UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 000-09047

OMNIQ CORP.
(Exact name of Registrant as specified in its charter)

Delaware	20-3454263
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1865 West 2100 South, Salt Lake City, UT 84119
(Address of principal executive offices) (zip code)

(800) 242-7272
(Issuer's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act: None.

Securities registered under Section 12(g) of the Exchange Act:

Title of class	Trading symbol	Name of each exchange on which registered
Common Stock, $0.001 par value	**OMQS**	**The Nasdaq Stock Market LLC**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the price at which the common equity was last sold or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2022, was $ 31,794,449.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 7,882,628 shares of common stock were outstanding as of March 10, 2023.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "may", "could", "would", "should", "believe", "expect", "anticipate", "plan", "estimate", "target", "project", "intend", "foresee" and similar expressions. These statements include, among others, statements regarding our expected business outlook, anticipated financial and operating results, our business strategy and means to implement the strategy, our objectives, the amount and timing of capital expenditures, the likelihood of our success in expanding our business, financing plans, budgets, working capital needs and sources of liquidity. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the "Risk Factors" section of this Annual Report on Form 10-K. These factors should not be construed as exhaustive and should be read with the other cautionary statements in this Annual Report on Form 10-K.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the expansion of product offerings geographically or through new marketing applications, the timing and cost of planned capital expenditures, competitive conditions and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. In addition, even if our actual results are consistent with the forward-looking statements contained in this Annual Report on Form 10-K, those results may not be indicative of results or developments in subsequent periods. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

- *Our ability to raise capital when needed and on acceptable terms and conditions;*
- *Our ability to manage credit and debt structures from vendors, debt holders and secured lenders.*
- *Our ability to manage the growth of our business through internal growth and acquisitions;*
- *Competitive pressures;*
- *General economic conditions, including the overall effect of the current banking crisis; and*
- *Our ability to attract and retain management, and to integrate and maintain technical information and management information systems.*
- *Compliance with laws and regulations, including those relating to environmental matters, corporate governance matters and tax matters, as well as any future changes to such laws and regulations; and*
- *Other factors discussed under Item 1A – Risk Factors or elsewhere in this Annual Report on Form 10-K.*

Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission ("SEC"), we are under no obligation to publicly update or revise any forward-looking statements after we file this Annual Report on Form 10-K, whether as a result of any new information, future events or otherwise. Investors, potential investors and other readers are urged to consider the above-mentioned factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results or performance.

PART I

ITEM 1. BUSINESS

General

OMNIQ Corp., a Delaware corporation, formerly Quest Solution, Inc., together with its wholly owned and majority owned subsidiaries, referred to herein as "we", "us", "our," "OMNIQ," or the "Company," was incorporated in 1973. Since its incorporation, the Company has been involved in various lines of business.

Our Company

From 2008 to 2013, we were in the business of developing oil and gas reserves. In January 2014, we determined it was in the best interest of our stockholders to focus on operating companies with a track record of positive cash flows and larger existing revenue bases. Our strategy developed into leveraging management's relationships in the business world for investments for us.

Since 2014, we have made the following acquisitions resulting in us becoming a leading provider of computerized and machine vision image processing solutions:

- Quest Solutions, Inc. (January 2014)
- Bar Code Specialties, Inc. (November 2014)
- HTS Image Processing, Inc. (October 2018)
- EyepaxIT Consulting LLC. (February 2020)
- Dangot Computers Ltd. (July 2021)

We use patented and proprietary artificial intelligence (AI) technology to deliver data collection, real time surveillance and monitoring for supply chain management, homeland security, public safety, traffic & parking management and access control applications. The technology and services we provide helps our clients move people, assets and data safely and securely through airports, warehouses, schools, national borders, and many other applications and environments.

We offer end-to-end solutions that include hardware, software, communications, and full lifecycle management services. We are an established manufacturer and distributor of barcode labels, tags, and ribbons, as well as RFID labels and tags. We provide printing solutions, credit card terminals, automatic kiosks and point of care units. We also offer technical service and support. Our highly tenured team of professionals has the knowledge and expertise to simplify the integration process for our customers, and our team delivers proven problem-solving solutions backed by numerous customer references. We offer comprehensive packaged and configurable software, and we are a leading provider of best-in-class mobile and wireless equipment.

Our customers include government agencies and leading Fortune 500 companies from diverse sectors, including healthcare, food and beverage, manufacturing, retail, distribution, transportation and logistics, and oil, gas, and chemicals. Since 2014, our annual consolidated revenues have grown to more than $100 million with clients in more than 40 countries. We currently address several billion-dollar markets with double-digit growth, including the Global Safe City market, forecasted to grow to $29.6 billion, and the Ticketless Safe Parking market, forecasted to grow to $5.2 billion by 2023.

Our Strategy

Our strategy is to focus on operational excellence and cost reduction, addressing the balance sheet debt and putting together a business plan that is based on revenue growth and technological leadership. We intend to continue to identify synergies within the Company to offer a more complete line of products, services and technological solutions to customers throughout the United States and Israel. Furthermore, the market in which OMNIQ operates is undergoing consolidation and OMNIQ has started identifying strategic companies in the data collection, big data analytics and mobile systems integration market, as well as other complementary technologies for potential future acquisition in order to become the leading specialty integrator within our served markets.

We are a provider of products and solutions to two main markets: supply chain management and smart/safe city. We have expanded our product solutions, which are based on artificial intelligence and machine learning algorithms, offering computer vision applications. Our product offerings have established us as an innovative and technological company, and we are able to offer our Fortune 1000 customers an end-to-end solution. We are a pioneer in providing cutting-edge technology solutions to the markets we serve.

As a world-wide systems integrator, we focus on design, delivery, deployment and support of fully integrated mobile and automatic identification data collection solutions. We use unique computer vision technology and additional identification technologies in its solutions. We also manufacture and distribute labels, tags, ribbons and RFID identification tags. We provide printing solutions, credit card terminals, automatic kiosks and point of care units. We also offer customers technical service and support. We take a consultative approach by offering end-to-end solutions that include software, algorithm, hardware, service contracts, communications and full lifecycle management services.

We simplify the integration process because of our experienced team of professionals. We deliver problem-solving solutions backed by numerous customer references. We offer comprehensive packaged and configurable software, some of which we developed, and some is sourced from third parties. We are a leading providing of bar-code labels and ribbons (media). We provide consultative services to companies to select, design and manufacture the right label for their product offering. Once a company purchases our product, sales generally recur on a regular basis.

Our ground-breaking AI-based vision solutions are currently in use for sensitive Homeland Security anti-terror projects and automated parking solutions. Inspired by time-critical “friend or foe” decision-making processes, our patented algorithms are based on a combination of cognitive science and machine-learning-based pattern-recognition technology which is arbitrated through a multi-layered decision-making process that offers both speed and accuracy.

Our experienced team of consulting and integration professionals guide companies through the entire development and deployment process, from selecting technology, to the successful company-wide rollout of a customized solution that fits a company’s unique requirements. After performing a thorough technical evaluation of the client’s current operations and specific operational problems, our team determines the optimal hardware and software solutions to optimize the client’s operational workflow. We deliver ongoing services provided throughout the deployment process and throughout the entire product life cycle. We also deliver full installation services for all mobile data-collection computers, automatic kiosks, points of care and printing equipment including full staging and kitting of the equipment.

We have been successful in delivering mission-critical mobile-computing and data-collection solutions to Fortune 1000 companies for over two decades. The requirements and needs of our customers continue to evolve as they require new mobile and wireless technologies and services to make their business more competitive and profitable. The result is a continuous flow of opportunities for us to assist customers to evaluate, choose, implement, and support the right mobile and data collection solutions. As we focus on what we do best, we believe that there is more than adequate market size, growth, and opportunity available to the Company to succeed.

Core to the solutions offered by the Company is a full suite of configurable packaged software solutions that were internally developed and provide customers with unique solutions with significant business Return on Investment (“ROI”), including:

Order Entry: *Software designed to increase productivity in the field.* Remote workers increasingly demand rapid access to real-time information and up-to-date data to facilitate and streamline their job functions in the field—our Order Entry Software is the answer.

Intelligent Order Entry: *Adds intelligence to aging order entry system to maximize profits.* The hand-held industry is a vital link in getting remote orders from the field to corporate. Our Intelligent Order Entry Software adds this capability to aging order entry systems.

iTrack: *Track Device Deployment.* iTrack, an Internet Tracking System, is a management tool that tracks the deployment of hardware devices in the field and their repair history.

Warehouse: *Enhances efficiency in distribution and manufacturing environments.* The warehouse is a collection of applications for portable devices that extend the power of the existing system out to the warehouse floor and dock doors.

Proof of Delivery: *Enhances document delivery performance.* We offer proof-of-delivery capabilities as part of its Mobility Suite that gives companies an edge over competitors by improving customer service.

WTMiP: *Extends business beyond four walls.* WTMiP provides the link between corporate and the mobile worker. WTMiP servers allow files and data to seamlessly synchronize between the corporate host and laptops, handheld devices, and Windows CE or Windows Mobile devices.

Easy Order: *Easy order on-line purchasing portal.* Our Easy Order Solution offers companies a customized portal that streamlines and simplifies ordering by providing clients with their own unique private on-line store.

QTSaaS (Quest Total Solutions as a Service): QTSaaS is a complete mobile services offering that includes hardware, software, services, and wireless data in a bundled subscription payment offering over a period of time. Our partnership with Hyperion Partners LLC and wireless carriers allows us to offer mobility solutions to our customers on platforms that extend the market into new mobile applications that previously were not being automated.

Media and Label Business: *Repeatable easy order online purchasing portal.* The largest segment of data collection opportunity for us is the barcode label market providing ongoing and repeatable purchasing business. We intend to continue in the label business in the United States of America to drive business growth and increased margins.

Our Target Markets

Two markets we serve are Smart/Safe City and Supply Chain Management. Our groundbreaking AI-based vision solutions are currently in use for sensitive Homeland Security anti-terror projects and discerning customers within the access control, airport, border crossing, municipality safety, and parking industries. We seek to utilize our expertise and end-to-end software solutions in markets which provide the greatest opportunity to increase margins.

Within the Supply Chain Management market, we believe we can further develop our existing customer base needing to replace their legacy systems with a new go-to-market strategy leveraging our field sales and system resources, telemarketing, customer portals, and vertical market and barcode label specialists. We believe the ideal candidates for our machine learning technology are our base of industry-leading customers for the barcode label and ribbon (media) products in the manufacturing, distribution, transportation and logistics, retail and healthcare sectors—which sectors are at the core of our business.

For over two decades, we have been successful in integrating mission critical mobile computing and data collection solutions for Fortune 1000 companies. The requirements and needs of our customers continue to evolve as they require new mobile and wireless technologies and services to make their business more competitive and profitable. The result is a continuous flow of opportunities to assist customers to evaluate, choose, implement, and support the right mobile and data collection solutions. As we focus on what we do best, we believe there is more than adequate market size, growth, and opportunity available for us to succeed.

We believe integrating our patented and proprietary AI technology into its existing Supply Chain offerings will allow for automated logistics monitoring and optimization, creating operational efficiencies at higher margins for us, and our Fortune 1000 clients.

Our Sales Strategy

Our direct sales teams are supported by systems engineers averaging over twenty (20) years of experience in the mobile industry. The sales organization's growth in-reach mirrors the addition of new products and services. Sales team members are organized by industry areas of opportunity, areas of expertise, and territory. Our sales teams are organized to address national accounts offering a broad array of unique solutions for key lines of business applications, which provides opportunities for upsell and cross sell to our clients. For the barcode label (media) business, we utilize a specialty sales force, resellers, and distributors of our manufactured private label products. For the Israeli market we have direct sales teams that are organized by industry and product line. In Israel we also offer comprehensive technical service and support which increases customer confidence and supports the sales process.

Salespeople are supported internally by sales support personnel, who coordinate quotes and logistics, and by members of the systems engineering group and software teams.

The normal sales cycle is one (1) to six (6) months, and typically involves the development of a scope of work and preparation of a ROI analysis. We use Company developed analysis templates in order to reduce the sales cycle. The analyses and proposals include information on leasing and other financing options, which helps differentiate us from our competitors. The label business sales cycles are shorter, with purchases made more frequently on a transactional basis.

Competition

The mobile system integration market is characterized by a limited number of large competitors and numerous smaller niche players. We typically pursue larger accounts and national customers, competing most often with larger channel partners. For specific solutions, we also compete with niche players who are often focused on a single industry. Hardware sales are competitive because of online retailers. We believe our consultative, integrated solutions approach is a clear differentiator for most prospective customers.

Human Capital

OMNIQ's operating philosophy is our growth and continued success are the result of management and employees working together in a spirit of cooperation and teamwork. Our core values emphasize an environment where safety, diversity, inclusion, talent development, training, and retention are top priorities. This has enabled us to meet various challenges over the years. The progress that has been achieved by us reflects this strong mutual commitment between the Company and its employees. We believe our employees are our greatest asset. We remain focused on furnishing friendly and safe working conditions, providing competitive pay, offering quality benefits, and producing revenue for the continued growth of the Company and the communities in which we operate. All of this with an emphasis on the welfare of our employees and their families. We realize our success is a direct result of the hard work and dedication of our employees. Each employee at OMNIQ is a contributing partner in our future growth and we strive to maintain a mutually beneficial workplace culture that also fosters the professional development of each employee.

As of December 31, 2022, we had approximately 216 employees. Of these employees, 189 are salaried (including commissioned employees) personnel and 27 are hourly personnel. Our employees perform the following functions: sales operations, parts operations, technical services, and office and administrative support. We believe we have good relations with our employees, and we have never experienced a work stoppage. Generally, the total number of employees does not significantly fluctuate throughout the year.

Concentrations

For the years ended December 31, 2022 and 2021, one customer accounted for 30% and 23%, respectively, of the Company's consolidated revenues.

Accounts receivables are made up of trade receivables due from customers in the ordinary course of business. As of December 31, 2022, no customer accounted for more than 10% of the outstanding receivables, and one customer accounted for 17% of the balance of accounts receivable as of December 31, 2021.

As of December 31, 2022 and 2021 one vendor made up 48% and 65%, respectively, of our purchases.

Available Information

OMNIQ's website, www.omniq.com, and the information contained on that site, or connected to that site, are not part of or incorporated by reference into this filing.

We file electronically with the SEC annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Copies of these reports, proxy and information statements and other information may be obtained by electronic request at the following e-mail address: publicinfo@sec.gov. We use the Investor section of our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor the Investor section of our website, in addition to following press releases, SEC filings, and public conference calls and webcasts.

ITEM 1A. RISK FACTORS

This section is not required for smaller reporting companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

This section is not required for smaller reporting companies.

ITEM 2. PROPERTIES

OMNIQ's corporate offices are currently located at 1865 West 2100 South, Salt Lake City, UT 84119. Our executive management, sales, operations, accounting, and administrative functions are located at the corporate offices. The corporate office annual lease expense is $284 thousand. The space is under a five-year lease and expires June 2026.

We lease office space for our software developers in Akron, Ohio. The lease provides for monthly payments of $3,000. The space is under a five-year lease and expires May 2023.

We lease office and warehouse space for our satellite sales and technical support staff in Anaheim, California. The lease is month to month and the annual lease expense is $36 thousand.

We also lease office space for research and development employees located in Israel. The lease expense for the year ending December 31, 2022 was 260,353 NIS. The lease is currently at a rate of 23,383 NIS per month and the lease expires in August 2023.

Dangot's corporate offices are currently located at Yad Harutzim 14 Tel-Aviv, Israel. The main corporate office, Yad Harutzim 14, serves as the company's main building on the 2nd and 3rd floors, used by the management and most of the sales staff, technicians, etc. The corporate office annual lease expense is NIS 784,380. The space is under a five years and eleven months lease and expires November 2024.

We lease office space (Gamdan- 1st floor) for our finance and service department at Yad Harutzim 14 Tel-Aviv, Israel. The lease provides for monthly payments of NIS 22,134. The space is under a five-year lease and expires December 2023.

We lease office and warehouse space for our products and technical support staff at Rival Street, Tel-Aviv, Israel. The lease provides for monthly payments of NIS 41,200. The space is under a six and half year lease and expires June 2025.

ITEM 3. LEGAL PROCEEDINGS

The Company was named a defendant in a case involving a former employee who claims he is owed approximately $60 thousand in unpaid commissions. The Company is defending the case. This case was filed in the Superior Court of the State of California, County of San Diego on October 21, 2020.

ITEM 4. MINE SAFETY DISCLOSURES

NONE.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

On October 8, 2021 the Company's common stock became available on The Nasdaq Stock Market LLC under the symbol "OMQS". Before then, shares of OMNIQ's common stock were not traded on an established market. OMNIQ's common stock was traded through broker/dealers and in private transactions, and quotations reported on the OTCQB under the symbol "OMQS". OTCQB quotations reflected interdealer prices, without mark-up, mark-down or commission and may not represent actual transactions. No dividends have been declared or paid on OMNIQ's common stock and none are likely to be declared or paid in the near future.

