BRAINSWAY LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2018

U.S. DOLLARS IN THOUSANDS

UNAUDITED

INDEX

	Page
Review of Interim Consolidated Financial Statements	2
Consolidated Statements of Financial Position	3
Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Changes in Equity	5 - 7
Consolidated Statements of Cash Flows	8 - 9
Notes to Interim Consolidated Financial Statements	10 - 18

- - - - - - - - - - -

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

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 June 30, 2018 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods 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
August 26, 2018

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2018	June 30, 2017	December 31, 2017
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	10,491	6,638	14,509
Short-term deposits	1,114	25	50
Trade receivables, net	2,856	2,544	2,419
Other accounts receivable	1,115	1,015	909
	15,576	10,222	17,887
NON-CURRENT ASSETS:			
Restricted deposit	1,014	-	2,009
Long-term deposits	154	22	25
Property, plant and equipment, net	7,059	7,177	7,091
Intangible assets	14	16	18
	8,241	7,215	9,143
	23,817	17,437	27,030
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	1,427	1,109	1,631
Other accounts payable	1,779	1,459	1,803
Deferred revenues	2,162	2,131	2,448
Liability in respect of research and development grants	430	101	251
	5,798	4,800	6,133
NON-CURRENT LIABILITIES:			
Loan from bank	2,779	-	2,727
Deferred revenues and other liabilities	336	252	309
Liability in respect of research and development grants	4,621	4,046	5,028
Share options	112	-	112
	7,848	4,298	8,176
EQUITY:			
Share capital	171	149	171
Share premium	65,043	56,585	65,034
Reserve for transaction with controlling shareholder	917	917	917
Share-based payment	4,183	3,361	3,889
Adjustments arising from translating financial statements from functional currency to presentation currency	(2,188)	(2,188)	(2,188)
Accumulated deficit	(57,955)	(50,485)	(55,102)
	10,171	8,339	12,721
	23,817	17,437	27,030

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

August 26, 2018			
Date of approval of the financial statements	Dr. David Zchut Chairman of the Board	Yaakov Michelin CEO and Director	Hadar Levi CFO

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2018	**2017**	**2018**	**2017**	**2017**
	Unaudited				**Audited**
	U.S. dollars in thousands (except per share data)				
Revenues	7,331	4,527	3,726	2,379	11,145
Cost of revenues	1,559	1,003	862	556	2,595
Gross profit	5,772	3,524	2,864	1,823	8,550
Research and development expenses, net	2,981	2,500	1,270	1,339	5,343
Selling and marketing expenses	3,788	3,048	1,907	1,612	6,331
General and administrative expenses	1,424	1,246	691	660	3,487
Operating loss	2,421	3,270	1,004	1,788	6,611
Finance income	69	1,471	(444)	1,406	(186)
Finance expenses	395	638	297	129	460
Loss before tax	2,747	2,437	1,745	511	6,885
Tax expenses	106	-	81	-	169
Comprehensive loss	2,853	2,437	1,826	511	7,054
Basic loss per share (in dollars)	(0.17)	(0.17)	(0.12)	(0.03)	(0.48)
Diluted loss per share (in dollars)	(0.17)	(0.17)	(0.12)	(0.03)	(0.48)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve for transaction with controlling shareholder	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
	Unaudited						
	U.S. dollars in thousands						
Balance at January 1, 2018 (audited)	171	65,034	917	3,889	(2,188)	(55,102)	12,721
Total comprehensive loss	-	-	-	-	-	(2,853)	(2,853)
Forfeiture and expiration of share options	-	9	-	(113)	-	-	(104)
Cost of share-based payment	-	-	-	407	-	-	407
Balance at June 30, 2018	171	65,043	917	4,183	(2,188)	(57,955)	10,171

