Gunther International Ltd.

Condensed Consolidated Financial Statements (Unaudited)
Interim Periods Ended June 30, 2017 and 2016

GUNTHER INTERNATIONAL LTD. CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(dollar amounts in thousands, except per share data)

Assets Current Assets 485 5 73 Cacounts receivable, less allowance of \$180 2,792 2,666 Inventories 5,444 5,861 Other current assets 215 364 Total current assets 215 364 Total current assets 496 496 Equipment and leasehold improvements: 1,993 1,993 Furniture and fixtures 429 429 Leasehold improvements 429 4205 Leasehold improvements 429 4205 Accumulated depreciation and amortization 17 18 Patents, not of amortization 17 18 Leferred income taxes		June 30, 2017		March 31, 2017	
Cash \$ 485 \$ 73 Accounts receivable, less allowance of \$180 2,79 2,603 Other current assets 215 3,64 Total current assets 215 3,64 Total current assets 215 3,64 Equipment and leaschold improvements 1,993 1,993 Purinture and fixtures 2,33 2,233 Leaschold improvements 2,33 2,233 Leaschold improvements 2,33 2,233 Accumulated depreciation and amortization 2,055 2,655 Accumulated expeciation and amortization 2,01 1,00 Patents, net of amortization 2,13 2,78 Patents, net of amortization 2,13 2,78 Poterred income taxes 2,28 2,78 Total Assets 1,23 2,28 Poterred income taxes 1,28 2,78 Accumulated depreciation and amortization 1,58 8,0 Patents, net of amortization 1,58 1,28 Potentic amortization 1,58 1,28	Assets				
Accounts receivable, less allowance of \$180 2,762 2,663 Inventories 2,15 364 Total current assets 8,936 9,461 Equipment and leasehold improvements: *** *** Machinery and equipment 1,993 1,993 Purniture and fixtures 429 429 Leasehold improvements 429 429 Leasehold improvements 2,655 2,655 Accomulated depreciation and amortization 2,094 (2,015) Accumulated depreciation and amortization 1,71 18 Deferred income taxes 1,71 18 Total Assets 2,818 2,781 Total Assets 1,72 18 Accounts payable \$ 1,585 \$ 1,695 Accounts payable \$ 1,585 \$ 1,695 Accured expenses \$ 1,691 80 Accured interest due to Gunther Partners LLC - a related party 5 1,73 Accurrent liabilities 5,339 6,20 Long Term Liabilities 3,40 3,00					
Inventories 5,444 5,861 Other current assets 215 364 Total current assets 8,936 9,461 Equipment and leaschold improvements: *** *** Machinery and equipment 1,993 1,993 Leasehold improvements 233 233 Leasehold improvements 233 233 Leasehold improvements 2,655 2,655 Leasehold improvements 2,655 2,655 Accounted depreciation and amortization 1,761 1,81 Accounted anortization 1,761 1,81 Deferred income taxes 2,818 2,781 Total Asset 2,818 2,781 Total Asset 1,252 1,265 Accrued income taxes 1,401 1,754 Accrued income taxes 1,401 1,754 Accrued expenses 1,401 1,754 Accrued expenses 1,401 1,754 Deposits on systems contracts 2,65 1,65 Total current isabilities 3		\$		\$	
Other current assets 215 364 Total current assets 8,936 9,461 Equipment and leasehold improvements: 8,936 1,903 Machinery and equipment 1,993 1,903 Furniture and fixtures 429 429 Leasehold improvements 2,655 2,655 Accumulated depreciation and amortization 1,709 6,765 Accumulated depreciation and amortization 1,709 6,761 Patents, net of amortization 1,709 1,709 Patents for amortization 1,709 1,709 Total Assets 2,818 2,781 Total Assets 1,243 2,188 Current Liabilities 2,818 2,781 Accounts payable \$ 1,585 \$ 1,695 Accounts payable \$ 1,585 \$ 1,695 Accounts payable on Gunther Partners LLC - a related party 2,985 1,738 Account portion of capital lease obligations 6 6 Current Liabilities 3,400 3,400 Long Term Liabilities 3,400 3	·		*		,
