

Gefen International A.I. Ltd.

ARBN: 645 436 782

Half year report and Appendix 4D

June 30, 2021

Amounts are presented in thousands of US\$

Results for announcement to the market:

Results for the half-year ended June 30, 2021:

- Revenue of 6,629, an increase of 1,073 (19.3%) half-on-half ('h-o-h')
- Gross profit of 80%, similar to H1 FY20
- Operating Profit of 678, comparing to Operating Loss of 311 at H1 FY20
- Total net Profit for the period of 2,152, comparing to Total net Loss of 871 at H1 FY20

Financial Results	<u>% change</u>	30-Jun-21 \$'000	30-Jun-20 \$'000
Revenue from ordinary activities	19%	6,629	5,556
Profit/(loss) from ordinary activities after tax attributable to members		1,872	(1,191)
Net profit/(loss) for the period attributable to members		1,872	(1,191)

Net Tangible Asset Backing (NTA)			30-Jun-21	30-Jun-20
Net tangible asset backing per ordinary security			\$0.13	\$0.08

NTA: dividing the net assets (less intangible assets) attributable to equity holders of the Company by the total ordinary shares at June 30, 2021 (78,662,160) and June 30, 2020 (78,662,160).

Please note that the total ordinary shares on June 30, 2020, is adjusted by multiplying the original total ordinary shares as of that day (40,334,876), by the split ratio of 1.9502 (occurred prior to the IPO in H1 FY21).

Details of associates and joint venture entities:

Name of entity	Percentage held		Share of net Profit (Loss)	
	Current period	Previous period	Current period	Previous period
Gefen Technologies	100%	100%	1,630	(1,521)
Polibit	51%	51%	136	290
Kaplan	51%	51%	386	360

The Group continued its focus on growing at all activities, which resulted by a revenue increase of 19.3% h-o-h.

The continuous impact of COVID-19 on many aspects of routine life and businesses, increased the demand for long-distance technological services, as the Company provides. In addition, the main business activity of the Company is currently done at the Insurance world, and therefore, risk coverage services are needed at an uncertainty period such as the current one.

These resulted in an increase of revenues across all of the Group's activity streams.

The Group's activity and revenue are based more and more on its technology platform, which enables the users to manage their business on digitized tools, which are replacing the traditional manual or complicated working methods.

The Group invested more efforts in Selling and Marketing activities, which resulted in an increase of 29% h-o-h.

In addition, the Company's R&D expenses had been increased to 612, an increase of 25 (4.3%) h-o-h'. these figures exclude the share-based payments which were much higher in H1 FY20 (1,935) comparing to current six-month period (151).

As part of the process towards its IPO (which occurred on July 21, 2021), and costs related becoming public, the Group carried substantial general and administrative expenses (2,582), an increase of 100% h-o-h.

All of the above resulted in an Operating Profit of 678, comparing to an Operating Loss of 311 at comparable period in 2020.

The increase in revenues, together with continuous high gross profit of 80%, from one side, and the Operating expenses composition, from the other side, as mentioned above, enabled the achievement of operating Profit of 678, comparing to an Operating Loss of 311 at comparable period.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Audit Qualification or review

This half year was subject to review by the Company's auditors and the review report is attached as part of the half year financial report, as presented at this Appendix 4D statement.



Elad Daniel, Chairman

August 31, 2021

Tel Aviv, Israel

Gefen International A.I. Ltd

Gefen International A.I. LTD and Controlled Entities

Interim Consolidated Financial Reports
For the Half-Year Ended 30 June 2021

ARBN 645 436 782



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Gefen International A.I. Limited
ARBN 645 436 782

Corporate Directory

Directors	Elad Daniel – Chairman/Executive Director/Chief Architect David Nash – Executive Director/Co-Chief Executive Officer Orni Daniel – Executive Director/Co-Chief Executive Officer Amir Shukrun – Non-Executive Director Hava Friedman Shapira – Non-Executive Director Gabriel Chiappini – Non-Executive Director
Company Secretary	David Hwang
Registered Office - Australia	Level 4 16 Milligan Street Perth Western Australia 6000
Registered Office – Israel	Kalisher 30 Tel Aviv YAFO 6525724 Israel
Share Register	Automic Pty Ltd Level 2, 267 St Georges Terrace Perth Western Australia 6000
Auditor - Australia	BDO Audit (WA) Pty Ltd 38 Station Road, Subiaco Western Australia 6008
Auditor - Israel	BDO Ziv Haft Amot BDO House 48 Menachem Begin Road Tel Aviv 6618001 Israel
Legal Advisors – Australia	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth Western Australia 6000
Legal Advisors – Israel	Pearl Cohen Zedek Latzer Baratz Azrieli Sarona Tower - 53rd floor, 121 Menachem Begin Rd Tel Aviv 6701203 Israel
Stock Exchange Listing	Gefen International A.I. Limited shares are listed on the Australian Securities Exchange (ASX Code: GFN)
Website	https://gefentechnologies.com/

Directors Report

The Directors present their report together with the consolidated interim financial statements of the Group, comprising **Gefen International A.I. Limited** ("Company") and its controlled entities (collectively known as "Gefen" or "Group") for the half-year ended June 30, 2021, and the auditor's review report thereon.

