SHL Telemedicine

Annual Report 2020

Contents

Letter to the Shareholders

Dear Shareholders

2020 was an extraordinary year for all of humanity in dealing with the COVID-19. For the telemedicine industry this was a disruptive event that after many years shifted telemedicine to the center of the stage turning into standard of care.

Our company is very experienced in the telemedicine field, with unmatched operational and technological assets and is well positioned, both in the territories in which we are already operating and in the US, and we have an unprecedented opportunity in the coming years to leverage this disruptive event.

Overall, the company has maintained stability in Revenues in fiscal year 2020, with Revenues for the year[1] of USD 40.1 million. Despite the COVID-19 related operational challenges, leading to inefficient operational changes, the year was also marked by continued profitability and generating cash.

We are accelerating our global activities and are pleased with the significant progress in achieving our business goals in 2020 both in the territories we are already operating in and in new territories, especially in the US.

Germany

While the German business experienced some decline in revenues resulting mainly from decline in service utilization by one of our institutional payors with whom the engagement ended this year, along with slower recruitment of patients to Chronic Diseases Telehealth Programs due to the pandemic, we expect a step change in the activity in Germany.

New legislation in Germany, including the Digital Health Act that came into effect July 2020, supports a shift to telemedicine. In December 2020 the Company entered into an agreement for the provision of Doctors' Virtual Visits services to BARMER health insurance company, one of the top leading public health insurance companies in Germany covering about 9 million insured lives.

Also in December 2020, the company acquired Jumedi GmbH, a developer of Digital Health technologies which will strengthen the position of our German business as a leader in the rapidly growing telemedicine market in Germany.

1 Excluding extraordinary income of USD 0.1 million in 2020 and USD 2.0 million in 2019 for prior years

Israel

Our Israeli business has performed overall well in 2020 with a slight increase in revenues and continues to provide profitability to the company. The loyal subscriber base continues to serve as a strong pillar to SHL.

USA

In the US, COVID-19 accelerated the shift to telemedicine services and there is strong and clear evidence that this shift is irreversible. In October 2020 we entered collaboration with Mayo Clinic, a US tier 1 medical institution, to provide discharged patients with our SmartHeart™ 12 Lead ECG home telemonitoring technology. Our experience and data demonstrate that remote monitoring of patients with SmartHeart™ leads to reduction in readmissions and in costs to healthcare providers, which translates into an attractive business model for use of our SmartHeart™ technology.

Additional Highlights and Capital Raise

In the period we continued to accelerate the developments of our proven technology platform and the use of Big-Data. In November 2020 we announced collaboration with the Hebrew University and the Hadassah Medical Center to jointly develop an Artificial Intelligence - AI tool for predicting future life-threatening cardiac events based on full 12 Lead ECG monitoring, including SmartHeart™ technology. Combining such an ECG AI tool with our SmartHart technology will be a strong value creator for our company.

In December 2020 we completed an equity capital raise of CHF 35 million, mainly from Israeli based Institutional investors, which successfully closed during Q1 of 2021. The proceeds will be used to support the growth of our current business operations in Germany, and the build up of our business in the US, as well as enhancing our company's SmartHeart™ supply chain and R&D activities.

Financial highlights

In fiscal year 2020, SHL recorded revenues for the year[2] of USD 40.1 million, compared to USD 39.9 million in 2019. In constant currency[3], revenues for the year[2] were down 2%, compared to 2019.

2 Excluding extraordinary income of USD 0.1 million in 2020 and USD 2.0 million in 2019 for prior years

3 Constant Currency - in order to enable meaningful comparison between 2020 and 2019 results, 2019 results are also presented at 2020 constant currency exchange rates. Management believes that this presentation enables a more meaningful comparison between the periods due to the significant fluctuations in NIS/USD/EUR exchange rates during the period.

In Germany, revenues for the year[4] amounted to USD 17.0 million, down 10% year on year, in constant currency.

Revenues in Israel amounted to USD 22.5 million, compared to USD 21.1 million in 2019. In constant currency, revenues in Israel were up 3% compared to 2019.

Gross margin[4] in fiscal year 2020 was 51% compared to 54% in fiscal year 2019. Main reasons for the decline in gross margins were the effects of COVID-19. Early in the COVID-19 pandemic the Company took various measures to allow it to continue to operate safely and seamlessly, as well as providing protected working environment to its employees. These measures included implementation of different operating processes, both in Israel and Germany, such as self-contained shifts ("capsules") and deployment of considerable part of its workforce to working remotely, all of which are supported by IT and communication solutions. These operational changes were ongoing during the period, causing decreased operational efficiency and increased costs.

Adjusted EBITDA[5] for fiscal year 2020 amounted to USD 7.1 million (18% of revenues for the year) down 9% from fiscal year 2019 with the main reason being increase in operational expenses.

The Company closed fiscal year 2020 with a net profit of USD 0.3 million compared to a net profit of USD 5.7 million in 2019. Main changes are attributed to the differences in extraordinary income between the years and to the additional operational costs that the Company incurred during fiscal year 2020 mainly due to COVID-19 pandemic.

Operational free cash flow[6] amounted to USD 3.5 million in fiscal year 2020, compared to USD 8.9 million in fiscal year 2019. Operating free cash flow in fiscal year 2019 included USD 2.0 million received for extraordinary income. As mentioned above, fiscal year 2020 also absorbed high operational costs mainly attributed to the COVID-19.

What comes next?

In 2020 we witnessed significant steps in telemedicine becoming standard of care and that telemedicine is "here to stay".

Our company possesses significant tools, technologies, experience and operational centres in Germany and Israel, as well as the start of operations in the US. All of these position our company, excellently, to leverage its capabilities and assets to generate value.

