BRAINSWAY LTD.
INDEX OF FINANCIAL STATEMENTS

BRAINSWAY LTD.

AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Building a better working world

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Shareholders and the Board of Directors of

BRAINSWAY LTD.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of the financial position of Brainsway Ltd. and its subsidiaries ("the Company") as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive loss, changes in equity and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global
We have served as the Company's auditor since 2003.

Tel-Aviv, Israel
March 26, 2019

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands (except share and per share data)

	Note	December 31, 2018	2017
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5	$ 8,968	$ 14,509
Short-term deposits	6	101	50
Trade receivables, net	7	2,904	2,419
Other accounts receivable	8	1,505	909
		13,478	17,887
NON-CURRENT ASSETS:			
Restricted deposit	13b, 17h	1,007	2,009
Long-term prepaid expenses	1c	1,345	—
Long-term deposit		146	25
Property and equipment, net	9	7,626	7,109
		10,124	9,143
		$ 23,602	$ 27,030
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	11	$ 2,243	$ 1,631
Other accounts payable	12	3,459	1,803
Deferred revenues	17c	1,333	2,448
Loan from bank	13b	750	—
Liability in respect of research and development grants	13c	554	251
		8,339	6,133
NON-CURRENT LIABILITIES:			
Loan from bank	13b	2,083	2,727
Deferred revenues and other liabilities	17e, 17g	1,108	309
Liability in respect of research and development grants	13c	4,980	5,028
Warrants	13b	140	112
		8,311	8,176
EQUITY:	18		
Share capital		171	171
Share premium		67,193	65,951
Share-based payment	19	3,357	3,889
Adjustments arising from translating financial statements from functional currency to presentation currency		(2,188)	(2,188)
Accumulated deficit		(61,581)	(55,102)
		6,952	12,721
		$ 23,602	$ 27,030

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands (except share and per share data)

		Year ended December 31,	
	Note	2018	2017
Revenues	20a	$ 16,397	$ 11,145
Cost of revenues	20b	3,589	2,595
Gross profit		12,808	8,550
Research and development expenses, net	20c	6,156	5,343
Selling and marketing expenses	20d	8,345	6,331
General and administrative expenses	20e	3,421	3,487
Total operating expenses		17,922	15,161
Operating loss		5,114	6,611
Finance income	20f	(44)	(133)
Finance expense	20f	1,200	407
Loss before income taxes		6,270	6,885
Income taxes	16b	209	169
Net loss and total comprehensive loss		$ 6,479	$ 7,054
Basic and diluted net loss per share	21	$ (0.39)	$ (0.48)

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands (except share and per share data)

	Share capital	Share premium	Reserve for share-based payment transactions	Adjustments arising from translating financial statements from functional currency to presentation currency	Accumulated deficit	Total equity
Balance at January 1, 2017	$ 149	57,502	$ 2,872	$ (2,188)	$ (48,048)	$ 10,287
Net loss and total comprehensive loss	—	—	—	—	(7,054)	(7,054)
Issuance of shares, net(*)	22	8,423				8,445
Expiration of share options	—	26	(26)	—	—	—
Cost of share-based payment	—	—	1,043	—	—	1,043
Balance at December 31, 2017	171	65,951	3,889	(2,188)	(55,102)	12,721
Net loss and total comprehensive loss	—	—	—	—	(6,479)	(6,479)
Expiration of share options	—	1,242	(1,242)	—	—	—
Cost of share-based payment	—	—	710	—	—	710
Balance at December 31, 2018	171	67,193	3,357	(2,188)	(61,581)	6,952

(*) Net of issuance expenses of $ 133.

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

BRAINSWAY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands (except share and per share data)

	Year ended December 31, 2018	2017
Cash flows from operating activities:		
Total comprehensive loss	$ (6,479)	$ (7,054)
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments to profit or loss items:		
Depreciation and amortization	1,228	1,072
Finance expenses, net	1,157	274
Cost of share-based payment	710	1,028
Income taxes	209	169
	3,304	2,543
Changes in asset and liability items:		
Increase in trade receivables	(419)	(21)
Decrease (increase) in other accounts receivable	(595)	113
Increase in long-term prepaid expenses	(217)	—
Increase in trade payables	859	310
Increase in other accounts payable	482	163
Increase (decrease) in deferred revenues and other liabilities	(314)	523
	(204)	1,088
Cash paid and received during the year for:		
Interest paid	(239)	—
Interest received	37	12
Taxes	(192)	(56)
	(394)	(44)
Net cash used in operating activities	(3,773)	(3,467)
Cash flows from investing activities:		
Purchase of property and equipment(*)	(1,972)	(985)
Withdrawal of (Investment in) restricted deposit	1,007	(2,000)
Withdrawal of (Investment in) short-term deposits, net	(50)	535
Withdrawal of (Investment in) long-term deposits, net	(121)	(1)
Net cash used in investing activities	(1,136)	(2,451)
Cash flows from financing activities:		
Receipt of loan from bank, net	—	2,702
Receipt of government grants	149	186
Repayment of liability in respect of research and development grants	(414)	(375)
Issuance of warrants	—	150
Proceeds from issuance of shares, net	—	8,445
Net cash used in/provided by financing activities	(265)	11,108
Exchange rate differences on cash and cash equivalents	(367)	145
Increase (decrease) in cash and cash equivalents	(5,541)	5,335
Cash and cash equivalents at the beginning of the year	14,509	9,174
Cash and cash equivalents at the end of the year	$ 8,968	$ 14,509
(a) *Significant non-cash transactions:*		
Purchase of property and equipment on credit	$ 280	$ 469
long-term prepaid expenses not yet paid	$ 1,128	$ —

(*) Derives mainly from purchase of system components

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 1: GENERAL

a. A general description of the Company and its activity:

Brainsway Ltd. ("the Company") incorporated on November 7, 2006, is a commercial stage medical device company focused on the development and sale of non-invasive Deep Transcranial Magnetic Stimulation ("Deep TMS"), technology for the treatment of neurological and addiction disorders. The Deep TMS system ("system") uses magnetic pulses to stimulate neurons and consequently modulates the physiological activity of the brain.

In January 2013, the first commercial Deep TMS system received clearance by the United States Food and Drug Administration ("FDA") for the treatment of major depressive disorder ("MDD") in adults who failed to achieve satisfactory improvement from anti-depressant medication. In August 2018, the Company received clearance of marketing authorization by the FDA for the adjunct therapy for the treatment of obsessive-compulsive disorder (OCD) in adults.

