

SHEKEL BRAINWEIGH LTD.

ARBN 625 669 445

APPENDIX 4E

PRELIMINARY REPORT

AS OF DECEMBER 31, 2021

SHEKEL BRAINWEIGH LTD.

PRELIMINARY REPORT

Shekel Brainweigh Ltd. (the "Company") was established on 18 March 2018 in Israel and listed on the Australian Securities Exchange (ASX) on 20 November 2018. Its wholly owned subsidiary, Shekel Scales Ltd. (hereinafter, the "Subsidiary"), is also domiciled in Israel.

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

The Group operates two business divisions; its Scales division which is a mature commercial division providing weighing solutions to the retail industrial and healthcare markets; and its Retail Innovation division, a new technology venture delivering artificial intelligence (AI) based solutions for the retail micro market segment, such as autonomous retail and smart vending machines.

Highlights

- Record Group revenue of US\$23.1 million for FY2021, 26% growth on FY2020 result.
- Scales business division reported record FY2021 revenue of US\$22.2 million.
- Retail Innovation business division reported record revenue of US\$921,000, representing 244% growth on the division's FY2020 result.
- Launch of more autonomous stores using Shekel's smart solutions for product identification, including first US store in January 2022.
- Commercialization of Hubz smart cooler vending solution achieved, with order of 67 units in Belgium.
- Continued development of Fast Track solution to provide more accurate product identification, with launch at US National Retail Federation (NRF) conference in January 2022.
- Raised A\$4.57M through two Share Placements and a Share Purchase Plan and secured a US\$5M convertible loan to accelerate commercialization, expand manufacturing capacity and build on growth momentum.
- Appointment of Mr. Nir Leshem as General Manager of Shekel Brainweigh's two business divisions.
- New appointments of Tzvika Bar-Am as the Chief Operating Officer (COO) and Ifat Yoffe as Chief Marketing Officer (CMO).

Business Results

Shekel Brainweigh achieved record revenue of US\$23.1 million for FY2021. This represented growth of 26% on the FY2020 result of US\$18.3 million and was an all-time top line sales record.

Shekel Brainweigh's Scales business division reported record FY2021 revenue of \$22.2 million and the Retail Innovation division reported record revenue of US\$921,000, which represented 244% growth on the previous corresponding period (pcp).

Shekel Brainweigh achieved growth across all product lines and geographies, driven by growth from existing key customers (in Israel and internationally), increased activity in the local industrial market and market share gaining with expansion to new customers.

Growth of Shekel's retail innovation business supported by growth of its smart, autonomous store projects. The first US multi-shopper smart store launched in Georgia, Atlanta in January 2022 and this followed the opening of two stores in Paris in November 2020 and July 2021.

In addition, the company completed commercialization of its Hubz smart vending units, produced in conjunction with Parlevel Systems and Imbera Cooling, with the first commercial-scale order of 67 smart vending units (Hubz) from a European operator. By the end of 2021, Shekel had placed close to 100 Hubz units around the world, in addition to 132 Innovendi units, which are primarily in Israel.

The opportunity pipeline in both the legacy and the retail innovation businesses is strong and represent additional significant growth in 2022.

COVID-19

Shekel Brainweigh continued to experience impact from the COVID-19 pandemic in 2021.

As part of the macroeconomic consequences, the shortage in electronic devices drove significant cost increases for raw materials as well as slowing down manufacturing. Shekel incrementally increased prices in few key products to maintain margins and sought alternative microchips to open additional procurement channels to ensure it could meet growing demand.

During the Omicron wave of the pandemic, Shekel Brainweigh experienced a high rate of infected employees, leading to increased sick leave. However, the company managed to maintain its operations with no significant impact on the deliverables or performance of the company.

From a market perspective in 2021, the pandemic continued to enforce cancelation of key industry events and diluted face-to-face customer meetings. Conversely, it continued to play a major role in strengthening the retail market in general, and the frictionless shopping trend in particular, as consumers became more aware and moved to contactless experiences where possible.

Continued New Product Development

Fast Track, Shekel's fresh product recognition system, delivered successful proof-of-concept (POC) in November 2021 and continue development towards minimum viable product phase in February to April 2022, followed by planned pilot in Q3 2022.

