

SHEKEL BRAINWEIGH LTD.

Appendix 4D

Half-year report for the period ended June 30, 2023.

1. Entity details

Name of entity:	SHEKEL BRAINWEIGH LTD. ("the consolidated entity")
ARBN:	625 669 445
Reporting period:	For the half-year ended June 30, 2023.
Previous period:	For the half-year ended June 30, 2022.

2. Results for announcement to the market

All comparisons to Previous period.

Key information	Up/Down	Change	US Dollar in thousands
Revenues from ordinary activities	Up	2.05% to	13,386
Loss from ordinary activities after tax attributable to the owners of the consolidated entity	Down	2.61% to	(1,973)
Loss for the half-year attributable to the owners of the consolidated entity	Down	2.61% to	(1,973)

The Loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,973,000 (For the Previous period: \$2,026,000).

The loss in the reporting period for the consolidated entity is mainly due to the following:

1. GM fell from 35.5% in the previous period to 32% in the reporting period, mainly due to:
 - A decrease in sales from the company's facility in China as a result of the sale of the HW line, while production costs have not yet been fully reduced because the company continued to be a subcontractor of the buyer of the HW line (RL).
 - The currency change between USD and NIS caused a \$ reduction in revenues coming from the local market, which caused margin reductions.
 - A reduction of overall revenues from local market sales, which is the most profitable market segment of the company.
2. Continued investment in R&D at the level of ~ 15% of total revenue which is still a relatively high expense.

The decrease of the loss in the reporting period for the consolidated entity compared to the previous period for the consolidated entity is mainly due to the reduction of the consolidated entity's General and Administrative expenses by \$715,000.

SHEKEL BRAINWEIGH LTD.
Appendix 4D
Half-year report for the period ended June 30, 2023.

3. Net tangible assets

	30 June, 2023 USD	30 June, 2022 USD
Net tangible assets per ordinary security	<u>(0.015)</u>	<u>(0.007)</u>

4. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

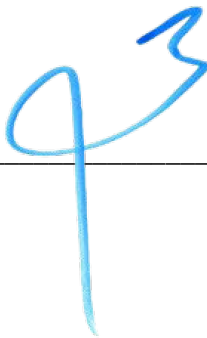
5. Attachments

The Interim Report of the consolidated entity for the half-year ended June 30, 2023 is attached.