Brainsway Ltd. ("the Company") and its wholly owned subsidiaries, Brainsway Inc. ("Inc"), Moach R&D Services Ltd. ("Moach"), Brainsway USA Inc ("USA Inc"), collectively (the "Group") derive revenues from the sale and lease of its systems.

b. The Group had negative cash flows from operating activities and an operating loss of $ 3.8 million and $ 5.1 million for the year ended December 31, 2018, respectively. In August 2017, the Company entered into an agreement for the receipt of a bank credit facility of up to $ 6,000. In October 2017, the Company withdrew $ 3,000 from the said credit facility (see Note 13b and 13d). The Company's management and board of directors believe that the Company will have the required funding to finance its business activity according to its plans in the foreseeable future.

c. On January 14, 2019, the Company filed with the SEC a registration statement on Form F-1 for an initial public offering of the Company's securities in the United States through ADSs (American Depositary Shares, each representing a number of shares to be determined in connection with the offering process). In 2018, the Company incurred expenses of $ 1.3 million relating to the process of submitting the registration statement, which were recognized as long-term prepaid expenses.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Company's financial statements have been prepared on a cost basis, except for certain financial instruments which are presented at fair value through profit or loss.

The Company has elected to present the profit or loss items using the function of expense method.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company ("subsidiaries"). Control is achieved when the Company has power over the subsidiaries, is exposed or has rights to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. In assessing control, the effect of potential voting rights is considered only if they are substantive. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The accounting policies in the financial statements of the subsidiaries have been applied consistently and uniformly with those applied in the financial statements of the Company. Significant intragroup balances and transactions and gains or losses resulting from transactions between the Company and the subsidiaries are eliminated in full in the consolidated financial statements.

c. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The functional currency is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is separately determined for each Group entity and is used to measure its financial position and operating results. The Group determines the functional currency of each Group entity. The Company's functional and presentation currency is the US Dollar for all reported periods.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated to the functional currency using the exchange rate prevailing at the date when the fair value was determined.

d. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Short-term deposits:

Short-term deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents.

f. Allowance for doubtful accounts (accounting policy applied until December 31, 2017):

The allowance for doubtful accounts is determined in respect of specific trade receivables whose collection in the opinion of the Company's management, is doubtful. The Company did not recognize an allowance in respect of groups of customers that are collectively assessed for impairment since it did not identify any groups of customers which bear similar credit risks. Impaired receivables are derecognized when they are assessed as uncollectible.

See Note 2m with respect to accounting applied commencing January 1, 2018.

g. Revenue recognition:

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") has been adopted for the first time in these financial statements using the modified retrospective method.

The new standard has been applied for the first time in these financial statements. The Company elected to adopt the provisions of the new standard using the modified retrospective method with the application of certain practical expedients and without restatement of comparative data. There was no effect of the initial adoption of the new standard on the opening balance of retained earnings as at January 1, 2018.

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

The accounting policy applied from January 1, 2018 regarding revenue recognition according to IFRS 15 is as follows:

The Company generates revenues from the sale and lease of its systems. The Company sells its products mainly to end users and to a lesser extent to third-party distributors outside of the United States and does not provide return rights.

Revenues from sale of systems:

Revenue from sale of systems are recognized at the point in time when control of the system is transferred to the customer, generally upon delivery of the system to the customer.

Revenue from rendering of services:

Revenue from rendering of extended warranty services is recognized over time, in the reporting periods in which the services are rendered. When payments are made before the service is performed, the Company recognizes the resulting contract liability as deferred revenue. Revenue from services were insignificant for all reported periods.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities:

A contract liability, presented as deferred revenues, is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. The Company elected to apply the practical expedient in IFRS 15 and does not provide disclosure of the remaining unsatisfied performance obligations with respect to contracts that have a term of up to one year. As of December 31, 2018 the Company has no unsatisfied performance obligation with a contract duration of more than one year.

Allocating the transaction price:

For contracts that consist of more than one performance obligation, at contract inception the Company allocates the contract transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. The stand-alone selling price is the price at which the Company would sell the promised goods or services separately to a customer.

Revenues from lease of systems:

The Company generates revenue from leasing its systems usually for a term of up to four years either for a fixed annual fee, or a variable fee, which is determined based on the higher of: fees per treatment (i.e. usage based fees) or an annual minimum fee as stated in the contract. Leases in which substantially all the risks and rewards incidental to ownership of the leased asset are not transferred to the lessee are classified as operating leases. Revenue from operating leases are recognized on a straight-line basis over the lease term. Usage based fees are recognized as revenue when the Company is entitled to receive such revenue.

h. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with all attached conditions.

Government grants received from the Israel Innovation Authority ("IIA") and repayable to the IIA through royalty-bearing sales are recognized upon receipt as a liability if future economic benefits are expected to be derived from the research project, resulting in royalty-bearing sales due to the IIA.

A liability for the grant is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments are recorded as a reduction of the liability.

If no economic benefits are expected from the research activity, the grant received are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37.

In each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid based on the best estimate of future

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

sales and using the original effective interest method and, if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

Grants received from the IIA prior to January 1, 2009, which are recognized as a liability, are accounted for as forgivable loans in accordance with IAS 20, based on the original terms of the loan.

i. Leases:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and is determined at the inception of the lease in accordance with IAS 17.

Leases in which substantially all the risks and rewards of ownership of the leased asset are not transferred are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

j. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Temporary differences that can be deducted for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that utilization is probable.

Taxes that would apply in the event of the disposal of investments in subsidiaries have not been taken into account in computing deferred taxes, as long as the disposal of the investments in subsidiaries is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by subsidiaries as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

k. Property and equipment, net:

Property and equipment are measured at cost less accumulated depreciation and excluding day-to-day servicing expenses.

The cost of self-constructed systems includes the cost of materials, direct labor and share-based payment, as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Leased systems	15
Laboratory equipment	15
Motor vehicles	15
Computers	33
Office furniture and equipment	6 - 15
Leasehold improvements	(*)

(*) Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life and depreciation method of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

l. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset.

The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

Impairment of leased equipment is recognized in cost of revenues. For the years ended December 31, 2018 and 2017, impairment of nil and $ 225 was recorded, respectively.

m. Financial instruments:

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 accumulated deficit as of January 1, 2018.

1. 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 provision for losses:

a. 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

b. 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.

2. Derecognition of financial assets:

A financial asset is derecognized only when the following criteria are met:

a. The contractual rights to the cash flows from the financial asset expire; or

b. The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

c. The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

3. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation is discharged, cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

4. Financial liabilities:

Financial liabilities within the scope of the standard are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability, excluding financial liabilities measured at fair value through profit or loss whose transaction costs are carried to profit or loss.

On the date of initial recognition, the Company classified financial liabilities measured at fair value through profit or loss. Changes in their fair value which can be attributed to changes in the Company's credit risk profile are carried to other comprehensive income.

After initial recognition, the Company measures all financial liabilities at amortized cost, except for financial liabilities at fair value through profit or loss such as derivatives.

5. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

n. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1	—	quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	—	inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
Level 3	—	inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

o. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

p. Employee benefit liabilities:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual and sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law ("Section 14") under which the Group pays fixed contributions and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

The Israeli Severance Pay Law, 1963 ("Severance Pay Law"), specifies that employees are entitled to severance payment following the termination of their employment. Under the Severance Pay Law, the severance payment is calculated as one month salary for each year of employment, or a portion thereof. The majority of the Company's liability for severance pay is covered by the provisions of. Under Section 14, employees are entitled to monthly deposits, at a rate of 8.33% of their monthly salary, made on behalf of the employee with insurance companies. Payments in accordance with Section 14 release the Company from any future severance payments in respect of those employees. As a result, the Company does not

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

recognize any liability for severance pay due to these employees and the deposits under Section 14 are not recorded as an asset in the Company's balance sheet.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services and no additional provision is required in the financial statements. See also Note 15.

q. Share-based payment transactions:

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting date includes the Group's best estimate of the number of equity instruments that will ultimately vest.

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value of option granted is determined using the Binomial Lattice option-pricing model ("Binomial model"). The Binomial model takes into account variables such as volatility, dividend yield rate, and risk-free interest rate and also allows for the use of dynamic assumptions and considers the contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of termination or retirement of the option holder in computing the value of the option.

No expense is recognized for awards that do not ultimately vest.

r. Net loss per share:

Net loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Basic net loss per share includes only shares that are outstanding during the period.

Potential Ordinary shares are included in the computation of diluted net loss per share when such shares are dilutive. Potential Ordinary shares that are converted during the period are included in diluted net loss per share only until the conversion date and from that date in basic net loss per share.

NOTE 3: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies in the financial statements, the Group has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

Classification of leases:

Evaluation of whether to classify a lease as a finance lease or an operating lease in accordance with the criteria stipulated in IAS 17 requires significant judgment.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Grants from the IIA:

Government grants received from the IIA are recognized as a liability if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the estimated future cash flows and discount rate used to measure the amount of the liability.

- Determining the fair value of share-based payment transactions:

The fair value of share-based payment transactions is determined upon initial recognition by the Binomial model. The Binomial model is based on share price and exercise price and assumptions regarding expected volatility, term of share option, dividend yield and risk-free interest rate.

NOTE 4: DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16") , which replaces IAS 17, "Leases", IFRIC 4, "Determining whether an Arrangement contains a Lease", SIC-15, "Operating Leases-Incentives" and SIC-27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease." IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees—leases of 'low-value' assets (e.g., personal computers) and

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 4: DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Continued)

short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Company expects to adopt the modified retrospective approach and that the effect of the first-time adoption of IFRS 16 as of January 1, 2019 will result in an increase of approximately $1,400 of the Company's total assets and corresponding liabilities.

Also, the effect of the first-time adoption of IFRS 16 in 2019 is expected to result in a decrease of approximately $500 in the Company's operating lease expense, an increase of approximately $500 and an increase of approximately $100 in the Company's depreciation and amortization expense and finance expense, respectively. The total effect of the first-time adoption of IFRS 16 in 2019 on operating loss and loss before taxes is immaterial.

In addition, the effect of the first-time adoption of IFRS 16 in 2019 is expected to result in an increase of approximately $400 in cash flows from operating activities and a corresponding decrease in cash flows from financing activities.

The above quantitative disclosures refer to the impact known to the Company as of today based on the existing lease contracts as of January 1, 2019. The accounting treatment of transactions in which the Company is the lessor will remain without any material change. 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. 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.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 4: DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Continued)

b. IFRIC 23, "Uncertainty over Income Tax Treatments":

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the rules of recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement to reflect uncertainty involving income taxes in the financial statements and accounting for changes in facts and circumstances underlying the uncertainty.

The Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted. Upon initial adoption, the Company will apply the Interpretation using one of two approaches: 1. Full retrospective adoption, without restating comparative data, by recording the cumulative effect through the date of initial adoption in the opening balance of retained earnings, or 2. Full retrospective adoption including restatement of comparative data.

The Company does not expect the Interpretation to have any material impact on its financial statements.

NOTE 5: CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash for immediate withdrawal	$ 5,965	$ 7,386
Cash equivalents—short-term deposits(1)	3,003	7,123
	$ 8,968	$ 14,509

(1) The deposits earn annual interest at the respective term of the deposits (U.S. dollar—0.5%).

As of December 31, 2018, the Group had a $ 3,000 unused credit facility, see Note 13b.

NOTE 6: SHORT-TERM DEPOSITS

	December 31, 2018	December 31, 2017
Bank deposits(1)	$ 101	$ 50

(1) Short-term deposits at banks are for periods of up to one year. The deposits earn annual interest at the respective term of the deposits (U.S. dollar—1.38%).

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 7: TRADE RECEIVABLES, NET

a. Trade receivables, net:

	December 31, 2018	December 31, 2017
Open accounts(1)	$ 3,165	$ 2,707
Credit cards	74	—
Less—allowance for doubtful accounts	(335)	(288)
Trade receivables, net	$ 2,904	$ 2,419

(1) Trade receivables generally have 90 day credit terms. Certain customers payments are made through monthly credit card transactions.

Impaired debts are accounted for through recording an allowance for doubtful accounts.

b. Movement in allowance for doubtful accounts:

	U.S. dollars in thousands
Balance as of January 1, 2017	$ —
Charge for the year	420
Derecognition of bad debts	(132)
Balance as of December 31, 2017	288
Provision for the year	335
Derecognition of bad debts	(249)
Reversal in respect of collected doubtful accounts	(39)
Balance as of December 31, 2018	$ 335

(1) Following is information about the credit risk exposure of the Company's trade receivables as of December 31, 2018:

	Not past due	< 30 days	30 - 60 days	61 - 90 days	91 - 120 days	>120 days	Total
	U.S. dollars in thousands						
Gross carrying amount	$ 1,210	$ 953	$ 207	$ 305	$ 266	$ 298	$ 3,239
Allowance for doubtful accounts	$ 148	$ 39	$ 12	$ 23	$ 23	$ 90	$ 335
Trade receivable, net							$ 2,904

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 7: TRADE RECEIVABLES, NET (Continued)

(2) Following is an analysis of past due but not impaired trade receivables (allowance for doubtful accounts) as of December 31, 2018 and 2017:

	Neither past due nor impaired	Past due trade receivables with aging of					
		< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	> 120 days	Total
December 31, 2018	$ 1,062	$ 914	$ 195	$ 282	$ 243	$ 208	$ 2,904
December 31, 2017	$ 1,198	$ 323	$ 258	$ 77	$ 153	$ 410	$ 2,419

As of December 31, 2018, the Company has over 90 days past due trade receivables of $ 451, of which $ 258 were paid between the reporting date and the date of the approval of the financial statements. The Company expects to collect the entire amount of these debts.