Board of Directors

Mr. Elad Daniel – Chairman/Executive Director/Chief Architect

Mr. David Nash – Executive Director/co-Chief Executive Officer

Mr. Orni Daniel – Executive Director/co-Chief Executive Officer

Mr. Amir Shukrun – Non-Executive Director

Mrs. Hava Friedman Shapira – Non-Executive Director

Mr. Gabriel Chiappini – Non-Executive Director

The above-named Directors (excluding the last two directors: Mrs. Hava Friedman Shapira, Mr. Gabriel Chiappini) have been in office since the start of the half-year to the date of this report.

Please note that the financial year of the company's statements ends in December, and the reporting currency is US\$, including the figures in this Report (unless otherwise stated).

Highlights

- Raised A\$25 million in an oversubscribed initial public offering, listing on the ASX on 21 July 2021
- Total revenue for the Half of US\$6,750,000 (equating to approximately A\$9.25 million) up 22% compared to H2 CY20 and 18% compared to the previous corresponding period H1 CY20
- Maintaining high Gross Margin of 81%
- Achieved Operating Profit (EBIT) of US\$678,000 in H1 CY21 compared to an Operating Loss of US\$9,529,000 in H2 CY20 (included one-off accounting adjustments) and a loss of US\$311,000 in H1 CY20
- Achieved Net Profit of US\$2,152,000 in H1 CY21 compared to a net Loss of US\$11,250,000 in H2 CY20 (including one-off accounting adjustments) and a net Loss of US\$871,000 in H1 CY20
- Number of end customers using Gefen platform 126,000 up 94% from H2 CY20 and up 260% from H1 CY20
- Number of agents using the platform up 22% on H2 CY20 and 57% on H1 CY20 to 16,500
- Number of contracted carriers using the platform up 197% from H2 CY20 and up 562% from H1 CY20 to 86
- Number of events recorded in the Gefen platform up 60% from H2 CY20 and 180% from H1 CY20 to 2.4 million
- Entered into strategic partnerships with Four Seasons Financial Planning, Sapiens Group (NASDAQ: SPNS), Canadian Insurance Center, and IA Financial Group (TSE: IAG)
- Impressive growth across all key metrics even prior to IPO funding. Gefen is now fully funded to execute its growth strategy outlined in its Prospectus.

Digitally transforming global agent-based organisations

Gefen has developed a disruptive platform for regulation-heavy industries in which carriers use agents to sell complex products to customers.

By enabling agent-based organisations to digitally distribute marketing, commerce and communication content through agents to end customers, Gefen enables global enterprises to digitally transform and automate their entire agent networks' activities.

Although Gefen's platform can be used across a number of verticals, the Company's initial focus is on the insurance and financial services industries. Gefen's platform has already been adopted by major players in the insurance sector, attracting Tier 1 clients including the world's third-largest insurer Generali (BIT: G), as well as global firms TAL and Manulife (TSX: MFC, NYSE: MFC, HK: 0945).

Gefen operates in a large and growing global market. Assuming maximum penetration of the global insurance and financial services industries by platform-as-a-service-based software, Gefen's total addressable market was estimated to be US\$358 billion in 2020. Based on forecasts, this is expected to grow by 29% to US\$462 billion by 2023.¹

Sustained growth of revenue and across key metrics

Gefen's total revenue increased to US\$6.75 million in H1 CY21, up from US\$5.6 million in H2 CY20. The Company also saw significant growth across all its key metrics including the number of end customers, agents, and carriers using its platform.

During H1 CY21, end customers using the platform rose from 65,000 to 126,000, with agents using the platform also growing from 13,500 to 16,500 over the previous half year (H2 CY20) and up from 10,500 in H1 CY20. Contracted carriers using the platform increased significantly during the period, rising from 29 to 86 from H2 CY20 and up from 13 in H1 CY20.

Gefen also saw the 'events' recorded in its platform rise from approximately 1.5 million in H2 CY20 to 2.4 million in H1 CY21. 'Events' are the digital interactions between agents and their customers. A rise in 'events' represents increased engagement by agents on the Platform which translates into more sales due to a growing amount of marketing and sales activities.

Key strategic partnerships signed

During H1 CY21, Gefen entered into a number of strategic partnerships which will allow it to continue rapidly scaling its business across Israel, Europe and North America. A summary of these partnerships follows:

- The Company agreed a partnership with leading Israeli financial group "Four Seasons Financial Planning". This represents an opportunity to onboard thousands of new financial planners and advisors and is expected to go live during H2 CY21;
- Signed a contract with Sapiens Group (NASDAQ: SPNS) (market cap: US\$1.5 billion), which serves 600 insurance and financial organisations in the US and Europe. The agreement will see Gefen and Sapiens partner on an integrated end-to-end digital solution for Sapiens' large client base; and

¹ Source: Research and Markets - Insurance Brokers & Agents Global Market Report 2020-30: COVID-19 Impact and Recovery

- Secured a partnership with Canadian Insurance Center and IA Financial Group (TSE: IAG) to launch a digital operating market in North America.
- On June 1, 2021, a subsidiary of Gefen signed a shareholders' agreement ("agreement") with Arayot Insurance and Pension agency Ltd. ("Arayot") for the establishment of a new Company ("Newco"), where the Subsidiary holds 51% of the shares, and Arayot holds 49% of the shares, both on a fully diluted basis.

