

SHEKEL BRAINWEIGH LTD.

ARBN 625 669 445

APPENDIX 4E

PRELIMINARY REPORT

AS OF DECEMBER 31, 2019

SHEKEL BRAINWEIGH LTD.

PRELIMINARY REPORT

Shekel Brainweigh Ltd. (the "Company") was established on 18 March, 2018 as an Israeli company. Its wholly-owned subsidiary, Shekel Scales 2008 Ltd. (hereinafter, the "Subsidiary"), is also domiciled in Israel and was established in 2008.

The Company, the Subsidiary and its underlying subsidiaries (together, the "Group") are among the global leaders of digital weighing technology and engaged in the development, planning, assembly and marketing of electronic weighing systems.

Highlights during the year:

- The subsidiary has signed an R&D and commercial collaboration agreement with Hitachi Europe Limited ("Hitachi Europe"), for the joint development and marketing of an autonomous retail shopping solutions. Hitachi Europe is one of the world's leading providers of people tracking technology and is part of the Japanese multinational technology conglomerate Hitachi Ltd. The agreement is for the development and marketing of the Autonomous Store, a full solution for autonomous retail shopping aimed at micro markets, convenience stores and independent operators. The Autonomous Store aims to include Hitachi's visual recognition technology for the identification and tracking of shoppers, together with the subsidiary's Product Aware Shelves, which provide the product recognition technology detecting activity on retail shelves in real-time. The collaboration will include joint marketing from Hitachi Europe and the subsidiary for the commercialization of the product when it is developed.
- The subsidiary had received its first commercial order for its fully autonomous vending machine (Innovendi) from Smart Sell, an Israeli operator of smart vending machines and a subsidiary of the largest food manufacturer in Israel. The total agreement is for the sale of a minimum of 1,200 machines over a period of 7 years and a minimum of 100 machines per year in these years.

- The establishment of the separate Retail Innovation Division - In order to accelerate the market entry to the traditional retail industry through the deployment of new smart weighing and shelf management solutions, the subsidiary had established a new separate standalone Business unit, the Retail Innovation Division. The Retail Innovation Division is aiming at developing its Product Aware Technology and lead innovation in autonomous retail through digitizing the industry and is focused on addressing the global demand for retail automation, including the fast growing field of autonomous stores which simplify the consumer shopping experience and lower retailer costs.

Since the establishment of the separate Retail Innovation Division, the Company's management regularly reviews the operating results of this division separately from the traditional Shekel Scales' activities, in order to make decisions about resources to be allocated to this division and assess its performance. The increase in R&D and G&A costs in the Company's consolidated financial statements, is attributable to the separate Retail Innovation Division. These increased costs are the main cause for the consolidated company's net loss.

- In September, 2019, the Subsidiary entered into a development agreement with a company controlled by a related party, Edgify, according to which Edgify will develop a demo and a model to be integrated into a self-checkout system in one of the Subsidiary's customer stores for a live trial. The consideration for the above will include the following:
 - An amount of USD 100 thousands – to be paid following successful completion of the model.
 - An amount of USD 50 thousands – To be paid following successful completion, delivery and run through of the demo system, utilizing the model as the starting point for the demonstration.
 - An additional amount of USD 50 thousands will be paid upon successful installation and integration of the system at the first client site for a live trial.

APPENDIX 4E

PRELIMINARY REPORT

1. DETAILS OF REPORTING PERIOD

Name of Entity	SHEKEL BRAINWEIGH LTD. (the "Company")
ARBN	625 669 445
Reporting Period	12 months ended 31 December 2019
Previous Corresponding Period	12 months ended 31 December 2018
Currency	All figures are in thousands USD, unless mentioned otherwise

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	12 months ended 31 Dec 2019	12 months ended 31 Dec 2018	Increase/ (decrease) %	Amount change
Revenues from ordinary activities	18,817	18,657	0.86%	160
Loss from ordinary activities after tax attributable to members	(3,238)	(1,205)	(169%)	(2,033)
Net loss for the year attributable to members	(3,238)	(1,205)	(169%)	(2,033)

3. STATEMENT OF COMPREHENSIVE INCOME

Refer to attached financial statements.

4. STATEMENT OF FINANCIAL POSITION

Refer to attached financial statements.

5. STATEMENT OF CASH FLOWS

Refer to attached financial statements.

6. STATEMENT OF RETAINED EARNINGS/CHANGES IN EQUITY

Refer to attached financial statements.

7. DIVIDENDS/DISTRIBUTIONS

No dividends declared in current or prior year.