Total current assets 8,36 9,461 Equipment and leasehold improvements: 1,993 1,993 Famiture and fixtures 429 429 Leasehold improvements 233 233 Leasehold improvements 2,055 2,655 Accumulated depreciation and amortization 561 604 Patents, net of amortization 17 18 Deferred income taxes 2,181 2,781 Total Assets 3,233 3,12,86 Total Assets 3,133 5,12,85 Accounts payable \$ 1,585 \$ 1,695 Accrued expenses 1,401 1,754 Deposits on systems contracts 5 1,23 2,24 Deposits on systems contracts 5 1,23 1,25 Accrued interest due to Gunther Partners LLC - a related party 159 2,24 Current portion of capital lease obligations 5 3,34 3,40 Accrued interest due to Gunther Partners LLC - a related party 3,40 3,40 Capital lease obligations, less current prottion 4 <t< td=""><td></td><td></td><td>*</td><td></td><td>*</td></t<>			*		*
Equipment and leasehold improvements: In 1993 1,993 Machinery and equipment 1,993 1,993 Furniture and fixtures 429 429 Leasehold improvements 2,655 2,655 Accumulated depreciation and amortization 2,094 2,015 Accumulated obspreciation and amortization 561 604 Patents, net of amortization 1,7 18 Deferred income taxes 2,818 2,781 Total Assets 3,133 3,23 **Current Liabilities **Accord Stockholders' Equity: **Current Liabilities Accorded expenses 1,401 1,754 Accorded expenses 1,401 1,754 Accorded expenses 1,401 1,754 Accorded expenses contract revenue 2,085 1,738 Accrued interest due to Gunther Partners LLC- a related party 159 224 Current portion of capital lease obligations 5,739 6,20 Total current liabilities 3,404 3,405 Total liabilities					
Machinery and equipment 1,993 1,993 Furniture and fixtures 429 429 Leasehold improvements 2,655 2,655 Accessed di improvements 2,655 2,655 Accessed di improvements 5,61 6,04 Accessed di amortization 1,7 1,8 Defenet income taxes 2,818 2,781 Total Assets 2,818 2,781 Current Liabilities 3,135 1,695 Accounts payable \$ 1,585 1,695 Accured expenses 1,401 1,754 Deposits on systems contracts 5,9 1,233 1,738 Deferred service contract revenue 2,085 1,738 1,695 Accured interest due to Gunther Partners LLC - a related party 1,59 2,24 2,24 Current portion of capital lease obligations 3,400 3,400 3,400 3,400 3,400 3,401 3,405 3,405 3,405 3,405 3,405 3,405 3,405 3,405 3,405 3,405 3,405 3,405<	Total current assets		8,936		9,461
Furniture and fixtures 429 423 233 233 233 235 2655 2,655 2,655 2,655 2,655 2,655 2,655 2,655 2,655 2,655 2,655 2,655 2,655 2,655 2,655 2,615 2,015					
Leasehold improvements 233 233 Accumulated depreciation and amortization 2,655 2,655 Accumulated depreciation and amortization 561 0,004 Patents, net of amortization 17 18 Deferred income taxes 2,781 2,781 Deferred income taxes 2,281 2,781 Total Assets 3,133 3,12,804 Liabilities and Stockholder' Equity: Unitabilities: Accounts payable \$ 1,585 \$ 1,695 Accounts payable \$ 1,855 \$ 1,695 Accounts payable \$ 1,855 \$ 1,695 Accounts payable \$ 1,855 \$ 1,695 Accured expenses \$ 1,805 \$ 1,695 Accured sevenses \$ 1,805 \$ 1,695 Deposits on systems contracts \$ 20 \$ 1,738 Accured interest due to Gunther Partners LLC- a related party \$ 150 \$ 224 Current portion of capital lease obligations \$ 3,400 \$ 3,400 \$ 3,400 \$ 3,400 \$ 3,400 \$ 3,400 \$ 3,400 \$ 3,4	Machinery and equipment		1,993		1,993
Accumulated depreciation and amortization 2,655 2,656 Accumulated depreciation and amortization 561 604 Patents, net of amortization 17 18 Deferred income taxes 2,818 2,781 Total Assets \$ 12,332 \$ 12,865 Liabilities and Stockholders' Equity: *** *** Current Liabilities Accounts payable \$ 1,585 \$ 1,695 Accounts payable \$ 1,401 1,754 Peposits on systems contracts 504 803 Deferred service contract revenue 2,085 1,738 Accrued interest due to Gunther Partners LLC - a related party 159 224 Curget protision of capital lease obligations 6 6 Total current liabilities 3,400 3,400 Long Term Liabilities 3,400 3,400 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total long term liabilities 5 3,404 3,405 Total liabilities	Furniture and fixtures		429		429