	Share capital	Share premium	Reserve for transaction with controlling shareholder	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
	Unaudited						
	U.S. dollars in thousands						
Balance at January 1, 2017 (audited)	149	56,585	917	2,872	(2,188)	(48,048)	10,287
Total comprehensive loss	-	-	-	-	-	(2,437)	(2,437)
Forfeiture of share options	-	-	-	(12)	-	-	(12)
Cost of share-based payment	-	-	-	501	-	-	501
Balance at June 30, 2017	149	56,585	917	3,361	(2,188)	(50,485)	8,339

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve for transaction with controlling shareholder	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
	Unaudited						
	U.S. dollars in thousands						
Balance at April 1, 2018	171	65,034	917	4,124	(2,188)	(56,129)	11,929
Total comprehensive loss	-	-	-	-	-	(1,826)	(1,826)
Forfeiture and expiration of share options	-	9	-	(101)	-	-	(92)
Cost of share-based payment	-	-	-	160	-	-	160
Balance at June 30, 2018	171	65,043	917	4,183	(2,188)	(57,955)	10,171

	Share capital	Share premium	Reserve for transaction with controlling shareholder	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
	Unaudited						
	U.S. dollars in thousands						
Balance at April 1, 2017	149	56,585	917	3,047	(2,188)	(49,974)	8,536
Total comprehensive loss	-	-	-	-	-	(511)	(511)
Forfeiture of share options	-	-	-	(3)	-	-	(3)
Cost of share-based payment	-	-	-	317	-	-	317
Balance at June 30, 2017	149	56,585	917	3,361	(2,188)	(50,485)	8,339

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve for transaction with controlling shareholder	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
	Audited						
	U.S. dollars in thousands						
Balance at January 1, 2017	149	56,585	917	2,872	(2,188)	(48,048)	10,287
Total comprehensive loss	-	-	-	-	-	(7,054)	(7,054)
Issue of shares, net *)	22	8,423					8,445
Forfeiture and expiration of share options	-	26	-	(44)	-	-	(18)
Cost of share-based payment	-	-	-	1,061	-	-	1,061
Balance at December 31, 2017	171	65,034	917	3,889	(2,188)	(55,102)	12,721

*) Net of issue expenses of $ 133 thousand.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	U.S. dollars in thousands				
Cash flows from operating activities:					
Loss	(2,853)	(2,437)	(1,826)	(511)	(7,054)
Adjustments to reconcile loss to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	574	348	313	184	1,072
Finance expenses (income), net	326	(833)	741	(1,277)	274
Cost of share-based payment	297	480	65	311	1,028
Tax expenses	106	-	81	-	169
	1,303	(5)	1,200	(782)	2,543
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(390)	(120)	(614)	337	(21)
Decrease in other accounts receivable	(89)	(13)	(289)	(27)	113
Increase (decrease) in trade payable	100	(41)	26	-	310
Increase (decrease) in other accounts payable	41	(3)	29	124	163
Increase (decrease) in deferred revenues	(257)	149	(116)	126	523
	(595)	(28)	(964)	560	1,088
Cash paid and received during the period for:					
Interest received	4	8	4	6	12
Interest paid	(112)	-	(58)	-	-
Taxes paid	(179)	-	(162)	-	(56)
	(287)	8	(216)	6	(44)
Net cash used in operating activities	(2,432)	(2,462)	(1,806)	(727)	(3,467)
Cash flows from investing activities:					
Purchase of property, plant and equipment and intangible assets	(907)	(515)	(448)	(428)	(985)
Investment in restricted deposit	-	-	-	-	(2,000)
Purchase (realization) of short-term investments, net	(50)	560	-	560	535
Withdrawal (investment in) of long-term deposits, net	(129)	2	(127)	5	(1)
Net cash provided by (used in) investing activities	(1,086)	47	(575)	137	(2,451)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	U.S. dollars in thousands				
Cash flows from financing activities:					
Receipt of loan from bank, net **)	-	-	-	-	2,702
Receipt of Government grants	13	-	13	-	186
Repayment of liability in respect of Government grants	(196)	(217)	(196)	-	(375)
Issue of share options to bank	-	-	-	-	150
Proceeds from issue of securities, net *)	-	-	-	-	8,445
Net cash provided by (used in) financing activities	(183)	(217)	(183)	-	11,108
Exchange differences and commissions on balances of cash and cash equivalents	(317)	96	(255)	7	145
Increase (decrease) in cash and cash equivalents	(4,018)	(2,536)	(2,819)	(583)	5,335
Cash and cash equivalents at the beginning of the period	14,509	9,174	13,310	7,221	9,174
Cash and cash equivalents at the end of the period	10,491	6,638	10,491	6,638	14,509
(a) Significant non-cash transactions:					
Purchase of property, plant and equipment on current suppliers' credit	177	303	(301)	-	469