6. Signed

Signed _____

Barak Nir
CFO
Tel-Aviv



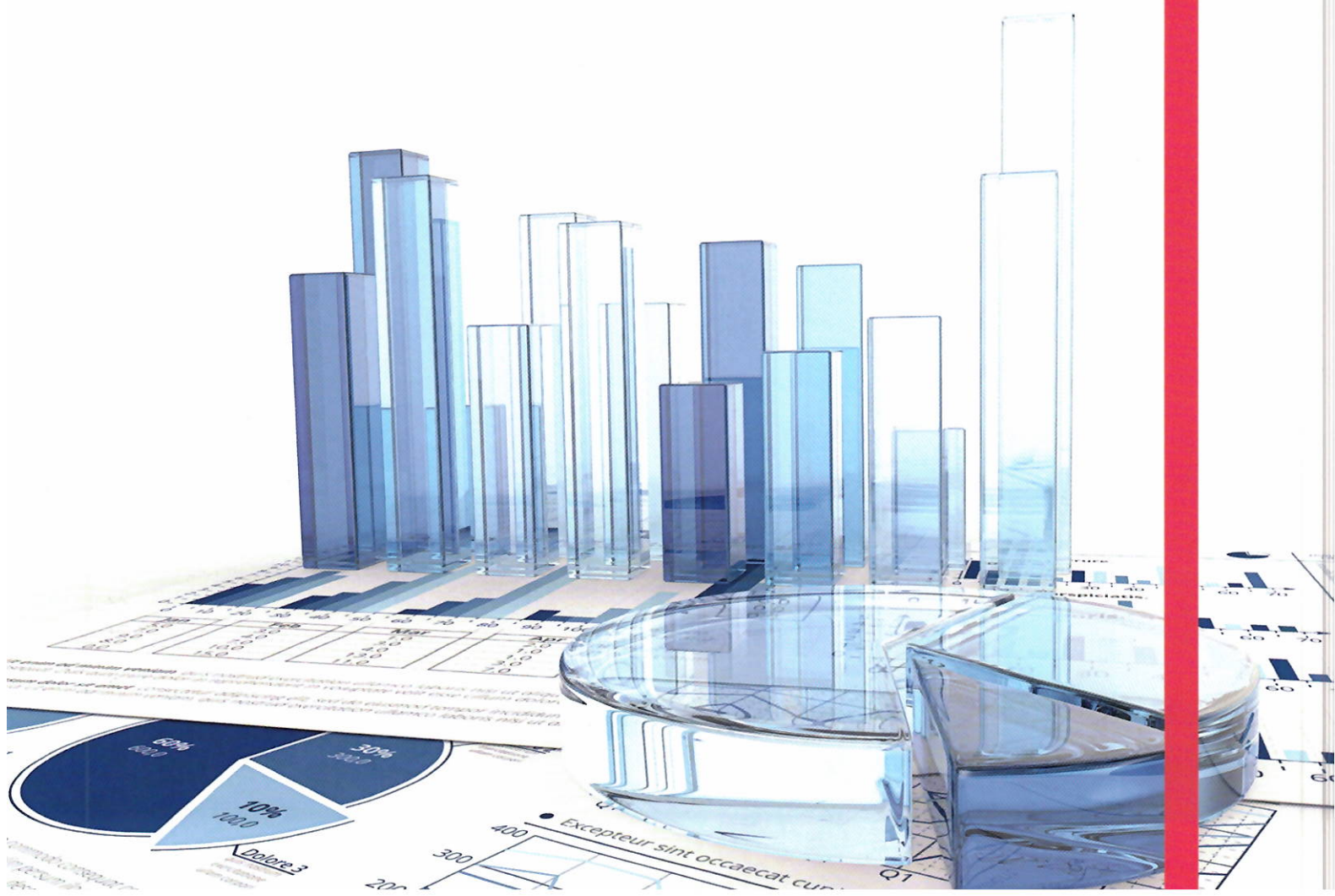
Date: August 29, 2023

SHEKEL BRAINWEIGH LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2023

UNAUDITED



SHEKEL BRAINWEIGH LTD.

TABLE OF CONTENTS

	<u>Page</u>
Review report on interim financial information	1
Unaudited condensed interim consolidated statements of financial position	2-3
Unaudited condensed interim consolidated statements of comprehensive income	4
Unaudited condensed interim consolidated statements of changes in equity (deficit)	5-6
Unaudited condensed interim consolidated statements of cash flows	7-8
Notes to the unaudited condensed interim consolidated financial statements	9-16



Review report on interim financial information
to the shareholders of
SHEKEL BRAINWEIGH LTD.

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Shekel Brainweigh Ltd. (the "Company") as of June 30, 2023 and the related condensed interim consolidated statements of comprehensive income, changes in equity (deficit) and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2023, and of its consolidated financial performance, and of its consolidated changes in equity (deficit) and its consolidated cash flows for the six-month period then ended in accordance International Accounting Standard IAS 34.