8. DETAILS OF DIVIDEND REINVESTMENT PLANS

Not applicable

9. NET TANGIBLE ASSETS PER SHARE

	31 Dec 2019	31 Dec 2018
Net tangible asset backing per ordinary security	0.043 USD	0.073 USD

10. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD**Control gained over entities**

Name of entity (or group of entities)	Shekel Scales 2008 ltd.
Date control gained	16 August, 2018
Contribution of such entities to the reporting entity's loss from ordinary activities during the period (where material)	(3,238)
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

The control gained during 2018 over Goopi Ltd. is not material under the Company's threshold.

Loss of control over entities

Name of entity (or group of entities)	N/A
Date control lost	N/A
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A
Profit/(loss) of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	N/A

11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Name of associate or joint venture entity	N/A	
Reporting entity's percentage holding in this entity	N/A	
Contribution to net profit/(loss) (where material)	Current Period	Previous Period
	N/A	N/A
Aggregate share of profits/(losses) of the above entity (where material)	Current Period	Previous Period
	N/A	N/A

12. ANY OTHER SIGNIFICANT INFORMATION NEEDED BY AN INVESTOR TO MAKE AN INFORMED ASSESSMENT OF THE COMPANY'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Refer to attached financial statements.

13. FOREIGN ENTITIES

Refer to Note 2

14. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION

Refer to commentary on pages 1 and 2 of the attached Preliminary Report

15. AUDIT

This report is based on accounts which are in the process of being audited.

Barak Nir 

Chief Financial Officer

SHEKEL BRAINWEIGH LTD.

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Appendix 4E Preliminary Report**PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2019****(US Dollars in thousands, except for loss per share)**

	Note	Year ended December 31, 2019	Year ended December 31, 2018
Revenues	6	18,817	18,657
Cost of revenues	7	<u>10,645</u>	<u>10,349</u>
Gross profit		8,172	8,308
Research and development expenses	8	3,429	2,451
Selling and marketing expenses	9	2,261	2,427
General and administrative expenses	10	<u>4,143</u>	<u>3,950</u>
Operating loss		(1,661)	(520)
Financial income		40	33
Financial expenses		<u>1,495</u>	<u>737</u>
Loss before tax on income		(3,116)	(1,224)
Tax on income		<u>47</u>	<u>(62)</u>
Loss for the year		<u>(3,163)</u>	<u>(1,162)</u>
Other comprehensive loss (income), net of tax:			
Items that will or may be reclassified to profit or loss:			
Exchange rate differentials pursuant to conversion of foreign activities		<u>6</u>	<u>(1)</u>
Total comprehensive loss for the year		<u>(3,169)</u>	<u>(1,161)</u>
Profit (loss) for the year attributed to:			
Owners of the Company		(3,238)	(1,205)
Non - controlling interest		<u>75</u>	<u>43</u>
		<u>(3,163)</u>	<u>(1,162)</u>
Total comprehensive income (loss) for the year attributed to:			
Owners of the Company		(3,238)	(1,198)
Non - controlling interest		<u>69</u>	<u>37</u>
		<u>(3,169)</u>	<u>(1,161)</u>
Basic and diluted loss per share		<u>\$ (0.02)</u>	<u>\$ (0.01)</u>

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Appendix 4E Preliminary Report**PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF 31 DECEMBER 2019****(US Dollars in thousands)**

	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
ASSETS			
Current Assets:			
Cash and cash equivalents		2,074	6,252
Short term investments		500	518
Trade accounts receivable, net		6,100	5,573
Other accounts receivable		716	639
Inventories	3	3,465	3,203
Loans to related parties		<u>274</u>	<u>859</u>
		<u>13,129</u>	<u>17,044</u>
Non-Current Assets:			
Right of use assets, net		2,426	-
Property, plant and equipment, net		572	546
Intangible assets	4	3,263	1,969
Deferred tax assets		<u>-</u>	<u>174</u>
		<u>6,261</u>	<u>2,689</u>
Total Assets		<u><u>19,390</u></u>	<u><u>19,733</u></u>

SHEKEL BRAINWEIGH LTD.