NOTE 8: OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2018	2017
Government authorities	$ 738	$ 394
Accrued income-IIA	332	113
Consumables	91	271
Prepaid expenses and other	344	131
	$ 1,505	$ 909

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 9: PROPERTY AND EQUIPMENT, NET

December 31, 2018:

	Leased systems	System Components	Laboratory equipment	Motor vehicles	Computers	Office furniture and equipment	Leasehold improvements	Total
Cost:								
Balance at January 1, 2018	$ 4,627	$ 3,553	$ 160	$ 1	$ 472	$ 75	$ 52	$ 8,940
Additions	—	2,645	6	—	155	7	—	2,813
Transfer to Leased systems	2,458	(2,458)	—	—	—	—	—	—
Reductions	(716)(**)	(1,023)	—	—	—	—	—	(1,739)
Balance at December 31, 2018	6,369	2,717	166	1	627	82	52	10,014
Accumulated depreciation:								
Balance at January 1, 2018	1,187	—	145	1	408	38	52	1,831
Additions	817	—	8	—	51	6	—	882
Reductions	(325)	—	—	—	—	—	—	(325)
Balance at December 31, 2018	1,679	—	153	1	459	44	52	2,388
Depreciated cost at December 31, 2018	$ 4,690	$ 2,717	$ 13	$ —(*)	$ 168	$ 38	$ —(*)	$ 7,626

(*) Represents an amount lower than $ 1

(**) Derives mainly from systems leased to customers and sold

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 9: PROPERTY AND EQUIPMENT, NET (Continued)

December 31, 2017:

	Leased systems	System Components	Laboratory equipment	Motor vehicles	Computers	Office furniture and equipment	Leasehold improvements	Total
Cost:								
Balance at January 1, 2017	$ 4,093	$ 3,750	$ 160	$ 1	$ 438	$ 75	$ 52	$ 8,585
Additions	—	2,721	—	—	34	—	—	2,739
Transfer to Leased systems	1,957	(1,957)	—	—	—	—	—	—
Reductions	(1,423)(**)	(961)	—	—	—	—	—	(2,384)
Balance at December 31, 2017	4,627	3,553	160	1	472	75	52	8,940
Accumulated depreciation:								
Balance at January 1, 2017	1,179	—	122	1	352	33	52	1,603
Additions	680	—	23	—	56	5	—	900
Reductions	(672)	—	—	—	—	—	—	(672)
Balance at December 31, 2017	1,187	—	145	1	408	38	52	1,831
Depreciated cost at December 31, 2017	$ 3,440	$ 3,553	$ 15	$ —(*)	$ 64	$ 37	$ —(*)	$ 7,109

(*) Represents an amount lower than $ 1.

(**) Derives mainly from systems leased to customers and sold

NOTE 10: FAIR VALUE MEASUREMENT

The following table presents the fair value measurement hierarchy for the Group's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2018 and 2017:

	Valuation date	Fair value hierarchy			
		Level 1	Level 2	Level 3	Total
Liabilities measured at fair value:					
Liability in respect of warrants	31.12.2018	$ —	$ 140	$ —	$ 140
Liability in respect of warrants	31.12.2017	$ —	$ 112	$ —	$ 112

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 11: TRADE PAYABLES

	December 31, 2018	December 31, 2017
Open debt	$ 2,243	$ 1,631

Trade payables are non-interest bearing and are normally settled on up to 90 day terms.

NOTE 12: OTHER ACCOUNTS PAYABLE

	December 31, 2018	December 31, 2017
Employee and payroll accruals	$ 1,067	$ 955
Accrued expenses	2,161	665
Tax payable	130	128
Liabilities to related parties(1)	101	55
	$ 3,459	$ 1,803

(1) A current non-interest bearing account.

NOTE 13: NON-CURRENT LIABILITIES

a. Composition:

	December 31, 2018	December 31, 2017
Loan from bank(b)	$ 2,083	$ 2,727
Warrants(b)	140	112
Liability in respect of research and development grants(c)	4,980	5,028
Deferred revenues and other liabilities	1,108	309
	$ 8,311	$ 8,176

b. Loan from bank:

On August 17, 2017, the Company entered into an agreement for the receipt of a bank credit facility of up to $ 6,000 (the "Bank Credit Facility"). $ 3,000 was withdrawn during 2017 ("the first facility") and bear annual interest of 3-months Libor plus 6%. The remaining credit facility ("the second facility") may be withdrawn until March 15, 2018 bearing annual interest 3-months Libor plus 6.75%. The interest on the loans is payable on a quarterly basis and the loan principal is repayable in eight equal consecutive quarterly installments, whereby the first installment is due at the end of 18 and 12 months from the date of withdrawal of the loans from the first and second facilities, respectively. Also, according to the agreement, the Company will grant the bank warrants to purchase its ordinary shares for the total exercise price of up to $ 600. The warrants are

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 13: NON-CURRENT LIABILITIES (Continued)

exercisable for a period of five years from the date of any grant at an exercise price of $ 5.02 per share to be settled in cash or a cashless exercise mechanism.

On October 3, 2017, the Company granted the bank 59,761 warrants at an aggregate exercise price of $300 as a condition for receiving the first facility.

The fair value of the warrants at the grant date was estimated at $ 150 and the remaining balance of $2,850 was attributed to the loan. Transaction costs of $ 156 were allocated based on to the relative fair value of the warrants and loan. The warrants are classified as a financial liability and measured at fair value through profit or loss.

The remaining warrants will be granted on the date of withdrawal of the loan from the second facility, so that the exercise amount will constitute 10% of the loan actually withdrawn from the second facility. The Company is entitled to make an early repayment of all or part of the loans. In such a case, the Company will pay the bank an early repayment fee as detailed in the agreement.

As part of the agreement, and as a condition for using the first and second facilities, the Group undertook to provide the bank fixed and floating charges on all its assets, including property, cash, goodwill, intellectual property, rights and assets of any kind. In addition, the Group undertook to sign a guarantee letter, unlimited in amount, to secure the loans that will be provided by virtue of the agreement. Also, a senior fixed charge, unlimited in amount, was provided on a specific deposit in which an amount of not less than $ 2,000 was deposited ("the deposited amount"). It was agreed that if by March 16, 2018, the amount of loans actually withdrawn is less than $ 6,000, the deposited amount would be placed at one-third of the actual amount of loans outstanding on that date.

In accordance with the amendments to the agreement signed up to March 14, 2019, loans under the Second facility may be withdrawn until May 30, 2019. The other terms of the first and second facility remain unchanged.

c. Government grants:

Moach received from the Israeli Government participation grants in research and development and, in return, it is currently obligated to pay royalties amounting to 3% of sales of products from such grants up to 100% of total grants received.

As of December 31, 2018, the maximum royalties payable by the Company in the future in respect of active projects is $ 12,820, including interest at the Libor rate. Through December 31, 2018, royalties paid were $ 1,386.

d. Financial covenants:

According to the Bank Credit Facility agreement (see: b above), the withdrawal of the credit facility is subject to meeting the following financial covenants: (1) total trade receivables and the cash balance will not be less than $ 4,000 provided that the total cash, including the restricted deposit, is not less than $ 2,000; (2) minimum lease fees expected to be received from all signed lease contracts of the Company during a period of four years shall be no less than $ 15,000 (cumulative); (3) minimum lease fees expected to be received from all signed lease contracts of the

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 13: NON-CURRENT LIABILITIES (Continued)

Company during a period of four years offset by amounts that may not be received from customers due to early termination of the lease contract, shall be no less than $ 7,500 and (4) total short and long-term financial credit shall not exceed $ 6,000.