Development of Shekel Smart Cart device which enables smart carts "legal for trade" and security weighing inside the carts will reach a concept phase in February and is expected to be ready for pilot in Q4 2022.

Shekel's Product Aware shelves technology, which undergoing additional development and expenditure of strategic cooperation's such as the cooperation with Hitachi in the multi shopper autonomous stores and the cooperation with Imbera and Paralevel in the smart coolers, will continue in accelerated mode in 2022

Shekel business division integration

During the year, Shekel Brainweigh's Board appointed Mr. Nir Leshem as General Manager for both business divisions following his strong performance leading the Scales division to growth within a short time. His focus is on accelerating the go-to-market, sales and marketing efforts of the Retail Innovation division.

As a result of this appointment, Shekel Brainweigh integrated the activities of two business divisions under one organization structure and unified the business plan. The integration drive synergies and leverage the operational strength of Shekel to support the commercialization process of the new shelf aware technology to the marketplace

Other Appointments

Key appointments during the year included Tzvika Bar-Am as the Chief Operating Officer (COO) and Ifat Yoffe as Chief Marketing Officer (CMO) of the company. Both bring a wealth of knowledge and experience to help drive Shekel Brainweigh on its journey for growth.

Research and development

The company continued to invest in research and development (R&D) and sales and marketing for both divisions during FY2021, implementing a growth strategy set by the Company's Board and management in early 2021.

Fundraising

During CY2021, the company raised A\$4.57M through two Share Placements and a Share Purchase Plan to existing investors, in addition to securing a US\$5M convertible loan. Shekel Brainweigh is using the funds to accelerate Retail Innovation and Fast Track technology commercialization in the USA and Europe; commercialize its autonomous solutions in Asia, particularly Japan; and enlarge manufacturing and system assembly capacity as part of its plans to accelerate growth.

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 2021
Previous Corresponding Period	12 months ended 31 December 2020
Currency	All figures are in thousands USD, unless mentioned otherwise

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	12 months ended	12 months ended	Increase/	Amount
	31 Dec 2021	31 Dec 2020	(decrease)	change
Revenues from ordinary activities	23,104	18,306	26%	4,798
Loss from ordinary activities after tax attributable to members	(6,460)	(4,453)	(45.07)%	(2,007)
Net loss for the year attributable to members	(6,460)	(4,453)	(45.07)%	(2,007)

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 2021	31 Dec 2020
Net tangible asset backing per ordinary security	(0.004) USD	0.018 USD

10. 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

11. 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.

12. FOREIGN ENTITIES

Refer to Note 2

13. COMMENTARY ON RESULTS FOR PERIOD AND EXPLANATORY INFORMATION

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

14. 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 2021****(US Dollars in thousands, except for loss per share)**

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Revenues	5	23,104	18,306
Cost of revenues	6	<u>14,073</u>	<u>11,335</u>
Gross profit		9,031	6,971
Research and development expenses	7	4,600	4,153
Selling and marketing expenses	8	3,358	2,660
General and administrative expenses	9	4,877	4,094
Other expenses		253	-
Expected credit loss (income)		<u>12</u>	<u>(210)</u>
Operating loss		(4,069)	(3,726)
Financial income		309	44
Financial expense		<u>2,548</u>	<u>767</u>
Loss before tax		(6,308)	(4,449)
Tax on income		<u>72</u>	<u>(38)</u>
Loss for the year		<u>(6,380)</u>	<u>(4,411)</u>
Other comprehensive loss, net of tax:			
Items that will or may be reclassified to profit or loss:			
Exchange gains (losses) arising on translation of foreign operations		<u>(52)</u>	<u>55</u>
Total comprehensive loss for the year		<u>(6,432)</u>	<u>(4,356)</u>
Loss for the year attributed to:			
Owners of the Company		(6,460)	(4,453)
Non - controlling interest		<u>80</u>	<u>42</u>
		<u>(6,380)</u>	<u>(4,411)</u>
Total comprehensive loss for the year attributed to:			
Owners of the Company		(6,475)	(4,436)
Non - controlling interest		<u>43</u>	<u>80</u>
		<u>(6,432)</u>	<u>(4,356)</u>
Basic and diluted loss per share		<u>\$(0.04)</u>	<u>\$(0.03)</u>

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Appendix 4E Preliminary Report**PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF 31 DECEMBER 2021****(US Dollars in thousands)**

