

GEFEN INTERNATIONAL A.I. LTD

Appendix 4E

Preliminary report

December 31, 2022

Appendix 4E

Preliminary report

1. Details of the reporting period

Name of Entity	GEFEN INTERNATIONAL A.I. LTD. (The "Company")
ARBN	645 436 782
Reporting Period	12 Months ended December 31, 2022
Previous Corresponding Period	12 Months ended December 31, 2021
Currency	All amounts are expressed in US dollars, rounded to the nearest \$1,000 unless otherwise stated.

The following financial information included in this Appendix 4E should be read in conjunction with any public announcements made by the Company in accordance with the continuous disclosure obligations of the ASX Listing Rules.

2. Results for announcement to the market

Key information	12 months ended Dec 31, 2022	12 months ended Dec 31, 2021	Increase (decrease) %	Amount change
Revenue from ordinary activities	12,493	12,976	(4%)	(483)
Loss from ordinary activities after tax attributable to owners of Gefen	(10,371)	(2,358)	340%	(8,013)
Net loss for the period attributable to owners of Gefen International A.I. Ltd	(9,310)	(2,446)	281%	(6,864)

3. Review of operations

Gefen delivered total revenue of US\$12.5 million for the year ending 31 December 2022 year, down 4% on the prior period. Gefen's billing currency, the NIS, saw a slight uptick in revenue of 0.1%, totaling 41.949 million NIS in 2022 compared to 41.915 million NIS in 2021. Nevertheless, this increase did not reflect in the financial statements due to the devaluation of NIS to USD exchange rates. Arena revenue (agent solution segment) was US\$11.9 million, while license fee revenue was US\$0.6 million up 18% on the prior period, which reflects the transition to a fully transactional revenue model. The slight fall in revenue was primarily driven by the removal of a larger agent network from the Arena platform that was generating significant losses.

Net loss after tax for the year was US\$10.4 million, which was driven largely by continued investment in the Gefen platform to continue to broaden its potential use across industries and geographies, which continue to add significant IP valuation to the Company.

Gefen has a cash balance of US\$3.1 million as at 31 December 2022.

The Gefen Board is currently undertaking a strategic review to identify how it can best maximise value for its shareholders, in light of the value deterioration in Gefen's share price since listing on the ASX, which the Board believes does not appropriately attribute sufficient value to Company's Intellectual Property (IP).

4. Statement of comprehensive income

Refer to attached financial statements.

5. Statement of financial position

Refer to attached financial statements.

6. Statement of cash flows

Refer to attached financial statements.

7. Statement of retained earnings/ changes in equity

Refer to attached financial statements.

8. Dividends / Distribution

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

9. Details of dividend reinvestment plans

Not applicable.

10. Net tangible assets per security

	Dec 31, 2022	Dec 31, 2021
Net tangible assets per security	\$ 0.02	\$ 0.07

11. Details of entities over which control has been gained or lost during the period

Name of associate	Roeto LTD.
The date of the gain of control	Februar 6, 2022
Reporting entity's percentage holding in this entity	75%
Contribution to net profit/(loss)	43

Name of associate	Or Hagefen Ltd
The date of the lost of control	December 31, 2022
Reporting entity's percentage holding in this entity	14%
Contribution to net profit/(loss)	(675)

* Refer to Note 3

12. Group structure

(a) Controlled entities consolidated

Entity Name	Country of incorporation	Direct interest in ordinary shares as of December 31	
		2022	2021
Controlled entities of Gefen International A.I. Ltd (Ultimate Parent):			
Gefen International A.I. Ltd	Israel		
Controlled entities of Gefen International A.I. Ltd:			
Gefen Technologies A.I. Ltd	Israel	100%	100%
Controlled entities of Gefen Technologies A.I. Ltd:			
Polibit Insurance Agency (2111) Ltd	Israel	51%	51%
Kaplan Bashetach, Insurance Agency (2111) Ltd	Israel	51%	51%
Verify Insurance Agency Ltd	Israel	51%	51%
Roeto LTD.	Israel	75%	
Bait lasochen - polibit	Israel	55%	
Controlled entities of Polibit Insurance Agency (2111) Ltd:			
Coyote Technologies	Israel	99%	99%

(b) Associates

Entity Name	Country of incorporation	Direct interest in ordinary shares as of December 31	
		2022	2021
Associate's entities of Polibit Insurance Agency (2111) Ltd:			
Friedman Berkovitz, Insurance Agency (2009) Ltd	Israel	-	50%
Associate entities of Verify Insurance Agency Ltd:			
Eklips Insurance Agency (2112) Ltd	Israel	50%	50%

13. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.

