

**BRAINSWAY LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2015**

**UNAUDITED**

**INDEX**

	<b>Page</b>
<b>Review of Interim Consolidated Financial Statements</b>	<b>2</b>
<b>Consolidated Statements of Financial Position</b>	<b>3</b>
<b>Consolidated Statements of Comprehensive Income</b>	<b>4</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>5</b>
<b>Consolidated Statements of Cash Flows</b>	<b>6 - 7</b>
<b>Notes to Interim Consolidated Financial Statements</b>	<b>8 - 10</b>

-----

## **Auditors' review report to the shareholders of Brainsway Ltd.**

### **Introduction**

We have reviewed the accompanying financial information of Brainsway Ltd. and subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of March 31, 2015 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three months period then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. 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 Review Standard 1 of the Institute of Certified Public Accountants in Israel, "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 generally accepted auditing standards in Israel 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 financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel  
May 27, 2015

KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2015	2014	2014
	Unaudited		Audited
	NIS in thousands		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	57,157	80,162	67,130
Short-term deposits	4,400	2,635	4,196
Trade receivables	4,919	2,166	3,795
Other accounts receivable	2,941	1,014	1,989
	<u>69,417</u>	<u>85,977</u>	<u>77,110</u>
<b>NON-CURRENT ASSETS:</b>			
Long-term leasing deposits	116	84	116
Property, plant and equipment, net	25,540	18,523	22,902
Intangible assets	99	127	99
	<u>25,755</u>	<u>18,734</u>	<u>23,117</u>
	<u><u>95,172</u></u>	<u><u>104,711</u></u>	<u><u>100,227</u></u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables	6,344	3,261	5,941
Other accounts payable	4,088	2,802	4,607
Deferred revenues	9,449	5,926	10,340
Liability in respect of research and development grants	272	215	385
	<u>20,153</u>	<u>12,204</u>	<u>21,273</u>
<b>NON-CURRENT LIABILITIES:</b>			
Other liabilities	28	28	27
Deferred revenues	800	-	825
Liability in respect of research and development grants	15,983	12,447	14,897
Liability in respect of share options to investors	2,388	12,491	2,618
Employee benefit liabilities, net	-	5	-
	<u>19,199</u>	<u>24,971</u>	<u>18,367</u>
<b>EQUITY:</b>			
Share capital	577	570	577
Share premium	203,084	202,915	203,073
Reserve for transaction with controlling shareholder	3,854	3,854	3,854
Share-based payment	9,438	4,209	8,798
Foreign currency translation reserve	13	-	-
Accumulated deficit	(161,146)	(144,012)	(155,715)
	<u>55,820</u>	<u>67,536</u>	<u>60,587</u>
	<u><u>95,172</u></u>	<u><u>104,711</u></u>	<u><u>100,227</u></u>

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

May 27, 2015			
Date of approval of the financial statements	Dr. David Zchut Chairman of the Board	Giora Yanai Director and Chairman of the Balance Sheet Committee	Hadar Levi CFO

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands (except per share data)</b>		
Revenues	5,021	2,467	12,093
Cost of revenues	1,097	609	2,347
Gross profit	3,924	1,858	9,746
Research and development expenses, net	4,181	4,044	23,033
Marketing expenses	3,250	1,226	6,784
General and administrative expenses	1,560	1,222	5,966
Operating loss	5,067	4,634	26,037
Finance income	(385)	(226)	(11,432)
Finance expenses	749	7,305	8,811
Loss	5,431	11,713	23,416
Other comprehensive income (loss):			
Amounts that will be reclassified or that are reclassified to profit or loss when specific conditions are met:			
Adjustments arising from translating financial statements of foreign operation	13	-	-
Total comprehensive loss	5,418	11,713	23,416
Basic loss per share (in NIS)	(0.38)	(0.88)	(1.65)
Diluted loss per share (in NIS)	(0.38)	(0.88)	(2.02)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<u>Share capital</u>	<u>Share premium</u>	<u>Reserve for transaction with controlling shareholder</u>	<u>Reserve for share-based payment transactions</u>	<u>Foreign currency translation reserve</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
	<b>Unaudited</b>						
	<b>NIS in thousands</b>						
Balance at January 1, 2015 (audited)	577	203,073	3,854	8,798	-	(155,715)	60,587
Total comprehensive loss	-	-	-	-	13	(5,431)	(5,418)
Forfeiture and expiration of share options	-	11	-	(65)	-	-	(54)
Cost of share-based payment	-	-	-	705	-	-	705
Balance at March 31, 2015	<u>577</u>	<u>203,084</u>	<u>3,854</u>	<u>9,438</u>	<u>13</u>	<u>(161,146)</u>	<u>55,820</u>