	Common Stock			
	High		Low	
Fiscal Year Ended December 31, 2021:				
Fiscal Quarter Ended March 31, 2021	$	10.25	$	4.16
Fiscal Quarter Ended June 30, 2021	$	12.00	$	7.01
Fiscal Quarter Ended September 30, 2021	$	16.00	$	7.10
Fiscal Quarter Ended December 31, 2021	$	10.88	$	6.01
Fiscal Year Ended December 31, 2022:				
Fiscal Quarter Ended March 31, 2022	$	7.05	$	4.35
Fiscal Quarter Ended June 30, 2022	$	7.32	$	5.13
Fiscal Quarter Ended September 30, 2022	$	8.75	$	5.27
Fiscal Quarter Ended December 30, 2022	$	6.38	$	4.13

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
	(a)	(b)		(c)
Equity compensation plans approved by security holders	3,672,317	$	5.94	646,856

In October 2021, OMNIQ' Board of Directors adopted an Equity Incentive Plan (the "Plan"), as an incentive to retain in the employ of and attract new employees, directors, officers, consultants, advisors and employees to the Company. Pursuant to the Plan, 1,118,856 shares of the Company's common stock, par value $0.001 (the "Shares"), were set aside and reserved for issuance. The Plan was approved by our stockholders at the December 2021, shareholders' meeting. No shares were issued under the Plan in 2021. On February 25, 2022, the Company granted 792,500 stock options. These options were granted to employees as part of the Company's Equity Incentive Plan. On October 23, 2022 19,000 stock options were granted to employees as part of the Company's Equity Incentive Plan.

Dividends and other Distributions

OMNIQ has never declared or paid any cash dividends on its common stock. The Company currently plans to retain future earnings to finance growth and development of its business and does not anticipate paying any cash dividends in the foreseeable future. OMNIQ may incur indebtedness in the future which may prohibit or effectively restrict the payment of dividends, although the Company has no current plans to do so. Any future determination to pay cash dividends will be at the discretion of OMNIQ's Board of Directors. The Company's Series C Preferred Stock pays a 6% dividend, but the Company has been unable to make such dividend payments and so those dividends are accrued quarterly. Accrued but unpaid dividends do not bear interest.

At the time of acquisition of Dangot Computers Ltd certain dividend payables were owed to non-controlling interests. These liabilities were assumed by OMNIQ and during the year ended December 31, 2021 Dangot Computers Ltd paid $306 thousand to those non-controlling interests.

Recent Sales of Unregistered Securities

During 2022, the Company issued an aggregate of 7,025 shares of common stock to certain individuals as part of the Company's Employee Stock Purchase Program valued at approximately $37 thousand.

For the year ended December 31, 2022, $147 thousand in stock options and stock warrants were exercised in exchange for 128,221 shares of OMNIQ common stock.

On June 15, 2022 our Board of Directors approved issuing 20,000 shares as part of a consulting agreement. The shares were valued at $109 thousand.

On June 15, 2022 our Board of Directors granted 30,000 warrants as part of a consulting agreement. The shares were valued at $176 thousand.

On June 15, 2022 our Board of Directors granted 30,000 stock options as part of a consulting agreement. The shares were valued at $173 thousand.

On August 8, 2022 our Board of Directors approved issuing 80,000 shares as compensation for executives valued at $670 thousand. Shared were issued on October 11, 2022.

On August 8, 2022 our Board of Directors approved issuing 40,000 warrants as part of a consulting agreement valued at $209 thousand.

On November 11, 2022 our Board of Directors approved issuing 20,000 shares as part of employment agreements valued at $101 thousand.

ITEM 6. [RESERVED]

Reserved.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion summarizes the financial position of OMNIQ, Corp. and its consolidated subsidiaries as of December 31, 2022, and its consolidated results of operations for the year ended December 31, 2022, and should be read in conjunction with our consolidated financial statements and the accompanying notes thereto included elsewhere in this Annual Report on Form 10-K. The following discussion contains, in addition to historical information, forward-looking statements that include risks and uncertainties (see discussion of "Forward-Looking Statements" included elsewhere in this Annual Report on Form 10-K). Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those factors set forth under Item 1A—Risk Factors of this Annual Report on Form 10-K.

The Company's consolidated revenue for the year ended December 31, 2022 were $102.5 million, representing an increase of $24 million from the year ended December 31, 2021 of $78.3 million. Revenues in 2022 and 2021 are presented in accordance with Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (Topic 606).

Net loss attributable to common stockholders' of OmniQ Corp was $13.8 million in 2022, an increase of $400 thousand from the 2021 loss of $13.4 million. Basic loss per share attributable to common stockholders was $1.82 for the year 2022 compared to $2.20 per share for the year 2021.

On May 3, 2021, the Company and OmniQ Technologies Ltd., a wholly owned subsidiary of the Company ("OmniQ Technologies") entered into a share purchase agreement (the "Dangot Share Purchase Agreement") with Mr. Haim Dangot. Pursuant to the Dangot Share Purchase Agreement, OmniQ Technologies agreed to purchase 51%, or 5,100 shares, of the capital stock of Dangot Computers Ltd., an Israel company ("Dangot"), from Dangot's sole shareholder, Haim Dangot, for consideration equivalent to 23,740,500 NIS (New Israeli Shekel), which is equal to US $7.7 million (the "Closing Consideration"), based on the exchange rate at the date of acquisition of NIS to dollars.

The Closing Consideration was paid on July 8, 2021 in the following manner: (a) the Company issued 220,103 shares of its common stock having a share value of $2,084 thousand and (b) cash in the amount of $5,058 thousand and $600 thousand payable to owner.

Haim Dangot also granted OmniQ Technologies an irrevocable option to purchase the remaining 4,900 shares, or 49%, of Dangot's capital stock (the "Dangot Option") in the 12-month period following the closing date (the "Dangot Option Period") at a share purchase price of 489,500 NIS (US $150,522 per each 1% of Dangot's remaining shares on a fully diluted basis) which is the same valuation per share as the purchase price for the 51%. Effective October 1, 2021 the Company exercised a portion of its option and purchased an additional 26% of Dangot bringing its ownership to 77%. The Company paid $4,012,000 to purchase the additional shares.

On April 1, 2022, the Company closed on its acquisition of Dangot and exercised the remaining portion of its option to purchase 23.0% of the capital stock, thereby making Dangot a fully owned subsidiary of the Company. The Company paid $3,518,000 to purchase the additional shares. The Company utilized its working capital and a combination of short and long term loans.

GOING CONCERN

The following are the principal conditions or events which potentially raise substantial doubt about the company's ability to continue as a going concern:

- Balancing the need for operational cash with the need to add additional products.
- Timely and cost-effective development of products
- Working capital deficit of $38 million as of December 31, 2022
- Accumulated deficit of $84 million as of December 31, 2022
- Multiple years of losses from operations
- Multiple years of negative cash flows from operations
- Noncompliance with certain debt covenants

Management Evaluation

Management considers the condition outlined above as the most significant factors in raising substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued.

Management's Plans to Mitigate and Alleviate Conditions or Events

The following conditions, plans and actions are currently being implemented to address the Company's conditions:

- Outstanding warrants exist from prior offerings that could be exercised for cash depending upon the performance of our stock.
- The Company's acquisition of Dangot Computers, Ltd. has improved the balance sheet, profitability, and cash flow and is expected to help the Company as a whole to generate positive cash flows from operations for the foreseeable future.
- The Company received financing for the acquisition of the last 23% of shares of Dangot on March 30, 2022 (The company owns 100% of Dangot). The Company also expects that Dangot's cashflow will be able to service the debts associated with its acquisition without the need for cash from the rest of the group.
- The acquisition of Dangot has added capabilities to the Company which have already transformed into significant new orders in the Parking segment. Management expects the collaboration and cross sales to contribute to improved revenues and margins.
- Management is evaluating operating expenses and is developing a plan to reduce expenditures without negatively impacting current operations. Management has already cut staff by about 5% and will continue to do additional overhead cuts.
- March 25, 2022 management finalized an $8.5M line of credit from Western Alliance Bank. This line of credit replaced the high interest Action Capital line of Credit ($6M) and settle the ScanSource debt $2.5M.
- Blue Star - The Company's total accounts payable due to Blue Star as of December 31, 2022 was approximately $36 million. Blue Star is an unsecured creditor, financing a substantial amount the Company's supply chain demand. Management believes that Blue Star will continue supplying the Company with preferable credit terms. Blue Star has agreed to the annual interest rate of 5% on invoices that are past due. As an unsecured creditor of the Company, Blue Star has no incentive to force a liquidation. The Company has enjoyed a good mutual relationship for the past four years.

Overview – Results of Operations

The following table sets forth certain selected condensed statement of operations data for the periods indicated in dollars. In addition, we note that the period-to-period comparison may not be indicative of future performance.

	Year ended December 31,		Variation	
In thousands	2022	2021	$	%
Revenue	$ 102,545	78,251	$ 24,294	31.05%
Cost of Goods sold	80,441	61,582	18,859	30.62%
Gross Profit	22,104	16,669	5,435	32.60%
Operating Expenses	31,656	27,149	4,507	16.60%
Loss from operations	(9,552)	(10,480)	928	8.85%
Net loss	(13,614)	(13,144)	(470)	(3.58%)
Net Loss per common Share from continuing operations	$ (1.82)	$ (2.20)	$ 0.38	17.19%

Revenues

Revenue for the years ended December 31, 2022 and 2021 were generated from the sales of hardware, service contracts, software, labels and ribbons and related services provided by the Company to its customers. For the years ended December 31, 2022 and 2021, the Company recognized $102.5 million and $78.3 million in net revenues, respectively. This represents an increase of 31.05%. The increase was due to growth in the marketplace and the acquisition of Dangot.

Cost of Goods Sold

For the years ended December 31, 2022 and 2021, the Company recognized a total of $80.4 million and $61.6 million respectively, of cost of goods sold. Cost of goods sold was 78% of net revenues for 2022 and 79% of revenue for 2021. Our gross margin percentage has remained relatively stable in an industry that is experiencing gross margin pressure.

Operating Expenses

For the years ended December 31, 2022 and 2021, operating expenses were $31.7 million and $27.1 million, respectively. This represents an increase of $4.5 million, or 16.6%, which is due to a general increase in business operations, including the addition of Dangot in July 2021. The following explains in detail the change in operating expenses.

Research & Development – Research and development for the year ended December 31, 2022 and 2021 totaled $1.8 million per year.

Selling, General and Administrative – Selling, General and Administrative expenses were $27.7 million for the year ended December 31, 2022, compared to $21.9 million for the year ended December 31, 2021, representing an increase of $5.8 million, or 27%. The increase was due to additional share issuances to employees and directors as well as a large software implementation.

Depreciation – Depreciation for the year ended December 31, 2022 were $324 thousand compared to $251 thousand for the year ended December 31, 2021. This represents an increase of $73 thousand, or 29%, attributable to growth in fixed assets.

Intangible Amortization – Intangible amortization expenses for the year ended December 31, 2022 were $1.8 million, compared to $3.2 million for the year ended December 31, 2021. This represents a decrease of $1.4 million, or 43%, attributable to the acquisition of additional intangibles.

Other Income and Expenses

The Company incurred $3.5 million in interest expense for the year ended December 31, 2022, compared to $2.5 million for the year ended December 31, 2021. The interest expense is comprised of interest incurred on promissory notes payable, the company's line of credit, and vendor payables.

Foreign Currency Transactions

The Company has multiple subsidiaries conducting operations in Israel, therefore there were transactions denominated in currency other than US dollars for both 2022 and 2021. Foreign transaction gains and losses are reported on the consolidated statement of operations and comprehensive loss and were included in the amount of loss from comprehensive income.

Provision for Income Taxes

For the year ended December 31, 2022, the Company has $35 thousand of current income tax provision (US State & Local and Foreign) and $30 thousand deferred income tax expense.

For the year ended December 31, 2021, the Company has $321 thousand of current income tax provision (US State & Local and Foreign) and $165 thousand deferred income tax benefit.

Net loss

The Company realized a net loss of $13.6 million for the year ended December 31, 2022, compared to a net loss from continuing operations of $13.1 million for the year ended December 31, 2021. The increased loss in 2022 is due primarily to an increase in stock compensation.

Liquidity and Capital Resources

As of December 31, 2022, the Company had cash in the amount of $1.3 million and a working capital deficit of $38 million, compared to cash in the amount of $7.1 million, and a working capital deficit of $22.9 million as of December 31, 2021. The Company had stockholders' deficit attributable to OmniQ stockholders of $10.5 million and $98 thousand as of December 31, 2022 and 2021, respectively. This increase in our stockholders' deficit was primarily attributable to net losses.

The Company's accumulated deficit was $84.4 million and $70.6 million as of December 31, 2022 and 2021, respectively.

The Company's operations provided net cash of $1.2 million and used $3.2 million the years ended December 31, 2022 and 2021, respectively. The increase of cash from operations of $4.4 million is primarily a result of reduction in accounts receivable.

The Company's cash used in investing activities was $4,154 thousand for the year ended December 31, 2022 compared to cash provided by investing activities of $9,235 thousand for the year ended December 31, 2021.

The Company's financing activities used $3.1 million of cash during the year ended December 31, 2022, and provided $14.5 million during the year ended December 31, 2021. During the year ended December 31, 2022, the Company made payments of $2.5 million on its notes payable, including its Supplier Secured Promissory note and related party notes payable, compared to the year ended December 31, 2021, when the Company made payments of $4.7 million on its notes payable, including its Supplier Secured Promissory note and related party notes payable. Additionally, the Company borrowed $4 million on the Company's line of credit during the year ended December 31, 2022, compared to the year ended December 31, 2021, when $1 million was paid on the Company's line of credit. The Company did not raise funds during the year ended December 31, 2022, compared to $13.3 million raised for the year ended December 31, 2021.

Off-Balance Sheet Arrangements

The Company currently does not have any off-balance sheet arrangements.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The application of many accounting principles requires us to make assumptions, estimates and/or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and/or judgments, however, are often subjective and they and our actual results may change based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts first become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. See also note 2 to our consolidated financial statements for a summary of our significant accounting policies.

Revenue Recognition.

When entering into contracts with our customers, we review the five steps outlined in *Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (Topic 606)*:

i. Identify the contract with our customer.

ii. Identify the performance obligations in the contract.

iii. Determine the transaction price.

iv. Allocate the transaction price to the performance obligations. And

v. Evaluate the satisfaction of the performance obligations,

We account for contracts with our customers when we have approval and commitment from both parties, the rights of the parties are identified, payment terms are established, the contract has commercial substance, and collectability of consideration is probable.

We evaluate, in accordance with Topic 606, whether or not we meet the criteria to be a principal or an agent and record the revenue on a gross or net basis. We are considered a principal if we obtain control of any one of the following:

i. A good or other asset from another party that we then transfer to our customer.

ii. A right to a service to be performed by another party, which gives us the ability to direct that party to provide the service to the customer on our behalf, and

iii. A good or service from another party that we then combine with other goods or services in providing the specified good or service to our customer.

We have certain relationships with manufacturers and suppliers to sell us products or provide services. Our contracts may transfer to our customer a right to a future service or product to be provided by our manufacturer or supplier. When a specified good or service is a right to a good or service provided by a manufacturer or supplier, we evaluate whether we control the right to the goods or services before that right is transferred to the customer rather than whether we control the underlying goods or services.

Indicators that we control the specified good or service before it is transferred to the customer (and we are therefore a principal) include, but are not limited to, the following:

i. We are responsible for fulfilling the promise to provide the specified good or service. This typically includes responsibility for the acceptability of the specified good or service. If we are primarily responsible for fulfilling the promise to provide the specified good or service, this may indicate that the other party involved in providing the specified good or service is acting on our behalf. Often, we provide value added services (combining hardware, integrating hardware to software, etc.) to the products and services purchased from our manufacturers and suppliers.

ii. We have inventory risk before the specified good or service has been transferred to a customer. Our purchases of products or services from our manufactures and suppliers is evidenced by our issuing a binding purchase order contract with the negotiated terms including specifications, pricing, and delivery among other things. Our obligation for purchased products and services is mutually exclusive of our customers' performance (failure to take acceptance, make payment, etc.)

iii. We have sole discretion in establishing our price for the specified good or service. Establishing the price our customer pays for a specified good or service may indicate we have the ability to direct the use of that good or service and obtain substantially all of the remaining benefits. We control and set the pricing for the product or services to be provided to our customers.

If the terms of a transaction do not indicate we are acting as a principal in the transaction, we are then considered acting as an agent and the associated revenues would be recognized on a net basis.

As principal, when (or as) we satisfy a performance obligation, we recognize revenue in the gross amount of consideration which we expect to be entitled in exchange for the specified good or service transferred. We are an agent if our performance obligation is to arrange for the provision of the specified good or service by another party. As an agent, we do not control the specified good or service provided by another party before that good or service is transferred to our customer. As an agent, when (or as) we satisfy a performance obligation, we recognize revenue in the amount of any fee or commission which we expect to be entitled in exchange for arranging for the specified goods or services to be provided by another party to our customer.