Meirav Goldman

Partner

Tel-Aviv, Israel

August 29, 2023

Ziv Haft
Certified Public Accountants (Isr.)
BDO Member Firm

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bnei Brak	Kiryat Shmona	Petah Tikva	Modiin Ilit	Nazrat Ilit
03-6386868	02-6546200	04-8680600	077-7784100	073-7145300	077-5054906	077-7784180	08-9744111	04-6555888

Main office: Beit Amot BDO, 48 Menachem Begin Road, Tel Aviv, 6618001 **Email:** bdo@bdo.co.il **Website:** www.bdo.co.il

BDO Israel, an Israeli partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firm

SHEKEL BRAINWEIGH LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	June 30, 2023	December 31, 2022
	<u>Unaudited</u>	
ASSETS		
Current Assets:		
Cash and cash equivalents	1,309	1,892
Trade accounts receivable, net	7,710	8,186
Other accounts receivable	1,996	1,957
Inventories	5,052	5,114
Loans to related parties	156	157
	<u>16,223</u>	<u>17,306</u>
Non-Current Assets:		
Right of use asset, net	6,042	6,132
Property, plant and equipment, net	936	825
Intangible assets, net	803	1,400
	<u>7,781</u>	<u>8,357</u>
Total Assets	<u>24,004</u>	<u>25,663</u>

The accompanying notes are an integral part of the financial statements.

SHEKEL BRAINWEIGH LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

		June 30, 2023	December 31, 2022
	<u>Note</u>	<u>Unaudited</u>	
LIABILITIES AND EQUITY (DEFICIT)			
Current Liabilities:			
Short term loans and current portion of long-term loans	3	5,066	6,301
Trade accounts payable		3,957	2,294
Other accounts payable		4,167	4,480
Convertible loan at fair value	4,6	5,695	6,499
Warrants	3,6	66	-
		<u>18,951</u>	<u>19,574</u>
Non-Current Liabilities:			
Lease liabilities		4,814	5,052
Long term loans	3	1,259	292
Employee benefit liabilities		606	457
Liability for royalties payable		4	4
		<u>6,683</u>	<u>5,805</u>
Equity (deficit):	5		
Equity attributable to owners of the parent:			
Share capital and premium		13,390	13,163
Foreign exchange reserve		(99)	(105)
Share based payment reserve		1,314	1,527
Retained losses		<u>(16,873)</u>	<u>(14,887)</u>
Total deficiency attributable to owners of the parent		<u>(2,268)</u>	<u>(302)</u>
Non - controlling interest		<u>638</u>	<u>586</u>
Total Equity (deficit)		<u>(1,630)</u>	<u>284</u>
Total Liabilities and Equity (deficit)		<u>24,004</u>	<u>25,663</u>

Arik Schor
CEO

Barak Nir
CFO

August 29, 2023
Date of approval of
financial statements

The accompanying notes are an integral part of the financial statements.

SHEKEL BRAINWEIGH LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US Dollar in thousands, except for basic and diluted loss per share)

	Six-month period ended June 30,	
	2023	2022
	Unaudited	
Revenue	13,386	13,117
Cost of revenue	9,121	8,462
Gross profit	4,265	4,655
Research and development expenses	2,113	2,015
Selling and marketing expenses	2,014	2,022
General and administrative expenses	2,283	2,998
Expected credit losses (benefit)	(8)	171
Operating loss	(2,137)	(2,551)
Financial income	968	1,577
Financial expense	662	947
Loss before tax	(1,831)	(1,921)
Tax on income	63	50
Loss for the period	(1,894)	(1,971)
Other comprehensive income (loss), net of tax:		
Items that will or may be reclassified to profit or loss:		
Exchange rate differentials pursuant to translation of foreign operations	17	(58)
Total comprehensive loss for the period	(1,877)	(2,029)
Profit (loss) for the period attributed to:		
Owners of the parent	(1,973)	(2,026)
Non - controlling interest	79	55
	(1,894)	(1,971)
Total comprehensive income (loss) for the period attributed to:		
Owners of the parent	(1,967)	(2,044)
Non - controlling interest	90	15
	(1,877)	(2,029)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)

The accompanying notes are an integral part of the financial statements.

