

CEO LETTER TO SHAREHOLDERS

Dear Shareholders,

Automatic checkouts and AI-enabled shelf analytics are the technologies that will probably drive retail store transformation in 2020 and beyond. Shekel Brainweigh has developed a compelling solution that should drive the company to be a market leader in this space. Our uniqueness lies in the fact that, to the best of our knowledge, there are very few companies, if any, globally, to have developed product recognition technology based on deep algorithmic learning which allows us to process large amounts of data for autonomous grocery and convenience stores.

Retail stores have on average a few hundred to a few thousand shelves (i.e., a typical shelf is 1m long and 30cm deep) with an average of 30,000 products in each store. To the best of our knowledge, most of our competitors have solutions using camera-based identification, which has data, accuracy, privacy and operating cost limitations. Our cost-effective technology identifies a product on a shelf by its location and weight in real time and most importantly our solution is SCALABLE. Our load cell IoT sensors are capable of measuring up to 80kg with a resolution of 5 grams. We have no knowledge of any other company globally that can do this! What we have done is very unique. The analytics of our sensors enable retailers to access vast quantities of data in real time to analyse consumer purchasing behaviour, improve operational excellence and reduce costs of supply chains and more.

Our technology is on its way to become a game changer for the industry and is evidenced by the fact that huge multinational giants like Hitachi and Intel have chosen to partner with Shekel.

During the last few months we have:

- Partnered with Japanese multinational firm **Hitachi** to launch the Capsule, the first autonomous micro market store utilising LiDAR sensor technology.
- Together with the second largest retail shelves manufacturer in North America, **Madix**, we have launched Soter, a sophisticated new Smart Shelf and Smart Safe providing real time analytics of consumer behaviour.
- **Intel** understands the global potential of the micro market and has decided to join the solutions that Shekel is developing with Hitachi by supporting our pilot.

We are chasing a truly exponential opportunity, and as evidenced by our partnerships, we believe we are going to be one of the leading players in the space with our smart shelving technology.

Image: NRF 2020 shared booth and collaboration between Shekel Brainweigh and Hitachi, sponsored by Intel.



Video: [Link to Product Aware Shelves demo](#)

<https://www.linkedin.com/feed/update/urn%3Ali%3Aactivity%3A6621948041630883840>

National Retail Federation (NRF) 2020

Release of the Capsule with Hitachi

In January, Shekel attended the National Retail Federation (NRF) Big Show, the world's largest retail conference and expo, with our products showcased at the booth in cooperation with technology giants Hitachi, Intel, HP and Madix.

One of the highlights of the conference was unveiling **Capsule**, what we assume is the world's first autonomous micro-market store based on Hitachi's LiDAR sensors and Shekel's Product Aware Shelves. Capsule is aiming to enable flawless identification and tracking of shoppers in an autonomous store area, whilst seamlessly collecting products from shelves, being automatically charged, and leaving the store without the need to go through a checkout device.

The framework is based on our Product Aware Technology, which enables instant recognition of individual products by their weight and location on a shelf, and Hitachi's LiDAR sensors. To the best of our knowledge, the working autonomous micro-market store was the only technology of its kind to be showcased at NRF. As a next step, we are expecting the first capsule store to be fully operational in H1 CY20 and we will be targeting retailers in high-traffic areas with 24 hour demand such as airports, campuses and workplaces.



Image: Capsule from Shekel Brainweigh

Open Retail Initiative (ORI) with Intel

Last year, Shekel was invited to take part in the world class 'Open Retail Initiative' (ORI), a collaboration led by Intel and joined by global technology players including Dell, HP, JD.com to assist with the adoption of advanced IoT and AI technologies into the retail environment.

As part of ORI, Intel has developed the EdgeX solution, providing retailers access to data for real-time analytics, which includes Shekel's Visual Recognition Platform embedded with Edgify's machine-learning training framework, which seems to be the world's first cloudless software that automatically recognises products at a retail self-checkout.

It is a great recognition that Intel has chosen to integrate our system into their platform.

The reduction of time and errors at checkouts is extremely relevant, and as evidenced by a [Shekel survey](#), nearly 75% of consumers experience frustrations with self-checkout systems needing store

personnel to intervene with transactions.

The Edgify Framework reduces nearly 95% of time spent at a till and increases the accuracy of product recognition to close to 100%, which is expected to reduce loss by close to 45%.

We are excited about the potential of our joint solution to allow for accuracy levels in retail self-checkouts never reached before!

Strategic cooperation with Madix

The expo was also an opportunity to unveil our latest collaboration with Madix, one of the largest manufacturers of store fixtures globally with customers including the world's largest retailers.

Together we jointly launched **Soter**, a new concept Smart Shelf and Smart Safe, which cuts labour costs and reduces shrinkage by electronically securing high-risk Stock Keeping Units (SKUs). Soter is a sophisticated alternative to traditional lock-and-key security cabinets that can be installed in either autonomous or fully staffed stores. We see a tremendous opportunity as Soter provides customers real-time inventory visibility, reduced shrinkage and analytics of consumer behaviour.



Image: Soter

Outlook

The NRF was a great platform to showcase our new products in collaboration with leading international players. Since launching our latest Retail Innovation Division, we have had a number of successes including our first commercial order for the delivery of 1,200 of our autonomous vending machines Innovendi, to Israel's largest dairy manufacturer. In addition to signing our first commercial orders of Innovendi machines to various markets in Europe.

In our core Shekel Scales business, we continue to be a market leader selling weighing technologies to long term blue-chip clients including Toshiba, Fujitsu and GE Healthcare.

We plan to capture market share and improve the gross profit of this core business.

We see increased traction for our technologies evidenced by the partnerships with multinational giants, and we will continue in our efforts to penetrate large global markets for smart vending and autonomous shopping solutions.

I am excited by what lies ahead for Shekel and I would like to thank you for your ongoing support.

On behalf of the Board, we look forward to updating you as we work to deliver on our strategic initiatives and propel Shekel forward.

Sincerely,

Yoram Ben Porat

CEO, Shekel Brainweigh

Ends



Investor relations and media enquiries

FTI Consulting

Elodie Castagna

+61 (0) 8 9321 8533

Elodie.Castagna@fticonsulting.com

www.fticonsulting.com

Shekel Brainweigh has for over 40 years been a global leader in developing scale and weighing technology. The company provides weighing solutions to the highly regulated retail and healthcare markets via global giants such as Toshiba, Fujitsu, Diebold Nixdorf and others. Utilising its experience in weighing technology, Shekel Brainweigh is developing a suite of new products aimed at meeting the challenges that traditional retailers face today, such as store automation, operational efficiency including overstock and understock issues and enhancing the consumer experience.

Shekel's patented combination of weighing technology with Artificial Intelligence (AI) and Internet of Things (IoT) technology has led to the development of the "Product Aware Technology". Shekel Brainweigh is committed to continuing to innovate and expand into global markets.

To learn more about Shekel Brainweigh, visit <http://www.shekelbrainweigh.com/>