Under Topic 606, we recognize revenue (on either a gross or net basis previously discussed) only when we satisfy a performance obligation by transferring a promised good or service to our customer. A good or service is considered transferred when the customer obtains control. The standard defines control as an entity's ability to direct the use of, and obtain substantially all of the remaining benefits from, an asset. We recognize revenue (either gross or net) once control has passed to the customer. The following indicators are evaluated in determining when control has passed to the customer:

i. We have a right to payment for the product or service,

ii. The customer has legal title to the product,

iii. We have transferred physical possession of the product to the customer,

iv. The customer has the risk and rewards of ownership of the product, and

v. The customer has accepted the product.

Revenue Recognition for Hardware. Revenues from sales of hardware products are recognized on a gross basis as we are acting as a principal in these transactions, with the selling price to the customer recorded as sales and the acquisition cost of the product recorded as cost of sales. We recognize revenue from these transactions when control has passed to the customer.

Manufacturers and suppliers, from whom we purchase hardware, often provide their warranties that only provide assurance the products and services will conform to their specifications. These assurance-type warranties are not sold separately and are not considered separate performance obligations. In some transactions, a third-party will provide the customer with an extended warranty. These extended warranties are sold separately and provide the customer with a service in addition to assurance that the product will function as expected. We consider these warranties to be separate performance obligations from the underlying product. For warranties, where we are arranging those services be provided by a third-party, we are acting as an agent in the transaction and record revenue on a net basis at the point of sale.

Revenue Recognition for Software. Sales of software licenses are generally considered a single performance obligation. When we are considered the principal, we recognize revenues on a gross basis at the point the software is delivered to and accepted by our customer. Generally, software licenses are sold with accompanying third-party delivered software assurance, which is a product that allows customers to upgrade, at no additional cost, to the latest technology if new capabilities are introduced during the period that the software assurance is in effect.

As explained above, we evaluate whether the software assurance is a separate performance obligation by assessing if the third-party delivered software assurance is critical or essential to the core functionality of the software itself. This involves considering:

i. If the software provides its original intended functionality to the customer without the updates,

ii. If the customer would ascribe a higher value to the upgrades versus the up-front deliverable,

iii. If the customer would expect frequent intelligence updates to the software (such as updates that maintain the original functionality), and

iv. If the customer chooses to not delay or always install upgrades.

If we determine the accompanying third-party delivered software assurance is critical or essential to the core functionality of the software license, the software license and the accompanying third-party delivered software assurance are recognized as a single performance obligation.

In some transactions, a third-party will provide the customer with an extended warranty. These extended warranties are sold separately and provide the customer with a service in addition to assurance that the product will function as expected. We consider these warranties to be separate performance obligations from the underlying product. For warranties, where we are arranging those services be provided by a third-party, we are acting as an agent in the transaction and record revenue on a net basis at the point of sale.

Revenue Recognition for Services. We provide professional services, which include project managers and consultants recommending, designing, and implementing IT solutions. Revenue from professional services is recognized either on a time and materials basis or proportionally, as costs are incurred for fixed fee project work. Revenue is recognized on a gross basis each month as work is performed and we transfer those services.

Revenues from the sale of professional and support services, provided by us, are recognized over the period the service is provided. As the customer receives the benefit of the service each month, we recognize the respective revenue on a gross basis as we are acting as a principal in the transaction. Additionally, we manage a services team that provides project support to customers that are billed on a fixed fee basis. We are acting as the principal in the transaction and recognize revenue on a gross basis based on the total number of hours incurred for the period over the total expected hours for the project. Total expected hours to complete the project is updated for each period and best represents the transfer of control of the service to the customer.

Freight Costs. We record both the freight billed to its customers and the related freight costs as cost of sales when the underlying product revenue is recognized. For freight not billed to its customers, we record the freight costs as cost of sales. The Company considers shipping to be a fulfillment activity and not a separate performance obligation.

Definite-lived Intangible Assets Impairment Evaluation

The Company periodically evaluates the carrying value of definite-lived intangibles when events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of its use of acquired assets or its overall business strategy, and significant industry or economic trends. The Company amortizes definite-lived intangible assets on a straight-line basis over their useful lives. The Company recorded no impairment loss for definite-lived intangible assets during the years ended December 31, 2022 and 2021.

When the Company determines that the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more of the above indicators, the Company determines the recoverability by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate and recognizes an impairment charge equal to the amount by which the carrying amount exceeds the fair market value of the asset.

If the Company's revenues or other estimated operating results are not achieved at or above our forecasted level, and the Company is unable to recover such costs through price increases, the carrying value of certain of the Company's intangible assets may prove to be unrecoverable and we may incur impairment charges of definitive-live intangible assets.

Indefinite-lived Intangible Assets, Including Goodwill

Indefinite-lived intangible assets, including goodwill, are not amortized but are required to be reviewed for impairment at least annually or when events or circumstances indicate that carrying value may exceed fair value. The Company is permitted the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the fair value of the Company's reporting unit is less than its corresponding carrying value. If, after assessing the totality of events and circumstances, the Company concludes that it is not more likely than not that the fair value of the reporting unit is less than its corresponding carrying value then the Company is not required to take further action. However, if the Company concludes otherwise, then the Company must calculate the fair value of the reporting unit and compare it with its carrying amount, including Indefinite-lived intangible assets and recognize impairment equal to the difference between the carrying amount of the reporting unit and its fair value, considering the related income tax effect from any tax-deductible goodwill. The estimated fair value of the reporting unit exceeded the carrying value as of December 31, 2022 and 2021, and, therefore, no impairment has been recognized.

Stock Based Compensation

We periodically issue stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. We account for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by Financial Accounting Standards Board (the "FASB") where the value of the award is measured on the date of grant and recognized as compensation expense on the straight-line basis over the vesting period.

We record stock-based compensation expense according to the provisions of ASC Topic 718, Compensation – Stock Compensation. ASC Topic 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Under the provisions of ASC Topic 718, the Company determines the appropriate fair value model to be used for valuing share-based payments and the amortization method for compensation cost.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company estimates the expected volatility and expected option life assumption consistent with ASC Topic 718, Compensation – Stock Compensation. The expected volatility of the Company's common stock at the date of grant is estimated based on a historic volatility rate and the expected option life is calculated based on historical stock option experience as the best estimate of future exercise patterns. The dividend yield assumption is based on historical and anticipated dividend payouts. The risk-free interest rate assumption is based on observed interest rates consistent with the expected life of each stock option grant. The Company uses historical data to estimate pre-vesting option forfeitures and records stock-based compensation expense only for those awards that are expected to vest. Compensation expense is recorded for all stock options expected to vest based on the amortization of the fair value at the date of grant on a straight-line basis primarily over the vesting period of the options.

Additional accounting policies can be found in Note 2 to our Audited Consolidated Financial Statements.

Recent Accounting Pronouncements

Management has evaluated all recent accounting pronouncements issued by the Financial Accounting Standards Board (FASB) and determined that none of the pronouncements will have a material impact on the financial statements of the Company. The Company will continue to monitor the issuance of any new accounting pronouncements and assess their potential impact on the financial statements in future periods.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This section is not required for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this Item are included as a separate section of this report commencing on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure and Control Procedures

We maintain "disclosure controls and procedures", as such terms are defined under Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Principal Accounting Officer, as appropriate, to allow timely decisions regarding required disclosures. The Company acknowledges that any controls and procedures can provide only reasonable assurances of achieving the desired control objectives.

We have carried out an evaluation as required by Rule 13a-15(d) under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedure as of December 31, 2022. Based upon their evaluation, the Chief Executive Officer and Principal Accounting Officer concluded that, as of December 31, 2022, the Company's disclosure controls and procedures were not effective. Although we have determined that the existing controls and procedures are not effective, the deficiencies identified have not been deemed material to our reporting disclosures.

(b) Management's Report on Internal Controls over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting refers to the process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting cannot provide absolute assurance of achieving their objectives. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgement and breakdowns resulting from human failures. Due to their inherent limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. It is possible to design safeguards to reduce, but not eliminate, this risk. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

Management has used the framework set forth in the report entitled Internal Control—Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), known as COSO, to evaluate the effectiveness of our internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on such evaluation, our CEO concluded that, as of December 31, 2022, our internal controls over financial reporting were not effective.

As a result of our evaluation, we identified a material weakness in our controls related to segregation of duties and other immaterial weaknesses in several areas of data management and documentation.

Our management is composed of a small number of professionals resulting in a situation where limitations on segregation of duties exist. Accordingly, and as a result of the material weakness identified above, we have concluded that the control deficiencies result in a reasonable possibility that a material misstatement of the annual or interim financial statements may not be prevented on a timely basis by the Company's internal controls. We continue to employ and refine a structure in which critical accounting policies, issues and estimates are identified, and together with other complex areas, are subject to multiple reviews by executives. In addition, we evaluate and assess our internal controls and procedures regarding our financial reporting, utilizing standards incorporating applicable portions of the Public Company Accounting Oversight Board's 2009 Guidance for Smaller Public Companies in Auditing Internal Controls Over Financial Reporting as necessary on an on-going basis.

Commencing at the end of 2021, the Company engaged a professional consulting firm to help with implementing an internal process in accordance with section 404a of the Sarbanes-Oxley Act 2000 (SOX). The Company is in the process of implementing the SOX process and is currently performing the documentation phase. The controls in the main business processes that refer to the preparation of financial statement reporting of the main Company were documented, gaps were noted, and a remediation plan was prepared. The Company is in the process of implementing the remediation plan in order for these controls to be found effective in the test phase. The Company is working on completing the documentation phase in its other subsidiaries that recently switched to our ERP system.

While the material weakness set forth above were the result of the scale of the Company's operations and is intrinsic to its small size, the Company believes the risk of material misstatements relative to financial reporting are minimal.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by its registered public accounting firm pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, which permits the Company to provide only management's report in this annual report.

(c) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

NONE.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table presents information with respect to our officers and directors as of the date of this Report:

Name	Age	Positions
Shai Lustgarten	52	CEO and Chairman
Neev Nissenson	44	Chief Financial Officer and Director
Andrew J. MacMillan	75	Director
Yaron Shalem	50	Director
Guy Elhanani	49	Director
Mina Teicher	76	Director

Background of our officers and directors

The following is a brief account of the education and business experience during at least the past five years of our officers and directors, indicating each person's principal occupation during that period, and the name and principal business of the organization in which such occupation and employment were carried out.

Shai S. Lustgarten, was appointed the Company's CEO in April 2017 and served as the Company's interim CFO from December 2018 through September 4, 2019. Mr. Lustgarten had been the Chief Executive Officer of Teamtronics, Inc. beginning June 2016. Teamtronics manufactures rugged computers and electronic equipment mainly used in the Gas and oil industry. From 2014 to 2017, Mr. Lustgarten was the Chief Executive Officer at Micronet Limited Inc., a developer and manufacturer of mobile computing platforms for integration into fleet management and mobile workforce solutions listed on the Tel Aviv Stock Exchange. From 2013 to 2014, Mr. Lustgarten served as EVP Business Development and Head of the Aerospace and defense Division of Micronet EnertecTechnologies, a technology company listed on the NASDAQ Capital Market. From 2009 to 2013 Mr. Lustgarten was VP of Sales, Marketing and CMO of TAT Technologies, a world leading supplier of electronic systems to the commercial and defense markets, from. His prior experience also includes serving as CEO of T.C.E. Aviation Ltd. in Belgium and serving from 1993 to 1997 as the assistant to the Military Attaché at the Embassy of Israel in Washington, DC. He received his Bachelor of Science degree in Business Management & Computer Science from the University of Maryland.

Neev Nissenson became a director of the Company in April 2017 and was appointed as our CFO on September 5, 2019, effective October 10, 2019. He is an experienced entrepreneur and financial officer. In 2015, Mr. Nissenson founded Hotwine, Inc., a California based wine startup company. Since August 2016 and until October 10, 2019, Mr. Nissenson served as the Chief Financial Officer of Hypnocore, Ltd., an Israeli based startup company that develops mobile applications for sleep monitoring and therapy. From 2011 to 2015, Mr. Nissenson was the Chief Financial Officer of GMW, Inc., a high-end wine retailer from Napa, California. Before that, Mr. Nissenson served as the Vice President from 2006 to 2011 and the Chief Financial Officer from 2009 to 2011 at Phoenix International Ventures, Inc., an aerospace defense company. Mr. Nissenson was also a member of the Municipal Committee for Business from 2004 to 2007 and a member of Municipal Committee for Street Naming from 2005 to 2007 in the City of Herzliya, Israel. He is also an armored platoon commander in the Israeli Defense Forces (Reserve) Armored Corps with a rank of Captain. Mr. Nissenson graduated from Tel Aviv University in 2005 with a B.A. majoring in General History and Political Science. In 2007, he graduated from the Hebrew University with an Executive Master's degree in Business Administration specializing in Integrative Management.

Andrew J. MacMillan became a director of the Company in April 2017. He is a corporate communications professional with 20 years of corporate communications experience in the global securities industry, plus 18 years of direct investment banking and related experience. He was a director of NTS, Inc. since December 20, 2012 and since December 27, 2012 served as the Chairman of its Nominating and Corporate Governance Committee until NTS' sale to a private equity firm in June 2014. Since 2010, Mr. MacMillan has served as an independent management consultant providing marketing and communications advisory to clients. Prior to that from 2007 until 2010, Mr. MacMillan served as Director, Global Communications & Marketing of AXA Rosenberg, a leading equity asset management firm. Prior to that, Mr. MacMillan served in a variety of corporate communication roles including Senior Vice President of Corporate Communications & Government Affairs at Ameriprise Financial, Head of Corporate Communications (Americas) at Barclays Capital, Senior Vice President of Corporate Communications of The NASDAQ Stock Market and Director of Corporate Communications at Credit Suisse First Boston. Mr. MacMillan previously served as an investment banker, acquisition officer, and consultant directly involved with capital raising, acquisitions, and financial feasibility studies. Mr. MacMillan holds a BS in Industrial Engineering from the University of Iowa and a Masters in Business Administration from Harvard.

Yaron Shalem became a director of the Company in April 2017. He has extensive experience in financial and business management. Mr. Shalem has served as the Chief Financial Officer at Saga Monetary Technologies Limited (UK) since January 2018. Prior to that Mr. Shalem served as the Chief Financial Officer at Singulariteam VC from January 2014 till January 2018. He also worked as the Chief Financial Officer at Mobli Media Inc. from January 2014 to December 2016. Mr. Shalem's experience also includes serving as the Chief Financial Officer of TAT Technologies Ltd., a NASDAQ listing company, from April 2008 to December 2013. Mr. Shalem is a CPA in Israel. He received his B.A. in Economy & Accounting from Tel Aviv University in 1999 and an MBA degree from Bar-Ilan University in 2004.

Mr. Elhanani is a qualified CFO with experience leading financial strategies to facilitate a company's growth plans. Mr. Elhanani has been the CFO and a partner of Singulariteam VC, a venture capital firm, since 2017. Mr. Elhananai has been the CFO of Sirin Labs since 2017. Sirin Labs is a multinational, high-tech company specializing in secured mobile phones. From 2015 to 2017, Mr. Elhanani was the CFO of SalesTech, an online internet technology servicing company. Mr. Elhanani has also served as the CFO of other companies, including: Micronet Ltd. (2012-2015); InterLogic Ltd. (2007-2012); and Finotec Group Inc. (2006-2007). From 2003 to 2006, Mr. Elhanani was the corporate controller of On Track Innovations Ltd. From 1999 to 2003, Mr. Elhanani was a senior auditor at Kesselman and Kesselman (PWC Israel). Mr. Elhanani was a lecturer at IVC College in Israel from 2014 to 2018 and at Hebrew University in Jerusalem from 2001 to 2003. Mr. Elhanani has also served as a board member for various companies, including: General Robotics (2017-Present); Effective Space Solutions (2017-Present); Octopus Systems (2017-Present); and Infinity AR (2017-2019). Mr. Elhanani received a B.A. in Accounting and Economics, and a Master of Business Administration, specializing in finance, from Hebrew University.

Mina Teicher is the former Chief Scientist of the Israel government. She is a leading mathematician specializing in Algebraic Geometry and applications to computer vision, cryptography, cyber security, neuroscience, neuro-medical devices, and complex societal systems, such as financial markets and health systems. She earned a PhD in Mathematics from Tel Aviv University and a postdoctoral fellowship from the Institute for Advanced Study in Princeton. She published 140 scientific papers, wrote 5 books, mentored 80 students (Master, PhD, and postdocs) in Israel and the USA, organized 20 international conferences, and won prestigious invitations to deliver lectures, numerous awards, and highly competitive research grants (in Israel, Germany, Italy, the European Union, the USA and China).

ITEM 11. EXECUTIVE COMPENSATION

The table below shows the compensation for services in all capacities we paid during the year ended December 31, 2022 to the individuals serving as our principal executive officers during the last completed fiscal year and our other two most highly paid executive officers at the end of the last completed fiscal year (whom we refer to collectively as our "named executive officers");

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards	Option Awards	All Other Compensation	Total
In thousands							
Shai Lustgarten	2022	588	110	335	791	-	$ 1,824
Chief Executive Officer	2021	583	-	-	-	432	$ 1,015
Neev Nissenson	2022	166	30	168	51	-	$ 415
Chief Financial Officer	2021	170	167	-	-	18	$ 355

Bonuses

Any bonuses granted in the future will relate to meeting certain performance criteria that are directly related to areas within the named executive's responsibilities with the Company. As we continue to grow, more defined bonus programs may be established to attract and retain our employees at all levels.