*) Net of issue expenses of $ 133 thousand.

*) Net of transaction costs of $ 148 thousand.

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

NOTE 1:- GENERAL

a. These financial statements have been prepared in a condensed format as of June 30, 2018 and for the six three months periods 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, 2017 and for the year then ended and accompanying notes ("annual consolidated financial statements").

b. On January 9, 2013, the Group received the FDA approval for the Deep TMS device for the treatment of depression in patients. On May 3, 2018, the Group received the FDA approval for marketing the Deep TMS device including the new stimulator developed by the Company. On August 17, 2018, the Group received the FDA approval under the DE NOVO track for the marketing and sale of the Deep TMS system including with a H7 coil for the treatment of obsessive-compulsive disorder (OCD) in adults developed by the Company.

c. The Company had negative cash flows from operating activities of approximately $ 3.5 million and $ 2.4 million for the year ended December 31, 2017 and for the six months ended June 30, 2018, respectively. Further, the Company had operating loss of approximately $ 6.6 million and $ 2.4 million for the year ended December 31, 2017 and for the six months ended June 30, 2018, respectively. In August 2017, the Company entered into an agreement for the receipt of a bank credit facility ("the agreement") in the amount of up to $ 6 million. In October 2017, the Company withdraw an amount of $ 3 million from said credit facility (for further details regarding the credit terms, see Note 14b and e to the annual consolidated financial statements). As of June 30, 2018, the Company is meeting the financial covenants set in the agreement. The Company's management and Board believe that the Company will have the required financial sources to finance its business activity according to its plans in the foreseeable future

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. 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, except as described below.

b. Revenue from contracts with customers:

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") has been adopted for the first time in these financial statements. The Company chose to adopt the provisions of IFRS 15 retrospectively with certain reliefs and not to restate comparative figures. The first time adoption of IFRS 15 had no impact on retained earnings as of January 1, 2018.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 15 introduces a five-step model that applies to revenue earned from contracts with customers:

Step 1: Identify the contract with a customer, including reference to contract combination and accounting for contract modifications.

Step 2: Identify the distinct performance obligations in the contract.

Step 3: Determine the transaction price, including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.

Step 4: Allocate the transaction price to the distinct performance obligations on a relative stand-alone selling price basis using observable information, if it is available, or using estimates and assessments.

Step 5: Recognize revenue when a performance obligation is satisfied, either at a point in time or over time.

The accounting policy applied from January 1, 2018 regarding revenue recognition is as follows:

1. Revenue recognition:

   According to IFRS 15, revenue from contracts with customers is recognized in profit or loss when the control over the asset or service is transferred to the customer. Revenue is measured and recognized at the fair value of the consideration that is expected to be received based on the contract terms, less the amounts collected in favor of third parties (such as taxes). Revenue is recognized in profit or loss to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if relevant, can be measured reliably.

2. Revenue from sale of goods:

   Revenue from sale of goods is recognized in profit or loss at a point in time when the ownership of the goods is passed to the buyer, normally when the goods are delivered to the buyer.