Refer to attached financial statements.

14. Accounting standards

The Preliminary report and Appendix 4E have been compiled using International Financial Reporting Standards ('IFRS'). All foreign entities consolidated within the report are compliant with IFRS.

15. Commentary on results for period and explanatory information

Refer to commentary on pages 1 to 3 of the attached Preliminary Report.

16. Audit qualification or review

This Preliminary report is based on the financial statements for the period ended December 31, 2022, which is in the process of being audited and is unlikely to be subject to dispute or qualification. The numbers in the Preliminary financial statement are not final and there might be changes in the audited financial report which will be approved by the end of March 2023.



Avishai Malka
CFO



David Nash
Co-CEO and Director



Orni Daniel
Co-CEO and Director

February 28, 2023

Date of approval

GEFEN INTERNATIONAL A.I. LTD

Appendix 4E Preliminary report

PRELIMINARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US Dollar in thousands)

	Year ended December 31,	
	2022	2021
Revenue	12,493	12,976
Operating expenses:		
Operations and support	5,651	*4,687
Commission and related expense	4,244	*1,539
Selling and marketing expenses	2,710	*1,810
Research and development expenses	2,556	*2,337
General and administrative expenses	5,725	*5,302
Depreciation and amortization	1,743	*1,359
Other (income) loss	(558)	(423)
Total operating expenses	22,071	16,611
Operating profit (loss)	(9,578)	(3,635)
Share in loss of joint ventures accounted for using the equity method	(27)	(31)
Financial income	78	1,645
Financial expense	(992)	(404)
Profit (Loss) before tax	(10,519)	(2,425)
Income tax (expense) benefit	148	67
Total Profit (loss) for the period	(10,371)	(2,358)
Other Comprehensive loss:		
Items that may subsequently be reclassified to profit or loss:		
Adjustments from currency translation	(1,233)	377
Total Comprehensive income (loss)	(11,604)	(1,981)
Profit (loss) for the period attributed to:		
Attributable to the ordinary equity holders	(9,310)	(2,446)
Non - controlling interest	(1,061)	88
Total comprehensive profit (loss) for the period attributed to:	(10,371)	(2,358)
Attributable to the ordinary equity holders	(10,262)	(2,151)
Non - controlling interest	(1,342)	170
Earnings per share for profit (loss) for the period attributable to the owners of the parent during the year	(0.073)	(0.02)
Basic profit (loss) per share	(0.073)	(0.02)
Diluted profit (loss) per share	(0.073)	(0.02)

* Reclassified

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

GEFEN INTERNATIONAL A.I. LTD

Appendix 4E Preliminary report

PRELIMINARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	December 31,	
	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	3,053	10,615
Bank Deposits	43	2,498
Trade receivable, net	2,164	2,294
Other receivable	1,592	1,320
Related parties receivable	291	259
	<u>7,143</u>	<u>16,986</u>
Non-Current Assets:		
Right-of-use assets	874	1,690
Property, plant and equipment, net	961	1,018
Investment in investee	435	1,111
Investment in investment funds	2,068	1,509
Intangible assets, net	7,456	8,995
Goodwill	4,341	4,500
	<u>16,135</u>	<u>18,823</u>
Total Assets	<u>23,278</u>	<u>35,809</u>

GEFEN INTERNATIONAL A.I. LTD

Appendix 4E Preliminary report

PRELIMINARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollar in thousands)