Employment Contracts

In February 2020, we entered into an employment agreement with Mr. Lustgarten, the Company's Chief Executive Officer, (the "Lustgarten Agreement") pursuant to which Mr. Lustgarten shall continue to serve as the Company's Chief Executive Officer. The Lustgarten Agreement has a four (4) year term and automatically renews for additional one (1) year periods unless either party elects to terminate the Lustgarten Agreement. Pursuant to the Lustgarten Agreement, the Company shall pay Mr. Lustgarten an annual base salary of $560,000. Mr. Lustgarten shall also be eligible to receive i) equity awards pursuant to the Company's 2018 Equity Incentive Plan and the 2020 Equity Incentive Plan and ii) certain milestone bonuses as set forth in the Lustgarten Agreement. In the event Mr. Lustgarten's employment is terminated by Mr. Lustgarten for good reason, or terminated by the Company without cause, Mr. Lustgarten shall be entitled to the greater of (i) the unpaid base salary or (ii) one (1) year's base salary.

At the sole discretion of our Board, all officers are entitled to merit-based cash and equity bonuses.

Director Compensation

Name	Year	Fees Earned or Paid in Cash ($)	Stock Awards	Option(1) Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation	All Other Compensation	Total
In thousands								
Andrew MacMillan (1)	2022	24	-	46	-	-	-	70
	2021	24	-	-	-	-	-	24
Yaron Shalem (1)	2022	24	-	46	-	-	-	70
	2021	24	-	-	-	-	-	24
Guy Elhanani (1)	2022	24	-	46	-	-	-	70
	2021	8	-	-	-	-	-	8
Itzhak Almog (1)	2022	24	-	46	-	-	-	70
	2021	8	-	-	-	-	-	8

1. The fair value of the options awarded to Mr. MacMillan, Mr. Shalem, Mr. Elhanani and Mr. Almog in 2022 was determined to be $46 thousand, respectively using the Black-Scholes Option Pricing Model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the stock options or warrants, and future dividends

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The employment agreements for our named executive officers generally provide that in the event of termination of such executive's employment for any reason, or if the executive resigns, the Company is required to pay certain separation benefits, including (i) unpaid annual salary earned through the termination date; (ii) unused vacation; (iii) accrued and unpaid expenses; and (iv) other vested and accrued benefits to which he is entitled under the Company's employee benefit plan. In the event the executive voluntarily resigns for "good reason" (as defined in each executive's respective Employment Agreement) or the Company terminates their employment for any reason other than for cause (as defined in each executive's respective Employment Agreement), the Company will be required to pay certain termination benefits, including (i) a lump sum payment equal to the greater of (A) unpaid annual salary through the end of the Initial Term or Renewal Term (as those terms are defined in each executive's respective Employment Agreement) or (B) two years of annual salary and (ii) COBRA reimbursement.

CORPORATE GOVERNANCE

Board Leadership Structure and Risk Oversight

Our Board currently consists of six members. Shai Lustgarten, Mr. Neev Nissenson, Mr. Andrew J. MacMillan and Mr. Yaron Shalem, Mr. Guy Elhanani and Ms. Mina Teicher.

One of the key functions of our Board is to provide oversight of our risk management process. Our Board administers this oversight function directly, with support from its three standing committees—the Audit Committee, the Compensation Committee, and the Corporate Governance/ Nominating Committee.

Director Independence

Pursuant to Item 407(a)(1)(ii) of Regulation S-K promulgated under the Securities Act, we have adopted the definition of "independent director" as set forth in Rules 5000(a)(19) and 5605(a)(2) of the rules of the Nasdaq Stock Market. The Board determined that Mr. Andrew J. MacMillan, Mr. Yaron Shalem, Mr. Guy Elhanani and Ms. Mina Teicher qualify as "independent directors" pursuant to such rules.

Board Committees

We have three standing committees: the Audit Committee, the Compensation Committee, and the Corporate Governance/Nominating Committee. We believe that the members of the Audit Committee, Compensation Committee and Corporate Governance/Nominating Committee are deemed to be "independent" pursuant to the NASDAQ listing standards and applicable SEC rules. We believe that all members of our Board have been and remain qualified to serve on the committees of our Board and have the experience and knowledge to perform the duties required of the committees.

Audit Committee

The Audit Committee consists of Mr. Yaron Shalem, Mr. Andy MacMillan, and Ms. Mina Teicher whereby Mr. Shalem is the Chairperson. Our Board has determined that Mr. Shalem qualifies as an "audit committee financial expert," as defined under the rules of the SEC.

The primary responsibility of the Audit Committee is to oversee our financial reporting process on behalf of the Board and report the results of their activities to the Board. The Audit Committee's responsibilities include providing assistance to the Board in fulfilling the Board's oversight responsibility relating to:

- the integrity of the Company's financial statements and the related public reports,
- disclosures and regulatory filings in which they appear;
- the systems of internal control over financial reporting, operations, and legal/regulatory compliance;
- the performance, qualifications and independence of the Company's independent accountants;
- the performance, qualifications and independence of the Company's internal audit function, and
- compliance with the Company's ethics policies and applicable legal and regulatory requirements.

Our Audit Committee charter is available on the "Investor Lounge" subpage of our website (www.omniq.com) under the link "Corporate Governance".

Compensation Committee

The Compensation Committee consists of Mr. Andrew J. MacMillan, and Mr. Yaron Shalem. Mr. MacMillan serves as Chairperson.

The Compensation Committee's responsibilities include, among others:

- approve annually the corporate goals and objectives applicable to the compensation of the Chief Executive Officer and/or President, evaluate at least annually the Chief Executive Officer's and/or President's performance in light of those goals and objectives, and determine and approve the Chief Executive Officer's and/or President's compensation level based on this evaluation;
- review matters relating to executive succession and management development;
- formulate, evaluate, and approve compensation for the Company's officers;
- formulate, evaluate, and approve cash incentives and deferred compensation plans for executives;
- formulate, approve, and administer and, when appropriate, recommend to the Board for approval, incentive compensation plans and equity-based plans; and
- approve employment contracts, severance agreements, change in control provisions, and other compensatory arrangements with Company executives.

The Compensation Committee has the authority, in its sole discretion, to select, retain, and obtain the advice of a compensation consultant as necessary to assist with the execution of its duties and responsibilities.

Our Compensation Committee charter is available on the "About" subpage of our website (www.omniq.com) under the link "Corporate Governance".

Corporate Governance/Nominating Committee

The Corporate Governance/Nominating Committee consists of Andrew J. MacMillan, and Yaron Shalem. Andrew J. MacMillan is the Chairman.

The Corporate Governance/Nominating Committee's responsibilities include, among others:

- develop and oversee the Company's corporate governance practices and procedures, including identifying best practices, reviewing, and recommending to the Board for approval any changes to the documents, policies, and procedures in the Company's corporate governance framework;
- establish procedures for the director nomination and to determine the qualifications, qualities, skills, and other expertise required to be a director and to develop, and recommend to the Board for its approval, criteria to be considered in selecting nominees for director;
- identify and screen individuals qualified to become members of the Board, consistent with the above criteria, considering any director candidates recommended by the Company's stockholders;
- oversee a process for an annual evaluation of the Company's Chief Executive Officer and/or President; and
- develop and oversee a process for an annual evaluation of the Board and its committees, including a formal assessment of each individual director.

Our Corporate Governance/Nominating Committee charter is available on the "About" subpage of our website (www.omniq.com) under the link "Corporate Governance".

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our Common Stock as of December 31, 2021: (i) by each of our directors; (ii) by each of our executive officers; (iii) by our executive officers and directors as a group, and (iv) by each person or entity known by us to beneficially own 5% or more of any class of our common stock. As of December 31, 2022, there were 7,714,780 shares of our common stock outstanding.

Name of Beneficial Owner	Amount of Beneficial Ownership	Percentage of Shares Outstanding
Shai Lustgarten (Chairman and CEO) (1)	1,537,964	13.82%
Andrew MacMillan (2)	38,996	0.35%
Yaron Shalem (5)	61,525	0.55%
Neev Nissenson (CFO) (4)	182,289	1.64%
Itzhak Almog (6)	10,000	0.09%
Guy Elhanani (7)	10,000	0.09%
All Executive Officers and Directors as a group (6 individuals)	1,955,774	17.66%
Carlos Nissensohn (3)	1,019,667	9.16%

1. Includes 500,000 shares issuable upon the exercise of options. Also includes (i) 1,004,631 shares and (ii) 33,333 shares issuable upon the exercise of warrants held by Walefar Investments Ltd., which is beneficially owned by Mr. Lustgarten.
2. Includes 20,000 shares issuable upon the exercise of options. Also includes (i) 18,996 shares
3. Includes 739,308 shares held by Campbeltown Consulting Ltd., which is beneficially owned by Mr. Carlos J. Nissensohn. Also includes (i) 57,026 shares. Also includes 223,333 shares underlying option and warrants
4. Includes 125,000 shares issuable upon exercise of options. Also includes (i) 57,289 shares
5. Includes 42,500 shares issuable upon exercise of options. Also includes (i) 19,025 shares
6. Includes 10,000 shares issuable upon the exercise of options.
7. Includes 10,000 shares issuable upon the exercise of options.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

2020

In February 2020, OMNIQ entered into a consulting agreement with Mr. Carlos J. Nissensohn and/or an entity under his control, a consultant to the Company and principal stockholder, (the "Nissensohn Agreement") pursuant to Mr. Carlos J. Nissensohn and/or an entity under his control will provide certain consulting services to the Company. The Nissensohn Agreement has a four (4) year term and automatically renews for additional one (1) year periods unless either party elects to terminate the Nissensohn Agreement. Pursuant to the Nissensohn Agreement, we will pay Mr. Nissensohn a monthly fee of $30,000. Mr. Nissensohn shall also be eligible to receive certain milestone bonuses as set forth in the Nissensohn Agreement. Mr. Nissensohn is a principal stockholder of the Company. Mr. Carlos J. Nissensohn is the father of Neev Nissenson, our CFO and board member.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Aggregate fees billed or incurred related to the following years for professional services rendered by Haynie & Company for 2022 and 2021 were $205 thousand and $182 thousand respectively.

In the above table, in accordance with the SEC's definitions and rules, "audit fees" are fees for professional services for the audit of a company's financial statements included in the annual report on Form 10-K, for the review of a company's financial statements included in the quarterly reports on Form 10-Q, and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements; "audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of a company's financial statements; "tax fees" are fees for tax compliance, tax advice, and tax planning; and "all other fees" are fees for any services not included in the first three categories.

Our policy is to pre-approve all audit and permissible non-audit services performed by the independent accountants. These services may include audit services, audit-related services, tax services and other services. Under our Audit Committee's policy, pre-approval is generally provided for particular services or categories of services, including planned services, project-based services and routine consultations. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. Our Audit Committee approved all services that our independent accountants provided to us in the past two fiscal years.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) The following documents are filed under pages F-1 through F-26 and are included as part of this Form 10-K:

(a)(2) Financial statement schedules are omitted as they are not applicable.

(a)(3) Exhibits required by Item 601 of Regulation S-K are incorporated herein by reference and are listed on the attached Exhibit Index, which begins immediately following the financial statements of this Annual Report on Form 10-K.

ITEM 16. SUMMARY.

NONE.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 30, 2023

OMNIQ CORP.

By: */s/ Shai Lustgarten*
Shai Lustgarten
Chief Executive Officer and Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Shai Lustgarten Shai Lustgarten	Chairman of the Board, Chief Executive Officer	March 30, 2023
/s/ Neev Nissenson *Neev Nissenson*	Director, Chief Financial Officer	March 30, 2023
/s/ Yaron Shalem *Yaron Shalem*	Director	March 30, 2023
/s/ Andrew J. MacMillan Andrew J. MacMillan	Director	March 30, 2023
/s/ Mina Teicher Mina Teicher	Director	March 30, 2023
/s/ Guy Elhananai Guy Elhanani	Director	March 30, 2023

OMNIQ CORP.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of OMNIQ Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of OMNIQ Corp. (the Company) as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2022, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We did not audit portions of the December 31, 2022 consolidated financial statements for Dangot Computers, Ltd., a wholly owned subsidiary. The portions not audited by us include assets of $27.5 million as of December 31, 2022, and total revenues of $45.5 million for the year ended December 31, 2022. Those portions of the December 31, 2022 consolidated financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as they relate to the amounts included for Dangot Computers, Ltd. is based solely on the reports of the other auditors.

Consideration of the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has a deficit in stockholders' equity, and has sustained recurring losses from operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill and Intangible Assets— Refer to Note 8 to the consolidated financial statements

The Company has goodwill of $16.5 million and other intangible assets of $7.5 million as of December 31, 2022. The Company evaluates its goodwill and intangible assets at least annually or more frequently when events or changes in circumstances indicate the carrying value may not be recoverable. For goodwill, the Company performed an impairment analysis by considering the value of its operating segment and comparing it to the carrying amount of its goodwill. In consideration of its intangible assets, the Company employed an income approach using a discounted cash flow using a forecast developed by management. These valuation methods require management to make significant estimates and assumptions related to projected cash flows. No impairment was recorded by the Company for the year ended December 31, 2022.

We identified potential impairment of these assets as a critical audit matter because of the significant estimates and assumptions made by management to estimate fair value, including the impact of forecasted growth, and the difference between the fair values and the carrying values as of December 31, 2022. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialist, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to certain assumptions within the projected cash flows.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, gaining an understanding of management's process for developing the fair value estimate. We used professionals inside our firm with specialized skills and knowledge to assess the Company's methodology. In evaluating the Company's assumptions, we compared them to historical results, financial information subsequent to year end, and to customer orders to be filled. Finally, we considered the sensitivity of their cash flow model assumptions by assessing different scenarios.

/s/ Haynie & Company
Salt Lake City, Utah
March 30, 2023

We have served as the Company's auditor since 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
OMNIQ CORP.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Dangot Computers Ltd. (the “Company”) as of December 31, 2022, the related consolidated statement of operation and comprehensive loss, chang in stockholders’ equity (defecit) and cash flow for the year then ended, and the related notes (collectively referred to as the “Financial Statement”). In our opinion, the financial statement present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operation and its cash flow for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the board of directors and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. We determined that there are no critical audit matters.

We have served as the Company’s auditor since 2020.

BARZILY AND CO., CPA’s

Jerusalem, Israel
March 30,2023

OMNIQ CORP.
CONSOLIDATED BALANCE SHEETS
As of December 31,

(In thousands, except share and per share data)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,311	$ 7,085
Accounts receivable, net	23,893	27,123
Inventory	8,726	6,955
Prepaid expenses	1,268	1,987
Other current assets	473	9
Total current assets	35,671	43,159
Property and equipment, net of accumulated depreciation of $1,030 and $2,203 respectively	1,086	1,127
Goodwill	16,542	16,453
Trade name, net of accumulated amortization of $4,458 and $3,863, respectively	1,826	2,421
Customer relationships, net of accumulated amortization of $10,762 and $9,660, respectively	4,967	6,069
Other intangibles, net of accumulated amortization of $1,541 and $1,457, respectively	675	865
Right of use lease asset	2,300	3,556
Other assets	1,744	1,431
Total assets	$ 64,811	$ 75,081
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	$ 54,736	$ 45,553
Line of credit	1,971	5,951
Accrued payroll and sales tax	2,633	2,658
Notes payable, related parties – current portion	293	390
Notes payable – current portion	11,572	7,521
Lease liability – current portion	942	1,341
Other current liabilities	1,394	2,683
Total current liabilities	73,541	66,097
Long term liabilities		
Notes payable, related party, less current portion	-	293
Accrued interest and accrued liabilities, related party	72	63
Notes payable, less current portion	55	2,646
Lease liability	1,404	2,266
Other long-term liabilities	265	1,418
Total liabilities	75,337	72,783
Stockholders' equity deficit		
Series A Preferred stock; $0.001 par value; 2,000,000 shares designated, 0 shares issued and outstanding	-	-
Series B Preferred stock; $0.001 par value; 1 share designated, 0 shares issued and outstanding	-	-
Series C Preferred stock; $0.001 par value; 3,000,000 shares designated, 544,500 shares issued and outstanding, respectively	1	1
Common stock; $0.001 par value; 15,000,000 shares authorized; 7,714,780 and 7,459,534 shares issued and outstanding, respectively.	8	20
Additional paid-in capital	73,714	70,606
Accumulated deficit	(84,460)	(70,571)
Cumulative translation adjustment	211	(154)
Total OmniQ stockholders' equity (deficit)	(10,526)	(98)
Non-controlling interest	-	2,396
TOTAL EQUITY (DEFICIT)	(10,526)	2,298
Total liabilities and equity (deficit)	$ 64,811	$ 75,081

The accompanying notes are integral to these consolidated financial statements

OMNIQ CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the Years Ended December 31,

(In thousands, except share and per share data)	2022	2021
Revenues		
Total revenues	$ 102,545	$ 78,251
Cost of goods sold		
Cost of goods sold	80,441	61,582
Gross profit	22,104	16,669
Operating expenses		
Research & development	1,826	1,873
Selling, general and administrative	27,707	21,865
Depreciation	324	251
Amortization	1,799	3,160
Total operating expenses	31,656	27,149
Loss from operations	(9,552)	(10,480)
Other income (expenses):		
Interest expense	(3,496)	(2,515)
Other (expenses) income	(601)	7
Total other expenses	(4,097)	(2,508)
Net loss before income taxes	(13,649)	(12,988)
Provision for income taxes		
Current	35	(156)
Total provision for income taxes	35	(156)
Net loss	$ (13,614)	$ (13,144)
Net income attributable to non-controlling interest	67	218
Net loss attributable to OmniQ Corp	$ (13,681)	$ (13,362)
Net loss	$ (13,614)	$ (13,144)
Foreign currency translation adjustment	365	71
Comprehensive loss	(13,249)	(13,073)
Less comprehensive loss attributable to non-controlling interests	20	(59)
Comprehensive loss attributable to OmniQ Corp	$ (13,229)	$ (13,132)
Reconciliation of net loss to net loss attributable to common shareholders		
Net loss	$ (13,614)	$ (13,144)
Less: dividends attributable to non-common stockholders’ of OmniQ Corp	(206)	(77)
Net loss less non-common stockholder dividends	(13,820)	(13,221)
Non-common stockholder dividends attributable to non-controlling interest	-	218
Net loss attributable to common stockholders’ of OmniQ Corp	$ (13,820)	$ (13,439)
Net loss per share - basic attributable to common stockholders’ of OmniQ Corp	$ (1.82)	$ (2.20)
Weighted average number of common shares outstanding - basic	7,576,434	6,082,763

The accompanying notes are integral to these consolidated financial statements.