3. Costs of obtaining a contract:

   In order to obtain some of its contracts with customers, the Company bears the incremental costs of obtaining the contract (such as sales commissions which are contingent on making binding sales). Costs incurred in obtaining the contract with the customer which would not have been incurred if the contract had not been obtained and which the Company expects to recover are recognized as an asset and amortized on a systematic basis consistently with the provision of the services under the specific contract.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company chose to apply the practical expedient according to which incremental costs of obtaining a contract will be recognized as an expense when incurred if the amortization period of the asset is one year or less.

c. Financial instruments:

As detailed in Note 4a to the annual consolidated financial statements, IFRS 9, "Financial Instruments" ("IFRS 9") has been adopted for the first time in these financial statements. The Company chose to adopt the provisions of IFRS 9 retrospectively with certain reliefs and not to restate comparative figures. The first time adoption of IFRS 9 had no impact on retained earnings as of January 1, 2018.

Impairment of financial assets:

The Company reviews at the end of each reporting period the provision for loss of financial debt instruments which are not measured at fair value through profit or loss. The Company distinguishes between two types of recognizing a provision for losses:

1. Debt instruments whose credit quality has not significantly deteriorated since their initial recognition date or whose credit risk is low - the provision for loss that will be recognized in respect of this debt instrument will take into account expected credit losses within 12 months from the reporting date; or

2. Debt instruments whose credit quality has significantly deteriorated since their initial recognition date or whose credit risk is not low - the provision for loss that will be recognized will take into account expected credit losses over the instrument's remaining term.

An impairment loss of debt instruments measured at amortized cost is carried to profit or loss against a provision whereas an impairment loss of debt instruments measured at fair value through other comprehensive income will be carried against a capital reserve and will not reduce the carrying amount of the financial asset in the statement of financial position.

The Company has financial assets bearing short-term credit such as trade receivables in respect of which it is required to adopt the relief prescribed in the model i.e., the company will measure the provision for loss in an amount which is equivalent to the expected credit losses.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d. Disclosure of new standards in the period prior to their adoption:

IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"). According to IFRS 16, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The main effects of IFRS 16 are as follows:

- According to IFRS 16, lessees are required to recognize all leases in the statement of financial position (except in certain exceptions, see below). Lessees will recognize a liability for lease payments against a right-of-use asset, similarly to the accounting treatment of finance leases according to the existing IAS 17, "Leases". Lessees will also recognize interest expenses and depreciation expenses separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or use are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and the effect of the remeasurement is an adjustment to the carrying amount of the right-of-use asset.

- The accounting treatment by lessors remains substantially unchanged, namely classification of a lease as a finance lease or an operating lease.

- The IFRS 16 includes two exceptions which allow lessees to account for leases based on the existing accounting treatment of operating leases for leases with low financial value or leases under one year.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 permits lessees to use one of the following approaches:

1. Full retrospective approach - according to this approach, the effect of the adoption of IFRS 16 at the beginning of the earliest period presented will be carried to equity. Also, the Company will restate the comparative figures in its financial statements. The balance of the liability as of the date of initial adoption of IFRS 16 as per this approach will be calculated using the interest rate implicit in the lease, unless this rate cannot be easily determined in which case the lessee's incremental borrowing rate of interest.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Modified retrospective approach - this approach does not require restatement of comparative data. The balance of the liability as of the date of initial adoption of IFRS 16 will be calculated using the lessee's incremental borrowing rate of interest on the date of initial adoption of IFRS 16. As for the outstanding right-of-use asset, the Company may apply one of the two following alternatives to account for each lease separately:

    - Recognizing an asset in the amount of the recognized liability, with certain adjustments.

    - Recognizing an asset as if the asset had always been measured according to the provisions of IFRS 16.

Any difference arising on the date of first-time adoption of IFRS 16 as a result of the modified retrospective approach will be carried to equity.

The Company expects to use the modified retrospective approach for the first-time adoption of the IFRS 16 by measuring the right-of-use asset at the amount of the lease liability, as presented on the transition date.