As at the agreement signing date, all of Arayot's business activities will be transferred and performed exclusively through Newco, and based on the Subsidiary's technology platform.

Gefen's Platform Evolution - From SOB to MOB

Background

During the past two years Gefen's business and R&D departments have executed a major transformation of the Company's platform. The transformation is making the company a core driver in agents' business creation and operations. The end result is that once agents start using the platform, Gefen becomes the main driver of their business performance and efficiency.

Original capabilities of the platform

Historically - Gefen's platform was a digital distribution and transformation tool for large-scale organisations selling complex products through agents. Gefen allowed the organisations to create digital content in various channels and formats and distribute it to and through their agents to end customers. We called this model "SOB" or Send/Share On Behalf.

Evolution to MOB model

Gefen's shift has seen it not only provide a platform to enterprise brands, but also its own marketplace, starting with the Gefen "Arena" in Israel. This shift has driven an evolution in the platform capabilities. The platform now takes over the sales, service and business of the agents in a model which we call "MOB": Manage On Behalf. The platform performs these functions by deeply integrating into the agents' everyday work - **effectively contributing to and sharing in their success.**

Product and platform upgrades

Gefen sustained its pace of releasing new features and improvements to its platform every two weeks in H1 CY21. These releases included the following additional features:

1. GQL (Gefen Query Language) based "machine management" - This feature prompts agents on which customers and prospects to contact, follow-up and service. This is central to being the "business driver" for the agents and is unique and proprietary to the Gefen platform. The platform actively "drives" agents' business and is thus partly responsible for and entitled to a share of their success;

2. GQL-based product recommendations - This feature provides recommendations on which products best fit which groups of customers based on their data and behaviour;
3. GQL-based lead sharing - By sharing leads among members of the Arena, this feature drives business whilst also sharing expenses and efforts;
4. Full data integration of customer entitlements (products) and data from all sources - becoming the single source-of information for the agent;
5. Adding to the existing digital channels of site visits, online chat, video and campaign interactions by covering email and phone thereby encompassing all channels of agent - customer communications.
6. Managing communications, claims (i.e. service) and documents - becoming the central hub of communication;
7. Central management of marketing and services;
8. Services and sales processes collaboration through the platform; and
9. Financial management of commissions and payments to agents.

A highly experienced leadership team, led by co-founders

Gefen is led by co-founders and co-CEOs Orni Daniel and David Nash. Mr Daniel has over 15 years' experience in managing global online operations across various sectors and Mr Nash is a corporate lawyer with international experience in online payments, e-commerce and banking.

The Company's Chief Architect, Elad Daniel, is an expert in initiating, designing, building and implementing digital enterprise platforms from the ground up. He has extensive experience in online marketing, advertising, e-commerce, enterprise information communication technology and cloud solutions.

Corporate

Gefen commenced trading on the Australian Securities Exchange (ASX) under the ticker code 'GFN' on July 21 following an oversubscribed Initial Public Offering which raised A\$25m (equivalent to approx. \$18.3m). Accordingly, as the 30 June half-year is not included in the use of funds statement in the IPO prospectus, there is nothing to disclose for the purposes of ASX Listing Rule 4.7C.2 at this stage.

The IPO was underpinned by a high-quality shareholder base which included institutional and retail investors, along with the strong support of existing Gefen shareholders, including Regal Funds Management, Ellerston Capital and Perennial.

The funds raised from the IPO are being utilised to execute a number of strategic growth initiatives including expanding Gefen's sales and marketing teams, funding research and development of its unique platform.

In addition, the Company intends to use a portion of the funds raised for acquisitions. Gefen already has a strategy in place in which it acquires traditional agents' businesses and integrates them with its platform, digitizing the agent networks and creating synergies and increased revenue opportunities. To this end, the Company is already in discussions with potential acquisition targets and will update the market in due course regarding the outcome of these negotiations.

The Company's cash and cash equivalents position as of June 30, 2021 was \$1.592m.

Pro Forma Balance Sheet

Following the IPO, the balance sheet of Gefen will reflect both the raise of A\$25m, and the conversion of various financial liabilities/tools – generating much better liquidity and debt ratios, as presented in the table herewith including pro forma figures (as at June 30, 2021):

Balance sheet item	June 30, 2021 – <u>actual</u> – \$000s	June 30, 21 – <u>proforma</u> – \$000s
Current assets	5,826	22,407
Current liabilities	19,470	6,658
Non-current liabilities	3,019	3,019
Shareholders' equity (deficit)	(5,351)	24,044

Financial ratio	June 30, 2021 – <u>actual</u>	June 30, 21 – <u>proforma</u>
Current ratio	0.30	3.37
Working capital	\$ (13.644m)	\$ 15.749m

Debt/total Balance sheet	81%	29%
Debt/Equity	4.2	0.4
Liabilities: short-term / long-term	6.5	2.2

Revenue Recognition policy

Gefen analyses its business model from time to time and the derived revenue recognition policy – as the technology platform includes more and more elements, tools, features and inherent digitized processes (R&D activities will continue for the foreseeable future), the on-going work of the subsidiaries (and their sub-insurance agents) are already based on the platform itself - therefore Gefen considers, with its financial advisors, the recognition of sub-insurance agents' commissions (currently, not included in Gefen's financial statements), as part of its gross revenues, as 100% of their activities are being handled within the platform.