OMNIQ CORP.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

For the Years Ended December 31, 2022 and 2021

(In thousands)	Series C Preferred Stock Shares	Series C Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Non Controlling Interest	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
Balance, December 31, 2020	**2,145**	**$ 2**	**4,685**	**$ 5**	**$ 51,842**	**$ (56,726)**	**$ -**	**$ (166)**	**$ (5,043)**
Dividend on class C shares	-	-	-	-	-	(77)	-	-	(77)
Dividend declared to non-controlling interest	-	-	-	-	-	(398)	-	-	(398)
ESPP stock issuance	-	-	2	-	16	-	-	-	16
Stock-based compensation – options, warrants, issuances	-	-	-	-	2,552	-	-	-	2,552
Stock and warrant issued for services	-	-	25	-	188	-	-	-	188
Stock and warrant issuances, net of issuance costs	-	-	2,143	15	13,282	-	-	-	13,297
Exercise of stock options and warrants	-	-	279	-	438	-	-	-	438
Stock and warrant issuance for acquisition	-	-	220	-	2,084	-	-	-	2,084
Dangot acquisition	-	-	-	-	-	-	6,508	-	6,508
Exercise to purchase additional Dangot shares	-	-	-	-	-	-	(4,012)	-	(4,012)
Post-acquisition adjustment	-	-	-	-	-	(1)	(377)	-	(378)
Cumulative translation adjustment	-	-	-	-	-	-	59	12	71
Other	-	-	-	-	-	(7)	-	-	(7)
Conversion of equity	(1,400)	(1)	70	-	1	-	-	-	-
Conversion of debt	(201)	-	35	-	203	-	-	-	203
Net income (loss)	-	-	-	-	-	(13,362)	218	-	(13,144)
Balance, December 31, 2021	**544**	**$ 1**	**7,459**	**$ 20**	**$ 70,606**	**$ (70,571)**	**$ 2,396**	**$ (154)**	**$ 2,298**
Dividends	-	-	-	-	-	(206)	-	-	(206)
ESPP stock issuance	-	-	7	-	37	-	-	-	37
Stock-based compensation – options, warrants, issuances	-	-	100	-	3,173	-	-	-	3,173
Stock issued for services	-	-	20	-	109	-	-	-	109
Warrant issuances, net of issuance costs	-	-	-	-	298	-	-	-	298
Exercise of stock options	-	-	128	-	147	-	-	-	147
Non-controlling interests, distributions and other	-	-	-	-	(668)	-	(2,443)	-	(3,111)
Other	-	-	-	(12)	12	-	-	-	-
Cumulative translation adjustment	-	-	-	-	-	(2)	(20)	365	343
Net loss	-	-	-	-	-	(13,681)	67	-	(13,614)
Balance, December 31, 2022	**544**	**$ 1**	**7,714**	**$ 8**	**$ 73,714**	**$ (84,460)**	**$ -**	**$ 211**	**$ (10,526)**

The accompanying notes to the financials should be read in conjunction with these financial statements.

OMNIQ CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

(In thousands)	2022	2021
Cash flows from operations		
Net loss	$ (13,614)	$ (13,144)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on disposal of PP&E	46	-
Noncash interest expense	248	-
Stock-based compensation	3,173	2,552
Stock and warrant issued for services	109	188
Depreciation and amortization	2,119	3,411
Amortization of ROU asset	1,000	199
Changes in operating assets and liabilities:		
Accounts receivable	1,472	(3,291)
Prepaid expenses	585	(295)
Inventory	(2,490)	(538)
Other assets	131	(117)
Accounts payable and accrued liabilities	10,830	8,352
Accrued interest and accrued liabilities, related party	8	7
Accrued payroll and sales taxes payable	268	(180)
Lease liability	(1,000)	(192)
Deferred tax assets, net	(263)	58
Other liabilities	(1,419)	(185)
Net cash provided by (used in) operating activities	1,203	(3,175)
Cash flows from investing activities		
Payment for additional ownership in subsidiary	(3,518)	(4,012)
Payment for acquisition, net of cash acquired	-	(4,992)
Purchase of property and equipment	(451)	(299)
Proceeds from sale (purchase) of other assets	(185)	68
Net cash used in investing activities	(4,154)	(9,235)
Cash flows from financing activities		
Proceeds from ESPP stock issuance	37	16
Proceeds from exercise of options and warrants	147	438
Dividends paid to non-controlling interest	(1,448)	(306)
Net proceeds from issuance of common stock	-	13,297
Payments on notes payable	(2,525)	(4,612)
Proceeds from the issuance of notes payable	4,770	4,603
Net activity on line of credit	(4,038)	1,037
Net cash (used in) provided by financing activities	(3,057)	14,473
Net change in cash and cash equivalents	(6,008)	2,063
Effect of foreign exchange rates on cash and cash equivalents	234	(105)
Cash and cash equivalents at beginning of period	7,085	5,127
Cash and cash equivalents at end of period	$ 1,311	$ 7,085
Non-cash activities:		
Declared dividends payable	$ 33	$ 464
Net assets acquired in business combination	$ -	$ 7,390
Stock compensation in exchange for debt	$ 298	$ -
Purchase of PP&E with financing	$ -	$ 155
Debt conversion	$ -	$ 203
Equity conversion	$ -	$ 2
Right of use asset acquired in exchange for lease liability	$ -	$ 1,108
Change in terms of accounts payable	$ -	$ 47
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 3,487	$ 1,547
Cash paid for income taxes	$ 160	$ 151

The accompanying notes are integral to these consolidated financial statements.

OMNIQ CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

NOTE 1 – NATURE OF OPERATIONS

OMNIQ Corp., a Delaware corporation, formerly Quest Solution, Inc., together with its majority and wholly owned subsidiaries, referred to herein as “we,” “us,” and “our” (“OMNIQ” or the “Company”), was incorporated in 1973. Since its incorporation, the Company has been involved in various lines of business.

From 2008 and to 2013, we were in the business of developing oil and gas reserves. In January 2014, we determined it was in the best interest of our stockholders to focus on operating companies with a track record of positive cash flows and larger existing revenue bases. Our strategy developed into leveraging management’s relationships in the business world for investments for the Company.

Since 2014, we have made the following acquisitions resulting in us becoming a leading provider of computerized and machine vision image processing solutions:

- Quest Solutions, Inc. (January 2014)
- Bar Code Specialties, Inc. (November 2014)
- ViascanQdata, Inc (October 2015 – later sold in September 2016)
- HTS Image Processing, Inc. (October 2018)
- EyepaxIT Consulting LLC. (February 2020)
- Dangot Computers Ltd. (July 2021)

We use patented and proprietary artificial intelligence (AI) technology to deliver data collection, real time surveillance and monitoring for supply chain management, homeland security, public safety, traffic & parking management and access control applications. The technology and services we provide helps our clients move people, assets and data safely and securely through airports, warehouses, schools, national borders, and many other applications and environments.

We offer end-to-end solutions that include hardware, software, communications, and full lifecycle management services. We are an established manufacturer and distributor of barcode labels, tags, and ribbons, as well as RFID labels and tags. Our highly tenured team of professionals has the knowledge and expertise to simplify the integration process for our customers, and our team delivers proven problem-solving solutions backed by numerous customer references. We offer comprehensive packaged and configurable software, and we are a leading provider of best-in-class mobile and wireless equipment.

Our customers include government agencies and leading Fortune 500 companies from diverse sectors, including healthcare, food and beverage, manufacturing, retail, distribution, transportation and logistics, and oil, gas, and chemicals.

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

Our consolidated financial statements include the financial position and results of operations of OMNIQ Corp. and its wholly owned subsidiaries Quest Marketing, Inc., HTS Image Processing, Inc., OmniQ Vision Inc., HTS Image Ltd., OmniQ Technologies Ltd., and Dangot Computers Ltd. collectively referred to herein as “we” or “us” or “our” or the “Company.”

All significant intercompany accounts and transactions have been eliminated in these consolidated financial statements. Business combinations are included in the consolidated financial statements from their respective dates of acquisition.

Use of Estimates

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, which requires management to use its judgment to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. These assumptions and estimates could have a material effect on our consolidated financial statements. Actual results may differ materially from those estimates. We review our estimates on an ongoing basis based on information currently available, and changes in facts and circumstances may cause us to revise these estimates.

Cash and Cash Equivalents

Cash consists of petty cash, checking, savings, and money market accounts. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered cash equivalents. There were no cash equivalents as of December 31, 2022 and 2021.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Accounts Receivable

We manage credit risk associated with our accounts receivables at the customer level. Because the same customers typically generate the revenues that are accounted for under both *Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (Topic 606)* and *Accounting Standards Codification Topic 326, Credit Losses (Topic 326)*)., the discussions below on credit risk and our allowances for doubtful accounts address our total revenues from Topic 606 and Topic 326.

We believe concentration of credit risk, with respect to our receivables, is limited because our customer base is comprised of a number of geographically diverse customers. We manage credit risk through credit approvals, credit limits and other monitoring procedures.

Pursuant to Topic 326 for our accounts receivables, we maintain an allowance for doubtful accounts that reflects our estimate of our expected credit losses. Our allowance is estimated using a loss rate model based on delinquency. The estimated loss rate is based on our historical experience with specific customers, our understanding of our current economic circumstances, reasonable and supportable forecasts, and our own judgment as to the likelihood of ultimate payment based upon available data. We perform credit evaluations of customers and establish credit limits based on reviews of our customers' current credit information and payment histories. We believe our credit risk is somewhat mitigated by our geographically diverse customer base and our credit evaluation procedures. The actual rate of future credit losses, however, may not be similar to past experience. Our estimate of doubtful accounts could change based on changing circumstances, including changes in the economy or in the particular circumstances of individual customers. Accordingly, we may be required to increase or decrease our allowance for doubtful accounts. Based on management's evaluation, accounts receivable has a balance in the allowance for doubtful accounts of $455 thousand and $6 thousand for the years ended December 31, 2022 and 2021, respectively.

Inventory

Substantially all inventory consists of raw materials and finished goods and are valued at the lower of historic cost or net realizable value; where net realizable value is considered to be the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal and transportation. Historic inventory costs are calculated on a first-in-first-out basis or specific cost.

Property and Equipment

Property and equipment are recorded at cost and depreciated using straight-line over the estimated useful lives. Ordinary repair and maintenance costs are included in sales, general and administrative ("SG&A") expenses on our consolidated statements of operations. However, expenditures for additions or improvements that significantly extend the useful life of the asset are capitalized in the period incurred. At the time assets are sold or disposed of, the cost and accumulated depreciation are removed from their respective accounts and the related gains or losses are reflected in the statements of operations in gains from sales of property and equipment, net.

We periodically evaluate the appropriateness of remaining depreciable lives assigned to property and equipment. Leasehold improvements are amortized using the straight-line method over their estimated useful lives or the remaining term of the lease, whichever is shorter. Depreciation expense for the years ended December 31, 2022 and 2021 was $324 thousand and $251 thousand, respectively. Generally, we assign the following estimated useful lives to these categories:

Category	Estimated Useful Life
Furniture and fixtures	5 to 7 years
Computer equipment	3 to 5 years
Office equipment	3 to 10 years
Software	3 years
Leasehold improvements	15 years
Vehicles	5 years

Fair Value of Financial Instruments

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The FASB fair value measurement guidance established a fair value hierarchy that prioritizes the inputs used to measure fair value. The three broad levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for which little or no market data exists, therefore requiring a company to develop its own assumptions

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. We review the fair value hierarchy classification on a quarterly basis. Changes in the observable inputs may result in a reclassification of assets and liabilities within the three levels of the hierarchy outlined above.

The carrying amounts of certain financial instruments, such as cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to their relatively short maturities.

Definite-lived Intangible Assets

The Company periodically evaluates the carrying value of definite-lived intangibles when events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of its use of acquired assets or its overall business strategy, and significant industry or economic trends. The Company amortizes definite-lived intangible assets on a straight-line basis over their useful lives. The Company recorded no impairment loss for definite-lived intangible assets during the years ended December 31, 2022 and 2021.

When the Company determines that the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more of the above indicators, the Company determines the recoverability by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate and recognizes an impairment charge equal to the amount by which the carrying amount exceeds the fair market value of the asset.

If the Company's revenues or other estimated operating results are not achieved at or above our forecasted level, and the Company is unable to recover such costs through price increases, the carrying value of certain of the Company's intangible assets may prove to be unrecoverable and we may incur impairment charges of definitive-live intangible assets.

Definite-lived intangible assets are stated at cost, net of accumulated amortization. The assets are being amortized on the straight-line method over useful lives ranging from 3 to 11 years with a remaining weighted average lifespan of 7.5 years.

Indefinite-lived Intangible Assets, Including Goodwill

Indefinite-lived intangible assets, including goodwill, are not amortized but are required to be reviewed for impairment at least annually or when events or circumstances indicate that carrying value may exceed fair value. The Company is permitted the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the fair value of the Company's reporting unit is less than its corresponding carrying value. If, after assessing the totality of events and circumstances, the Company concludes that it is not more likely than not that the fair value of the reporting unit is less than its corresponding carrying value then the Company is not required to take further action. However, if the Company concludes otherwise, then the Company must calculate the fair value of the reporting unit and compare it with its carrying amount, including Indefinite-lived intangible assets and recognize impairment equal to the difference between the carrying amount of the reporting unit and its fair value, considering the related income tax effect from any tax-deductible goodwill. The estimated fair value of the reporting unit exceeded the carrying value as of December 31, 2022 and 2021, and, therefore, no impairment has been recognized.

Accounts Payable

Accounts payable are made up of payables due to vendors in the ordinary course of business a December 31, 2022 and 2021. One vendor made up 48% and 65% of our purchases in 2022 and 2021, respectively.

Leases

We determine whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset, and we have the right to control the asset for a period of time in exchange for consideration. Lease arrangements can take several forms. Some arrangements are clearly within the scope of lease accounting, such as a real estate contract that provides an explicit contractual right to use a building for a specified period of time in exchange for consideration. However, the right to use an asset can also be conveyed through arrangements that are not leases in form, such as leases embedded within service and supply contracts. We analyze all arrangements with potential embedded leases to determine if an identified asset is present, if substantive substitution rights are present, and if the arrangement provides the customer control of the asset.

Our lease portfolio is substantially comprised of operating leases related to leases of real estate and improvements. From time to time, we may also lease various types of small equipment and vehicles.

Operating lease right-of-use ("ROU") assets represent our right to use an individual asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide the lessor's implicit rate, we use our incremental borrowing rate ("IBR") at the commencement date in determining the present value of lease payments by utilizing a fully collateralized rate for a fully amortizing loan with the same term as the lease.

Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. For leases with terms greater than 12 months, we record the related asset and obligation at the present value of lease payments over the term. Our leases can include rental escalation clauses, renewal options and/or termination options that are factored into our determination of lease payments when such renewal options and/or termination options are reasonably certain of exercise.

A ROU asset is subject to the same impairment guidance as assets categorized as plant, property, and equipment. As such, any impairment loss on ROU assets is presented in the same manner as an impairment loss recognized on other long-lived assets.

A lease modification is a change to the terms and conditions of a contract that change the scope or consideration of a lease. For example, a change to the terms and conditions to the contract that adds or terminates the right to use one or more underlying assets, or extends or shortens the contractual lease term, is a modification. Depending on facts and circumstances, a lease modification may be accounted as either: (1) the original lease plus the lease of a separate asset(s) or (2) a modified lease. A lease will be remeasured if there are changes to the lease contract that do not give rise to a separate lease.

