>
Basic net income (loss) per share	<u>\$ 0.11</u>	<u>\$ 0.20</u>	<u>\$ (0.01)</u>	<u>\$ 0.07</u>

*According to US GAAP, commencing January 1, 2019, operating lessees will no longer be provided with a source of off-balance-sheet financing and lessees must recognize lease assets and lease liabilities. Since the Company's operating lease liabilities are linked to the NIS, the devaluation of the US \$ against the NIS caused a currency differences cost of \$89,000 in the first nine months of 2019.

CONDENSED CONSOLIDATED EBITDA

(U.S. dollars in thousands)

	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
Operating income (loss)	\$ (399)	\$ 794	\$ (724)	\$ 274
Add:				
Impairment of Goodwill	614	-	614	-
Amortization of intangible assets	52	43	33	15
Stock based compensation	59	46	20	18
Depreciation	205	167	71	61
EBITDA	<u>\$ 531</u>	<u>\$ 1,050</u>	<u>\$ 14</u>	<u>\$ 368</u>

SEGMENT INFORMATION

(U.S. dollars in thousands)

	Nine months ended September 30, 2019				Three months ended September 30, 2019			
	Intelligent Robotics and RFID Division	Supply Chain Solutions	Intercompany	Consolidated	Intelligent Robotics and RFID Division	Supply Chain Solutions	Intercompany	Consolidated
Revenues	\$ 10,316	\$ 14,251	\$ (104)	\$ 24,463	\$ 3,289	\$ 4,635	\$ (10)	\$ 7,914
Gross profit	\$ 1,984	\$ 2,770	\$ -	\$ 4,754	\$ 580	\$ 792	\$ -	\$ 1,372

	Nine months ended September 30, 2018				Three months ended September 30, 2018			
	Intelligent Robotics and RFID Division	Supply Chain Solutions	Intercompany	Consolidated	Intelligent Robotics and RFID Division	Supply Chain Solutions	Intercompany	Consolidated
Revenues	\$ 10,159	\$ 13,491	\$ (93)	\$ 23,557	\$ 3,014	\$ 4,751	\$ (51)	\$ 7,714
Gross profit	\$ 2,342	\$ 2,479	\$ -	\$ 4,821	\$ 646	\$ 958	\$ -	\$ 1,604