As of December 31, 2018, the Company met the abovementioned financial covenants.

NOTE 14: FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities:

The financial assets and financial liabilities in the statement of financial position are measured at amortized cost, except financial liabilities in respect of warrants at fair value through profit or loss. The balance of financial liabilities in respect of warrants as of December 31, 2018 and 2017 was $ 140 and $112, respectively.

b. Financial risks factors:

The Group's activities expose it to various financial risks such as market risks (foreign currency risk, interest risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

The Company's Chief Financial Officer oversees the management of these risks in accordance with the policies approved by the board of directors.

1. Market risks:

Foreign currency risk:

The currency exposure arises from current accounts and deposits that are mainly managed in NIS and from liability in respect of employee payroll accruals that are paid in NIS.

2. Credit risk:

Credit risk is the risk that a counterparty will not meet its obligations as a customer or under a financial instrument leading to a loss to the Group. The Group is exposed to credit risk from its operating activity (primarily trade receivables).

3. Liquidity risk:

The Group monitors its risk of a shortage of cash using a quarterly budget.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 14: FINANCIAL INSTRUMENTS (Continued)

The table below presents the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

December 31, 2018

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Trade payables	$ 2,243	$ —	$ —	$ —	$ —	$ —	$ 2,243
Other accounts payable	3,394	—	—	—	—	—	3,394
Loan from bank	988	1,637	773	—	—	—	3,398
Long-term liabilities	2	1	—	—	—	—	3
Liability in respect of research and development grants	631	855	1,185	1,545	1,890	7,378	13,484
	$ 7,258	$ 2,493	$ 1,958	$ 1,545	$ 1,890	$ 7,378	$ 22,521

December 31, 2017

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Trade payables	$ 1,631	$ —	$ —	$ —	$ —	$ —	$ 1,631
Other accounts payable	1,803	—	—	—	—	—	1,803
Loan from bank	219	963	1,624	771	—	—	3,577
Long-term liabilities	2	2	2	—	—	—	6
Liability in respect of research and development grants	504	782	1,470	1,855	2,380	6,207	13,198
	$ 4,159	$ 1,747	$ 3,096	$ 2,626	$ 2,380	$ 6,207	$ 20,215

c. Fair value:

The carrying amount of cash and cash equivalents, short-term deposits, trade receivables, other accounts receivable, trade payables, other accounts payable, warrants, long-term liabilities approximate their fair value.

Financial liabilities measured at fair value:

December 31, 2018

	Level 2
Opening balance at January 1, 2018	$ 112
Amounts transferred to the statement of comprehensive loss as finance income	28
Closing balance at December 31, 2018	$ 140

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 14: FINANCIAL INSTRUMENTS (Continued)

During 2017, there were no transfers between Level 1 to Level 3 for fair value measurements of financial instruments, however there were transfers into Level 2 for fair value measurements of financial instruments.

d. Sensitivity tests relating to changes in foreign currency:

	December 31,	
	2018	2017
Sensitivity test to changes in the NIS exchange rate:		
Gain (loss) from the change:		
Increase of 5% in exchange rate	3	405
Decrease of 5% in exchange rate	(3)	(405)

As of December 31, 2018, the Company has excess of financial assets over financial liabilities in NIS in relation to US dollar of $ 52.

As of December 31, 2018, the Company has excess of financial assets over financial liabilities in Euro and Yen in relation to US dollar of $ 621 and $910, respectively. An increase or decrease of 5% of the US dollar relative to the Euro or Yen would not have a significant effect on the Company.

Sensitivity tests and principal work assumptions:

The selected changes in the relevant risk variables were determined based on management's estimate as to reasonable possible changes in these risk variables.

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss in respect of each financial instrument for the relevant risk variables chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

NOTE 15: EMPLOYEE BENEFITS AND LIABILITIES

Employee benefits consist of short-term and post-employment benefits.

Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to all of the Company's employees pursuant to which the fixed contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom said contributions were made. These contributions benefits represent defined contribution plans.

Expense in respect of defined contribution plans was $299 and $263 for the years ended December 31, 2018 and 2017, respectively.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 16: TAXES ON INCOME

a. Tax rates applicable to the Company and subsidiaries:

1. Tax rate applicable to Company and Moach:

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2017 was approved, which reduces the corporate income tax rate to 24% (from 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

The Israeli corporate income tax rate was 23% and 24% in 2018 and 2017, respectively.

A company is taxable on its real capital gains at the corporate income tax rate in the year of sale.

2. Tax rate applicable to USA Inc and Inc:

The weighted tax rate in 2018 and 2017 for companies incorporated in the US was 27% and 35%-40% (Federal, State and City tax of the city where the company operates), respectively.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted into law. The income tax effects of changes in tax laws are recognized in the period when enacted. The Act provides for numerous significant tax law changes and modifications with varying effective dates, which include reducing the corporate federal income tax rate from 35% to 21%, creating a semi-territorial tax system (with a one-time mandatory tax on previously deferred foreign earnings), broadening the tax base and allowing for immediate capital expensing of certain qualified property.

The Act also changed to a semi-territorial system. As a result, a one-time transition tax is imposed on the accumulated earnings and profits of the foreign subsidiaries of the US entities. The Company's subsidiaries in the United States do not have any profitable foreign subsidiaries and, therefore, the remaining provisions of the Act have no material impact on the Company's results of operations.

The main differences between the statutory corporate tax rate and the effective tax rate are carryforward losses in Israel in respect of which no deferred taxes were recorded and a current tax expense in respect of income of USA Inc and Inc.

b. Tax benefits under the Israel Law for the Encouragement of Capital Investments, 1959 ("Law") and

Amendment to the Law for the Encouragement of Capital Investments, 1959 (Amendment 73):

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 to the Law for the Encouragement of Capital Investments ("the amendment") was published. According to the amendment, a "beneficiary enterprise" located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%).

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 16: TAXES ON INCOME (Continued)

The amendment also prescribes special tax tracks for technological enterprises, which became effective in 2017, as follows:

Technological preferred enterprise—an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion. A technological preferred enterprise, as defined in the amendment, which is located in the center of Israel will be subject to tax at a rate of 12% on profits deriving from intellectual property (in development area A - 7.5%).

Any dividends distributed to a "foreign company", as defined in the amendment, deriving from income from the technological preferred enterprise will be subject to tax at a rate of 4%.

The Law for the Encouragement of Industry (Taxation), 1969:

Moach has the status of an "industrial company", as defined by this law. According to this status and by virtue of regulations published thereunder, the Company is entitled to claim a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflationary Law. The Company is also entitled to amortize a patent or rights to use a patent or intellectual property that are used in the enterprise's development or advancement, to deduct issuance expenses for shares listed for trading and to file a consolidated report under certain conditions.