Accumulated depreciation and amortization C,094 C,015 Patents, net of amortization 17 18 Deferred income taxes 2,818 2,781 Total Assets \$ 12,332 \$ 12,864 Liabilities and Stockholders' Equity: *** *** \$ 1,885 \$ 1,685 Accounts payable \$ 1,585 \$ 1,695 \$ 1,695 Accrued expenses 1,401 1,754 Deposits on systems contracts 5,04 803 Deposits on systems contracts 2,085 1,738 Accrued interest due to Gunther Partners LLC- a related party 159 224 Current portion of capital lease obligations 6 6 6 Total current liabilities 5,739 6,220 Long Term Liabilities 3,400 3,400 3,400 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total long term liabilities 3,404 3,405 Total long term liabilities 3,404 5 Total long ter	Leasehold improvements		233		233
Patents, net of amortization 561 604 Deferred income taxes 2,818 2,781 Total Assets \$ 12,332 \$ 12,866 Liabilities and Stockholders' Equity: Current Liabilities: Accounts payable \$ 1,585 \$ 1,695 Accounts payable \$ 1,401 1,754 Deposits on systems contracts 2,085 1,738 Deferred service contract revenue 2,085 1,738 Accrued interest due to Gunther Partners LLC - a related party 159 224 Current portion of capital lease obligations 6 6 6 Total current liabilities 5,739 6,220 Long Term Liabilities 3,400 3,400 Copital lease obligations, less current portion 3,40 3,405 Total long term liabilities 3,404 9,625 Total long term liabilities 2,0 5 Total long term liabilities 2,0 5 Total long term liabilities - - Preferred stock, \$.001 par value: \$2,000,000 shares authorized; none iss					2,655
Patents, net of amortization 17 18 Deferred income taxes 2,818 2,781 Total Assets \$ 12,332 \$ 12,864 Liabilities and Stockholders' Equity: "**********************************	Accumulated depreciation and amortization		(2,094)		(2,051)
Deferred income taxes 2,818 2,781 Total Assets \$ 12,332 \$ 12,864 Liabilities and Stockholders' Equity: Current Liabilities: Accounts payable \$ 1,585 \$ 1,695 Accrued expenses 1,401 1,754 Accrued expenses 1,401 1,754 Deposits on systems contracts 504 803 Deferred service contract revenue 2,085 1,738 Accrued interest due to Gunther Partners LLC - a related party 159 224 Current portion of capital lease obligations 6 6 6 Total current liabilities 3,400 3,400 3,400 Capital lease obligations, less current portion 3,401 3,405 3,405 Capital lease obligations, less current portion 3,404 3,405			561		604
Total Assets \$ 12,332 \$ 12,864 Liabilities and Stockholders' Equity: Current Liabilities: Accounts payable \$ 1,585 \$ 1,695 Accrued expenses 1,401 1,754 Deposits on systems contracts 504 803 Deferred service contract revenue 2,085 1,738 Accrued interest due to Gunther Partners LLC - a related party 159 224 Current portion of capital lease obligations 6 6 6 Total current liabilities 3,400 3,400 3,400 Compatial lease obligations, less current portion 4 5 5 Total long term liabilities 3,404 3,405	Patents, net of amortization		17		
Liabilities and Stockholders' Equity: Current Liabilities: Accounts payable \$ 1,585 \$ 1,695 Accounted expenses 1,401 1,754 Deposits on systems contracts 504 803 Deferred service contract revenue 2,085 1,738 Accrued interest due to Gunther Partners LLC - a related party 159 224 Current portion of capital lease obligations 6 6 6 Total current liabilities 5,739 6,220 Long Term Liabilities 3,400 3,400 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - - Common stock, \$.001 par value: 32,000,000 shares authorized; none issued - - - Common stock, \$.001 par value: 32,000,000 shares authorized; none issued - - - Additional paid-in capital 19,56	Deferred income taxes				