This method, if implemented, will not affect the EBIT or net Profit numbers, revenues and expenses (sub-agents' commissions) will be recorded at the same amount.

COVID-19

The impact of the coronavirus (COVID-19) pandemic creates both opportunities for the Group's activity (digital transformation trend and increase of demand for insurance coverage during a period of uncertainty) and challenges (with regards to the on-going operations and economic environment).

Gefen's management continually reassesses all dynamic changes in order to manage the Group's activities accordingly.

Financial comparison

	H1 2021	Improvement over H2 2020	Improvement over H1 2020
Total Revenue	US\$6.75m	22%	18%
Gross Profit	US\$5.45m	21%	18%
Gross Margin	81%	-	-
EBITDA	US\$1.23m	\$2.62m	\$1.42m
Operating Profit (EBIT)	US\$678,000	\$10.207m (\$9.529m) Actual	\$989,000 (\$311,000) Actual
Net Profit	US\$2.15m	\$13.402m (\$11.250m) Actual	\$3.021m (\$871,000) Actual

Key Financial Metrics

Total revenue grew by 22% over H2 CY20 and 18% over H1 CY20, reflecting strong organic growth across all of the Group's activities. The underlying reason for this organic growth is the increasing use of Gefen's technology platform.

Operating expenses decreased by 66% to \$4.775m for the six-month period, compared to H2 CY20, primarily as a result of:

- Research and development – decreased by 45% to \$612,000 mainly due to share-based payments
- Selling and marketing – decreased by 76% to \$1,430,000 mainly due to royalty expenses of approx. \$4.5m recorded in H2 CY20
- General and administrative – decreased by 29% to \$2,582,000 mainly related to public company costs including decrease of professional services and a decrease in share-based payments.
- Goodwill impairment of \$3,036,000 recorded in H2 CY20

Operational comparison

	H1 2021	Improvement over H2 2020	Improvement over H1 2020
Number of end customers	126,000	94%	260%
Number of Agents	16,500	22%	57%
Number of Contracted Carriers	86	197%	562%
Number of Events on the Platform	2.4m	60%	180%

This report has been issued in accordance with a resolution of the Directors.



Elad Daniel, Chairman

August 31, 2021

Tel Aviv, Israel

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Gefen International A.I LTD.

I declare that, to the best of my knowledge and belief, in relation to the review for the period ended 30 June, 2021 there have been:

- (i) No contraventions of the auditors independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the review.

Tel-Aviv, Israel

August 31, 2021

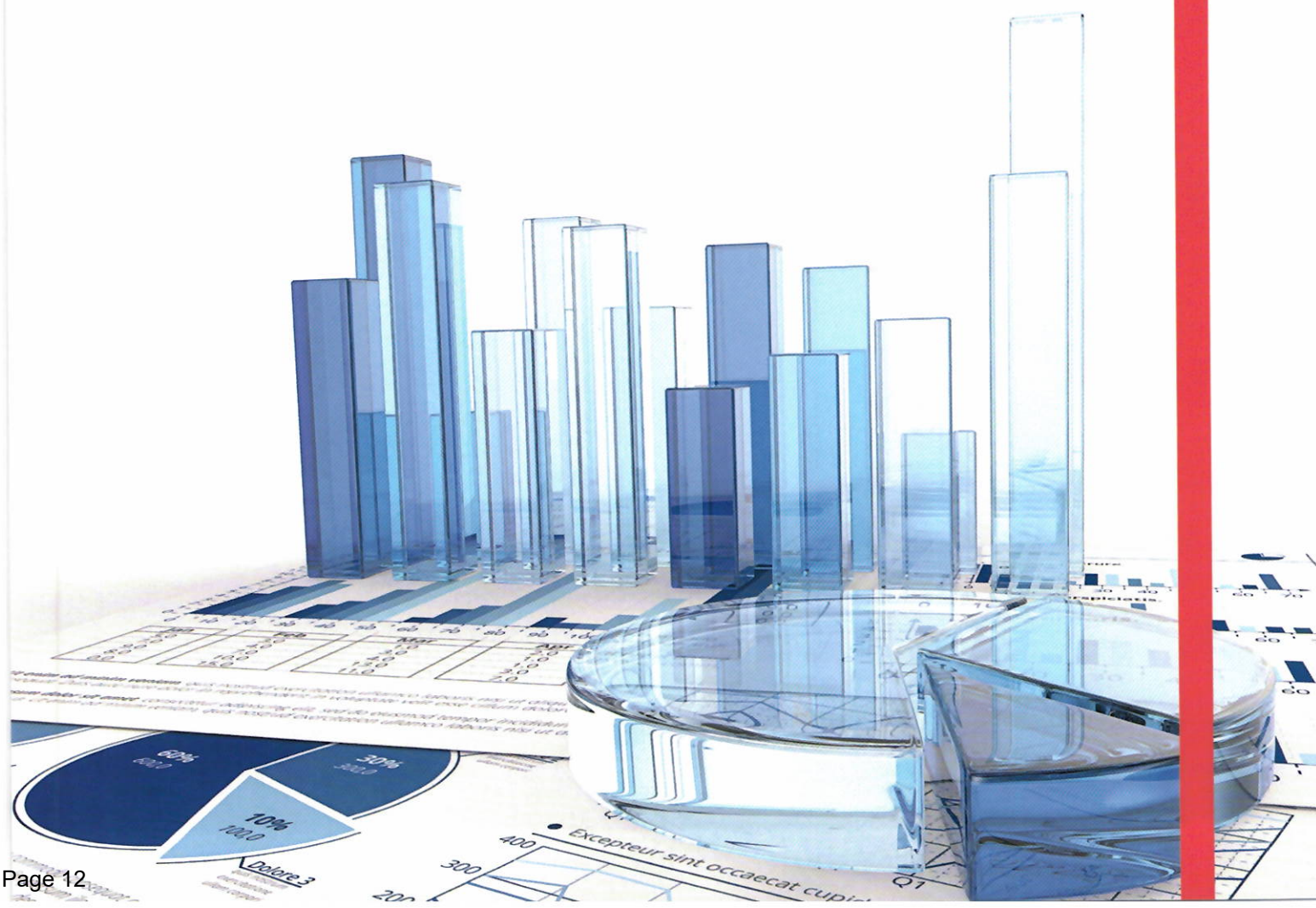
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Certified Public Accountants (Isr.)
BDO Member Firm

