

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

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

**SHEKEL BRAINWEIGH LTD.**

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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,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|------------------------------------|-------------|------------------------------|------------------------------|
| <b>ASSETS</b>                      |             |                              |                              |
| <b>Current Assets:</b>             |             |                              |                              |
| 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>                |
| <b>Non-Current Assets:</b>         |             |                              |                              |
| 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>                 |
| <b>Total Assets</b>                |             | <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,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|--|-------------|------------------------------|------------------------------|
| <b>LIABILITIES AND EQUITY</b>                        |             |                              |                              |
| <b>Current Liabilities:</b>                          |             |                              |                              |
| 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>                 |
| <b>Non-Current Liabilities:</b>                      |             |                              |                              |
| 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>                 |
| <b>Shareholders' Equity:</b>                         |             |                              |                              |
| <b>Equity attributable to owners of the Company:</b> |             |                              |                              |
| 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>                   |
| <b>Total Shareholders' Equity</b>                    |             | <u>1,889</u>                 | <u>5,329</u>                 |
| <b>Total Liabilities And Equity</b>                  |             | <u><u>24,887</u></u>         | <u><u>17,030</u></u>         |

# SHEKEL BRAINWEIGH LTD.

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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               |                          |                            |
| <b>Balance at January 1, 2020</b>   | <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>               |
| <b>Changes during 2020:</b>         |   |                          |                     |                        |                     |                          |                            |
| Profit (loss) for the year          | -   | -                        | -                   | (4,453)                | (4,453)             | 42                       | (4,411)                    |
| Other comprehensive loss            | <u>-</u>  | <u>17</u>                | <u>-</u>            | <u>-</u>               | <u>17</u>           | <u>38</u>                | <u>55</u>                  |
| Total comprehensive income (loss)   | -   | 17                       | -                   | (4,453)                | (4,436)             | 80                       | (4,356)                    |
| Share based compensation            | -   | -                        | 255                 | -                      | 255                 | -                        | 255                        |
| Benefit to owners                   | <u>-</u>  | <u>-</u>                 | <u>-</u>            | <u>(25)</u>            | <u>(25)</u>         | <u>-</u>                 | <u>(25)</u>                |
| <b>Balance at December 31, 2020</b> | <u><u>7,739</u></u>                                 | <u><u>25</u></u>         | <u><u>2,089</u></u> | <u><u>(5,013)</u></u>  | <u><u>4,840</u></u> | <u><u>489</u></u>        | <u><u>5,329</u></u>        |
| <b>Changes during 2021:</b>         |   |                          |                     |                        |                     |                          |                            |
| Profit (loss) for the year          | -   | -                        | -                   | (6,460)                | (6,460)             | 80                       | (6,380)                    |
| Other comprehensive loss            | <u>-</u>  | <u>(15)</u>              | <u>-</u>            | <u>-</u>               | <u>(15)</u>         | <u>(37)</u>              | <u>(52)</u>                |
| 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                   | <u>-</u>  | <u>-</u>                 | <u>-</u>            | <u>(25)</u>            | <u>(25)</u>         | <u>-</u>                 | <u>(25)</u>                |
| <b>Balance at December 31, 2021</b> | <u><u>9,926</u></u>                                 | <u><u>10</u></u>         | <u><u>2,955</u></u> | <u><u>(11,498)</u></u> | <u><u>1,393</u></u> | <u><u>496</u></u>        | <u><u>1,889</u></u>        |

**SHEKEL BRAINWEIGH LTD.**

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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)**

|  | <b>Year ended<br/>December 31,<br/>2021</b> | <b>Year ended<br/>December 31,<br/>2020</b> |
|--|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |   |   |
| Net loss for the year  | (6,380)                                     | (4,411)                                     |
| Adjustments to reconcile net profit to net cash<br>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   |
| <b>Net cash used in operating activities</b>   | <b>(4,289)</b>                              | <b>(330)</b>                                |
| <b>CASH FLOWS FROM INVESTMENT ACTIVITIES:</b>  |   |   |
| Purchase of property, plant and equipment  | (562)                                       | (464)                                       |
| Proceeds from sale of property, plant and equipment                                  | 24  | -   |
| Acquisition of software  | (395)                                       | -   |
| <b>Net cash used in investment activities</b>  | <b>(933)</b>                                | <b>(464)</b>                                |

**SHEKEL BRAINWEIGH LTD.**

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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)**

|  | <b>Year ended<br/>December 31,<br/>2021</b> | <b>Year ended<br/>December 31,<br/>2020</b> |
|--|---|---|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                         |   |   |
| 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   |
| <b>Net cash provided by (used in) financing activities</b>           | <b>5,776</b>                                | <b>(357)</b>                                |
|  |   |   |
|  | <b>Year ended<br/>December 31,<br/>2021</b> | <b>Year ended<br/>December 31,<br/>2020</b> |
| <b>Net decrease in cash and cash equivalents</b>                     | <b>554</b>                                  | <b>(1,151)</b>                              |
| <b>Cash and cash equivalents at the beginning of the year</b>        | <b>1,478</b>                                | <b>2,574</b>                                |
| <b>Effects of exchange rate changes on cash and cash equivalents</b> | <b>(51)</b>                                 | <b>55</b>                                   |
| <b>Cash and cash equivalents at the end of the year</b>              | <b>1,981</b>                                | <b>1,478</b>                                |

**SHEKEL BRAINWEIGH LTD.**

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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)**

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

## **SHEKEL BRAINWEIGH LTD.**

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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 Financial 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<br>incorporation | Proportion of ownership<br>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. |

**SHEKEL BRAINWEIGH LTD.**

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**Appendix 4E Preliminary Report****PRELIMINARY CONSOLIDATED NOTES FOR THE YEAR ENDED 31 DECEMBER 2021**  
**(US Dollars in thousands)****NOTE 3 - INVENTORIES:**

|                 | <b>December 31, 2021</b> | <b>December 31, 2020</b> |
|-----------------|--------------------------|--------------------------|
| 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:**

|  | <b>December 31, 2021</b> | <b>December 31, 2020</b> |
|--|--------------------------|--------------------------|
| 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:**

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

**SHEKEL BRAINWEIGH LTD.**

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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:**

|                                      | <b>Year ended December<br/>31, 2021</b> | <b>Year ended December<br/>31, 2020</b> |
|--------------------------------------|---|---|
| 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:**

|  | <b>Year ended December<br/>31, 2021</b> | <b>Year ended December<br/>31, 2020</b> |
|--|---|---|
| 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>                            |

**SHEKEL BRAINWEIGH LTD.**

ARBN 625 669 445

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

|                                       | <b>Year ended December<br/>31, 2021</b> | <b>Year ended December<br/>31, 2020</b> |
|---------------------------------------|---|---|
| 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:**

|                             | <b>Year ended December<br/>31, 2021</b> | <b>Year ended December<br/>31, 2020</b> |
|-----------------------------|---|---|
| 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>                            |