Subject to meeting criteria determined in the Law and amendment, at the time Moach becomes profitable for tax purposes, Moach will be entitled to various corporate tax benefits, as implied by the Law and amendment.

c. Tax assessments:

The Company received final tax assessments through the 2011 tax year. The subsidiary, Moach, received final tax assessments through 2012. The subsidiary, Inc, received final tax assessments through the 2014 tax year.

d. Carryforward losses for tax purposes:

Carryforward losses for tax purposes as of December 31, 2018 are approximately $3 million in Brainsway Ltd. and approximately $42 million in Moach.

e. Deferred taxes:

As it is not probable that taxable income will be derived in the next years, a valuation allowance was established in respect of deferred taxes of the above carryforward losses.

NOTE 17: CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES

a. As for contingent liability in respect of payment of royalties to the IIA, see Note 13c.

b. The Company entered into a few distribution agreements with third parties regarding different territories around the world. According to these distribution agreements, the third parties are granted the exclusive right to market, distribute, lease and/or sale, use and promote sales of the

NOTE 17: CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Continued)

systems in the different territories up to a 15 year period. The Company will supply the systems to the distributors and they will install, train and maintain the systems in the territory they operate. The different distributors are committed to minimum quantities as stated in the agreements.

c. In September 2013, the Company entered into a distribution agreement in Japan with Century Medical Inc., a member of the Itochu concern, which specializes in the import and distribution of medical systems and equipment in Japan. According to the agreement, the distributor was granted the exclusive right to market the Company's system for the treatment of major depression in patients in Japan for a ten year period after the required regulatory approvals for marketing the system in Japan are obtained. If the distributor meets the minimum quantities which it has committed during the contractual term, the agreement will be extended for an additional five years. The distributor is granted a right of first offer to distribute the Company's system in Japan without further codification.

In consideration for the above, the distributor is obligated to pay the Company distribution fees of 190 million Yen (approximately $1.7 million) in two payments: 100 million Yen (approximately $0.9 million as of December 31, 2018) paid in September 2013 and 90 million Yen (approximately $0.8 million as of December 31, 2018) is payable upon receipt of regulatory approval to market the Company's system in Japan.

In each year of the agreement in which the distributor meets the predetermined revenue target, 10% of the distribution fees are returned to the distributor. The $0.9 million distribution fee advance is presented in deferred revenues as of December 31, 2018 and 2017. The distributor will pay the Company for any treatment made with the Company's system (pay-per-use), but in no case less than the pre-determined annual amount. The agreement prescribes conditions in which the Company or the distributor can cancel the agreement, including the authorities' demand to require a clinical trial and non-compliance with the requirement to purchase minimum predetermined quantities.

The agreement sets a minimum payment threshold to the Company that is examined every few years throughout the contractual term. If the distributor does not qualify for the minimum payment threshold at the end of each period, the Company will be entitled to terminate the distribution agreement, unless the parties reach another agreement between them. The agreement further determines that the distributor will act on its account to receive the regulatory approvals that are required to market the Company's system for the treatment of depression in patients in Japan and to receive reimbursement coverage in the price range established in the agreement.

On January 22, 2018, the distributor in Japan applied to the Pharmaceutical and Medical Devices Agency ("PMDA"), which is responsible for all import and export licenses of pharmaceuticals and medical equipment to Japan, for approval of marketing and selling the Company's systems in Japan.

On January 2019, approval of the Pharmaceutical and Medical Devices Agency ("PMDA") was received, and as a result, half of the balance of the payment was received by the Company. The remaining payment of 45 million Yen will be paid to the Company on the earlier of inclusion of the treatment of the company's Deep TMS system under coverage of Japan's National Health Insurance Plan, and December 2019.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 17: CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Continued)

d. On August 25, 2013, the Company received the approval of the MAGNET committee of the IIA for the development plan of the BSMT tool (brain stimulate and monitor tool). The plan was approved for three years and extended up to five years, in the framework of which the Company was approved work plans with participation rate of up to 66% of a non-royalty bearing grant. In the first four years of the plan, the Company received grants of NIS 7,300.

In September 2017 and October 2018, the MAGNET committee approved an annual work plan for the fifth year with the budget of NIS 2,300, of out of which 55% (NIS 1,300) was provided to the Company as non-royalty bearing grants to date. The execution of this plan was completed by December 31, 2018, and the receival of the rest of the balance from the grant is subjected to the approval of the MAGNET Committee.

e. In March 2014, the Company entered into an exclusive marketing and distribution agreement of the Company's system with a third party in Israel for a maximum period of 15 years, subject to meeting minimum sales targets as set in the agreement. In April 2014, the distributor paid the Company a one-time exclusivity fee of NIS 1 million. Also, it was agreed with the distributor on a minimum monthly payment for any leased system and an additional payment based on the number of treatments made with the system beyond the minimum monthly payment.

In September 2017, an amendment to the agreement was signed, extending the term of the agreement to 15 years from the date of the amendment, setting a minimum annual payment subject to its compliance with certain conditions detailed in the amendment to the agreement. As part of the amendment, the distributor must meet the order and installation target of 12 new systems each year, up to a cumulative total of 50 systems. In addition, if its income from a single system exceeds the predetermined amount, the Company will be entitled to 10%-20% of its revenues from that system based on the lease year of the system. In accordance with the terms of the amendment to the agreement, the distributor made a first order of five systems, which were delivered in 2018.

f. Commitments:

Operating lease commitments:

The Group has entered into operating leases on vehicles. These leases have an average life of three years, with no renewal option included in the contract.

1. Moach has a lease agreement until September 30, 2022, at monthly rentals of NIS 99, linked to the Israeli CPI of May 2017. The agreement gives an early termination option on September 30, 2020 in consideration for a predetermined compensation with a six-months notice.

   In addition, Moach has a lease agreement from July 2015 according to which Moach rents a warehouse in consideration for monthly rentals of NIS 8. The rent is binding until July 31, 2019 with a renewal option until July 31, 2021. The options may be automatically exercised unless Moach notifies of its intent not to exercise the options until six months before the end of the last lease period. In 2019, Moach exercised the second option.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 17: CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Continued)

2. USA Inc has a lease agreement for its offices in the US until July 31, 2021 in consideration for monthly rentals of $4. The rent increases every year by 2%.

   Future minimum commitments under non-cancellable lease agreements as of December 31 are as follows:

2019	$	525
2020		492
2021		375
2022		239
	$	1,631

g. License agreements:

1. In July 2003, Inc signed a license agreement with the agencies of the U.S. Public Health Service within the U.S. Department of Health and Human Services ("PHS"), according to which the Company was granted an exclusive license to develop, manufacture, make use of, market, sell and import products and processes to be developed in the framework of the license agreement with respect to TMS and a right to enter into sublicense agreements, subject to approval of the PHS. In return, Inc is committed to pay PHS royalties at fixed annual amount of $2 from January 1, 2004 and royalties of 2% of net sales beyond this amount as defined in the agreement.

   In addition, if Inc enters into a sub-license agreement, it is committed to pay royalties of 8% of the net consideration received for the grant of the sub-license. The current provision for royalties as of December 31, 2018 is $179.

   The agreement is valid until the expiration of the last to expire of the licensed patent rights under the agreement. PHS is entitled to cancel the agreement if Inc does not comply with the conditions detailed in the agreement.