	<u>Share capital</u>	<u>Share premium</u>	<u>Reserve for transaction with controlling shareholder</u>	<u>Reserve for share-based payment transactions</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
	<b>Unaudited</b>					
	<b>NIS in thousands</b>					
Balance at January 1, 2014 (audited)	532	151,464	3,854	3,588	(132,299)	27,139
Total comprehensive loss	-	-	-	-	(11,713)	(11,713)
Forfeiture of share options	-	-	-	(48)	-	(48)
Exercise of share options	7	10,551	-	-	-	10,558
Cost of share-based payment	-	-	-	669	-	669
Issue of shares, net	31	40,900	-	-	-	40,931
Balance at March 31, 2014	<u>570</u>	<u>202,915</u>	<u>3,854</u>	<u>4,209</u>	<u>(144,012)</u>	<u>67,536</u>

	<u>Share capital</u>	<u>Share premium</u>	<u>Reserve for transaction with controlling shareholder</u>	<u>Reserve for share-based payment transactions</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
	<b>Audited</b>					
	<b>NIS in thousands</b>					
Balance at January 1, 2014	532	151,464	3,854	3,588	(132,299)	27,139
Total comprehensive loss	-	-	-	-	(23,416)	(23,416)
Issue of shares, net	32	40,900	-	-	-	40,932
Forfeiture of share options	-	-	-	(90)	-	(90)
Exercise of share options	13	10,709	-	(54)	-	10,668
Cost of share-based payment	-	-	-	5,354	-	5,354
Balance at December 31, 2014	<u>577</u>	<u>203,073</u>	<u>3,854</u>	<u>8,798</u>	<u>(155,715)</u>	<u>60,587</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands</b>		
<u>Cash flows from operating activities:</u>			
Loss	(5,431)	(11,713)	(23,416)
Adjustments to reconcile loss to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	675	285	1,203
Finance expenses (income), net	365	7,079	(2,621)
Cost of share-based payment	605	585	5,037
Change in employee benefit liabilities, net	-	(4)	-
	<u>1,645</u>	<u>7,945</u>	<u>3,619</u>
Changes in asset and liability items:			
Increase in trade receivables	(1,165)	(855)	(2,501)
Decrease (increase) in other accounts receivable	(952)	564	(411)
Increase (decrease) in trade payable	(343)	1,314	1,969
Increase (decrease) in other accounts payable	(520)	(425)	1,363
Increase (decrease) in deferred revenues	(917)	234	5,473
	<u>(7,683)</u>	<u>832</u>	<u>5,893</u>
Cash paid and received during the period for:			
Interest paid	*) -	*) -	*) -
Interest received	22	53	334
	<u>22</u>	<u>53</u>	<u>334</u>
Net cash used in operating activities	<u>(7,661)</u>	<u>(2,883)</u>	<u>(13,570)</u>
<u>Cash flows from investing activities:</u>			
Purchase of property, plant and equipment and intangible assets	(2,550)	(2,075)	(5,351)
Sale (purchase) of short-term investments, net	(100)	2,430	1,516
Investment in long-term deposits, net	-	(10)	(42)
Net cash provided by (used in) investing activities	<u>(2,650)</u>	<u>345</u>	<u>(3,877)</u>

\*) Represents less than NIS 1 thousand.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands</b>		
<u>Cash flows from financing activities:</u>			
Receipt of Government grants	535	69	1,493
Repayment of liability in respect of Government grants	(257)	-	(263)
Exercise of share options	-	4,595	4,705
Proceeds from issue of securities, net	-	40,931	40,932
Net cash provided by financing activities	278	45,595	46,867
Exchange differences and commissions on balances of cash and cash equivalents	46	61	666
Exchange differences on foreign currency translation reserve	14	-	-
Increase (decrease) in cash and cash equivalents	(9,973)	43,118	30,086
Cash and cash equivalents at the beginning of the period	67,130	37,044	37,044
Cash and cash equivalents at the end of the period	57,157	80,162	67,130
<u>(a) Significant non-cash transactions:</u>			
Exercise of options which were presented as liability to equity	-	5,963	5,963
Purchase of property, plant and equipment on current suppliers' credit	2,519	-	1,802