SHEKEL BRAINWEIGH LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

(US Dollar in thousands)

For the six-month period ended June 30, 2023 (Unaudited):

	Equity (deficit) attributable to owners of the parent					Non-	Total
	Share capital and premium	Foreign exchange reserve	Share based payment reserve	Retained losses	Total	controllin g interest	equity(deficit)
Balance at January 1, 2023	13,163	(105)	1,527	(14,887)	(302)	586	284
Changes during the period:							
Profit (loss) for the period	-	-	-	(1,973)	(1,973)	79	(1,894)
Other comprehensive income	-	6	-	-	6	11	17
Total comprehensive income (loss)	-	6	-	(1,973)	(1,967)	90	(1,877)
Share based payment	-	-	14	-	14	-	14
Dividend to non-controlling interest	-	-	-	-	-	(38)	(38)
Exercise of RSU's	227	-	(227)	-	-	-	-
Benefit to owners	-	-	-	(13)	(13)	-	(13)
Balance at June 30, 2023	<u>13,390</u>	<u>(99)</u>	<u>1,314</u>	<u>(16,873)</u>	<u>(2,268)</u>	<u>638</u>	<u>(1,630)</u>

The accompanying notes are an integral part of the financial statements.

SHEKEL BRAINWEIGH LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY(DEFICIT)
(US Dollar in thousands)

For the six-month period ended June 30, 2022 (Unaudited):

	Equity attributable to owners of the parent				Non-controlling interest	Total equity
	Share capital and premium	Foreign exchange reserve	Share based payment reserve	Retained losses		
Balance at January 1, 2022	<u>9,926</u>	<u>10</u>	<u>2,955</u>	<u>(11,805)</u>	<u>496</u>	<u>1,582</u>
Changes during the period:						
Profit (loss) for the period	-	-	-	(2,026)	55	(1,971)
Other comprehensive loss	<u>-</u>	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>(40)</u>	<u>(58)</u>
Total comprehensive income (loss)	-	(18)	-	(2,026)	15	(2,029)
Share based payment		-	716	-	-	716
Issue of shares, net	754	-	-	-	-	754
Exercise of options, RSU's and Warrants	1,324	-	(1,321)	-	-	3
Benefit to owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11)</u>	<u>-</u>	<u>(11)</u>
Balance at June 30, 2022	<u><u>12,004</u></u>	<u><u>(8)</u></u>	<u><u>2,350</u></u>	<u><u>(13,842)</u></u>	<u><u>511</u></u>	<u><u>1,015</u></u>

The accompanying notes are an integral part of the financial statements.

SHEKEL BRAINWEIGH LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

	Six-month period ended June 30,	
	Unaudited	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(1,894)	(1,971)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,162	826
Change in fair value of warrants	(16)	(2)
Decrease in trade accounts receivable, net	476	349
Decrease in other accounts receivable	(48)	(286)
Decrease (increase) in inventories	62	(396)
Increase in trade accounts payable	1,663	613
Decrease in other accounts payable	(138)	(499)
Increase in employee benefit	149	64
Share based payment	14	716
Financial income charged to equity	(13)	(11)
Change in fair value of convertible loan	(486)	614
Expected credit loss expenses	(8)	171
Capital gain from sale of property, plant and equipment	-	(19)
Financial income, net	(620)	(1,856)
Net cash provided by (used in) operating activities	303	(1,687)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(194)	(188)
Proceeds from sale of property, plant and equipment	-	19
Deposit for a new lease agreement	(12)	(13)
Capitalized development costs	-	(13)
Net cash used in investing activities	(206)	(195)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares, net	-	754
Dividend to non-controlling interest	(38)	-
Issuance of warrants	82	31
Exercise of options into shares	-	3
Principal paid on lease liabilities	(404)	(399)
Receipt (payment) of short-term loans, net	(1,494)	860
Receipt of long-term loans	1,383	73
Payment of long-term loans	(129)	(35)
Payment of short-term finance	(97)	-
Net cash provided by (used in) financing activities	(697)	1,287
Effects of exchange rate changes on cash and cash equivalents	17	(52)
Cash and cash equivalents at the end of the period	1,309	1,334

The accompanying notes are an integral part of the financial statements.