Gefen International A.I. LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

UNAUDITED



Gefen International A.I. LTD.

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Review report on interim financial information
to the shareholders of
Gefen International A.I. LTD.

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Gefen International A.I. LTD. (the "Company") as of June 30, 2021 and the related condensed interim consolidated statements of comprehensive income, changes in shareholders' 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 of June 30, 2021, and of its consolidated financial performance and its consolidated cash flows for the six month period then ended in accordance with International Accounting Standard IAS 34.

Lior Shahar

Tel-Aviv, Israel

August 31, 2021


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

Tel Aviv	Jerusalem	Haifa	Beer Sheva	Bene Berak	Kiryat Shmona	Petach Tikva	Modiin Illit	Nazareth Illit	Eilat
+972-3-6386868	+972-2-6546200	+972-4-8680600	+972-77-7784100	+972-73-7145300	+972-77-5054906	+972-77-7784180	+972-8-9744111	+972-4-6555888	+972-8-6339911

Head Office: Amot BDO House, 48 Menachem Begin Road, Tel Aviv 6618001, ISRAEL **Email:** bdo@bdo.co.il **Our Site:** www.bdo.co.il

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Gefen International A.I. LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (US Dollar in thousands)

	<u>Note</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
		<u>Unaudited</u>	<u>Audited</u>
ASSETS			
Current Assets:			
Cash and cash equivalents		1,592	1,526
Trade accounts receivable, net		3,124	754
Other accounts receivable		675	265
Related parties		435	269
		<u>5,826</u>	<u>2,814</u>
Non-Current Assets:			
Right of use asset, net		1,266	893
Investment in investment fund		1,469	1,490
Property, plant and equipment, net		740	794
Intangible assets, net		5,990	6,326
Investments accounted for using the equity method	4	688	-
Deferred tax assets		101	96
Goodwill		1,058	1,073
		<u>11,312</u>	<u>10,672</u>
Total Assets		<u><u>17,138</u></u>	<u><u>13,486</u></u>

The accompanying notes are an integral part of the financial statements

Gefen International A.I. LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	Note	June 30, 2021 Unaudited	December 31, 2020 Audited
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current Liabilities:			
Short-term maturities of long-term loans		681	653
Trade payables		85	261
Related Parties		1,689	1,616
Deferred revenues		1,609	1,710
Lease liabilities		433	297
Other accounts payable		2,160	1,519
Convertible note	1e,5	7,772	6,188
Contingent consideration in business combination	1e	5,041	6,327
		<u>19,470</u>	<u>18,571</u>
Non-Current Liabilities:			
Lease liabilities - long term		1,018	709
Long-term loan		359	127
Deferred tax liabilities		1,377	1,455
Deferred revenues – long term		-	38
Employee benefit		265	257
		<u>3,019</u>	<u>2,586</u>
SHAREHOLDERS' DEFICIT			
Deficit attributable to owners of the parent:			
Share capital		224	115
Additional paid in capital		16,158	16,267
Foreign exchange reserve		341	428
Share-based payment reserve		4,366	4,111
Accumulated deficit		(29,340)	(31,212)
		<u>(8,251)</u>	<u>(10,291)</u>
Non - controlling interest		2,900	2,620
Total shareholders' deficit		<u>(5,351)</u>	<u>(7,671)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT			
		<u>17,138</u>	<u>13,486</u>



David Nash
Co-CEO and Director



Orni Daniel
Co-CEO and Director



Raanan Alergand
Chief Financial Officer

August 31, 2021

Date of approval of
financial statements

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

Gefen International A.I. LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Six-month period ended June 30,	
	2021	2020
	Unaudited	
Revenue	6,629	5,556
Cost of revenue	1,297	1,092
Gross profit	5,332	4,464
Research and development expenses	763	2,522
Selling and marketing expenses	1,430	1,112
General and administrative expenses	2,582	1,293
Other income	126	152
Operating profit (loss)	683	(311)
Share in loss of joint ventures accounted for using the equity method	5	-
Financial income	1,891	-
Financial expense	362	498
Profit (Loss) before tax	2,207	(809)
Taxes on income	55	62
Total Profit (loss) for the period	2,152	(871)
Other Comprehensive income (loss):		
Items that may subsequently be reclassified to profit or loss:		
Adjustments from currency translation	(87)	10
Total Comprehensive income (loss)	2,065	(861)
Profit (loss) for the period attributed to:		
Owners of the parent	1,872	(1,191)
Non - controlling interest	280	320
	2,152	(871)
Total comprehensive profit (loss) for the period attributed to:		
Owners of the parent	1,785	(1,186)
Non - controlling interest	280	325
	2,065	(861)
Earnings per share for profit (loss) for the period attributable to the owners of the parent during the year		
Basic profit (loss) per share	0.024	(0.03)*
Diluted profit (loss) per share	0.001	(0.03)*

*After giving effect to the share benefit issuance - see note 1f.