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 1:- GENERAL**

- a. These financial statements have been prepared in a condensed format as of March 31, 2015 and for the three months period then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2014 and for the year then ended and accompanying notes ("annual consolidated financial statements").
- b. The Group earns revenues from the lease of devices since the end of 2009.
- c. On January 9, 2013, the U.S. Food and Drug Administration ("FDA") approved the Company's Deep TMS device for the treatment of depression in patients.
- d. In its meeting of May 27, 2015, the Company's Board authorized Mr. Giora Yanai, an external director and chairman of the Balance Sheet Committee, to sign these financial statements in lieu of the Company's CEO because on that date the Company has no serving CEO.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements.

**NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD**

- a. During the first quarter of 2015, 3,600 options associated with employees who left during the quarter have been forfeited and 450 options associated with employees who terminated employment in 2014 expired.



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)**

## b. Allocation of options in the U.S.:

On December 22, 2014, the Company's Board approved to allocate 110,808 share options to a consultant and an employee of the sub-subsidiary, Brainsway USA Inc., that may be exercised into 110,808 Ordinary shares of NIS 0.04 par value for the exercise increment of NIS 43 per any share option as follows (1) 100,800 share options to the consultant will vest in equal parts over three years on a monthly basis starting January 1, 2015. The exercise period for stock options that will vest until December 31, 2015 ends on December 31, 2017; the exercise period for stock options that will vest until December 31, 2016 ends on December 31, 2018 and the exercise period for stock options that will vest until December 31, 2017 ends on December 31, 2019 (2) 10,008 share options to the employee will vest in equal parts on a monthly basis from January 1, 2015 to December 31, 2015 and may be exercised until December 31, 2017.

The options were allocated to the optionees on March 22, 2015. The grant date fair value of the options using the binomial model was determined at approximately NIS 1.2 million. The inputs used for the fair value measurement of the options at the grant date: expected volatility of the share prices of 43.53%-53.41%, risk-free interest rate of 0.06%-0.82%, share price of NIS 36.95, exercise coefficient of 2.3-2.8.

**NOTE 4:- FINANCIAL INSTRUMENTS***Fair value:*

The carrying amounts of financial instruments as of March 31, 2015 are an approximation of their fair value.

**NOTE 5:- ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE INCOME ITEMS**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands</b>		
Revenues reported in the financial statements for each group of similar products and services:			
Rental income	3,677	1,745	9,689
Revenues from sales	1,344	722	2,404
	<u>5,021</u>	<u>2,467</u>	<u>12,093</u>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**


---

**NOTE 5:- ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE INCOME ITEMS (Cont.)**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS in thousands</b>		
Cost of revenues:			
Cost of rent	781	360	1,447
Cost of sales	316	249	900
	<u>1,097</u>	<u>609</u>	<u>2,347</u>

**NOTE 6:- EVENTS AFTER THE REPORTING PERIOD**

- a. On April 30, 2015, Mr. Uzi Sofer terminated his position as a CEO and director in the Company.
- b. Between May 2015 and the date when the financial statements were signed, 5,250 and 1,200 options associated with employees who terminated employment in 2015, expired, respectively, and 297,002 options that had been granted to a former CEO and director in the Company were exercised into 74,250 Ordinary shares of NIS 0.04 par value each for the total consideration of approximately NIS 376 thousand.
- c. On May 18, 2015, the Company informed on the appointment of a new president and CEO for the Company, Dr. Guy Ezekiel, who will start his tenure on June 15, 2015. The general meeting was convened by the Company for June 22, 2015 to approve his conditions of employment.
- d. On May 18, 2015, the subsidiary received the approval of the Chief Scientist of the State of Israel to support research and development projects in the scope of approximately NIS 11,100 thousand and NIS 7,704 thousand at participation rates of 50% and 30%, respectively, pursuant to the provisions of the Law for the Encouragement of Industrial Research and Development, 1984.

-----