SHEKEL BRAINWEIGH LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

APPENDIX A: NON-CASH ACTIVITIES

	Six-month period ended June 30,	
	Unaudited	
	2023	2022
Recognition of right of use asset	276	330
Recognition of lease liabilities	276	330

APPENDIX B: AMOUNT PAID AND RECEIVED DURING THE PERIOD:

	Six-month period ended June 30,	
	Unaudited	
	2023	2022
Income tax paid	4	4
Interest paid	305	163

The accompanying notes are an integral part of the financial statements.

SHEKEL BRAINWEIGH LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 1 - GENERAL:

- Shekel Brainweigh Ltd. (hereinafter, the "Company") was incorporated in March, 2018 in Israel. The Company and its subsidiaries (together, the "Group") is one of the global leaders of digital weighing technology and engaged in the development, planning, assembly and marketing of electronic weighing systems.
- On November 16, 2018, the Company was listed for trading on ASX and raised 7,349 thousand from the public by issuance of 29,000,000 shares.
- On November 21, 2022, Shekel Scales (2008) Ltd. (the "Subsidiary") sold the manufacture and assembly healthweigh products line ("HW products line") which located in its Chinese subsidiary Shekel (Ningbo) Scales Ltd. (the "Chinese subsidiary"), to a US-based company - Rice Lake Weighing Systems ("Rice Lake"). The decision to sell the Chinese subsidiary's HW products line is part of the Subsidiary's strategy to increase focus on its advanced retail-tech self-checkout solutions. Rice Lake has been the US distributor of the HW products line for 12 years and is the largest distributor of the product line globally. The sale to Rice Lake only includes the Chinese subsidiary's medical scales products sold under the Healthweigh brand, and not the OEM weighing medical products such as those used in neonatal incubators. According to the agreement, the Subsidiary will continue to distribute Healthweigh products in Israel. The agreement provides that the Chinese subsidiary will continue to manufacture and assemble the Healthweigh products for Rice Lake at the Chinese subsidiary's plant for an agreed period until Rice Lake may transfer the production to one of its production plants. The Rice Lake agreement provides that the Subsidiary will sell to Rice Lake the ownership of Healthweigh brand, the production files of the Healthweigh products and will give Rice Lake a license to use some of the IP used by the Subsidiary for both the Healthweigh products and the Subsidiary's other products.

The total consideration amounted to 3,425 out of which 2,925 was classified as consideration for the assets sold and 500 for services that the Subsidiary will provide to Rice Lake. In accordance with the agreement, 90% of the consideration for the assets sold is due on the agreement's closing date and the additional 10% of the consideration for the assets sold shall be paid within three days of the first anniversary of the closing date. Total capital gain from the sale of HW products line amounted to 2,183.

SHEKEL BRAINWEIGH LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 annual financial statements. These condensed interim consolidated financial statements do not include immaterial disclosures to the annual financial statements.

Significant accounting policies

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2022 annual financial statements. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in future financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

NOTE 3 – SHORT AND LONG TERM LOANS:

1. During 2022, the Subsidiary refinance two short-term loans from two different banks in Israel which amounted to NIS 6 million (1,876) from each bank. These two loans were received in NIS and are NIS linked and bears interest of 7.6%-9.75% per annum.

During the six-month period ended June 30, 2023, the Subsidiary refinance again these loans and received loans from the same two banks in Israel which amounted to NIS 5.5 million (1,524) from each bank as follows –

- Two loans (NIS 2.5 million (690) from each bank) will be renewed after 12 months from the funding date.
- Two loans (NIS 0.5 million (144) from each bank) will be repaid on a monthly basis within 12 months.
- Two loans (NIS 2.5 million (690) from each bank) will be repaid on a monthly basis within 60 months.

These loans were received in NIS and are NIS linked and bears interest of 8%-10.25% per annum which is paid on a monthly basis. As of June 30, 2023, the total amount of the loans is 2,845.