Purchase Accounting and Business Combinations

We account for our business combinations using the purchase method of accounting which requires that intangible assets be recognized apart from goodwill if they are contractual in nature or separately identifiable. Acquisitions are measured on the fair value of consideration exchanged and, if the consideration given is not cash, measurement is based on the fair value of the consideration given or the fair value of the assets acquired, whichever is more reliably measurable. The excess of cost of an acquired entity over the fair value of identifiable acquired assets and liabilities assumed is allocated to goodwill.

The valuation and allocation processes rely on significant assumptions made by management. In certain situations, the allocations of excess purchase price are based upon preliminary estimates and assumptions. Accordingly, the allocations are subject to revision when we receive updated information, including appraisals and other analyses, which are completed within one year of the acquisition. Revisions to the fair values, which may be significant, are recorded when pending information is finalized, within one year from the acquisition date.

Revenue Recognition

When entering into contracts with our customers, we review follow the five steps outline in *Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (Topic 606)*:

i. Identify the contract with our customer.

ii. Identify the performance obligations in the contract.

iii. Determine the transaction price.

iv. Allocate the transaction price to the performance obligations. And

v. Evaluate the satisfaction of the performance obligations, We account for contracts, with our customers, when we have approval and commitment from both parties, the rights of the parties are identified, payment terms are established, the contract has commercial substance and collectability of consideration is probable.

We evaluate, in accordance with Topic 606, whether we meet the criteria to be a principal or an agent and record the revenue on a gross or net basis. We are considered a principal if we obtain control of any one of the following:

i. A good or another asset from another party that we then transfer to our customer.

ii. A right to a service to be performed by another party, which gives the us the ability to direct that party to provide the service to the customer on our behalf, and

iii. A good or service from another party that we then combine with other goods or services in providing the specified good or service to our customer.

We have certain relationships with manufacturers and suppliers to sell us products or provide services. Our contracts may transfer to our customer a right to a future service or product to be provided by our manufacturer or supplier. When a specified good or service is a right to a good or service is provided by a manufacturer or supplier, we evaluate whether we control the right to the goods or services before that right is transferred to the customer rather than whether we control the underlying goods or services.

Indicators that we control the specified good or service before it is transferred to the customer (and we are therefore a principal) include, but are not limited to, the following:

i. We are responsible for fulfilling the promise to provide the specified good or service. This typically includes responsibility for the acceptability of the specified good or service. If we are primarily responsible for fulfilling the promise to provide the specified good or service, this may indicate that the other party involved in providing the specified good or service is acting on our behalf. Often, we provide value added services (combining hardware, integrating hardware to software, etc.) to the products and services purchased from our manufacturers and suppliers.

ii. We have inventory risk before the specified good or service has been transferred to a customer. Our purchases of products or services from our manufactures and suppliers is evidenced by our issuing a binding purchase order contract with the negotiated terms including specifications, pricing, delivery among other things. Our obligation for purchased products and services is mutually exclusive of our customers' performance (failure to take acceptance, make payment, etc.)

iii. We have sole discretion in establishing our price for the specified good or service. Establishing the price our customer pays for a specified good or service may indicate we have the ability to direct the use of that good or service and obtain substantially all of the remaining benefits. We control and set the pricing for the product or services to be provided to our customers.

If the terms of a transaction do not indicate we are acting as a principal in the transaction, we are then considered acting as an agent and the associated revenues would be recognized on a net basis.

As principal, when (or as) we satisfy a performance obligation, we recognize revenue in the gross amount of consideration which we expect to be entitled in exchange for the specified good or service transferred. We are an agent if our performance obligation is to arrange for the provision of the specified good or service by another party. As an agent, we do not control the specified good or service provided by another party before that good or service is transferred to our customer. As an agent, when (or as) we satisfy a performance obligation, we recognize revenue in the amount of any fee or commission which we expect to be entitled in exchange for arranging for the specified goods or services to be provided by another party to our customer.

Under Topic 606, we recognize revenue (on either a gross or net basis previously discussed) only when we satisfy a performance obligation by transferring a promised good or service to our customer. A good or service is considered transferred when the customer obtains control. The standard defines control as an entity's ability to direct the use of, and obtain substantially all of the remaining benefits from, an asset. We recognize revenue (either gross or net) once control has passed to the customer. The following indicators are evaluated in determining when control has passed to the customer:

i. We have a right to payment for the product or service,

ii. The customer has legal title to the product,

iii. We have transferred physical possession of the product to the customer,

iv. The customer has the risk and rewards of ownership of the product, and

v. The customer has accepted the product.

Revenue Recognition for Hardware. Revenues from sales of hardware products are recognized on a gross basis as we are acting as a principal in these transactions, with the selling price to the customer recorded as sales and the acquisition cost of the product recorded as cost of sales. We recognize revenue from these transactions when control has passed to the customer.

Manufacturers and suppliers, from whom we purchase hardware, often provide their warranties only providing assurance the products and services will conform to their specifications. These assurance type warranties are not sold separately and are not considered separate performance obligations. In some transactions, a third-party will provide the customer with an extended warranty. These extended warranties are sold separately and provide the customer with a service in addition to assurance that the product will function as expected. We consider these warranties to be separate performance obligations from the underlying product. For warranties, where we are arranging those services be provided by a third-party, we are acting as an agent in the transaction and records revenue on a net basis at the point of sale.

Revenue Recognition for Software. Sales of software licenses are generally considered a single performance obligation. When we are considered the principal, we recognize revenues on a gross basis at the point the software is delivered to and accepted by our customer. Generally, software licenses are sold with accompanying third-party delivered software assurance, which is a product that allows customers to upgrade, at no additional cost, to the latest technology if new capabilities are introduced during the period that the software assurance is in effect.

As explained above, we evaluate whether the software assurance is a separate performance obligation by assessing if the third-party delivered software assurance is critical or essential to the core functionality of the software itself. This involves considering:

i. If the software provides its original intended functionality to the customer without the updates,

ii. If the customer would ascribe a higher value to the upgrades versus the up-front deliverable,

iii. If the customer would expect frequent intelligence updates to the software (such as updates that maintain the original functionality), and

iv. If the customer chooses to not delay or always install upgrades.

If we determine the accompanying third-party delivered software assurance is critical or essential to the core functionality of the software license, the software license and the accompanying third-party delivered software assurance are recognized as a single performance obligation.

In some transactions, a third-party will provide the customer with an extended warranty. These extended warranties are sold separately and provide the customer with a service in addition to assurance that the product will function as expected. We consider these warranties to be separate performance obligations from the underlying product. For warranties, where we are arranging those services be provided by a third-party, we are acting as an agent in the transaction and records revenue on a net basis at the point of sale.

Revenue Recognition for Services. We provide professional services, which include project managers and consultants recommending, designing and implementing IT solutions. Revenue from professional services is recognized either on a time and materials basis or proportionally, as costs are incurred for fixed fee project work. Revenue is recognized on a gross basis each month as work is performed and we transfer those services.

Revenues from the sale of professional and support services, provided by us, are recognized over the period the service is provided. As the customer receives the benefit of the service each month, we recognize the respective revenue on a gross basis as we are acting as a principal in the transaction. Additionally, we manage services team provides project support to customers that are billed on a fixed fee basis. We are acting as the principal in the transaction and recognize revenue on a gross basis based on the total number of hours incurred for the period over the total expected hours for the project. Total expected hours to complete the project is updated for each period and best represents the transfer of control of the service to the customer.

Freight Costs. We record both the freight billed to its customers and the related freight costs as cost of sales when the underlying product revenue is recognized. For freight not billed to its customers, we record the freight costs as cost of sales. The Company considers shipping to be a fulfillment activity and not a separate performance obligation.

Stock-Based Compensation

We periodically issue stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. We account for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by Financial Accounting Standards Board (the “FASB”) where the value of the award is measured on the date of grant and recognized as compensation expense on the straight-line basis over the vesting period.

We record stock-based compensation expense according to the provisions of ASC Topic 718, Compensation – Stock Compensation. ASC Topic 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Under the provisions of ASC Topic 718, the Company determines the appropriate fair value model to be used for valuing share-based payments and the amortization method for compensation cost.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company estimates the expected volatility and expected option life assumption consistent with ASC Topic 718, Compensation – Stock Compensation. The expected volatility of the Company’s common stock at the date of grant is estimated based on a historic volatility rate and the expected option life is calculated based on historical stock option experience as the best estimate of future exercise patterns. The dividend yield assumption is based on historical and anticipated dividend payouts. The risk-free interest rate assumption is based on observed interest rates consistent with the expected life of each stock option grant. The Company uses historical data to estimate pre-vesting option forfeitures and records stock-based compensation expense only for those awards that are expected to vest. Compensation expense is recorded for all stock options expected to vest based on the amortization of the fair value at the date of grant on a straight-line basis primarily over the vesting period of the options.

In October 2021, OMNIQ' Board of Directors adopted an Equity Incentive Plan (the "Plan"), as an incentive to retain in the employ of and attract new employees, directors, officers, consultants, advisors and employees to the Company. Pursuant to the Plan, 1,118,856 shares of the Company's common stock, par value $0.001 (the "Shares"), were set aside and reserved for issuance. The Plan was approved by our stockholders at the December 2021, shareholders' meeting. No shares were issued in 2021 as part of the Plan.

In August 2020, the Board of Directors approved our 2020 Equity Incentive Plan and later amended it. In September 2020, our shareholders adopted and ratified the 2020 Equity Incentive Plan. The total number of shares of Common Stock authorized for issuance under the 2020 Plan is 1,000,000.

Equity instruments issued to parties other than employees for acquiring goods or services.

The Company accounts for equity instruments issued to parties other than employees for acquiring goods or services under guidance of section 505-50-30 of the FASB Accounting Standards Codification ("FASB ASC Section 505-50-30"). Pursuant to FASB ASC Section 505-50-30, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

Warrants. The fair value of the warrants is estimated on the date of issuance using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including the expected term of the warrants, expected stock price volatility, and expected dividends. These estimates involve inherent uncertainties and the application of management's judgment. Expected volatilities used in the valuation model are based on the average volatility of the Company's stock. The risk-free rate for the expected term of the option is based on the United States Treasury yield curve in effect at the time of grant.

Advertising

The Company expenses marketing and advertising costs as incurred. During 2022 and 2021, the Company spent $630 thousand and $213 thousand, respectively, on marketing, trade show and store front expense and advertising, net of co-operative rebates.

The Company received rebates on advertising from co-operative advertising agreements with several vendors and suppliers. These rebates have been recorded as a reduction to the related advertising and marketing expense.

Foreign Currency Translation

Our consolidated financial statements are presented in U.S. dollars. The functional currency for the Company is U.S. dollars. Transactions in currencies other than the functional currency are recorded using the appropriate exchange rate at the time of the transaction. All our continuing operations are conducted in U.S. dollars except its subsidiary located in Israel. The records of the Israeli operations were maintained in the local currency and translated to the reporting currency as follows: assets and liabilities are converted using the balance sheet period-end date exchange rate. Expenses and income items are converted using the weighted average exchange rates for the reporting period. Foreign transaction gains and losses are reported on the consolidated statement of operations and comprehensive loss and were included in the amount of loss from comprehensive income.

Income Taxes

We account for our income taxes in accordance with Income Taxes Topic of the FASB ASC 740, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Income tax expense is based on reported earnings before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for consolidated financial reporting purposes and such amounts recognized for tax purposes and are measured by applying enacted tax rates in effect in years in which the differences are expected to reverse.

We also follow the guidance related to accounting for income tax uncertainties. In accounting for uncertainty in income taxes, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

Our income is subject to taxation in both the U.S. and a foreign jurisdiction, Israel. Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes. The Company establishes reserves for income tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves for tax contingencies are established when we believe positions do not meet the more-likely-than-not recognition threshold. We adjust uncertain tax liabilities in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of uncertain tax liabilities and changes in liabilities that are considered appropriate.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as a change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Our other comprehensive income (loss) is composed of foreign currency translation adjustments.

Net Loss Per Common Share

Net loss per share is provided in accordance with FASB ASC 260-10, "Earnings per Share". Basic net loss per common share ("EPS") is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income by the weighted average shares outstanding, assuming all dilutive potential common shares were issued, unless doing so is anti-dilutive. The weighted-average number of common shares outstanding for computing basic EPS for the years ended December 31, 2022 and December 31, 2021 were 7,576,434 and 6,082,763, respectively. Diluted net loss per share of common stock is the same as basic net loss per share of common stock because the effects of potentially dilutive securities are antidilutive.

The following table sets forth the potentially dilutive securities as of December 31, 2022 and 2021, excluded from the computation of diluted net loss per share because such securities have an anti-dilutive impact due to losses reported:

	2022	2021
Options to purchase common stock	$ 2,190,583	$ 1,559,300
Warrants to purchase common stock	1,481,734	1,378,929
Potential shares excluded from diluted net loss per share	$ 3,672,317	$ 2,938,229

Recent Accounting Pronouncements not yet adopted

Management has evaluated all recent accounting pronouncements issued by the Financial Accounting Standards Board (FASB) and determined that none of the pronouncements will have a material impact on the financial statements of the Company. The Company will continue to monitor the issuance of any new accounting pronouncements and assess their potential impact on the financial statements in future periods.

NOTE 3 – GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern. The following are the principal conditions or events which potentially raise substantial doubt about the company's ability to continue as a going concern:

- Balancing the need for operational cash with the need to add additional products
- Timely and cost-effective development of products
- Working capital deficit of $38 million as of December 31, 2022
- Accumulated deficit of $84 million as of December 31, 2022
- Multiple years of losses from operations
- Non compliance with certain debt covenants

These facts and others have raised concerns about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, which we have successfully accomplished to date.

The following conditions, plans and actions are currently being implemented to address the Company's conditions:

- Outstanding warrants exist from prior offerings that could be exercised for cash depending upon the performance of our stock.
- The Company's acquisition of Dangot Computers, Ltd. has improved the balance sheet, profitability, and cash flow and is expected to help the Company as a whole to generate positive cash flows from operations for the foreseeable future.
- The Company received financing for the acquisition of the last 23% of shares of Dangot on March 30, 2022 (The company owns 100% of Dangot). The Company also expects that Dangot's cashflow will be able to service the debts associated with its acquisition without the need for cash from the rest of the group.
- The acquisition of Dangot has added capabilities to the Company which have already transformed into significant new orders in the Parking segment. Management expects the collaboration and cross sales to contribute to improved revenues and margins.
- Management is evaluating operating expenses and is developing a plan to reduce expenditures without negatively impacting current operations. Management has already cut staff by about 5% and will continue to do additional overhead cuts.
- On March 25, 2022 management finalized an $8.5M line of credit from Western Alliance Bank. This line of credit replaced the high interest Action Capital line of Credit ($6M) and settle the ScanSource debt $2.5M.
- Blue Star - The Company's total accounts payable due to Blue Star as of December 31, 2022 was approximately $36 million. Blue Star is an unsecured creditor, financing a substantial amount the Company's supply chain demand. Management believes that Blue Star will continue supplying the Company with preferable credit terms. Blue Star has agreed to the annual interest rate of 5% on invoices that are past due. As an unsecured creditor of the Company, Blue Star has no incentive to force a liquidation. The Company has enjoyed a good mutual relationship for the past four years.

NOTE 4 – BUSINESS ACQUISITIONS

Dangot Computers Ltd

On May 3, 2021, the Company and Omniq Technologies Ltd., a wholly owned subsidiary of the Company ("Omniq Technologies") entered into a share purchase agreement (the "Dangot Share Purchase Agreement") with Mr. Haim Dangot. Pursuant to the Dangot Share Purchase Agreement, Omniq Technologies agreed to purchase 51%, or 5,100 shares, of the capital stock of Dangot Computers Ltd., an Israel company ("Dangot"), from Dangot's sole shareholder, Haim Dangot, for consideration equivalent to 23,740,500 NIS (New Israeli Shekel), which is equal to US$7.6 million (the "Closing Consideration"), based on the then current exchange rate at the date of acquisition of NIS to dollars.

The Closing Consideration was paid on July 8, 2021 in the following manner: (a) the Company issued 220,103 shares of its common stock having a share value of $2,084 thousand and (b) cash in the amount of $5,058 thousand and $600 thousand payable to owner.

Haim Dangot also granted Omniq Technologies an irrevocable option to purchase the remaining 4,900 shares, or 49%, of Dangot's capital stock (the "Dangot Option") in the 12-month period following the closing date (the "Dangot Option Period") at a share purchase price of 465,500 NIS, which is equal to US$143 thousand, per each 1% of Dangot's remaining shares on a fully diluted basis which is the same valuation per share as the purchase price for the 51%. Effective October 1, 2021 the Company exercised a portion of its option and purchased an additional 26% of Dangot bringing its ownership to 77%. The Company paid $4,012,000 to purchase the additional shares.

On April 1, 2022, the Company closed on its acquisition of Dangot and exercised the remaining portion of its option to purchase 23.0% of the capital stock, thereby making Dangot a fully owned subsidiary of the Company. The Company paid $3,518,000 to purchase the additional shares. The Company utilized its working capital and a combination of short and long term loans.