Current Liabilities: S 1,585 \$ 1,695 Accounts payable \$ 1,401 1,754 Accrued expenses 1,401 1,754 Deposits on systems contracts 504 803 Deferred service contract revenue 2,085 1,738 Accrued interest due to Gunther Partners LLC - a related party 159 224 Current portion of capital lease obligations 6 6 6 Total current liabilities 5,739 6,220 Long Term Liabilities 3,400 3,400 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: 9,144 9,625 Stockholders' Equity: - - Preferred stock, \$.001 par value: \$50,000 shares authorized; none issued - - Common stock, \$.001 par value: \$2,000,000 shares authorized; none issued - - 19,767,435 shares issued and outstanding 20 20 Additional paid-in capital <	Total Assets	\$	12,332	\$	12,864
Current Liabilities: S 1,585 \$ 1,695 Accounts payable \$ 1,401 1,754 Accrued expenses 1,401 1,754 Deposits on systems contracts 504 803 Deferred service contract revenue 2,085 1,738 Accrued interest due to Gunther Partners LLC - a related party 159 224 Current portion of capital lease obligations 6 6 6 Total current liabilities 5,739 6,220 Long Term Liabilities 3,400 3,400 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: 9,144 9,625 Stockholders' Equity: - - Preferred stock, \$.001 par value: \$50,000 shares authorized; none issued - - Common stock, \$.001 par value: \$2,000,000 shares authorized; none issued - - 19,767,435 shares issued and outstanding 20 20 Additional paid-in capital <	Liabilities and Stockholders' Equity:				
Accrued expenses 1,401 1,754 Deposits on systems contracts 504 803 Deferred service contract revenue 2,085 1,738 Accrued interest due to Gunther Partners LLC - a related party 159 224 Current portion of capital lease obligations 6 6 6 Total current liabilities 5,739 6,220 Long Term Liabilities 3,400 3,400 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total long term liabilities 9,144 9,625 Stockholders' Equity: - - Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; - - 19,767,435 shares issued and outstanding 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,782) (16,732) Total Stockholders' Equity 3,189 3,239	Current Liabilities:				
Deposits on systems contracts 504 803 Deferred service contract revenue 2,085 1,738 Accrued interest due to Gunther Partners LLC - a related party 159 224 Current portion of capital lease obligations 6 6 Total current liabilities 5,739 6,220 Long Term Liabilities: 3,400 3,400 Notes payable due to Gunther Partners LLC - a related party 3,400 3,400 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,782) (16,732) Total Stockholders' Equity 3,189 3,239	Accounts payable	\$	1,585	\$	1,695
Deferred service contract revenue 2,085 1,738 Accrued interest due to Gunther Partners LLC - a related party 159 224 Current portion of capital lease obligations 6 6 Total current liabilities 5,739 6,220 Long Term Liabilities: 3,400 3,400 Capital lease obligations, less current portion 4 5 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: - - Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,732) (16,732) Total Stockholders' Equity 3,189 3,239	Accrued expenses		1,401		1,754
Accrued interest due to Gunther Partners LLC - a related party 159 224 Current portion of capital lease obligations 6 6 Total current liabilities 5,739 6,220 Long Term Liabilities: 3,400 3,400 Capital lease obligations, less current portion 4 5 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: - - Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,732) (16,732) Total Stockholders' Equity 3,189 3,239	Deposits on systems contracts		504		803
Current portion of capital lease obligations 6 6 Total current liabilities 5,739 6,220 Long Term Liabilities: Stockpayable due to Gunther Partners LLC - a related party 3,400 3,400 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,732) (16,732) Total Stockholders' Equity 3,189 3,239	Deferred service contract revenue		2,085		1,738