2. In June 2005 and March 2010, Inc signed a research and licensing agreement and addendum with Yeda Research and Development Company Ltd. ("Yeda"), according to which Inc was granted an exclusive license to intellectual property that can be used for research, development, marketing and manufacturing of products in the field of TMS treatment and may have the right to grant sublicenses subject to conditions specified in the agreement in consideration of royalty payment as follows:

   a) 1% of net sales systems based upon certain patents (which include technology licensed from PHS);

   b) 3% for the first $10,000 of net sales, and 2% for net sales over $10,000, for all other Deep TMS products solely based on certain patents licensed exclusively from Yeda provided however in the event that the products are sold to a sublicensee and are thereafter sold by such sublicensee, the royalties paid to Yeda will be based on the higher of the net sales by the licensee or the net sales of the sale by the sublicensee.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 17: CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Continued)

c) 4%-8% of the net cash proceeds that the Company receives in respect of granting sublicenses or options for sublicenses dependent on the patents licensed.

The balance of provision for royalties as of December 31, 2018 is $ 90.

Royalties are payable at the later of 15 years after the first commercial sale or the patent life (20 years through October 2021). The agreement expires at the later of: the expiration of the last patent, 15 years after Inc starts to sell products integrating the patent and after a period of 20 years during which no sales are made.

The license agreement with Yeda may be subject to modifications in the event that the license agreement with PHS is modified (see 1, above) and may be cancelled based on various conditions, including the cancellation of the PHS agreement.

On February 22, 2018, Inc and Yeda signed an additional addendum to the agreement ("the fifth addendum"), according to which Inc received the right to examine an additional invention based upon the patent issued in connection with research in the field of rotational electrical fields owned by Yeda. Under the fifth addendum, the Company has the right to include the aforementioned invention and the intellectual property accompanying it under the Yeda license agreement. While initially valid up to the earlier of December 31, 2018 or 30 days after completion of all the milestones agreed between the parties, in order to provide more time for the defined milestones, the parties extended this date until December 31, 2019. In respect of the performance of the milestones under the fifth addendum, in December 2017, the Company received the approval of the MAGNET committee of the IIA ("Magneton") for a development plan to be performed jointly with Yeda. The Company's approved budget for the development plan is NIS 1.1 million, of which 66% (approximately NIS 0.7 million) which will be provided to the Company as a non-royalty bearing grant over the term of the plan.

If the Company exercises the right granted to it under the fifth addendum, royalties on net sales of products which are based on the use of the invention and know-how subject to the fifth addendum will be paid to Yeda at increased rates of 1.6%-2% in addition to the royalties described above and, in certain cases, at a flat rate of 2%. 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 fixed rate of 5%.

h. Charges—loan from bank—see note 13

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 18: EQUITY

a. Composition of share capital:

	December 31, 2018		December 31, 2017	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares of NIS 0.04 par value each	25,000,000	16,640,446	25,000,000	16,640,446

b. Movement in share capital:

Issued and outstanding capital:

	Number of shares	NIS par value
Balance at January 1, 2017	14,715,784	148,832
Exercise of options	1,924,662	22,065
Balance at December 31, 2017	16,640,446	170,897
Balance at December 31, 2018	16,640,446	170,897

c. Rights attached to shares:

Ordinary shares confer their holders rights to receive dividends in cash and in Company's shares, right to nominate the Company's directors and rights to participate in distribution of dividends upon liquidation in proportion to their holdings. Also, Ordinary shareholders have one vote at the shareholders' meeting such that each share confers one vote to its holder.

d. In December, 2017, the Company entered into a private placement agreement with a group of investors according to which the Company issued 1,924,662 Ordinary in consideration for NIS 29,928 ($8,578). Issuance expenses amounted to $133.

It should be noted that if the Company wishes to raise capital during the twelve months after the closing date, by way of a public offering or private placement of shares and/or securities convertible into shares ("the additional offering") and if the effective price per share in the additional offering is less than the share price according to this private placement then, the investors will be entitled to receive additional Ordinary shares in respect of the shares issues as part of this private placement which are still held by such investor in consideration for NIS 0.3 per Ordinary share such that the price per share in respect of the total shares issued in this private placement equal to the effective price in the additional offering. For the purpose of calculating the adjustment, the effective price according to this private placement will be adjusted for distribution (as defined in the Companies Law), rights issuance, split or consolidation of capital and issuance of bonus shares. All changes are taken into account in the computation of the effective price in the additional offering.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 18: EQUITY (Continued)

e. Capital management in the Company:

The Company's capital management objectives are to preserve the Group's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.

The Company is not under any minimal equity requirements nor is it required to attain a certain level of capital return.

NOTE 19: SHARE-BASED PAYMENT

a. The expense recognized in the financial statements for services received is shown in the following table:

	Year ended December 31, 2018	2017
Equity-settled share-based payment plans to employees, directors and consultants	$ 710	$ 1,028

b. The share-based payment transactions that the Company granted to its employees, directors and consultants are shown in the following table:

Issuance Date	Grantee	Options outstanding as of December 31, 2018	Exercise price NIS	Exercise price $*)	Exercisable as of December 31, 2018	Exercisable Through	Total Fair Value $
November 23, 2015	Director	37,597	27.97	7.18	25,065	November 23, 2025	117
December 8, 2015	Employees and Consultant	304,333	25.99	6.70	202,889	December 8, 2025	1,053
December 8, 2015	Employees and Consultant	270,000	31.19	8.04	180,000	December 8, 2025	1,247
April 1, 2017	Chief Executive Officer and Director	566,262	19.97	5.47	247,740	April 1, 2025	1,100
December 3, 2017	Director	27,500	21.37	6.12	—	December 3, 2027	54
November 12, 2018	Directors	110,000	23.39	6.36	—	November 12, 2026	298
November 12, 2018	Employees and officers	852,300	23.39 - 24.22	6.36 - 3.59	—	November 12, 2026	2,299

*) As of grant date.

c. The fair value of the Company's options granted for the years ended December 31, 2018 and 2017 was estimated using the Binomial model with the following assumptions:

	Year ended December 31, 2018	2017
Dividend yield (%)	0	0
Expected volatility (%)	40.51 - 48.25	40.58 - 56.77
Risk-free interest rate (%)	0.28 - 2.22	0.11 - 2.00
Expected exercise factor	2.8	2.8
Post-vesting forfeiture rate (%)	5	5 - 10

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 19: SHARE-BASED PAYMENT (Continued)

d. Movement during the year:

	Year ended December 31,			
	2018		2017	
	Number of options	Weighted average exercise price(*) $	Number of options	Weighted average exercise price(*) $
Outstanding at January 1,	1,721,059	$ 7.9	1,148,297	$ 8.11
Granted	962,300	6.3	593,762	5.77
Expired	(199,499)	10.8	(8,017)	8.11
Forfeited	(58,668)	7.9	(12,983)	7.5
Outstanding at December 31,	2,425,192	$ 6.6	1,721,059	$ 7.9
Exercisable at December 31,	912,893	$ 7.17	599,357	$ 9.69

(*) The exercise price of all options denominated in NIS and was translated to USD in the table above using the exchange rate as of December 31, 2018 and 2017, respectively.