	<u>Note</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
ASSETS			
Current Assets:			
Cash and cash equivalents		1,981	1,478
Trade accounts receivable, net		7,576	5,432
Other accounts receivable		799	1,287
Inventories	3	4,948	3,464
Loans to related parties		447	454
		<u>15,751</u>	<u>12,115</u>
Non-Current Assets:			
Right of use assets, net		6,293	2,044
Property, plant and equipment, net		803	567
Intangible assets	4	2,040	2,304
		<u>9,136</u>	<u>4,915</u>
Total Assets		<u>24,887</u>	<u>17,030</u>

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Appendix 4E Preliminary Report**PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS OF 31 DECEMBER 2021****(US Dollars in thousands)**

	<u>Note</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
LIABILITIES AND EQUITY			
Current Liabilities:			
Short term loans		3,958	4,847
Trade accounts payable		2,769	2,190
Other accounts payable		3,617	2,743
Derivative financial liability		<u>2</u>	<u>-</u>
		<u>10,346</u>	<u>9,780</u>
Non-Current Liabilities:			
Lease liabilities		5,899	1,621
Convertible loan at fair value		6,005	-
Long term loans		404	-
Employee benefit liabilities		340	290
Liability for royalties payable		<u>4</u>	<u>10</u>
		<u>12,652</u>	<u>1,921</u>
Shareholders' Equity:			
Equity attributable to owners of the Company:			
Share capital and premium		9,926	7,739
Foreign exchange reserve		10	25
Share based payment reserve		2,955	2,089
Retained losses		<u>(11,498)</u>	<u>(5,013)</u>
		<u>1,393</u>	<u>4,840</u>
Non - controlling interest		<u>496</u>	<u>489</u>
Total Shareholders' Equity		<u>1,889</u>	<u>5,329</u>
Total Liabilities And Equity		<u>24,887</u>	<u>17,030</u>

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Appendix 4E Preliminary Report

PRELIMINARY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2021

(US Dollars in thousands)

	Equity attributable to Share Holders of the Company				Non-controlling interest	Total Shareholders' equity	
	Share capital	Foreign exchange reserve	Capital reserve	Retained earnings			Total
Balance at January 1, 2020	<u>7,739</u>	<u>8</u>	<u>1,834</u>	<u>(535)</u>	<u>9,046</u>	<u>409</u>	<u>9,455</u>
Changes during 2020:							
Profit (loss) for the year	-	-	-	(4,453)	(4,453)	42	(4,411)
Other comprehensive loss	-	17	-	-	17	38	55
Total comprehensive income (loss)	-	17	-	(4,453)	(4,436)	80	(4,356)
Share based compensation	-	-	255	-	255	-	255
Benefit to owners	-	-	-	(25)	(25)	-	(25)
Balance at December 31, 2020	<u>7,739</u>	<u>25</u>	<u>2,089</u>	<u>(5,013)</u>	<u>4,840</u>	<u>489</u>	<u>5,329</u>
Changes during 2021:							
Profit (loss) for the year	-	-	-	(6,460)	(6,460)	80	(6,380)
Other comprehensive loss	-	(15)	-	-	(15)	(37)	(52)
Total comprehensive income (loss)	-	(15)	-	(6,460)	(6,475)	43	(6,432)
Issue of shares, net	2,187	-	-	-	2,187	-	2,187
Share based compensation	-	-	866	-	866	-	866
Dividend	-	-	-	-	-	(36)	(36)
Benefit to owners	-	-	-	(25)	(25)	-	(25)
Balance at December 31, 2021	<u>9,926</u>	<u>10</u>	<u>2,955</u>	<u>(11,498)</u>	<u>1,393</u>	<u>496</u>	<u>1,889</u>

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Appendix 4E Preliminary Report**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021****(US Dollars in thousands)**

	Year ended December 31, 2021	Year ended December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	(6,380)	(4,411)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	1,749	1,799
Change in fair value of options	(174)	-
Decrease (increase) in trade accounts receivable, net	(2,144)	401
Decrease in other accounts receivable	447	12
Decrease (increase) in inventories	(1,484)	1
Increase in trade accounts payable	579	725
Increase in other accounts payable	778	283
Increase in employee benefits	50	27
Decrease in liability for royalties payable	(6)	(15)
Financial income charged to equity	(61)	(25)
Change in fair value of Convertible loan	689	-
Financial expenses, net	852	339
Capital loss from sale of property, plant and equipment	48	18
Expected credit loss (income)	12	(210)
Impairment of Intangible assets	-	471
Other income	(110)	-
Share based payment	866	255
Net cash used in operating activities	(4,289)	(330)
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Purchase of property, plant and equipment	(562)	(464)
Proceeds from sale of property, plant and equipment	24	-
Acquisition of software	(395)	-
Net cash used in investment activities	(933)	(464)

