

**MODSYS INTERNATIONAL LTD.
CONSOLIDATED BALANCE SHEETS**

| | <u>June 30,</u> | | <u>December 31,</u> |
|---|----------------------|----------------------|----------------------|
| | <u>2018</u> | <u>2017</u> | <u>2017</u> |
| | Unaudited | | Audited |
| | (in thousands) | | |
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 5,191 | 855 | 4,253 |
| Restricted cash | 12 | 5 | 4 |
| Trade accounts receivable | 2,110 | 1,176 | 1,818 |
| Other current assets | 295 | 257 | 203 |
| Total current assets | <u>7,608</u> | <u>2,293</u> | <u>6,278</u> |
| LONG-TERM ASSETS: | | | |
| Property and equipment, net | 31 | 24 | 32 |
| Goodwill | 14,157 | 14,157 | 14,157 |
| Intangible assets and others, net | 1,494 | 2,243 | 1,788 |
| Total long term assets | <u>15,682</u> | <u>16,424</u> | <u>15,977</u> |
| Total assets | <u><u>23,290</u></u> | <u><u>18,717</u></u> | <u><u>22,255</u></u> |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Short-term bank credit and others | 293 | 653 | 281 |
| Accounts payable and accruals: | | | |
| Trade accounts payable | 1,074 | 855 | 959 |
| Deferred revenue | 666 | 525 | 641 |
| Other current liabilities | 505 | 789 | 425 |
| Total current liabilities | <u>2,538</u> | <u>2,822</u> | <u>2,306</u> |
| LONG-TERM LIABILITIES: | | | |
| Accrued severance pay, net | 245 | 206 | 253 |
| Loans from banks and others | 2,990 | 3,033 | 2,994 |
| Total long-term liabilities | <u>3,235</u> | <u>3,239</u> | <u>3,247</u> |
| Total liabilities | <u><u>5,773</u></u> | <u><u>6,061</u></u> | <u><u>5,553</u></u> |
| COMMITMENTS AND CONTINGENCIES | | | |
| Equity: | | | |
| Share capital - Preferred shares of .04 NIS par value (authorized: June 30, 2018 and June 30, 2017- 1,000,000 share; shares issued : June 30, 2018 583,200 shares and June 30, 2017- 540,000 shares | 1,317 | 1,247 | 1,317 |
| Share capital - ordinary shares of NIS 0.04 par value (authorized: June 30, 2018 and June 30, 2017- 25,000,000 shares; shares issued : June 30, 2018 22,061,941 shares and June 30, 2017- 21,313,964 shares | 205 | 180 | 205 |
| Additional paid-in capital | 157,708 | 156,222 | 157,708 |
| Accumulated other comprehensive loss | (1,537) | (1,537) | (1,537) |
| Accumulated deficit | (136,955) | (140,279) | (137,784) |
| Treasury shares: June 30, 2018 and June 30, 2017- 33,239 shares | (1,821) | (1,821) | (1,821) |
| ModSys International Ltd. Shareholders' Equity | <u>18,917</u> | <u>14,012</u> | <u>18,088</u> |
| Non-controlling interest | <u>(1,400)</u> | <u>(1,356)</u> | <u>(1,386)</u> |
| Total equity | <u><u>17,517</u></u> | <u><u>12,656</u></u> | <u><u>16,702</u></u> |
| Total liabilities and equity | <u><u>23,290</u></u> | <u><u>18,717</u></u> | <u><u>22,255</u></u> |

**MODSYS INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Six months ended June 30, | |
|--|-------------------------------------|-----------------------|
| | 2018 | 2017 |
| | Unaudited (in thousands) | |
| Revenue: | | |
| Services | 3,553 | 2,379 |
| Products | 2,590 | 505 |
| Total revenue | <u>6,143</u> | <u>2,884</u> |
| Cost of revenue | <u>1,861</u> | <u>1,409</u> |
| Gross profit | 4,282 | 1,475 |
| Research and development costs | 543 | 847 |
| Selling, general, and administrative expenses | 2,391 | 2,730 |
| Amortization of intangible assets | 293 | 293 |
| Total operating expenses | <u>3,227</u> | <u>3,870</u> |
| Operating Income (Loss) | 1,055 | (2,395) |
| Financial expenses, net | 240 | 154 |
| Income (Loss) before taxes on income | <u>815</u> | <u>(2,549)</u> |
| Taxes on income | - | - |
| Net Income (Loss) | 815 | (2,549) |
| Net Loss attributable to non-controlling interest | <u>(14)</u> | <u>(163)</u> |
| Net Profit (Loss) attributable to ModSys International Ltd. shareholders | <u><u>829</u></u> | <u><u>(2,386)</u></u> |

MODSYS INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | June 30, | |
|--|-----------------------|----------------|
| | 2018 | 2017 |
| | (in thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (loss) | 815 | (2,549) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 302 | 305 |
| Decrease in accrued severance pay, net | (8) | (32) |
| Stock-based compensation and RSU termination | - | 142 |
| Interests on loans | 8 | (7) |
| Changes in operating assets and liabilities: | | |
| Decrease (Increase) in trade receivables | (292) | 1,026 |
| Increase in other assets | (92) | (42) |
| Increase (Decrease) in trade payables | 115 | (282) |
| Increase in other liabilities and deferred revenue | 105 | 7 |
| Net cash provided by (used in) operating activities | 953 | (1,432) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (7) | (2) |
| Net cash used in investing activities | (7) | (2) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Short term bank credit | - | (132) |
| Issuance of ordinary shares, net | - | 750 |
| Long term loan | - | 1,000 |
| Warrants exercised | - | 11 |
| Net cash provided by financing activities | - | 1,629 |
| NET CASH INCREASE IN CASH, CASH EQUIVALETS AND RESTRICTED CASH | | |
| | 946 | 195 |
| Cash, Cash Equivalents and restricted cash at beginning of the period | 4,257 | 664 |
| Cash, Cash Equivalents and restricted cash at end of the period | 5,203 | 859 |