The Subsidiary is required to comply with certain loan covenants in respect of these loans, which relates to minimum debt service coverage ratios, which are tested according to the Subsidiary's audited financial statements based on a ratio of: (i) capital ratio (ii) Operating working capital ratio, and (iii) Trade accounts receivable ratio. As of the date of approval of financial statements, the Subsidiary complies with all the loans covenants (see also Note 8.3).

SHEKEL BRAINWEIGH LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 3 – SHORT AND LONG TERM LOANS (CONT.):

2. During 2022, the Company entered into a Loan and warrants agreement (the "Loan and Warrants Agreement") with five lenders. The Company received a total of 3,000 from the lenders in three installments. According to the terms of the loan, it will be repaid after 12 months from funding date of each installment. The loan has a maturity of one year and bears interest rate of 8% per annum (the effective interest rate is between 11%-14%). As part of the Loan and Warrants Agreement, the lenders were given an option (the "Warrants") to purchase the Company's ordinary shares (1.5 shares for every USD 1 loan) no par value per share at a price per share equal to 75% of the volume weighted average price of the Company's shares on ASX the 30 trading days preceding the exercise date of the Warrants. The Warrants may be exercised within 24 months from the funding date. The Warrants were measured at fair value at the funding date. As of December 31, 2022, all Warrants were converted into 4,500,000 ordinary shares of the Company. By June 30, 2023, the Company repaid 700 of this loan's principal amount. The rest of the loan amounted to 2,300 was renewed (see also Note 3.4).
3. In January 2023, the Company entered into an additional Loan and warrants agreement (the "Additional Loan and Warrants Agreement") with seven lenders. The Company received a total of 2,953 from the lenders out of which 653 were received in cash and 2,300 were a renewal of the "Loan and Warrants Agreement" principal loan amount.

According to the terms of this loan, it will be repaid after 12 months from funding date of each installment. The loan has a maturity of one year and bears interest rate of 8% per annum (the effective interest rate is approximately 12%). As part of the Additional Loan and Warrants Agreement, the lenders were given an option (the "Additional Warrants") to purchase the Company's ordinary shares (1.5 shares for every USD 1 loan) no par value per share at a price per share equal to 75% of the volume weighted average price of the Company's shares on ASX the 30 trading days preceding the exercise date of the Additional Warrants. The Additional Warrants may be exercised within 24 months from the funding date. The Additional Warrants were measured in fair value at the funding date. As of June 30, 2023, the total amount of this loan including the accrued interest is 2,803 and the Additional Warrants fair value is 66.
4. In June 2023, the Company received 300 from a lender. According to the terms of the loan, it will be repaid after one month from the funding date. The loan bears a rate of 8% per annum.

SHEKEL BRAINWEIGH LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 4 - CONVERTIBLE LOAN:

In May 2021, the Company issued convertible notes (the "Notes") in consideration of NIS 16,550 thousand (approximately 5,021). The Notes are nominated in NIS and bears 7% annum interest which will be paid on a quarterly basis. The Notes will be unsecured notes convertible into ordinary shares of the Company. The maturity date is four years after the issuance date. The investors will have the right to convert the Notes into ordinary shares of the Company starting two years after the issuance date and until the maturity date. The number of ordinary shares that will be issued to the investors will be calculated by dividing the face value of the Notes by 75% of the volume weighted average price of the Company's shares as traded on ASX during the last 25 trading days preceding the conversion of the Notes. The Company and the investors have the right for early repayment on agreed terms. The Company designated the convertible loan to be recognized at fair value through profit or loss. The convertible loan's fair value will be measured at each cut-off date. As of June 30, 2023 the total amount of the convertible loan is 5,695.