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Appendix 4E Preliminary Report**PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF 31 DECEMBER 2019****(US Dollars in thousands)**

	<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
LIABILITIES AND EQUITY			
Current Liabilities:			
Short term loans and current portion of long-term loans		4,060	3,970
Trade accounts payable		1,454	1,879
Other accounts payable		<u>2,156</u>	<u>1,383</u>
		<u>7,670</u>	<u>7,232</u>
Non-Current Liabilities:			
Lease liabilities		1,805	-
Employee benefit liabilities		263	229
Liability for royalties payable		<u>25</u>	<u>21</u>
		<u>2,093</u>	<u>250</u>
Shareholders' Equity:			
Equity attributable to owners of the Company:			
Share capital	5	7,739	7,739
Foreign exchange reserve		8	8
Capital reserve		1,834	1,265
Retained earnings		<u>(363)</u>	<u>2,899</u>
		<u>9,218</u>	<u>11,911</u>
Non - controlling interest		<u>409</u>	<u>340</u>
Total Shareholders' Equity		<u>9,627</u>	<u>12,251</u>
Total Liabilities And Equity		<u>19,390</u>	<u>19,733</u>

SHEKEL BRAINWEIGH LTD.

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PRELIMINARY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2019

(US Dollars in thousands)

Equity attributable to Share Holders of the Company

	<u>Share capital</u>	<u>Foreign exchange reserve</u>	<u>Capital reserve</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non- controlling interest</u>	<u>Total Shareholders' equity</u>
Balance at January 1, 2018	1,796	1	-	4,121	5,918	303	6,221
Changes during 2018:							
Profit (loss) for the year	-	-	-	(1,205)	(1,205)	43	(1,162)
Other comprehensive income (loss)	-	7	-	-	7	(6)	1
Total comprehensive income (loss)	-	7	-	(1,205)	(1,198)	37	(1,161)
Issuance of shares, net	5,943	-	115	-	6,058	-	6,058
Share based compensation	-	-	1,150	-	1,150	-	1,150
Benefit to owners	-	-	-	(17)	(17)	-	(17)
Balance at December 31, 2018	<u>7,739</u>	<u>8</u>	<u>1,265</u>	<u>2,899</u>	<u>11,911</u>	<u>340</u>	<u>12,251</u>
Changes during 2019:							
Profit (loss) for the year	-	-	-	(3,238)	(3,238)	75	(3,163)
Other comprehensive loss	-	-	-	-	-	(6)	(6)
Total comprehensive income (loss)	-	-	-	(3,238)	(3,238)	69	(3,169)
Share based compensation	-	-	569	-	569	-	569
Benefit to owners	-	-	-	(24)	(24)	-	(24)
Balance at December 31, 2019	<u>7,739</u>	<u>8</u>	<u>1,834</u>	<u>(363)</u>	<u>9,218</u>	<u>409</u>	<u>9,627</u>

SHEKEL BRAINWEIGH LTD.

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Appendix 4E Preliminary Report**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(US Dollars in thousands)

	Year ended December 31, 2019	Year ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	(3,163)	(1,162)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	998	190
Increase in trade accounts receivable, net	(527)	(274)
Decrease (increase) in other accounts receivable	(77)	32
Decrease (increase) in inventories	(262)	322
Increase (decrease) in trade accounts payable	(617)	485
Decrease in other accounts payable	(51)	(609)
Increase in employee benefit liabilities	34	28
Increase in liability for royalties payable	4	1
Financial income charged to equity	(24)	(17)
Financial expenses (income), net	1,178	(165)
Capital loss from sale of property, plant and equipment	-	5
Share based payment	569	1,150
Taxes on income, net	174	30
Net cash provided by (used in) operating activities	(1,764)	16
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Acquisition of short term investments	-	(188)
Deposit receipt	18	-
Purchase of property, plant and equipment	(206)	(145)
Proceeds from sale of property, plant and equipment	-	7
Capitalized development costs	(1,101)	(799)
Net cash used in investment activities	(1,289)	(1,125)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares, net	-	6,058
Principal paid on lease liabilities	(876)	-
Payment of short term loans, net	(243)	(255)
Payment of long term loan	-	(168)
Net cash provided by (used in) financing activities	(1,119)	5,635

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**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(US Dollars in thousands)

	Year ended December 31, 2019	Year ended December 31, 2018
Effects of exchange rate changes on cash and cash equivalents	(6)	1
Net increase (decrease) in cash and cash equivalents	(4,172)	4,526
Cash and cash equivalents at the beginning of the year	6,252	1,725
Cash and cash equivalents at the end of the year	2,074	6,252

	Year ended December 31, 2019	Year ended December 31, 2018
APPENDIX A - NON-CASH ACTIVITIES :		
Recognition of right of use asset and lease liabilities	521	-

	Year ended December 31, 2019	Year ended December 31, 2018
APPENDIX B - AMOUNT PAID DURING THE YEAR FOR:		
Interest paid	156	212
Income tax paid	170	343

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Appendix 4E Preliminary Report

PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2019
(US Dollars in thousands)

NOTE 1 - BASIS OF PREPARATION:

The preliminary report has been prepared in accordance with ASX listing rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with International Financing Reporting Standards (IFRS) and the Corporations Act 2001. The consolidated financial statements have been prepared on an actuals basis and are based on historical cost convention.