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

Gefen International A.I. LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(US Dollar in thousands)

For the six-month period ended June 30, 2021 (Unaudited):

	Deficit attributable to owners of the parent							
	Share capital	Additional paid in capital	Foreign exchange reserve	Share- based payment reserve	Accumulated deficit	Total shareholders' deficit	Non-controlling interest	Total deficit
Balance at January 1, 2021	<u>115</u>	<u>16,267</u>	<u>428</u>	<u>4,111</u>	<u>(31,212)</u>	<u>(10,291)</u>	<u>2,620</u>	<u>(7,671)</u>
Changes during the period:								
Profit for the period	-	-	-	-	1,872	1,872	280	2,152
Other comprehensive loss	-	-	(87)	-	-	(87)	-	(87)
Total comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>(87)</u>	<u>-</u>	<u>1,872</u>	<u>1,785</u>	<u>280</u>	<u>2,065</u>
Issuance of share benefit	109	(109)	-	-	-	-	-	-
Share-based payment	-	-	-	255	-	255	-	255
Balance at June 30, 2021	<u>224</u>	<u>16,158</u>	<u>341</u>	<u>4,366</u>	<u>(29,340)</u>	<u>(8,251)</u>	<u>2,900</u>	<u>(5,351)</u>

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

Gefen International A.I. LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(US Dollar in thousands)

For the six-month period ended June 30, 2020 (Unaudited):

	Deficit attributable to owners of the parent							
	Share capital	Additional paid in capital	Foreign exchange reserve	Share- based payment reserve	Accumulated deficit	Total shareholders' deficit	Non-controlling interest	Total deficit
Balance at January 1, 2020	115	11,696	-	640	(18,795)	(6,344)	-	(6,344)
Changes during the period:								
Profit (loss) for the period	-	-	-	-	(1,191)	(1,191)	320	(871)
Other comprehensive income	-	-	5	-	-	5	5	10
Total comprehensive income (loss)	-	-	5	-	(1,191)	(1,186)	325	(861)
Business combination	-	-	-	-	-	-	2,305	2,305
Share-based payment	-	-	-	1,950	-	1,950	-	1,950
Classification of share-based payment	-	17	-	(17)	-	-	-	-
Balance at June 30, 2020	115	11,713	5	2,573	(19,986)	(5,580)	2,630	(2,950)

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

Gefen International A.I. LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (US Dollar in thousands)

	Six-month period ended June 30,	
	2021	2020
	Unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit (loss) for the period	2,152	(871)
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:		
Share in loss of joint ventures accounted for using the equity method	5	-
Depreciation and amortization	546	494
Increase in trade receivables	(2,379)	(161)
Decrease (increase) in other accounts receivable	(417)	189
Increase (decrease) in trade accounts payable	(176)	54
Increase (decrease) in other account payables	279	(1,806)
Decrease in related parties, net	(93)	(779)
Increase in employee benefit	11	5
Expenses of share-based payment fund	255	1,950
Decrease in deferred tax, net	(64)	(56)
Change of fair value of convertible note and contingent consideration in business combination	(1,577)	284
Loan interest expense and currency fluctuations	91	793
Net cash provided by (used in) operating activities	(1,367)	96
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments accounted for using the equity method	(451)	-
Newly consolidated subsidiaries (see appendix B)	-	673
Purchase of property, plant and equipment	(34)	(11)
Investment in investment fund	-	(268)
Sale of investment	-	549
Net cash provided by (used in) investing activities	(485)	943
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of lease liabilities	(202)	(295)
Receipt of loans	518	-
Payment of loans	(256)	(831)
Receipt of convertible note	1,875	1,112
Net cash provided by (used in) financing activities	1,935	(14)
Net increase in cash and cash equivalents	83	1,025
Effects of exchange rate changes on cash and cash equivalents	(17)	-
Cash and cash equivalents at the beginning of the period	1,526	47
Cash and cash equivalents at the end of the period	1,592	1,072
The accompanying notes are an integral part of the financial statements.		