NOTE 5 – EQUITY:

- In January 2022, the Company raised through a Share Placements and a Share Purchase Plan AUD 1,112,500 (approximately 792) by issuing 5,562,500 fully paid ordinary shares of the Company at an issuance price of AUD 0.2 per share. Total issuance expenses amounted to 38 and were recognized against share premium.
- Upon listing on the ASX, the Company granted 11,563,732 performance rights (the "Performance Rights") to subscribe ordinary shares of the Company to four employees. As of June 30, 2023, all performance rights were converted into ordinary shares of the Company. During 2022, 5,781,866 Performance Rights were converted into ordinary shares and the rest were converted into ordinary shares during the six month period ended June 30, 2023.

Restricted Stock Units

1. On March 28, 2023, the Group established additional Restricted Stock Units plan (the "Third RSUs Plan"). Under the Third RSUs Plan a total of 4,000,000 RSUs have been granted.
These RSUs will vest and become exercisable in accordance with a vesting schedule subject to the Subsidiary meeting a revenue and EBITDA target.
2. On March 29, 2022, the Group established the second Restricted Stock Units plan (the "Second RSUs Plan"). Under the Second RSUs Plan a total of 1,731,000 RSUs have been granted to employees.
 - As for 861,000 RSUs - vesting period was up to a year from the grant date, according to the following: 50% vested immediately and 50% will vest upon the first anniversary of the grant date,

SHEKEL BRAINWEIGH LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 5 – EQUITY (CONT.):

Restricted Stock Units (cont.)

subject to the Subsidiary meeting its 2022 revenue target. These 50% were forfeited on March 29, 2023.

- As for 870,000 RSUs - vesting period is up to 4 years from the grant date, according to the following: 25% will vest within one year from grant date, 6.25% will vest equally at the end of each quarter starting the following quarter. Such RSU shall vest only if the average share price of the Company in the respective period ending on the respective Milestone date (calculated based on the average closing prices during such period) (the "Average PPS") shall be equal to or greater than AU\$ 0.35 (the "Target PPS"), the RSUs designated to vest on the Cliff Milestone, shall vest only if the Average PPS (calculated over the 30 consecutive trading days immediately preceding the Cliff Milestone Date) is equal to or exceeds the Target PPS; (ii) RSUs designated to vest on each of the Quarterly Milestones, shall vest only if the Average (PPS calculated over the 30 consecutive trading days immediately preceding the respective Quarterly Milestone Date) shall be equal to or greater than the Target PPS. The fair value of the RSUs was estimated by using a Monte-Carlo simulation approach, which was aimed to model the value of the Group's assets over time. The simulation approach was designed to take into account the terms and conditions of the RSUs, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. The valuation performed by management with the assistance of an external valuator based on management's assumptions.
3. All RSUs were granted under section 102 of the Israeli tax ordinance which enables the employee to pay 25% of capital gain tax upon exercise.
4. On July 1, 2021 the Group established a Restricted Stock Units plan (the "RSUs Plan"). Under the RSUs Plan a total of 17,139,517 RSUs have been granted to employees.
- As for 11,716,017 RSUs- the vesting period is up to a year from the grant date, according to the following: 50% will vest immediately, only if the average PPS (calculated over the 30 consecutive trading days immediately preceding the vesting date) is equal to or exceeds AUD 0.35 and 50% will vest equally at the end of each quarter starting the following quarter. Notwithstanding anything to the contrary above, all RSUs shall become fully vested upon the first anniversary of the grant date. As of December 2022, All RSUs were converted into ordinary shares of the Company.
 - As for 5,423,500 RSUs - the vesting period is up to 4 years from the grant date, according to the following: 25% will vest within one year from grant date, 6.25% will vest equally at the end of each quarter starting the following quarter. Such RSUs will vest only if the average share price in

SHEKEL BRAINWEIGH LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 5 – EQUITY (CONT.):

Restricted Stock Units (cont.)

the respective period ending on the respective Milestone date (calculated based on the average closing prices during such period) shall be equal to or exceeds 0.35 AUD. As of December 2022, 3,063,500 were converted into ordinary shares of the Company. The fair value of RSUs was estimated by using a Monte-Carlo simulation approach, which was aimed to model the value of the Company's assets over time. The simulation approach was designed to take into account the terms and conditions of the RSUs, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. The valuation performed by an external valuator based on management's assumptions. The RSUs were granted under section 102 of the Israeli tax ordinance which enables the employee to pay 25% of capital gain tax upon exercise.