	December 31,	
	2022	2021
LIABILITIES AND SHAREHOLDERS' Equity		
Current Liabilities:		
Short-term maturities of long-term loan	810	1,082
Trade payables	441	348
Related party payables	487	*843
Liability at business combination	621	*1,516
Deferred revenues	-	509
Short-term maturities of lease liabilities	400	561
Other payables	1,623	*3,282
	<u>4,382</u>	<u>8,141</u>
Non-Current Liabilities:		
Lease liabilities	516	1,273
Long-term loan	404	469
Employee benefits, net	555	452
Related parties	1,947	1,549
Liability at business combination	977	1,369
Deferred tax liabilities	1,385	1,858
	<u>5,784</u>	<u>6,970</u>
Shareholders' equity:		
Equity attributable to owners of parent:		
Share capital	370	370
Additional paid in capital	45,443	45,350
Share based payment reserve	7,120	5,397
Capital reserve in respect of transactions with NCI	508	-
Foreign exchange reserve	(151)	723
Accumulated losses	(42,968)	(33,658)
Total shareholders' equity	<u>10,322</u>	<u>18,182</u>
 Non - controlling interest	 <u>2,790</u>	 <u>2,516</u>
	<u>13,112</u>	<u>20,698</u>
TOTAL LIABILITIES AND SHAREHOLDERS' Equity	<u>23,278</u>	<u>35,809</u>

* Reclassified

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

GEFEN INTERNATIONAL A.I. LTD

PRELIMINARY CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(US Dollar in thousands)

	Share capital	Additional paid-in capital	Capital reserve in respect of transactions with NCI	Foreign exchange reserve	Share based payment reserve	Accumulated deficit	Total shareholder's deficit	Non - controlling interest	Total
Balance at January 1, 2022	370	45,350	-	723	5,397	(33,658)	18,182	2,516	20,698
Profit (loss) for the year	-	-	-	-	-	(9,310)	(9,310)	(1,061)	(10,371)
Other comprehensive income	-	-	-	(952)	-	-	(952)	(281)	(1,233)
Total comprehensive income (loss)	-	-	-	(952)	-	(9,310)	(10,262)	(1,342)	(11,604)
Business combination	-	-	-	78	-	-	78	1,128	1,206
Capital reserve for transactions with capital contribution to a subsidiary by the Non-controlling interest	-	-	508	-	-	-	508	488	996
Issuance of share	-	93	-	-	(93)	-	-	-	-
Share-based payment	-	-	-	-	1,816	-	1,816	-	1,816
Balance at December 31, 2022	370	45,443	508	(151)	7,120	(42,968)	10,322	2,790	13,112

The above consolidated statements of changes in shareholders' equity (deficit) should be read in conjunction with the accompanying notes.

GEFEN INTERNATIONAL A.I. LTD

PRELIMINARY CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(US Dollar in thousands)

	Share capital	Additional paid in capital	Foreign exchange reserve	Share based payment reserve	Accumulated deficit	Total shareholders' equity (deficit)	Non - controlling interest	Total
Balance at December 31, 2020	115	16,267	428	4,111	(31,212)	(10,291)	2,620	(7,671)
Profit (loss) for the year	-	-	-	-	(2,446)	(2,446)	88	(2,358)
Other comprehensive income	-	-	295	-	-	295	82	377
Total comprehensive income (loss)	-	-	295	-	(2,446)	(2,151)	170	(1,981)
Business combination	-	-	-	-	-	-	(274)	(274)
Share-based payment	-	-	-	1,286	-	1,286	-	1,286
Issuance of share benefit	109	(109)	-	-	-	-	-	-
Conversion of convertible note and Contingent consideration in business combination	70	12,803	-	-	-	12,873	-	12,873
Issuance of shares, net	76	16,389	-	-	-	16,465	-	16,465
Balance at December 31, 2021	370	45,350	723	5,397	(33,658)	18,182	2,516	20,698

The above consolidated statements of changes in shareholders' equity (deficit) should be read in conjunction with the accompanying notes.

GEFEN INTERNATIONAL A.I. LTD.