The weighted average remaining contractual life for the options outstanding as of December 31, 2018 and 2017 was approximately six years.

The range of exercise prices for options outstanding as of December 31, 2018 and 2017 was NIS 19.97-59.13.

NOTE 20: ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS

a. Additional information on revenues:

Revenues reported in the financial statements for each group of similar products and services:

	Year ended December 31,	
	2018	2017
Revenues from lease	$ 9,569	$ 6,654
Revenues from sale	6,828	4,491
	$ 16,397	$ 11,145

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 20: ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS (Continued)

Geographic information:

Revenues reported in the financial statements derived from the Company's country of domicile (Israel) and foreign countries based on the location of the customers, are as follows:

	Year ended December 31,			
	2018	%	2017	%
U.S.	$ 14,478	88	$ 9,957	89
Europe	1,102	7	871	8
Israel	371	2	180	2
Other	446	3	137	1
	$ 16,397	100	$ 11,145	100

The total amounts of future minimum lease payments to be received under non-cancellable operating leases as of December 31, 2018 and 2017 are as follows:

	Year ended December 31,	
	2018	2017
Not later than one year	$ 7,884	$ 6,103
Later than one year and not later than five years	13,402	7,779
Later than five years	148	293
Total future minimum lease payments under non cancellable operating leases	$ 21,434	$ 14,175

The total amounts of usage based fees recognized as revenues for the years ended on December 31, 2018 and 2017 were $697 and $516, respectively.

b. Cost of revenues:

	Year ended December 31,	
	2018	2017
Cost of revenues—lease	$ 1,923	$ 1,483
Cost of revenues—sales	1,666	1,112
	$ 3,589	$ 2,595

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 20: ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS (Continued)

c. Research and development expenses, net:

Salaries and related benefits	$ 3,365	$ 2,954
Subcontractors	2,241	1,584
Laboratory materials	491	453
Patents	198	134
Share-based payment	31	180
Travel	65	35
Depreciation	31	35
Other	658	362
Less—Government grants	(924)	(394)
	$ 6,156	$ 5,343

d. Selling and marketing expenses:

	Year ended December 31,	
	2018	2017
Salaries and related benefits	$ 4,252	$ 3,597
Agent commissions	215	138
Marketing	2,891	1,690
Travel	865	777
Share-based payment	122	129
	$ 8,345	$ 6,331

e. General and administrative expenses:

Salaries and related benefits	$ 1,235	$ 1,179
Professional fees and office expenses	1,075	1,002
Depreciation	30	20
Travel	127	64
Allowance for doubtful accounts	397	503
Share-based payment	557	719
	$ 3,421	$ 3,487

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 20: ADDITIONAL INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS (Continued)

f. Finance income and expense:

Finance income:		
Interest-income revaluation of bank deposits	$ 44	$ 22
Revaluation of warrants	—	38
Exchange rate differences	—	73
	$ 44	$ 133
Finance expense:		
Liability in respect of research and development grants	$ 519	$ 273
Interest expense and amortization of deferred costs- loan from bank	354	87
Bank commissions	41	47
Revaluation of warrants	28	—
Exchange rate differences	258	—
	$ 1,200	$ 407

NOTE 21: NET LOSS PER SHARE

Number of shares and loss used in the computation of net loss per share:

	Year ended December 31,			
	2018		2017	
	Weighted number of shares*)	Loss attributable to equity holders of the Company	Weighted number of shares*)	Loss attributable to equity holders of the Company
Used in the computation of basic and diluted net loss	16,640,446	$ 6,479	14,768,514	$ 7,054

*) Computation of diluted loss per share did not include potential ordinary shares that would result from conversion of outstanding options and warrants, since their conversion has anti-dilutive effect.

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 22: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Balances with interested and related parties:

Composition:

As of December 31, 2018

	Key management personnel	Other interested and related parties
Other accounts payable	$ 95	$ 6

As of December 31, 2017

	Key management personnel	Other interested and related parties
Other accounts payable	$ 48	$ 7

b. Benefits to interested and related parties:

	Year ended December 31, 2018	Year ended December 31, 2017
Salary to those employed by the Company or on its behalf	$ 654	$ 593
Directors' fees to those not employed by the Company or on its behalf	$ 100	$ 98
Number of individuals to whom the salary and benefits relate:		
Related and interested parties employed by the Company or on its behalf	4	4
Directors not employed by the Company	6	7
	10	11

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 22: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

c. Key management personnel:

	Year ended December 31, 2018	Year ended December 31, 2017
Short-term benefits	$ 16	$ 11
Share-based payment to those employed by the Company or on its behalf	$ 394	$ 501
Share-based payment to those not employed by the Company or on its behalf	$ 41	$ 2

d. Transactions with interested and related parties:

Year ended December 31, 2018

	Key management personnel*)	Other interested and related parties
Research and development expenses	$ 207	$ 81
General and administrative expenses	776	140
	$ 983	$ 221

Year ended December 31, 2017

	Key management personnel*)	Other interested and related parties
Research and development expenses	$ 200	$ 81
General and administrative expenses	821	99
	$ 1,021	$ 180

*) Some of the key management personnel are interested parties by virtue of holdings.

e. Mr. Yaakov Michlin commenced his role as the Company's CEO on April 1, 2017. On February 12, 2017, (the general shareholders meeting), his employment terms, including bonuses incremental to his monthly compensation were approved as follows: (1) bonuses of NIS 1 million based on target achievements as outlined in his agreement. No expense recorded during the years ended December 31, 2017 and 2018 with respect to these bonuses; (2) an annual bonus based on the Company's remuneration policy according to the decision of the Company's Board of directors.

In addition, upon commencement of his role, Mr. Michlin was granted 566,262 options to purchase Ordinary shares of the Company at an exercise price of NIS 19.97, representing 3.6% and 3.1% of the Company's issued and outstanding capital on a fully diluted basis as of January 5, 2017, the

BRAINSWAY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. dollars in thousands (except share and per share data)

NOTE 22: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

date on which the board of directors approved the employment terms, and December 31, 2017, respectively. The price was determined according to the average closing market price of the Ordinary share 30 days before the date of grant. The options vest over four years from the date of grant as outlined in the agreement.

For information regarding the fair value of the options granted to Mr. Michlin, see Note 19.

f. On December 3, 2017, at the general shareholders meeting, the Company granted a director of the Company, Ms. Karen Sarid, 27,500 options to purchase Ordinary shares at an exercise price of NIS 21.37 per share.

For information regarding the fair value of the options granted to Ms. Sarid, see Note 19b.

NOTE 23: EVENTS AFTER THE REPORTING PERIOD

During 2019 and until the date of the approval of these financial statements, 19,833 of options granted to officers who terminated employment at the Company in 2018 were expired.