Gefen International A.I. LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (US Dollar in thousands)

APPENDIX A - AMOUNT PAID DURING THE PERIOD:

	Six-month period ended June 30,	
	2021	2020
	Unaudited	
Interest paid	101	160
Income tax paid	96	-

APPENDIX B - INVESTMENT IN NEWLY - CONSOLIDATED SUBSIDIARIES:

	Six-month period ended June 30,	
	2021	2020
	Unaudited	
Working capital other than cash and cash equivalents	-	2,912
Long term assets	-	(2,551)
Fixed assets	-	(380)
Long term liabilities	-	882
Deferred tax liability	-	1,462
Contingent consideration in business combination	-	6,433
Goodwill	-	(4,035)
Customer relationship and technology	-	(6,355)
Non- controlling interest	-	2,305
Total cash and cash equivalents receipt	-	673

APPENDIX C- NON CASH INVESTING ACTIVITY

	Six-month period ended June 30,	
	2021	2020
	Unaudited	
Payables in respect of purchase of joint venture	242	-

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

Gefen International A.I. LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 1 - GENERAL:

- a. Gefen International A.I. (hereinafter, the "Company") was founded in September 2020 in Israel. Gefen Technologies A.I. Ltd., the Company's subsidiary (the "Subsidiary") was incorporated on November 23, 2017 in Israel. In October 2020, the Subsidiary entered into a share exchange agreement (the "Share Exchange Agreement") with the Company and its shareholders. According to the Share Exchange Agreement, prior to the Company's listing on the Australian Securities Exchange ("ASX"), the Company acquired 100% of the issued shares of the Subsidiary and the shareholders of the Subsidiary received shares of the Company in consideration for issuing shares to the formers shareholders of the subsidiary. The current period numbers and the comparative reflect the consolidation of the Company and its Subsidiary as if consolidated from their inception. The transaction was approved by the Israeli Tax authorities and the Israeli district court.
- b. The Subsidiary develops large-scale digital distribution platforms for the agent-based business sector. These platforms enable the transformation of agent-based networks into digital sales fleets, based on SAAS models.
- c. In January 2020, the Subsidiary purchased its two subsidiaries: Polibit Insurance agency (2011) LTD. (hereinafter: "Polibit") and Kaplan Bashetach, Insurance agency (2012) LTD. (hereinafter: "Kaplan"). Polibit and Kaplan operate as insurance agencies.
- d. The Company, the Subsidiary, Polibit and Kaplan shall be referred to hereinafter as "The Group".
- e. The Company was admitted to the official list of the ASX on July 19, 2021, with its ordinary fully paid shares having commenced trading on July 21, 2021. The Company raised AUD 25,000,000 (approximately 18,279) pursuant to the offer by the issuance of 25,000,000 shares at an issue price of AUD 1 per share. Following the IPO, the Company's financial liabilities: Contingent consideration in business combination and the convertible notes were converted into ordinary shares (See also Note 6).
- f. Issuance of share benefit of the Company's ordinary shares at a ratio of 1.95:1 was effected on May 11, 2021. All share and per share information has been retroactively adjusted to give effect to the Issuance of share benefit for all periods presented, unless otherwise indicated.

Gefen International A.I. LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 1 – GENERAL (CONT.):

- g. The novel coronavirus (“COVID-19”) has adversely impacted global commercial activity and contributed to significant volatility in financial markets. The COVID-19 pandemic has disrupted global supply chains and adversely impacted many different industries for most of 2020. COVID-19 could have a continued material adverse impact on economic and market conditions and trigger a period of continued global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the extent and the duration of the economic impact of COVID-19. COVID-19 therefore presents material uncertainty and risk with respect to the Group and its performance and could affect the Group’s financial results in a materially adverse way.

Although the continued COVID-19 pandemic spread and its variants during the 1st half of 2021, the Group does not find substantial evidence for adverse changes in its operations. As of this date, the Group is unable to assess what, and for how long, any adverse changes may impact the Group business for the long term.

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 2020 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 2020 annual financial statements. Other new and amended standards and Interpretations issued by the IASB that will be applicable 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.

Investments in joint ventures

When an entity is a part of an investment arrangement, in which each of the parties in that arrangement has the same influence and has the ability to take part in establishing the financial and operational policies of another entity, the investment is classified as a joint venture in the financial statements.

Potential voting rights which can be exercised or converted immediately and their impact including potential voting rights held by others, are included in the entity's discretion in order to determine the significant influence.

Gefen International A.I. LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Investments in joint ventures (cont.)

Investments in joint ventures is recognized according to the equity method.

The financial statements of the joint ventures were prepared using the same accounting policy as the Company regarding to similar transactions and events in similar circumstances.

Profits and losses resulting from transactions between the Company and the joint venture recognized in the Company's financial statements only to the extent of the part of the non-related parties in the joint venture.

If the Company's share of losses in the joint venture equal or exceeds its interest in the joint venture, the Company discontinues recognizing its share of further losses. Losses recognized under the equity method in excess of the Company's investment in ordinary shares, are applied to the other components of the Company's interest in an associate in the reverse order of their seniority after the Company's interest, are reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Goodwill related to joint venture recorded in the financial statements as part of the equity investment and not being impaired. In case of which the Company's share in the net fair value of the assets and the liabilities exceeds the investment amount at the original investment date, the difference is being recognized thorough the profit or loss of the Company according to the equity method.

The Company tests for impairment the entire investment in joint venture when there is an evidence of impairment. Losses of impairment are being allocated to the total value of the investment.

Increase in the holding rate in the joint venture handled according to the purchase method for the relative holding rate change. Decrease in the holding rate in the joint venture treated as decrease in the relative part of the investment through profit or loss.

The Company ceases using the equity method in case of the investment does not meet the criteria of joint venture. The remaining investment is being recognized through fair value. The difference between investment in fair value and the consideration received from the sale of part of the investment, is recognized through profit or loss.