PRELIMINARY CONSOLIDATED STATEMENTS

(US Dollar in thousands)

	Year ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	(10,371)	(2,358)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>		
Increase (decrease) in Investment in investee	(80)	-
Change in fair value of convertible note	-	(1,578)
Increase in share-based payment	1,816	1,286
Loan interest expenses and exchange rates	286	136
Depreciation and amortization	1,721	1,385
Increase (decrease) in related parties balances	790	118
Increase in employee benefits, net	163	13
(Increase) decrease in other receivables	290	(1,089)
Increase (decrease) in trade payables	116	19
Change in deferred tax, net	(334)	(236)
(Increase) decrease in trade receivables	27	(1,225)
Increase (decrease) in other payables	(2,977)	526
Decrease in deferred revenues	(471)	(1,967)
Net cash used in operating activities	(9,024)	(4,970)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	(753)	16
Dividend	651	-
Bank Deposits	2,455	(2,404)
Purchase of property, plant and equipment	(297)	(239)
Investment in investee	(741)	(543)
Net cash (used in) provided by investing activities	1,315	(3,170)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of convertible note	-	1,936
Receipt of loans	2,673	716
Repayment of loans	(2,589)	(1,172)
Payment on principal and interest of lease liabilities	(794)	(662)
Capital reserve in respect of transactions with controlling shareholders	996	-
Issuance of shares net of issuance costs	-	16,465
Net cash provided by financing activities	286	17,283
Net increase in cash and cash equivalents	(7,423)	9,143
Cash and cash equivalents at the beginning of the year	10,615	1,527
Effects of exchange rate changes on cash and cash equivalents	(139)	(55)
Cash and cash equivalents at the end of the year	3,053	10,615

GEFEN INTERNATIONAL A.I. LTD.

PRELIMINARY CONSOLIDATED STATEMENTS

(US Dollar in thousands)

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This report is to be read in conjunction with any public announcements made by Gefen International A.I. Limited during the reporting period in accordance with the continuous disclosure obligations arising under the Corporations Act 2101 and the Australian Securities Exchange Listing Rules.

The preliminary financial statements of Gefen International A.I. Limited comply with International Financial Reporting Standards as issued by the IASB.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Revenue Recognition

In 2021, the Company significantly expanded its operations by acquiring insurance agencies and became one of Israel's most prominent and independent insurance agencies. The Company also released significant updates to its platform, such as a more advanced query language engine, allowing to analyze and perform on sets of big data; new telephony, messages and email integration capabilities with the systems of sub-agents; new claims and services modules, enabling it to track and refer services requests raised by customers; and new integration with customer information and customer entitlements services.

Following the acquisition of Polibit Insurance agency (2111) Ltd, Kaplan Bashetach, Insurance agency (2111) Ltd and Verify Insurance Agency Ltd, the deployment of additional APIs with insurance companies' systems, and substantial releases of new improvements to its platform, the Company assessed whether it acts as a principal or an agent for the services provided by its sub-agents to the insurance companies. The Company noted as follows:

- 1) The Company implemented material changes to its platform, allowing it to provide integrated services to insurance companies utilizing both the functionality of the platform and its learning algorithm and the services of the sub-agents, to reach end-customers and identify marketing opportunities;
- 2) The new improvements to the platform allow the Company to manage the sub-agents on behalf of the insurance companies by prioritizing their marketing opportunities and initiating direct contact with end customers, thus controlling those services; and

GEFEN INTERNATIONAL A.I. LTD.

PRELIMINARY CONSOLIDATED STATEMENTS

(US Dollar in thousands)

Note 1. Significant accounting policies (cons):

3) The Company's increasing control over the sub-agents services and its larger market shares due to recent acquisitions made it more explicit that it is primarily responsible for fulfilling the promise to provide services to the insurance companies. Further, the larger market share increased its power to negotiate with insurance companies the price of the services provided by the parties.

As a result, the Company concluded that it acts as a principal in those transactions. Therefore, effective July 1, 2021, the Company recognizes revenue on a gross basis from insurance commissions. The Company's results of operations from prior periods are not directly comparable as a result of recognizing revenue on a gross basis for the six months ended on December 31, 2021.

Note 2. Segment information

Operating segments are presented using the 'management approach, where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for allocating resources to operating segments and assessing their performance.

For the year ended December 31, 2022:

	Agent solution segment	License fees segment	Total
Segment revenue	11,881	612	12,493
Segment operating profit (loss)	(559)	(9,019)	(9,578)
Share in loss of associates accounted for using the equity method investee loss	(27)	-	(27)
Financial expenses, net	(317)	(597)	(914)
Profit (loss) before tax	(903)	(9,616)	(10,519)

For the year ended December 31, 2021:

	Agent solution segment	License fees Segment	Total
Segment revenue	10,049	2,927	12,976
Segment operating profit (loss)	85	(3,720)	(3,635)
Share in loss of associates accounted for using the equity method investee loss	(31)	-	(31)
Financial expenses, net	(416)	1,657	1,241
Profit (loss) before tax	(362)	(2,063)	(2,425)

GEFEN INTERNATIONAL A.I. LTD.