Total current liabilities 5,739 6,220 Long Term Liabilities: 3,400 3,400 Notes payable due to Gunther Partners LLC - a related party 3,400 3,400 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: - - Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,782) (16,732) Total Stockholders' Equity 3,189 3,239	Accrued interest due to Gunther Partners LLC - a related party		159		224
Long Term Liabilities: 3,400 3,400 Notes payable due to Gunther Partners LLC - a related party 3,400 3,400 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: - - Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,782) (16,732) Total Stockholders' Equity 3,189 3,239	Current portion of capital lease obligations		6		6
Notes payable due to Gunther Partners LLC - a related party 3,400 3,400 Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: - - Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,782) (16,732) Total Stockholders' Equity 3,189 3,239	Total current liabilities		5,739		6,220
Capital lease obligations, less current portion 4 5 Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; - - 19,767,435 shares issued and outstanding 20 20 Additional paid-in capital 19,951 Accumulated deficit (16,732) Total Stockholders' Equity 3,189 3,239	Long Term Liabilities:				<u> </u>
Total long term liabilities 3,404 3,405 Total liabilities 9,144 9,625 Stockholders' Equity: Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; - - Common stock, \$.001 par value: 32,000,000 shares authorized; - - 19,767,435 shares issued and outstanding 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,732) Total Stockholders' Equity 3,189 3,239	Notes payable due to Gunther Partners LLC - a related party		3,400		3,400
Total liabilities 9,144 9,625 Stockholders' Equity: Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; - - 19,767,435 shares issued and outstanding 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,732) Total Stockholders' Equity 3,189 3,239	Capital lease obligations, less current portion		4		5
Stockholders' Equity: - - Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; 20 20 19,767,435 shares issued and outstanding 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,782) (16,732) Total Stockholders' Equity 3,189 3,239	Total long term liabilities		3,404		3,405
Preferred stock, \$.001 par value: 500,000 shares authorized; none issued - - Common stock, \$.001 par value: 32,000,000 shares authorized; 20 20 19,767,435 shares issued and outstanding 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,782) (16,732) Total Stockholders' Equity 3,189 3,239	Total liabilities		9,144		9,625
Common stock, \$.001 par value: 32,000,000 shares authorized; 20 20 19,767,435 shares issued and outstanding 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,782) (16,732) Total Stockholders' Equity 3,189 3,239	Stockholders' Equity:				
19,767,435 shares issued and outstanding 20 20 Additional paid-in capital 19,951 19,951 Accumulated deficit (16,782) (16,732) Total Stockholders' Equity 3,189 3,239	Preferred stock, \$.001 par value: 500,000 shares authorized; none issued		-		-
Additional paid-in capital 19,951 19,951 Accumulated deficit (16,782) (16,732) Total Stockholders' Equity 3,189 3,239	Common stock, \$.001 par value: 32,000,000 shares authorized;				
Accumulated deficit (16,782) (16,732) Total Stockholders' Equity 3,189 3,239	19,767,435 shares issued and outstanding		20		20
Total Stockholders' Equity 3,189 3,239	Additional paid-in capital		19,951		19,951
	Accumulated deficit		(16,782)		(16,732)
Total Liabilities and Stockholders' Equity \$ 12,332 \$ 12,864	Total Stockholders' Equity		3,189		- ,
	Total Liabilities and Stockholders' Equity	\$	12,332	\$	12,864

