

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands

	Six months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
Revenues	\$ 16,549	\$ 15,843	\$ 8,786	\$ 7,552
Cost of revenues	13,167	12,626	7,054	5,996
Gross profit	<u>3,382</u>	<u>3,217</u>	<u>1,732</u>	<u>1,556</u>
Operating costs and expenses:				
Sales and marketing	1,899	1,847	998	934
General and administrative	1,158	850	585	389
Total operating costs and expenses	<u>3,057</u>	<u>2,697</u>	<u>1,583</u>	<u>1,323</u>
Operating income	325	520	149	233
Financial expenses, net	(129)	(123)	(127)	(41)
Income before taxes on income	196	397	22	192
Taxes on income (tax benefit)	20	-	2	-
Net income	<u>\$ 176</u>	<u>\$ 397</u>	<u>\$ 20</u>	<u>\$ 192</u>
Basic and diluted net income per share	<u>\$ 0.05</u>	<u>\$ 0.12</u>	<u>\$ 0.00</u>	<u>\$ 0.05</u>
Weighted average number of shares used in computing basic net income per share	<u>3,845</u>	<u>3,446</u>	<u>4,040</u>	<u>3,534</u>
Weighted average number of shares used in computing diluted net income per share	<u>3,847</u>	<u>3,446</u>	<u>4,042</u>	<u>3,534</u>

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

	June 30, 2019	December 31, 2018
	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,435	\$ 1,410
Restricted bank deposits	327	332
Trade receivables	8,945	8,624
Other accounts receivable and prepaid expenses	1,695	829
Inventories, net of advances	<u>4,272</u>	<u>2,874</u>
<u>Total current assets</u>	<u>16,674</u>	<u>14,069</u>
LONG-TERM ASSETS	<u>165</u>	<u>177</u>
PROPERTY AND EQUIPMENT, NET	<u>1,299</u>	<u>1,108</u>
OPERATING LEASE RIGHT-OF-USE ASSETS, NET	<u>929</u>	<u>-</u>
OTHER INTANGIBLE ASSETS, NET	<u>1,015</u>	<u>81</u>
GOODWILL	<u>5,147</u>	<u>4,676</u>
<u>Total assets</u>	<u><u>\$ 25,229</u></u>	<u><u>\$20,111</u></u>

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

	June 30, 2019	December 31, 2018
	(Unaudited)	(Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long term loans	\$ 634	\$ 467
Operating lease liabilities, current	527	-
Trade payables	5,527	4,106
Employees and payroll accruals	822	778
Deferred revenues	819	768
Advances net of inventory in progress	57	-
Accrued expenses and other liabilities	222	313
<u>Total</u> current liabilities	<u>8,608</u>	<u>6,432</u>
LONG-TERM LIABILITIES:		
Long-term loans, net of current maturities	2,280	1,867
Operating lease liabilities, non-current	460	-
Accrued severance pay	274	301
<u>Total</u> long-term liabilities	<u>3,014</u>	<u>2,168</u>
SHAREHOLDERS' EQUITY	<u>13,607</u>	<u>11,511</u>
<u>Total</u> liabilities and shareholders' equity	<u>\$ 25,229</u>	<u>\$ 20,111</u>

RECONCILIATION OF NON-GAAP FINANCIAL RESULTS

(U.S. dollars in thousands)

	Six months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
Net Income as reported	\$ 176	\$ 397	\$ 20	\$192
Adjustments:				
Amortization of intangible assets	19	28	14	14
Stock based compensation	39	28	20	14
Cost associated with a special shareholders' meeting convened at the demand of an activist shareholder*	88	-	17	-
Imdecol' acquisition expenses*	128	-	91	-
Currency diff. due to operating lease liabilities **	57	-	57	-
Total Adjustments	331	56	199	28
Net Income on a Non-GAAP basis	\$ 507	\$ 453	\$ 219	\$ 220
Basic net income per share	\$ 0.13	\$ 0.13	\$ 0.05	\$ 0.06

*No additional cost expected in year 2019

**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 \$57,000 in the first six months of 2019. The Company will hedge this exposure going forward to minimize currency differences underlying operating lease liability.

CONDENSED CONSOLIDATED EBITDA**(U.S. dollars in thousands)**

	Six months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
Operating income	\$ 325	\$ 520	\$ 149	\$ 233
Add:				
Amortization of intangible assets	19	28	14	14
Stock based compensation	39	28	20	14
Depreciation	134	106	69	56
EBITDA	<u>\$ 517</u>	<u>\$ 682</u>	<u>\$ 252</u>	<u>\$ 317</u>

SEGMENT INFORMATION
(U.S. dollars in thousands)

	Intelligent Robotics and RFID Division	Supply Chain Solutions	Intercompany	Consolidated	Intelligent Robotics and RFID Division	Supply Chain Solutions	Intercompan y	Consolidated
	Six months ended June 30, 2019				Three months ended June 30, 2019			
Revenues	\$ 7,027	\$ 9,616	\$ (94)	\$ 16,549	\$ 3,251	\$ 5,577	\$ (42)	\$ 8,786
Gross profit	\$ 1,404	\$ 1,978	\$ -	\$ 3,382	\$ 604	\$ 1,128	\$ -	\$ 1,732

	Intelligent Robotics and RFID Division	Supply Chain Solutions	Intercompany	Consolidated	Intelligent Robotics and RFID Division	Supply Chain Solutions	Intercompan y	Consolidated
	Six months ended June 30, 2018				Three months ended June 30, 2018			
Revenues	\$ 7,145	\$ 8,740	\$ (42)	\$ 15,843	\$ 3,323	\$ 4,235	\$ (6)	\$ 7,552
Gross profit	\$ 1,696	\$ 1,521	\$ -	\$ 3,217	\$ 720	\$ 836	\$ -	\$ 1,556