The following table summarizes the consideration given and the purchase price allocation:

Purchase Price Consideration (in thousands)		Total Consideration
Cash payments	$	5,058
Accrued payable to owner		600
Fair value of stock issued (220,103 shares)		2,084
Debt assumed		5,310
Total consideration	$	13,052
Cash	$	666
Accounts receivable		13,470
Inventory		4,616
Other assets		5,392
Property and equipment		638
Goodwill		1,758
Trade name		1,893
Customer relationship		3,139
Other intangible assets		899
Assets acquired	$	32,471
Current liabilities assumed		(12,911)
Non-controlling interest		(6,508)
Net assets acquired	$	13,052

The proforma unaudited revenue and earnings as if the acquisition had been included in the consolidated results of the company for the full year ending December 31, 2021 were $92.5 million in revenues and $10.8 million net loss.

Since the acquisition the amounts included in the consolidated statement of comprehensive income from Dangot Computers Ltd. for the year ended December 31, 2021, was $20.6 million in revenue and $566 thousand in net income.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of December 31:

In thousands	2022	2021
Trade accounts receivable	$ 24,348	$ 27,129
Less allowance for doubtful accounts	(455)	(6)
Total accounts receivable (net)	$ 23,893	$ 27,123

Accounts receivable as of December 31, 2022 and 2021 are made up of trade receivables due from customers in the ordinary course of business. No customer accounted for more than 10% of the balance of accounts receivable as of December 31, 2022, and one customer accounted for 17% of the accounts receivable balance as of December 31, 2021.

NOTE 6 – INVENTORY

Inventory consisted of the following as of December 31:

In thousands	2022	2021
Raw materials	$ 649	$ 894
Inventory in transit	2,004	-
Finished goods (less allowance)	6,073	6,061
Total inventories	$ 8,726	$ 6,955

NOTE 7 – PROPERTY AND EQUIPMENT

The following is a summary of the components of property and equipment as of December 31,:

In thousands	2022	2021
Manufacturing and lab equipment	$ 98	$ 499
Leasehold improvements	521	609
Software and computer equipment	987	1,650
Furniture and equipment	236	254
Vehicle	274	318
		-
Less: accumulated depreciation	(1,030)	(2,203)
	$ 1,086	$ 1,127

Depreciation expense for the year ended December 31, 2022 was approximately $324 thousand. Depreciation expense for the year ended December 31, 2021 was approximately $251 thousand.

NOTE 8 – GOODWILL AND INTANGIBLE ASSETS

We have made acquisitions in the past that resulted in the recognition of goodwill. Based on our analysis there have been no impairment charges recorded against goodwill in 2022 and 2021. Identifiable intangible assets are stated at cost, net of accumulated amortization. The assets are being amortized on the straight-line method over the estimated useful lives ranging from 3 to 11 years. Amortization expense for the years ended December 31, 2022 and 2021 was $1,799 million and $3.2 million, respectively.

Goodwill and Intangible assets consisted of the following as of December 31:

In thousands	2022	2021
Goodwill	$ 16,542	$ 16,453
Trade names	6,284	6,284
Customer relationships	15,729	15,729
Other intangibles	2,216	2,322
Accumulated amortization	(16,761)	(14,980)
Intangibles, net	$ 24,010	$ 25,808

The future amortization expense on the trade names, customer relationships, and other intangibles are as follows:

In thousands	
Years ending December 31,	
2023	$ 1,625
2024	952
2025	943
2026	943

2027	776
Thereafter	2,229
Total	$ 7,468

Goodwill is not amortized but is evaluated for impairment annually or when indicators of a potential impairment are present. The impairment testing of goodwill is performed separately from our impairment testing of intangibles. The annual evaluation for impairment of goodwill and intangibles is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. None of the goodwill is deductible for income tax purposes.

Purchased intangible assets with finite useful lives are amortized over their respective estimated useful lives (using an accelerated method for customer relationships and trade names) to their estimated residual values, if any. The Company's finite-lived intangible assets consist of customer relationships, contractor and resume databases, trade names, and internal use software and are being amortized over periods ranging from two to nine years. Purchased intangible assets are reviewed annually to determine if facts and circumstances indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, recoverability is assessed by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets. If the useful life is shorter than originally estimated, the rate of amortization is accelerated, and the remaining carrying value is amortized over the new shorter useful life. No impairments were identified or changes to estimated useful lives have been recorded as of December 31, 2022 and 2021.

NOTE 9 – CREDIT FACILITIES AND LINE OF CREDIT

We maintain operating lines of credit, factoring and revolving credit facilities with banks and finance companies to provide us working capital.

On March 25, 2022 we entered into a Business Finance Agreement (the "BFA") with BridgeBank a division of Western Alliance Bank ("BridgeBank") to establish the sale of accounts receivable credit facility, whereby we may obtain short-term financing by selling and assigning acceptable accounts receivables to BridgeBank. Pursuant to the BFA, the outstanding principal amount of advances made by BridgeBank at any time shall not exceed $8.5 million. BridgeBank reserves and withholds to 15% of the face amount of each account purchased in a reserve account.

The annual interest rate with respect to the daily average balance of unpaid advances outstanding under the BFA (computed on a monthly basis) is equal to the "Prime Rate" of Wells Fargo Bank N.A. plus 1.5%, plus a monthly fee equal to 0.15% of the average outstanding balance. The BFA credit facility is collateralized with a senior security interest in certain assets of the Company. The BFA includes customary representations and warranties and default provisions for transactions of this type.

NOTE 10 – RELATED PARTY NOTES PAYABLE

Related party notes payable, consisted of the following as of December 31:

	2022	2021
In thousands		
Note payable –Marin	$ 180	$ 420
Note payable –Thomet	113	263
Total notes payable	293	683
Less current portion	293	390
Long-term portion	$ -	$ 293

For the years ended December 31, 2022 and December 31, 2021, the Company recorded interest expense in connection with these notes in the amount of $8 thousand and $10 thousand, respectively.

Note Payable -Marin

In December 2017, we entered into a $660 thousand, 1.89% annual interest rate note payable (the “Marin Note”) with two individuals from whom we previously acquired their company (in 2014). The Marin Note is payable in 60 monthly principal payments of $20 thousand beginning in October 2018. Accrued interest payable as of December 31, 2022, was $71 thousand. Accrued interest is payable at maturity.

Note Payable – Thomet

In December 2017, we entered into a $750 thousand, zero percent annual interest rate note payable (the “Thomet Note”) with an individual from whom we previously acquired his company (in 2014). The Thomet Note is payable in 60 monthly principal payments of $13 thousand beginning in October 2018.

NOTE 11 – OTHER NOTES PAYABLE

Other notes payable consists of the following as of December 31,

In thousands	2022	2021
Note Payable - Secured Supplier Note	$ -	$ 2,243
Notes Payable - other	11,627	7,924
Total	11,627	10,167
Less current portion	11,572	7,521
Long Term Notes Payable	$ 55	$ 2,646

Future maturities of notes payable are as follows for the years ending December 31, 2022:

In thousands	
2023	$ 11,572
2024	55
Total	$ 11,627

Secured Supplier Note Payable

On July 18, 2016, the Company and the Supplier entered into a certain secured promissory note, with an effective date of July 1, 2016, in the principal amount of $12.5 million (the "Secured Promissory Note"). The USD Note accrues interest at 18% per annum and is payable in six consecutive monthly installments of principal and accrued interest in a minimum principal amount of $250 thousand each, with any remaining principal and accrued interest due and payable on December 31, 2016. This note was extended and amended multiple times and as of March 25, 2022, is paid in full.

Other Notes Payable

On July 29, 2021, the Company entered into a long-term loan from Leumi Bank totalling NIS 7 million, which at the time was approximately $2.16 million. The note accrues interest at the Israeli Prime Rate plus 4.5% which currently equals 8.25% per annum and is payable in 8 instalments of principal and interest over 4 years. The note is secured by shares of Dangot Computers, Ltd.

On November 28, 2021, the Company entered into another long-term loan from Leumi Bank totalling NIS 3.5 million, which at the time was approximately $1.1 million. The note accrues interest at the Israeli Prime Rate plus 4.5% which currently equals 8.25% per annum and is payable in 8 instalments of principal and interest over 4 years. The note is secured by shares of Dangot Computers, Ltd.

On August 11, 2021, the Company purchased vehicles using cash and financing of NIS 500 thousand, approximately $155 thousand, to be paid off in monthly interest and principal payments over 5 years. The loan accrues interest at 7.5% per annum and is secured by the vehicles. As of December 31, 2022, the remaining balance was NIS 342 thousand, approximately $97 thousand.

On March 27, 2022, the Company entered into another long-term loan from Leumi Bank totalling NIS 3.5 million, which at the time was approximately $1.1 million. The note accrues interest at the Israeli Prime Rate plus 4.5% which currently equals 8.25% per annum and is payable in 8 instalments of principal and interest over 4 years. The note is secured by shares of Dangot Computers, Ltd.

On September 13, 2022, the Company entered into a long-term loan from Hapoalim Bank totalling NIS 3 million, which at the time was approximately $0.9 million. The note accrues interest at 6.03% per annum and is payable in 36 instalments of principal and interest over 3 years. as of December 31, 2022, the outstanding balance was NIS 2.8 million, approximately $0.8 million.

During the year ended December 31, 2021, the Company entered into five lines of credit totalling NIS 17.5 million, as of December 31, 2021, the outstanding balance was NIS 13.6 million, approximately $4.4 million. These loans were replaced in 2022.

During the year ended December 31, 2022, the Company entered into five short term loans totalling NIS 26.8 million, approximately $7.6 million. The note accrues average interest at 6.3% per annum.

As of December 31, 2022, the Company was not in compliance with certain financial covenants related to the Bank Leumi and Bank Hapoalim debt. The Company's failure to comply with these financial covenants could result in an event of default under its debt agreements. Therefore, we reclassified the total balance as current debt on the balance sheet. The Company is actively pursuing options to address its noncompliance. The lenders have not requested early repayment of the loan as of the date when these financial statements were available to be issued.

NOTE 12 – OTHER LIABILITIES

As of December 31, 2022 and 2021, other liabilities consisted of the following:

In thousands	2022	2021
Other vendor payable	$ 801	801
Dividend payable	153	1,418
Others	705	1,882
Total other liabilities	1,659	4,101
Less current portion	(1,394)	(2,683)
Total long term other liabilities	$ 265	$ 1,418

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Profit Sharing Plan

We maintain a contributory profit-sharing plan covering substantially all fulltime employees within the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). In 2016, the Safe Harbor element was removed from the plan and the employer may make a discretionary matching contribution equal to a uniform percentage or dollar amount of participants' elective deferrals for each Plan Year. In 2015, we were required to make a safe harbor non-elective contribution equal to 3 percent of a participant's compensation. The plan also includes a 401(k) savings plan feature that allows substantially all employees to make voluntary contributions and provides for discretionary matching contributions determined annually by the Board of Directors. For the year ending December 31, 2022 and 2021, the company has elected to match, the total expense was $122 thousand and $108 thousand.

Operating Leases

As of December 31, 2022, we had 5 Operating leases as follows:

- Office space in Akron, Ohio, with monthly payments of $3 thousand and an incremental borrowing rate of 14.55%. As of December 31, 2022, we had 5 months remaining on the lease.
- Office space in Salt Lake City UT with monthly payments of $24 thousand. As of December 31, 2022, the Company had 44 months remaining on the lease.
- Dangot's corporate offices are currently located at Yad harutzim 14 Tel-Aviv, Israel and serves as the company's main operating location. As of December 31, 2022, we had 23 months remaining on the lease.
- The Company lease additional office space for our finance and service department at Yad harutzim 14 Tel-Aviv, Israel. As of December 31, 2022, the Company had 12 months remaining on the lease.
- The Company also lease office and warehouse space for our products and technical support staff in Rival Street, Tel-Aviv, Israel. As of December 31, 2022, the Company had 30 months remaining on the lease.

Other information related to our operating leases is as follows:

In thousands		
ROU asset - January 1, 2021	$	76
Amortization		(199)
Effective foreign exchange rates		121
Increase		3558
ROU asset - December 31, 2021		**3,556**
Increase		-
Effective foreign exchange rates		(256)
Amortization		(1,000)
ROU asset - December 31, 2022	**$**	**2,300**

In thousands		
Lease liability - January 1, 2021	$	79
Increase		3,558
Effective foreign exchange rates		169
Amortization		(199)
Lease liability - December 31, 2021		3,607
Decrease		-
Effective foreign exchange rates		(261)
Amortization		(1,000)
Lease liability - December 31, 2022	**$**	**2,346**

As of December 31, 2022, our operating leases had a weighted average remaining lease term of 29 months and a weighted average discount rate of 5.7%.

The table below reconciles the fixed component of the undiscounted cash flows for each of the first five years and the total remaining years to the lease liabilities recorded on the Consolidated Balance Sheet as of December 31, 2022:
In thousands

Year		**Minimum lease payments**
2023	$	1,102
2024		873
2025		397
2026		176
2027		-
Total		2,548
Less interest		(202)
Present value of future minimum lease payments		2,346
Less current obligations		(942)
Long term lease obligations	$	1,404

LITIGATION

The Company was named a defendant in a case involving a former employee who claims he is owed approximately $60 thousand in unpaid commissions. The Company is defending the case. This case was filed in the Superior Court of the State of California, County of San Diego on October 21, 2020.

The company is not a party to any other pending material legal proceeding in which it is defending against any claims of material significance. To the knowledge of management, no federal, state or local governmental agency is presently contemplating any proceeding against the Company. To the knowledge of management, no director, executive officer or affiliate of the Company, any owner of record or beneficially of more than five percent of the Company's Common Stock is a party adverse to the Company or has a material interest adverse to the Company in any proceeding.

NOTE 14 – STOCKHOLDERS' EQUITY

PREFERRED STOCK

Series A

As of December 31, 2022 and 2021, there were 2,000,000 Series A preferred shares authorized and zero Series A preferred shares outstanding. The board of directors had previously set the voting rights for the preferred stock at 1 share of preferred to 13 common shares.

Series B

As of December 31, 2022 and 2021, there was one (1) preferred share authorized and zero preferred shares outstanding.

Series C

As of December 31, 2022 and 2021, there were 3,000,000 Series C Preferred Shares ("Series C") authorized with 544,500 and 544,500 issued and outstanding, respectively. The Series C shares have preferential rights above common shares and the Series B Preferred Shares and is entitled to receive a quarterly dividend at a rate of $0.06 per share per annum and have a liquidation preference of $1 per share. Series C shares outstanding are convertible into common stock at the rate of 20 preferred shares to one share of common stock. As of December 31, 2022 and 2021, the accrued dividends on the Series C Preferred Stock was $153 thousand and $126 thousand, respectively.

In 2021, certain holders of Series C Shares elected to convert $1.6 million or 1,600,530 Series C shares and $194 thousand in accrued dividends in exchange for 105,551 OMNIQ common stock shares.

The Series C Preferred Stock has a liquidation value and conversion price of $1.00 per share ($20.00 per 20 shares of preferred stock which convert to one share of common stock) and automatically converts into Common Stock at $1.00 per share ($20.00 per 20 shares of preferred stock which convert to one share of common stock) in the event that the Company's common stock has a closing price of $30 per share for 20 consecutive trading days.

COMMON STOCK

In October 2021, OMNIQ' Board of Directors adopted an Equity Incentive Plan (the "Plan"), as an incentive to retain in the employ of and attract new employees, directors, officers, consultants, advisors and employees to the Company. Pursuant to the Plan, 1,118,856 shares of the Company's common stock, par value $0.001 (the "Shares"), were set aside and reserved for issuance. The Plan approved by our stockholders at the December 2021, shareholders' meeting. 841,500 shares were issued to employees and consultants in 2022, and no shares were issued under the Plan in 2021.

In August 2020, OMNIQ' Board of Directors adopted an Equity Incentive Plan (the "Plan"), as an incentive to retain in the employ of and attract new employees, directors, officers, consultants, advisors and employees to the Company. Pursuant to the Plan, one million (1,000,000) shares of the Company's common stock, par value $0.001 (the "Shares"), were set aside and reserved for issuance. The Plan approved by our stockholders at the September 2020, shareholders' meeting. No shares were issued under the Plan in 2021, or 2022.

In December 2015, our Board of Directors approved the OMNIQ. Employee Stock Purchase Plan (the "ESPP"). For the years ending December 31, 2022 and 2021, employees purchased 7,025 ($37 thousand) shares and 2,186 ($16 thousand) shares of commons stock.

Warrants and Stock Options

In connection with the July 2021 Securities Purchase Agreement previously described, we issued warrants to purchase 171,429 shares of our common stock at an exercise price equal to $7.70 per Warrant Share, which warrants are exercisable for a period of five years from the issuance date. The warrants were valued at $1.3 million.

Options and warrants are valued at the grant date using the Black-Scholes valuation methodology. The Company determines the assumptions used in the valuation of warrants and option awards as of the date of grant. Differences in the expected stock price volatility, expected term or risk-free interest rate may necessitate distinct valuation assumptions at those grant dates. As such, the Company may use different assumptions for options and warrants granted throughout the year.

The valuation assumptions used to determine the fair value of each option and warrant awarded in 2022: expected stock price volatility ranged from 104.33 to 126.44%; expected term in years 3.25; and risk-free interest rate ranged from 1.76% to 4.52%.

The valuation assumptions used to determine the fair value of each warrant awarded in 2021: expected stock price volatility 151.0% expected term in years 5; and risk-free interest rate 0.41%.