GUNTHER INTERNATIONAL LTD. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(dollar amounts in thousands, except share and per share data)

	Three Months Ending June 30,				
	2017		2016		
Sales:					
Systems	\$	2,202	\$	1,611	
Maintenance		3,349		3,527	
Supplies		1,636		1,291	
Total sales		7,187		6,429	
Cost of sales:					
Systems		1,529		1,277	
Maintenance		2,829		2,658	
Supplies		1,220		968	
Total cost of sales		5,578		4,903	
Gross profit		1,609		1,526	
Operating expenses:					
Selling and administrative		1,352		1,336	
Research and development		325		360	
Total operating expenses		1,677		1,696	
Operating loss		(68)		(170)	
Interest expense, net		10		5	
Loss before income taxes		(78)		(175)	
Income tax benefit		(28)		(69)	
Net loss	\$	(50)	\$	(106)	
Basic and diluted net loss per share	\$	(0.00)	\$	(0.01)	
Weighted-average number of common shares outstanding	1	9,767,435	1	9,767,435	
shares outstanding	1	9,101,433		2,101,433	

GUNTHER INTERNATIONAL, LTD. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(Dollars in thousands)

	Additional Common Stock Paid-in Accumulated								
	Shares	Am	nount		Capital		Deficit		Total
Balance, March 31, 2016	19,767,435	\$	20	\$	19,951	\$	(16,813)	\$	3,158
Net income					- _		81		81
Balance, March 31, 2017	19,767,435		20		19,951		(16,732)		3,239
Net loss							(50)		(50)
Balance, June 30, 2017	19,767,435	\$	20	\$	19,951	\$	(16,782)	\$	3,189

GUNTHER INTERNATIONAL LTD. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(dollar amounts in thousands)

	Three Months Ending June 30,			ıne 30,
		2017		2016
Operating activities:				
Net loss	\$	(50)	\$	(105)
Adjustments to reconcile net loss to net cash used in				
operating activities:				
Depreciation and amortization		43		69
Deferred income taxes		(37)		(60)
Changes in operating assets and liabilities:				
Accounts receivable		(130)		1,343
Inventories		420		(194)
Prepaid expenses and other assets		149		(51)
Accounts payable		(111)		(64)
Accrued expenses		(353)		(336)
Interest accrued on related party debt		(65)		(116)
Deferred service contract revenue		347		(507)
Deposits on systems contracts		(299)		194
Net cash used in operating activities		(86)		173
Investing activities:				
Purchase of equipment and leasehold improvements		-		(7)
Net cash used in investing activities		-		(7)
Financing activities:				
Payments on notes payable due to Gunther Partners LLC - a related party		-		(200)
Payments on notes payable - other		-		-
Payments on capital lease obligations		(2)		(5)
Net cash used in financing activities		(2)		(205)
Change in cash		(88)		(39)
Cash, beginning of period		573		1,895
Cash, end of period	\$	485	\$	1,856
Equipment re-characterized as inventory	\$	2	\$	

Gunther International Ltd. Notes to Condensed Consolidated Financial Statements (Unaudited) June 30, 2017

1. Basis of Presentation:

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows for the interim periods presented. However, they do not include all disclosures required for a complete set of financial statements. As such, these financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's audited financial statements for the fiscal year ended March 31, 2017. The condensed consolidated balance sheet as of March 31, 2017 was derived from the audited financial statements for the year then ended. The results of operations for the interim periods are not necessarily indicative of results to be expected for the full year.

2. Business and Operations

The Company has performed a review of events subsequent to the balance sheet date through August 11, 2017, the date the financial statements were issued. The Company has signed contracts for systems approximating \$851,000 at June 30, 2017 and \$1,305,000 at August 11, 2017.