NOTE 2 - SUBSIDIARIES:

The principal subsidiaries of Company, all of which have been consolidated in these consolidated financial statements, are as follows:

Entity name	Country of incorporation	Proportion of ownership interest at December 31		Held by
		2019	2018	
Shekel Scales 2008 Ltd.	Israel	100%	100%	Shekel Brainweigh Ltd.
Shekel EU S.A	Luxemburg	100%	100%	Shekel Scales 2008 Ltd.
Shekel USA LLC	USA	100%	100%	Shekel Scales 2008 Ltd.
Shekel (Ningbo) Scales Ltd.	China	100%	100%	Shekel Scales 2008 Ltd.
Shekel Shanghai Trading Co. Ltd.	China	100%	100%	Shekel EU S.A
Abilanx	France	60%	60%	Shekel EU S.A
Goopi Ltd.	UK	100%	100%	Shekel Scales 2008 Ltd.
Goopi SARL	Luxemburg	100%	100%	Goopi Ltd

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Appendix 4E Preliminary Report**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2019
(US Dollars in thousands)****NOTE 3 - INVENTORIES:**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Raw materials	1,933	2,178
Work in process	188	117
Finished goods	1,344	908
	<u>3,465</u>	<u>3,203</u>

NOTE 4 - INTANGIBLE ASSETS:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Internally generated capitalized development costs	2,968	1,867
Acquisition of IP	193	-
Goodwill	102	102
	<u>3,263</u>	<u>1,969</u>

NOTE 5 - SHAREHOLDERS' EQUITY:

Movement in number of shares:

	Date	Number of shares
Opening balance as at 1 January 2018	-	11,415
Shares conversion – elimination of Shekel Scales 2008 Ltd. shares	8/2018	(11,415)
Shares conversion – issuing shares in exchange of Shekel Scales shares	8/2018	110,000,000
Issuance of shares	11/2018	29,000,000
Closing balance at 31 December 2018	-	139,000,000
Changes during 2019	-	-
Closing balance at 31 December 2019	-	139,000,000

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Appendix 4E Preliminary Report

**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2019
(US Dollars in thousands)**

NOTE 6 - REVENUES:

Revenues arises from:

	Year ended December 31, 2019	Year ended December 31, 2018
Sale of goods	15,533	15,750
Services	3,284	2,907
	<u>18,817</u>	<u>18,657</u>

NOTE 7 - COST OF REVENUES:

	Year ended December 31, 2019	Year ended December 31, 2018
Purchase of scales and raw materials	7,330	6,744
Salary and related expenses	2,442	2,525
Vehicle maintenance	271	332
Rent and office maintenance	317	293
Depreciation	73	82
Others	99	51
Change in inventories	113	322
	<u>10,645</u>	<u>10,349</u>

NOTE 8 - RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2019	Year ended December 31, 2018
Salary and related expenses	2,099	1,103
Share based compensation	569	801
Materials, subcontractors and related expenses	418	260
Vehicle maintenance	224	180
Office rent and maintenance	264	116
Grant received	(145)	(9)
	<u>3,429</u>	<u>2,451</u>

SHEKEL BRAINWEIGH LTD.

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Appendix 4E Preliminary Report

**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2019
(US Dollars in thousands)**

NOTE 9 - SELLING AND MARKETING EXPENSES:

	Year ended December 31, 2019	Year ended December 31, 2018
Salary and related expenses	1,484	1,356
Exhibitions, materials and promotions	196	458
Travel abroad	138	226
Vehicles maintenance	199	170
Transportation and deliveries	113	156
Rent and office maintenance	127	58
Royalties expenses	4	3
	<u>2,261</u>	<u>2,427</u>

NOTE 10 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31, 2019	Year ended December 31, 2018
Salary and related expenses	1,660	1,195
Listing expenses	-	950
Professional fees	948	341
Rent and office maintenance	416	426
Share based compensation	-	349
Management fees	443	216
Directors fees	148	133
Travel abroad	134	-
Depreciation	116	112
Vehicles maintenance	85	77
Others	193	151
	<u>4,143</u>	<u>3,950</u>