PRELIMINARY CONSOLIDATED STATEMENTS

(US Dollar in thousands)

Note 3. Business combination:

- **Roeto Ltd:**

In February 2022, Gefen Technologies A.I Ltd along with Verify Insurance Agency Ltd. have entered into a binding Share Purchase Agreement Of 80,000 Ordinary Shares of Roeto Ltd ("Roeto"), which constitute, at the time of the closing of the SPA's, 80% of Roeto's share capital, on a fully diluted basis. (70% and 10% respectively). The total consideration of the purchase is USD 1,171 thousand with the following breakdown: USD 806 thousand was paid in cash and USD 365 thousand will be paid after 12 months. Roeto is an Israeli based technology company that provides a SaaS CRM platform for life insurers and financial planners.

Goodwill of USD 555 thousand represents the expected synergies from merging this business with the agent solution sector. The acquired business contributed revenue of USD 612 thousand and profit after tax of USD 43 thousand to the consolidated entity for the period from February 1 to December 31, 2022.

- **Or hagefen Ltd:**

On December 2022, Gefen Technologies A.I Ltd. have entered into a Sale Agreement Of 140 Ordinary Shares of Or Hagefen Ltd ("Or Hagefen"), which constitute, at the time of the closing, 14% of Or hagefen's share capital, on a fully diluted basis and the supermajority voting rights in the Board of Directors and any material decisions. The total consideration of the sale including reimbursements of the loans to Gefen Technologies are USD 549 thousand, that will be paid in 18 unequal payments, monthly.

As a result of the loss of control in Or Hagefen Ltd., Gefen Technologies recognized a profit from loss of control in the amount of USD 36 thousand which was recognized as part of other income.

- **Arayot**

1. Gefen Technologies A.I Ltd. ("Gefen") and Dorotnet 2116 Ltd. ("Dorot") signed a software license agreement on February 1, 2021, for the use of Dorot with the Gefen's-platform for the term of 6 months in the total amount of USD 1,250,000, which were recognized as revenues during the H1 of 2021.
2. Dorot has paid a consideration of USD 100,000 and the remaining balance of USD 1,150,000 is still pending ("the Debt").
3. In return for the Debt, Gefen signed an agreement with Arayot Insurance and Pension Agency Ltd. ("Arayot"), being an affiliate entity of Dorot, for the establishment of a new Company ("Newco"). Gefen will hold 51% of the Newco, and Arayot will hold 49% of it, both on a fully-diluted basis.
4. Arayot's business activity should be performed exclusively by the Newco, based on Gefen technology platform.

GEFEN INTERNATIONAL A.I. LTD.
PRELIMINARY CONSOLIDATED STATEMENTS
(US Dollar in thousands)

Note 3. Business combination (cons):

5. During February 2022, and since the Newco has not been established yet, Gefen, Arayot, AKG (Arayot's and Dorot's parent company), and Dorot signed an agreement based on the following understandings:
- Instead of establishing the Newco, and based on an independent valuation of Arayot, Gefen will receive 51% of the issued and paid-up share capital of Arayot on a fully diluted basis, leaving AKG with the remaining 49% of it.
 - Arayot will implement the Gefen's software, as a precondition to the agreement.
 - As of the date of approval of the financial statement, the software implementation is yet to be completed.

Note 4. – Reclassification:

- In the P&L report of 2021, the company re-classified cost items within the various sections of the Operating Expenses in the total amount of USD 2,413 thousand. These items include rental apartment, depreciation, Service providers cost and sub-agents' ones. The management believes that this presentation of the Operating Expenses represents better the cost structure of the company. This re-classification has no effect on the P&L results.
- The Company reclassified USD 1,516 thousand from Related parties and Other account payables December 2021, to consistently present the liabilities business combinations. This classification did not have any effect on the profit (loss) for the year.