No additional options were issued in 2021.

No warrants were exercised during the year ended December 31, 2022.

For warrants exercised during the year ended December 31, 2021, the difference between the fair value of the Common Stock issued and the respective exercise price was $683 thousand.

The following table summarizes information about warrants granted during the years ended December 31:

	2022		2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	1,378,929	$ 7.40	1,366,667	$ 7.19
Warrants granted	112,805	6.59	171,429	7.70
Warrants expired	10,000	8.00	40,000	10.00
Warrants exercised	-		119,167	6.99
Balance, end of year	1,481,734	7.34	1,378,929	7.40
Exercisable warrants	1,424,234	$ 7.38	1,295,596	$ 6.38

Outstanding warrants as of December 31, 2022 are as follows:

Range of Exercise Prices	Weighted Average Residual Life Span (in years)	Outstanding Warrants	Weighted Average Exercise Price	Exercisable Warrants	Weighted Average Exercise Price
5.91	4.33	40,000	$ 5.91	5,000	$ 5.91
6.95	4.23	42,805	6.95	42,805	6.95
7.00	2.62	847,500	7.00	855,000	7.00
7.50	3.68	250,000	7.50	250,000	7.50
7.70	3.52	171,429	7.70	171,429	7.70
10.00	0.39	100,000	10.00	100,000	10.00
5.91 to 10.00	2.41	1,481,734	$ 7.34	1,424,234	$ 7.38

Warrants outstanding have the following expiry date and exercise prices as of the years ended December 31:

Expiry Date	Exercise Prices	2022	2021
February 27, 2022	8.00	-	10,000
May 18, 2023	10.00	50,000	50,000
October 14, 2023	10.00	50,000	50,000
October 06, 2024	7.00	847,500	847,500
September 01, 2025	7.50	83,334	83,334
June 04, 2026	7.50	83,333	83,333
July 7, 2026	7.70	171,429	171,429
December 04, 2027	7.50	83,333	83,333
March 25, 2027	6.95	42,805	-
May 1, 2027	7.00	30,000	-
May 1, 2027	5.91	40,000	-
		1,481,734	1,378,929

We have a stock option plan whereby the Board of Directors, may grant to directors, officers, employees, or consultants of the Company options to acquire common shares. The Board of Directors of the Company has the authority to determine the terms, limits, restrictions and conditions of the grant of options, to interpret the plan, and make all decisions relating thereto. The plan was adopted by the Company's Board of Directors on November 17, 2014 in order to provide an inducement and serve as a long-term incentive program. The maximum number of common shares that may be reserved for issuance was set at 500,000.

The option exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant. The options may be exercised during the option period determined by the Board of Directors, which may vary, but will not exceed ten years from the date of the grant. There are 500,000 of the Company's common shares which may be issued pursuant to the exercise of share options granted under the Plan.

For options exercised during the year ended December 31, 2022, the difference between the fair value of the Common Stock issued and the respective exercise price was $369 thousand. As of December 31, 2022, the intrinsic value for vested stock options was $477 thousand.

For options exercised during the year ended December 31, 2021, the difference between the fair value of the Common Stock issued and the respective exercise price was $1.5 million. As of December 31, 2021, the intrinsic value for vested stock options was $6.6 million.

Stock Options - The following table summarizes information about stock options granted during the years ended December 31,

	2022		2021	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Balance, beginning of year	1,559,300	$ 4.58	1,811,550	$ 4.32
Stock options granted	841,500	-	-	-
Stock options expired	-	-	28,750	-
Stock options cancelled, forfeited	9,000	-	-	-
Stock options exercised	201,217	-	223,500	-
Balance, end of year	2,190,583	5.00	1,559,300	4.58
Exercisable stock options	1,420,312	$ 4.96	1,065,133	$ 4.56

Stock options outstanding at the end of the year have the following expiry date and exercise prices as of December 31,

Expiry Date	Exercise Prices	2022	2021
February 17, 2022	1.50	-	38,017
February 17, 2022	1.80	-	76,033
February 28, 2023	5.00	20,000	20,000
March 05, 2023	2.40	242,000	247,000
July 31, 2023	5.00	127,500	127,500
October 31, 2023	4.40	10,000	54,000
November 30, 2023	5.40	120,250	131,750
November 20, 2024	10.00	125,000	125,000
April 20, 2025	4.20	10,000	10,000
March 1, 2027	5.14	648,500	-
March 1, 2027	5.65	140,000	-
May 1, 2027	5.90	30,000	-
October 31, 2027	5.98	19,000	-
September 30, 2030	4.40	318,333	350,000
September 30, 2030	4.84	380,000	380,000
		2,190,583	1,559,300

We recorded stock compensation expense relating to the vesting of stock options and warrants as follows for the years ended December 31,

In thousands	2022	2021
Stock compensation	$ 1,321	$ 951
Stock Option vesting	1,852	1,600
Total	$ 3,173	$ 2,551

NOTE 15 – RELATED PARTY TRANSACTIONS

In February 2020 we amended the consulting agreement with Mr. Carlos J. Nissensohn, a principal shareholder of the Company and a family member of a Director and Officer of the Company. The terms and condition of the contract are as follows:

- 48-month term with 90-day termination notice by the Company
- A monthly fee of $30 thousand.
- If we procure debt financing during the term of Mr. Nissensohn's agreement, without any equity component, Mr. Nissensohn shall be entitled to 3% of the gross funds raised, however if we are required to pay a success fee to another external entity, then Mr. Nissensohn shall be entitled to only 2% of the gross funds raised.
- In addition to the above, in the event of an equity financing resulting in gross proceeds of at least $3 million to us within 24 months of the date the contract, Mr. Nissensohn shall further be entitled to certain warrants to be granted by us which upon their exercise pursuant to their terms, Mr. Nissensohn shall be entitled to receive OMNIQ shares which represent 3% of the OMNIQ issued share capital immediately prior to the consummation of such investment. The warrants will carry an exercise price per warrant/share representing 100% of the closing price per share as closed in the equity financing. This section and the issue of the warrant by OMNIQ are subject to the approval of the Board of Directors of OMNIQ. However, if the Board does not approve the issuance of warrants; then Mr. Nissensohn will be entitled to a fee with the equivalent value based on a Black Scholes valuation
- In addition to the above, Mr. Nissensohn will be entitled to a $80 thousand one-time payment which shall be paid on the 1st day that the OMNIQ shares become traded on the NASDAQ or NYSE Stock Market within 24 months of the date of the contract
- In addition to the aforementioned, in the event that we close any M&A transaction with a third party target, Mr. Nissensohn shall be entitled to a success fee in the amount equal to 5% of the total transaction price, in any combination of cash and shares that will be determined by OMNIQ

Additional related party transactions are discussed in Note 10.

NOTE 16 – CONCENTRATION AND GEOGRAPHIC DATA

For the years ended December 31, 2022 and 2021, one customer accounted for 30% and 23%, respectively, of the Company's revenues.

Information about Geographic Areas

Revenues by geography are based on the billing addresses of our customers. The following tables set forth revenues by geographic area for the years ended December 31,

In thousands	2022	2021
Revenues:		
United States	$ 51,023	$ 53,725
Israel	42,217	21,848
Rest of the world	9,305	2,678
Total revenues	$ 102,545	$ 78,251

The Company's operations are subject to various political, economic, and other risks and uncertainties inherent in the countries in which the Company operates. Among other risks, the Company's operations are subject to the risks of restrictions on transfer of funds; export duties, quotas and embargoes; domestic and international customs and tariffs; changing taxation policies; foreign exchange restrictions; and political conditions and governmental regulations.

NOTE 17 – INCOME TAX

For the year ended December 31, 2022, the Company has $35 thousand of current income tax provision (US State & Local and Foreign) and $30 thousand deferred income tax expense.

The tax effect of temporary differences that give rise to deferred tax assets and deferred tax liabilities are as follows as of December 31, *In thousands*

Deferred tax assets	2022	2021
Reserves and deferred revenue	$ 411	$ 182
163(j) Limitation	2,260	1,682
Foreign deferred tax assets	135	165
Net operating loss	8,353	7,164
Total gross deferred tax assets	11,158	9,193
Less: Valuation Allowance	(10,890)	(8,720)
Net deferred tax assets	269	473
Deferred tax liabilities		
Amortization of intangible assets and depreciation	(134)	(308)
Total deferred tax liabilities	(134)	(308)
Net deferred tax assets	$ 135	$ 165

Components of net deferred tax assets, including a valuation allowance, are as follows as of December 31:

	2022	2021
Deferred tax assets	$ 11,025	$ 8,885
Valuation allowance	(10,890)	(8,720)
Total deferred tax assets	$ 135	$ 165

The valuation allowance for deferred tax assets as of December 31, 2022 and 2021 was $10.9 million and $8.7 million, respectively. In assessing the recovery of the deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the periods in which those temporary differences become deductible. Management considers the scheduled reversals of future deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management has recorded a 100% Valuation Allowance, against its U.S. Net Deferred Tax Assets, since Management believes it is more likely than not that it will not be realized at the date of this statement. The Company will continue to monitor the potential utilization of this asset. Should factors and evidence change to aid in this assessment, a potential adjustment to the valuation allowance in future periods may occur. The Company records any penalties and interest as a component of operating expenses.

The reconciliation between statutory rate and effective rate is as follows as of December 31,:

	2022	2021
Federal statutory tax rate	21.00%	21.0%
State taxes	(0.07%)	(0.03%)
Foreign income taxes	(4.45%)	(6.38%)
Change in valuation allowance	(16.13%)	(15.24%)
Return to provision adjustments	(.03%)	.079%
Other	(.76%)	(1.37%)
Effective tax rate	(.44%)	(1.23%)

The Company reported no uncertain tax liability as of December 31, 2022 and expects no significant change to the uncertain tax liability over the next twelve months. The Company's 2015, 2016, 2017, 2018, 2019, 2020 and 2021 federal and state income tax returns are open for examination by the applicable governmental authorities.

As of December 31, 2022, the Company had a net operating loss (NOL) carryforward of approximately $39.7 million. A portion of the NOL carryforward begins to expire in 2027. Under Section 382 of the Internal Revenue Code of 1986, as amended ("IRC Section 382"), a corporation that undergoes an "ownership change" is subject to limitations on its use of pre-change NOL carryforwards to offset future taxable income. Within the meaning of IRC Section 382, an "ownership change" occurs when the aggregate stock ownership of certain stockholders (generally 5% shareholders, applying certain look-through rules and aggregation rules which combine unrelated shareholders that do not individually own 5% or more of the corporation's stock into one or more "public groups" that may be treated as 5-percent shareholder) increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period (generally three years). In general, the annual use limitation equals the aggregate value of common stock at the time of the ownership change multiplied by a specified tax-exempt interest rate. The Company has not completed a study as to whether there is a 382 limitation on its NOLs that will limit or possibly eliminate the use of its NOLs in the future. Company's Management has recorded a 100% valuation allowance on the entire NOL as it believes that it is more likely than not that the deferred tax asset associated with the NOLs will not be realized regardless of whether or not an "ownership change" has occurred.

EXHIBIT INDEX—we will update the exhibit index

Exhibit No.	Description
(a)	Exhibits.
3.1	Form of Certificate of Amendment to the Certificate of Incorporation, as amended, dated November 18, 2019 incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 18, 2019.
3.2	Amendment to Certificate of Designation of Series C Preferred Stock on June 17, 2016, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 21, 2016.
3.3	Form of Certificate of Amendment to the Certificate of Incorporation, as amended, of OMNIQ Corp., dated September 30, 2020, incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on October 2, 2020.
4.1	$12,492,136.51 Secured Promissory Note, from Quest Solution, Inc., Bar Code Specialties, Inc., Quest Marketing, Inc., Quest Solution Canada Inc., Quest Exchange Ltd. and their subsidiaries and/or affiliates, jointly and severally, to ScanSource, Inc., incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 22, 2016.
4.2*	Description of Securities
4.3	$483,173.60 CAD Secured Promissory Note, from Quest Solution, Inc., Bar Code Specialties, Inc., Quest Marketing, Inc., Quest Solution Canada Inc., Quest Exchange Ltd. and their subsidiaries and/or affiliates, jointly and severally, to ScanSource, Inc., incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 22, 2016.
4.4	Form of Warrant, incorporated by referenced to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 9, 2019.
4.5	Form of Placement Agent Warrant, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the SEC on April 9, 2019.
10.1	Employment Agreement by and between the Company and Shai Lustgarten dated February 17, 2017, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 6, 2017.
10.2	Modification Agreement by and between the Company and Shai Lustgarten dated February 17, 2017, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 6, 2017.
10.14	Consulting Agreement by and between the Company and Carlos J Nissensohn dated August 2, 2017 incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 4, 2017.
10.15	Consulting Agreement by and between the Company and YES-IF dated September 8, 2017, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 8, 2017.
10.17	Employment Agreement by and between the Company and Benjamin Kemper dated October 2, 2017, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on October 5, 2017.
10.24	Employment Agreement by and between the Company and David Marin dated February 28, 2018. 2018 Equity Incentive Plan incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K filed with the SEC on March 12, 2018.

10.36	Neev Nissenson Employment Agreement, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 9, 2019.
10.37	Asset Purchase Agreement, dated February 28, 2020, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 4, 2020.
10.38	Shai Lustgarten Employment Agreement, dated as of February 27, 2020, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 4, 2020.
10.39	Consulting Agreement, dated as of February 27, 2020, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on March 4, 2020.
10.40	Asset Purchase Agreement on February 28, 2020, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 4, 2020.
10.41	Employment Agreement with Shai Lustgarten on September, 2019, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 9, 2019.
10.42	Consulting Agreement with Carlos J. Nissensohn on September, 2019, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 9, 2019.
10.43	2020 Equity Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 4, 2020.
21.1*	Subsidiaries of the Registrant
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification of our Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of our Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of our Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

ITEM 16. NONE.

Exhibit 4.2

Description of Securities

We are authorized to issue up to 15,000,000 shares of common stock, $0.001 per share. We have designated 2,000,000 shares of preferred stock as Series A Preferred Stock, one share of preferred stock as Series B Preferred Stock and 3,000,000 shares of preferred stock as Series C Preferred Stock.

As of March 10, 2023, we have 7,882,628 shares of common stock outstanding. The following description of our common stock is a summary and is subject to and is qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation which is incorporated by reference to Exhibit 3.1 to our Annual Report on Form 10-k for the year ended December 31, 2022.

Common Stock

The holders of common stock are entitled to one vote per share. Our Certificate of Incorporation does not expressly prohibit cumulative voting. The holders of our common stock are entitled to share ratably such dividends, if any, as may be declared by the Board of Directors out of legally available funds. Upon liquidation, dissolution or winding- up, the holders of our common stock are entitled to share ratably in all assets that are legally available for distribution. All outstanding shares of common stock are fully paid and non- assessable. The holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of holders of any series of preferred stock, which may be designated solely by action of the Board of Directors and issued in the future.

Our common stock is quoted under the symbol “OMQS”.

Exhibit 21.1

Subsidiaries of the Registrant

Name	Jurisdiction of Organization
Quest Marketing, Inc.	Oregon
HTS Image Processing, Inc.	Delaware
OmniQ Vision Inc.	Delaware
HTS Image Ltd.	Israel
OmniQ Technologies Ltd	Israel
Dangot Computers, Ltd	Israel

EXHIBIT 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of OMNIQ Corp. and subsidiaries, formerly known as Quest Solution, Inc., on Form S-8 (File No. 333-213746) of our report dated March 30, 2022, with respect to our audit of the consolidated financial statements of OMNIQ Corp. as of December 31, 2022 and for the year then ended, which report is included in this Annual Report on Form 10-K.

/s/ Haynie & Company
Haynie & Company

Salt Lake City, Utah
March 30, 2023

EXHIBIT 31.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

PURSUANT TO RULE 13A-14(a) under the Securities Exchange Act of 1934

I, Shai Lustgarten, certify that:

1. I have reviewed this annual report on Form 10-K of OMNIQ Corp. for the fiscal year ended December 31, 2022;

2. Based on my knowledge, this report 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d – 15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2023

By: */s/ Shai Lustgarten*

Shai Lustgarten
Chief Executive Officer, Chairman of the Board and Principal
Executive Officer

EXHIBIT 31.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER

PURSUANT TO RULE 13A-14(a) under the Securities Exchange Act of 1934)

I, Neev Nissenson, certify that:

1. I have reviewed this annual report on Form 10-K of OMNIQ Corp. for the fiscal year ended December 31, 2022;

2. Based on my knowledge, this report 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d – 15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2023

By: */s/ Neev Nissenson*

Neev Nissenson
Director, Chief Financial Officer and Principal Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of OMNIQ Corp. (the “Company”) on Form 10-K for the period ending December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Shai Lustgarten, Chief Executive Officer and Chairman of the Board does certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2023

By: */s/ Shai Lustgarten*

Shai Lustgarten
Chief Executive Officer, Chairman of the Board and Principal Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of OMNIQ Corp. (the “Company”) on Form 10-K for the period ending December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Neev Nissenson, Chief Executive Officer and Chairman of the Board does certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2023

By: */s/ Neev Nissenson*
Neev Nissenson
Director, Chief Financial Officer and Principal
Accounting Officer