The Company has extensive lease contracts mainly consisting of real estate properties and vehicles (see also Note 18h to the annual consolidated financial statements). In the context of examining the potential impact of IFRS 16 on the financial statements, the Company is reviewing the following issues:

- The existence of lease extension options - according to IFRS 16, non-cancellable lease terms also include periods that are covered by the lease extension options if it is likely that the lessee will exercise the option. The Company is examining the existence of such options in its lease agreements and whether or not it is likely that they will be exercised by it. In the context of such examination, the Company studies all the relevant facts and circumstances that are likely to create an economic incentive for exercising the option, among others, significant leasehold improvements that have been or are expected to be performed, the significance of the leasehold to the Company's activity and past experience in connection with the exercise of such extension options.

- Separation of contract components - according to IFRS 16, all lease components of a contract should be separated from non-lese components when the lessee is allowed the relief of choosing not to distinguish between such components according to categories of base assets but rather jointly account for them as a single lease component. The Company is reviewing the existence of non-lease components in its current lease contracts such as for the provision of management and maintenance services and whether the above relief should be applied to each category of base assets.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- Discount interest rate - the Company is examining how to determine the discount rate for measuring a right-of-use asset on the date of initial adoption of IFRS 16, based on the initial adoption approach chosen by it. In this context, the Company is also examining its ability to estimate the fair value of the leasehold and the lessor's initial costs if it should choose the retrospective approach, or alternatively estimate the lessee's incremental borrowing rate of interest assuming that the interest rate implicit in the lease cannot be determined using the full retrospective approach or if it should choose he modified retrospective approach in view of the lease period and the nature of the leasehold.

- The Company is also evaluating the need for adjustments to its systems, internal control, policies and procedures that will be necessary in order to apply the provisions of IFRS 16.

The Company elected not to apply the practical expedient in IFRS 16 and to take into account in the computation of the above impact also lease contracts that are expected to end during 2019.

At this stage, the Company estimates that the effect of the first-time adoption of IFRS 16 as of January 1, 2019 will result in an increase of between $ 1,362 thousand and $ 1,506 thousand in the Company's total assets and liabilities.

Also, the effect of the first-time adoption of IFRS 16 in 2019 is expected to result in a decrease of between $ 494 thousand and $ 541 thousand in the Company's lease expenses and in an increase of between $ 440 thousand and $ 485 thousand and between $ 95 thousand and $ 99 thousand in the Company's depreciation and amortization expenses and in finance expenses, respectively. The total effect of the first-time adoption of IFRS 16 is expected to lead to increase of between $ 54 thousand and $ 56 thousand in operating income in 2019 and to decrease of between $ 41 thousand and $ 43 thousand in income before tax.

Also, the application of IFRS 16 is expected to result in an increase of between $ 398 thousand and $ 441 thousand in cash flows from operating activities and a decrease of between $ 398 thousand and $ 441 thousand in cash flows from financing activities.

The above quantitative disclosures refers to the effects known to the Company as of today based on the existing lease contracts as of January 1, 2019.

The Company's forecast of the effects of IFRS 16 on the financial statements depends on additional contracts that will be signed during the period up to the first-time adoption of IFRS 16 and changes in various economic variables that may affect the discount rates used for the calculation of the liabilities during the period up to the first-time adoption of IFRS 16.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company has a bank credit facility that contains certain financial covenants. The first-time adoption of IFRS 16 is not expected to have an effect on these covenants.

According to IFRS 16, the accounting treatment of transactions in which the Company is the lessor will remain without any material change.

The Company will continue to report in the period up to the first-time adoption of IFRS 16 any additional effects and changes in the data that were known to the Company in these financial statements and the effect of these changes on the quantitative disclosures presented in this Note.