Gefen International A.I. LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 3 – SEGMENT INFORMATION:

Summarized financial information by 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, 2021 (Unaudited)

	Agent solution segment	License fees segment	Total
Segment revenue	3,863	2,766	6,629
Segment operating profit (loss)	700	(22)	678
Financial income, net			1,529
Profit before tax			2,207

For the six months ended June 30, 2020 (Unaudited)

	Agent solution segment	License fees segment	Total
Segment revenue	3,452	2,104	5,556
Segment operating profit (loss)	724	(1,035)	(311)
Financial expenses, net			(498)
Loss before tax			(809)

NOTE 4 – EQUITY METHOD INVESTMENT:

In January 2021, Polibit entered into two Share Purchase Agreements ("SPA's"), pursuant to which Polibit purchased 500 Ordinary Shares of Fridman-Berkovitch, Insurance Agency (2009) Ltd. ("Fridman-Berkovitch"), which constitute, at the time of the closing of the SPA's, 50% of Fridman-Berkovitch's share capital, on a fully diluted basis. The total consideration of the purchase is 693, with the following breakdown: 451 was paid in cash and 242 will be paid during a two year period.

Fridman-Berkovitch operates in Israel as an insurance agency since year 2009, and generates its revenues from insurance commissions at life and elementary sectors.

Gefen International A.I. LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 5 – SIGNIFICANT EVENTS DURING THE REPORTING PERIOD:

- In April 2021, the Subsidiary has entered into certain convertible note (the “Notes”) in order to raise an aggregate amount of AUD 2,500,000 (approximately 1,875). The Notes will be converted into the shares of the public company.

Conversion: immediately prior to the occurrence of a liquidity event which means the completion of an IPO or Share Sale. Calculation of the conversion shall be as follows: Notes' amount divided by the conversion price which is the following: a price equal to a 15% discount to the IPO Price, or - the price payable per ordinary share in respect of a share sale.

Redemption: only in the event that the Notes are not converted into shares pursuant to the conversion prior to or on the date of twelve (12) months from the date of each Note (the “Redemption Date”), the Company shall pay the noteholder at the Redemption Date, the total of the Notes amount.

The convertible note was designated to be measured at fair value through profit or loss. As of June 30, 2021, the fair value was 2,164. Total fees paid for raising the loan were 172 that were recorded in the income statement.

- During 2021, Polibit obtained two loans in the total amount of 466 from Ayalon Insurance Company. The loans bear annual interest of 6.5%. The interest is paid monthly, and the principal repayment will be made for the first loan in 60 payments starting February and the second loan will have 58 repayments starting April 2021 until January 2026.
- On June 1, 2021, the Subsidiary signed a shareholders agreement ("agreement") with Arayot Insurance and Pension agency Ltd. ("Arayot") for establishment of a new Company ("Newco"), where the Subsidiary holds 51% of the shares, and Arayot holds 49% of the shares, both on full-diluted basis.
Starting the closing date Arayot's business activity will be performed exclusively within and through Newco, and they will be based on the Subsidiary's technology platform. The Newco has no operation as of June 30, 2021.

Gefen International A.I. LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 6 – SUBSEQUENT EVENTS:

Following the listing on the ASX the Company issued the following instruments:

- a. The Company and Fineline (PCB) Cyprus Ltd (“Fineline”) entered into an agreement dated September 8, 2020, of which the Company granted to Fineline certain distribution rights to its software platform. Upon achieving cumulative revenues of AUD 100 million during a period of 24 months following the IPO, Fineline shall be entitled to receive 5,850,651 ordinary shares or proportionate amount for partial performance.
- b. In February 2021, the Subsidiary signed an agreement with its corporate finance advisor (the Advisor). the Advisor shall be granted 1,672,918 fully paid ordinary shares in capital of the Company at completion of the IPO at nil cost immediately prior to the admission to the official list of the ASX.
- c. On July 21, 2021, The Company issued to each of its three founders 1,824,839 performance options (a total of 5,474,517), which carry the following terms:
 1. Each option entitles the holder to subscribe for one Share upon exercise of the option.
 2. The amount payable upon exercise of each option will be AUD\$0.01
 3. Each option will expire five years from the date of issue: July 21, 2021. An option not exercised before the expiry date will automatically lapse on the expiry date
 4. The options vest and are exercisable in the following tranches at any time on and from the date of issue:
 - 4.1 – One third - upon the Company reporting audited annual revenue of not less than AUD\$60 million within three years from the date of the IPO.
 - 4.2 – One third - upon the Company documenting at least 30,000 users within three years from the date of the IPO.
 - 4.3 – One third - upon the Company executing contracts with three new Tier 1 global enterprises within five years from the date of the IPO.

Gefen International A.I. LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 6 – SUBSEQUENT EVENTS (CONT.):

- d. On July 21, 2021, The Company issued to each of its three non-executive directors 150,000 options (a total of 450,000), which carry the following terms:
 - 1. Each option entitles the holder to subscribe for one share upon exercise of the option.
 - 2. The amount payable upon exercise of each option will be AUD\$1.5.
 - 3. Each option will expire five years from the date of issue: July 21, 2021. An option not exercised before the expiry date will automatically lapse on the expiry date.
 - 4. The options shall vest and become exercisable in three annual equal tranches, contingent upon directors continuous engagement with the Company.