5. During 2023, nine employees terminate their employment with the Company. Therefore, the RSUs which were granted to those employees were forfeited.

Movement in number of shares:	Date	Number of shares
Opening balance as at January 1, 2022	-	160,000,000
Issuance of ordinary shares	01/2022	5,562,500
Exercise of options, RSU's and warrants	H1 2022	20,581,383
Closing balance at June 30, 2022	-	186,143,883
Exercise of options, RSU's and warrants	H2 2022	6,500,000
Closing balance at December 31, 2022	-	192,643,883
Exercise of RSU's	H1 2023	6,212,366
Closing balance at June 30, 2023	-	198,856,249

SHEKEL BRAINWEIGH LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 6 – FINANCIAL INSTRUMENTS

Fair value of financial instrument:

The fair value measurement of the Warrants and the Convertible loan as of June 30, 2023 in the table below was measured using the Monte-Carlo-simulation-based risk-neutral valuation model. The key inputs that were used in measuring the fair value of the Warrants were: risk free interest rate – 4.366%, expected volatility - 80%.

	Fair value measurements using input type			
	Unaudited			
	Level 1	Level 2	Level 3	Total
As of June 30, 2023				
Warrants	-	66	-	66
Convertible loan	-	5,695	-	5,695

	Fair value measurements using input type			
	Unaudited			
	Level 1	Level 2	Level 3	Total
As of December 31, 2022				
Convertible loan	-	6,499	-	6,499

NOTE 7 – OPERATING SEGMENT INFORMATION:

Summarized financial information by operating segment, based on the Group's internal financial reporting system utilized by the Group's chief operating decision makers, follows:

For the six months ended June 30, 2023 (Unaudited)

	Retail	HealthCare	Industry	Total
Operating segment revenue	6,830	4,248	2,308	13,386
Segment operating profit (loss)	(2,420)	147	136	(2,137)
Financial income, net				306
Loss before tax				(1,831)

For the six months ended June 30, 2022 (Unaudited)

	Retail	HealthCare	Industry	Total
Operating segment revenue	5,170	5,180	2,767	13,117
Segment operating profit (loss)	(2,263)	(846)	558	(2,551)
Financial income, net				630
Loss before tax				(1,921)

SHEKEL BRAINWEIGH LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 8 - SUBSEQUENT EVENTS:

1. In July 2023, all Warrants (see also note 3) were converted into 4,429,500 ordinary shares of the Company.
2. As of the date of approval of the financial statements, the Company entered into an additional Loan and Warrants agreement (the "July Loan and Warrants Agreement") with another three lenders. The Company received 900 from the lenders. According to the terms of the loan, it will be repaid after 12 months from the funding date. The loan has a maturity of one year and bears an interest rate of 8% per annum.
As part of the July Loan and Warrants Agreement, the lenders were given an option to purchase the Company's ordinary shares (1.5 shares for every \$1 loan) no par value per share at a price per share equal to 75% of the volume weighted average price of the Company's shares on ASX the 30 trading days preceding the exercise date of the Warrants. The Warrants may be exercised within 24 months from the funding date.
3. In July 2023, the Subsidiary entered into a new agreement with one of the banks (see Note 3.1) for complying with required covenants. The Subsidiary is required to comply with certain loan covenants in respect of minimum debt service coverage ratios, which are tested quarterly based on a ratio of: (i) cash flows (ii) Operating working capital ratio, and (iii) Trade accounts receivable ratio. As of the date of approval of the financial statements, the Subsidiary complies with all the loans covenants.