NOTE 3:- EVENTS DURING THE REPORTING PERIOD

a. During the first half of 2018, 54,501 and 3,333 options that had been granted to officers and an employee whose employment in the Company was terminated in 2018, respectively, were forfeited and they expired.

b. On February 12, 2018, an amendment to the credit facility agreement with Bank Mizrahi, as stated in Note 14b to the annual consolidated financial statements, was signed, according to which loans under the second facility could be withdrawn until March 15, 2019 (instead of until March 15, 2018) and the annual interest rate on each loan given in the framework of the second facility will be lowered to 3-months Libor plus 6%. The other terms of the facility agreement and the second facility remain unchanged.

c. In December 2017, the Company received the approval of the MAGNET committee of the Israel Innovation Authority for a plan with the budget of NIS 1.1 million, of which 66% (approximately NIS 0.7 million) is expected to be given to the Company as a grant. Accordingly, on February 22, 2018, Inc and Yeda Research and Development Company Ltd. ("Yeda") signed an additional addendum to the agreement ("the fifth addendum"), according to which Inc received the right to perform a test on another invention based on a patent in connection with research in the field of circular electric which is owned by Yeda. In the fifth addendum it was agreed that if Inc finds said invention compatible with its needs, Inc will have the right to integrate said invention and the associated intellectual property, owned by Yeda, under the agreement, and thereby making it part of the license in the agreement ("the right"). The right is valid until the earlier of December 31, 2018 and 30 days after the completion of all the milestones that have been agreed upon by the parties. However, under certain circumstances in which the milestones are not completed by December 31, 2018, the expiry date of the right will be postponed until June 30, 2019.

NOTE 3:- EVENTS DURING THE REPORTING PERIOD (Cont.)

If the Company exercises the option granted to it under the fifth addendum, then in respect of products based on the use of the invention and know-how that is the subject of the fifth addendum, royalties on net sales will be paid to Yeda at increased rates of 1.6%-2% on top of the royalties described in Note 18i(2) to the annual consolidated financial statements and, in certain cases, at a flat rate of 2% and, in respect of products under the fifth addendum that are not based on patents or research results for which the license was granted according to the original agreement (excluding the fifth addendum), royalties on net sales will be at the rate of 5%.

d. In furtherance to the request from January 15, 2018 which was submitted by Moach to the Israel Innovation Authority at the Ministry of Economy and Industry for a grant for participation in the Company's research and development programs for 2018, on May 9, 2018, Moach obtained from the Innovation Authority at the Ministry of Economy and Industry an approval for two grants for the development of the Company's Deep TMS device. The first grant was approved for funding the multi-channel stimulator development project at a rate of 40% of total budget, which was placed at a total of up to NIS 3 million. It should be clarified that after assigning weights to the relevant criteria, the total grant will be 50% if 10% is added due to development area. The second grant was approved for funding a closed-loop product development project (DTMS-EEG) at the rate of 50% of the project budget, which was placed at a total of up to NIS 0.8 million. It should be clarified that after assigning weights to the relevant criteria, the total grant will be 60% if 10% is added due to development area.

NOTE 4:- ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE INCOME ITEMS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Unaudited				Audited
	U.S. dollars in thousands				
Revenues reported in the financial statements for each group of similar products and services:					
Revenues from lease	4,345	3,023	2,269	1,593	6,654
Revenues from sale	2,986	1,504	1,457	786	4,491
	7,331	4,527	3,726	2,379	11,145
Cost of revenues:					
Cost of lease	863	582	560	324	1,483
Cost of sales	696	421	302	232	1,112
	1,559	1,003	862	556	2,595

In the six and three months ended June 30, 2018 and 2017 and in the year ended December 31, 2017, the Company earned about 84%, 88%, 85%, 85% and 89% of its revenues in North America, respectively.

NOTE 5:- EVENTS AFTER THE REPORTING PERIOD

During July and August 2018 until the date of the approval of the financial statements, 196,166 options that had been granted to officers who terminated employment at the Company in 2018 expired.

- - - - - - - - - - -

F:\W2000\w2000\5618\M\18\EC6-BRAINSWAY-IFRS.docx