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Appendix 4E Preliminary Report**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021****(US Dollars in thousands)**

	Year ended December 31, 2021	Year ended December 31, 2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares and options, net	2,363	-
Principal paid on lease liabilities	(1,047)	(795)
Convertible notes issuance	5,021	-
Receipt (payment) of long-term loans, net	530	-
Receipt (payment) of short-term loans, net	(1,091)	438
Net cash provided by (used in) financing activities	5,776	(357)
	Year ended December 31, 2021	Year ended December 31, 2020
Net decrease in cash and cash equivalents	554	(1,151)
Cash and cash equivalents at the beginning of the year	1,478	2,574
Effects of exchange rate changes on cash and cash equivalents	(51)	55
Cash and cash equivalents at the end of the year	1,981	1,478

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**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(US Dollars in thousands)

	Year ended December 31, 2021	Year ended December 31, 2020
APPENDIX A - NON-CASH ACTIVITIES :		
Recognition of right of use asset and lease liabilities	6,229	499
Derecognition of right of use asset	1,144	-
	Year ended December 31, 2021	Year ended December 31, 2020
APPENDIX B - AMOUNT PAID DURING THE YEAR FOR:		
Income tax paid	10	36
Income tax received	(195)	-
Interest paid	310	171

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Appendix 4E Preliminary Report

PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2021 (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 the 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
		2021	2020	
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.

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**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2021
(US Dollars in thousands)**

NOTE 3 - INVENTORIES:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	2,724	2,004
Work in process	137	139
Finished goods	2,087	1,321
	<u>4,948</u>	<u>3,464</u>

NOTE 4 - INTANGIBLE ASSETS:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Internally generated capitalized development costs	1,403	2,062
Acquisition of IP	535	140
Goodwill	102	102
	<u>2,040</u>	<u>2,304</u>

NOTE 5 - REVENUES:

Revenues arises from:

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Sale of goods	19,261	14,992
Services	3,843	3,314
	<u>23,104</u>	<u>18,306</u>

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Appendix 4E Preliminary Report**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2021
(US Dollars in thousands)****NOTE 6 - COST OF REVENUES:**

	Year ended December 31, 2021	Year ended December 31, 2020
Purchase of scales and raw materials	10,916	7,322
Salary and related expenses	3,208	2,771
Depreciation	509	548
Intangible asset amortization	467	467
Vehicle maintenance	254	97
Office maintenance	161	103
Change in inventories	(1,484)	1
Others	42	26
	<u>14,073</u>	<u>11,335</u>

NOTE 7 - RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31, 2021	Year ended December 31, 2020
Salary and related expenses	2,957	2,578
Materials, subcontractors and related expenses	515	514
Impairment of internally generated capitalized development costs	-	471
Share based compensation	827	255
Depreciation	213	286
Vehicle maintenance	56	85
Office maintenance	32	24
Grant received	-	(60)
	<u>4,600</u>	<u>4,153</u>

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Appendix 4E Preliminary Report**PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2021
(US Dollars in thousands)****NOTE 8 - SELLING AND MARKETING EXPENSES:**

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Salary and related expenses	2,233	1,608
Exhibitions, materials and promotions	478	368
Depreciation	130	229
Vehicles maintenance	175	97
Travel abroad	126	117
Office maintenance	42	67
Transportation and deliveries	174	174
	<u>3,358</u>	<u>2,660</u>

NOTE 9 - GENERAL AND ADMINISTRATIVE EXPENSES:

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Salary and related expenses	2,411	1,848
Professional fees	1,288	870
Office maintenance	290	332
Management fees	277	299
Depreciation	238	269
Directors fees	214	244
Vehicles maintenance	74	99
Travel abroad	29	39
Share based compensation	28	-
Others	28	94
	<u>4,877</u>	<u>4,094</u>