3. Inventories

Inventories consist of:

	(dollars in thousands)			
	June 30, 2017	March 31, 2017		
Raw materials and sub-assembles	\$ 3,919	\$ 4,233		
Work-in-process	595	929		
Finished goods	930	699		
	\$ 5,444	\$ 5,861		

4. Related Party Debt

The Company has notes payable to Gunther Partners LLC, the Company's principal stockholder, aggregating \$3,400,000 as of June 30, 2017 and March 31, 2017. All of the aggregate amounts outstanding as of June 30, 2017 are due December 31, 2018 and bear interest equal to the short-term Applicable Federal Rate as issued by the Department of the Treasury. The Company has accrued interest due to Gunther Partners LLC aggregating \$159,000 and \$224,000 as of June 30, 2017 and March 31, 2017, respectively. Interest is payable at any time on or after the maturity date of the notes without compounding, however the Company intends to continue to make payments against the outstanding accrued interest. Also, early payments of principal and interest are allowed without premium or penalty.

5. Debt

The Company has a Commercial Revolving Loan Agreement with Citizens Bank that provided for a Demand Note (the "Note") of \$1,000,000. Borrowings under the Note bear interest at 3.50% above the LIBOR Advantage Rate, as defined. Proceeds from the Note are to be used to finance working capital related to ongoing operations. Collateral for the note is substantially all of the Company's operating assets. Borrowings under the Note, as amended July 31, 2017, must be repaid on July 30, 2018, or upon demand by Citizens Bank. At June 30, 2017 the Note had no outstanding balance leaving an available balance of \$1,000,000.

6. Contingencies

From time to time, the Company is a party to legal proceedings arising in the ordinary course of business. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, operating results or cash flows.

7. Segment Information

The following summarizes the Company's results by operating segment:

	 ree Months 1 2017 (dollars in	2016	
Sales: Intelligent Mail Inserting Industrial Ink Jet Printing	\$ 4,425 2,776	\$	4,067 2,377
Elimination	\$ (14) 7,187	\$	(15) 6,429
Loss before income taxes: Intelligent Mail Inserting	\$ (321)	\$	(373)
Industrial Ink Jet Printing	 253		203
Operating loss Interest expense, net	 (68) 10		(170) 5
	\$ (78)	\$	(175)

8. Recent Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability to the Company. In the case where it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequence of the change to its financial reporting, and assures that there are proper controls in place to ascertain that the Company's financial statements properly reflect the change.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue From Contracts with Customers*. ASU No. 2014-09 was updated by ASU No. 2015-14 in August 2015, which deferred the effective date of the new standard to fiscal years beginning after December 15, 2017. The purpose of this new standard is to clarify the principles for recognizing revenue so that the standard can be applied consistently across various transactions, industries and capital markets. ASU No. 2014-09 was updated by ASU No. 2016-08, *Principal versus Agent Considerations*, in March 2016, by ASU No. 2016-10, *Identifying Performance Obligations and Licensing*, as well as other updates that address certain narrow-scope matters and practical expedients. We have not completed our assessment of ASU No. 2014-09 and the related updates; however we do not expect it will have a material impact on our results.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*. The purpose of this standard is to mandate that lessees recognize the assets and liabilities that arise from leases.

For finance leases, a lessee is required to do the following:

- 1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position
- 2. Recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of comprehensive income
- 3. Classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows.

For operating leases, a lessee is required to do the following:

- 1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position
- 2. Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis
- 3. Classify all cash payments within operating activities in the statement of cash flows.

The Company is required to adopt ASU No. 2016-02 in its interim period beginning April 1, 2019. Upon adoption, the Company will recognize the asset and liability associated with each lease on its consolidated balance sheet and reflect payments on the consolidated statement of cash flows.

In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. The purpose of this statement is to address eight specific cash flow issues with the objective of reducing the existing diversity of practice. The Company is currently compliant with the provisions of this pronouncement as far as the Company is affected.