On behalf of the Board of Directors and the management team, we thank all employees for their hard work and our business partners and shareholders for the trust they have placed in SHL.

Sincerely,

Yariv Alroy
Chairman of the Board

Erez Nachtomy
CEO

4 Excluding extraordinary income of USD 0.1 million in 2020 and USD 2.0 million in 2019 for prior years

5 EBITDA excluding extraordinary income and expenses and COVID-19 related costs in 2020

6 Cash provided from operating activities net of purchase of property and equipment and investments in intangible assets

Information for Investors

Capital structure

As of December 31, 2020 the issued share capital was divided into 10,514,454 registered shares with a par value of NIS 0.01 each (excluding 364,037 ordinary shares of NIS 0.01 par value each held by SHL).

Significant shareholders'

As of December 31, 2020, SHL was aware of the following shareholders with more than 3% of all voting rights in the company.

	Number of Ordinary Shares Held	% Including Treasury shares	% Excluding Treasury shares
Mrs. Cai Mengke and Kun Shen	5,969,413	54.87%	56.77%
Alroy Group	2,507,608	23.05%	23.85%
Value Base Group	578,980	5.32%	5.51%
SHL Treasury shares	364,037	3.35%	-

The above table of Significant Shareholders reflects both actual holdings as of December 31, 2020, after deducting from the total number of shares outstanding 364,037 Ordinary Shares held by SHL, and actual holding as of December 31, 2020 calculated including ordinary shares held by SHL, all as indicated above, but does not reflect holding on a fully diluted basis. All in accordance with notifications received by the Company from its shareholders as of December 31, 2020.

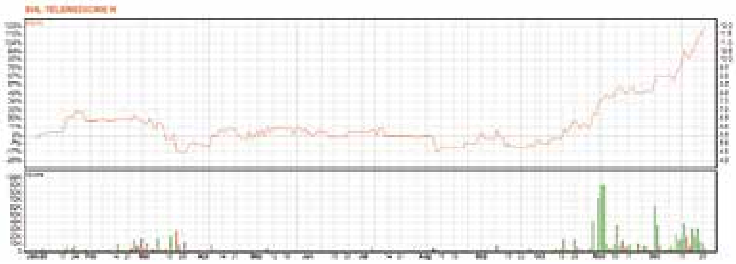
Statistics on SHL Telemedicine as at December 31, 2020

Registered shares with a par value of NIS 0.01 each

Securities number	1128957
Number of shares*	10,514,454
Market price high/low (CHF)	11.90/4.32
Market capitalization high/low (CHF million)	125.1/45.4
Market capitalization 31/12/20 (CHF million)	125.1
Share capital – nominal value (NIS)	105,145

* Excluding 364,037 ordinary shares held by SHL.

Share price development



Listing

All SHL shares are listed on SIX Swiss Exchange
Ticker symbol: SHLTN
Currency: CHF
Listing date: November 15, 2000

Investor relations

SHL Telemedicine Ltd.

Erez Nachtomy, CEO
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Corporate Governance 2020

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SHL TeleMedicine Ltd. Corporate Governance Report

Introduction

The corporate governance framework of SHL Telemedicine Ltd. ("**SHL**" or the "**Company**") reflects a system of checks and balances among the powers of the shareholders, the Board of Directors (the "**Board**" or the "**Board of Directors**") and the management with the goal to safeguard the interests of SHL and its shareholders while creating sustainable value. SHL is committed to creating transparent, progressive and sustainable corporate management and strives to continuously improve these checks and balances.

Documents related to SHL's corporate governance can be accessed at the Corporate Governance Section of the SHL website (http://www.shl-telemedicine.com/investors-relations/corporate-governance/).

Changes in the Financial Year 2020

The year under review was marked by the outbreak of the global COVID-19 pandemic. SHL, as a leading provider and developer with vast experience in the field of telemedicine, was well-positioned to leverage its assets and know-how and benefit from this change. Being a rolling event the pandemic had impacted the Company's financial results mainly due to operational inefficiencies. Nevertheless, the Company manages to build a valuable pipeline of customers and potential deals. During 2020, the Company experienced decreased operational efficiency and increased costs due to measures that were implemented to allow the Company to continue operating safely and seamlessly and providing a protected working environment to its employees.

On December 17, 2020, SHL announced the private placement of new shares and options in two tranches to raise around CHF 35 million which were closed on January 21, 2021 and February 17, 2021 respectively (for further information see Section 2.3 "Changes in Capital Structure within the Last Three Financial Years").

Swiss Takeover Board Proceeding

In its decision 0672/01, the Swiss Takeover Board ("**TOB**") dated January 26, 2018 to declare Mengke Cai, Xiang Xu, Himalaya (Cayman Islands) TMT Fund, Himalaya Asset Management Ltd., and Kun Shen as acting in concert and being obliged to publish a tender offer for all SHL shares. In its further decision 0672/04 dated September 1, 2018, the TOB resolved not to grant an extension of the deadline for such tender offer and to suspend said parties' voting rights as well to prohibit any purchase of additional shares by same the parties until such tender offer would be performed. On May 29, 2019, the TOB, on its own initiative, reduced the minimum price of the mandatory tender offer to CHF 7.70 following a dividend distribution of USD 1.00 by SHL in April 2019. In 2020 said parties continued being in breach of their obligation to publish a tender offer for all shares of SHL (for further information on the events in 2019 please refer to our Corporate Governance Report regarding the year of 2019). It should be noted that as of the date hereof, the voting rights attached to the aforesaid shares are still suspended.

The Tel Aviv Lawsuit

The Tel Aviv lawsuit has been discontinued without any impact on the Company. For further information with respect to the Tel Aviv Lawsuit, please refer to SHL's 2018 Corporate Governance Report.

Board of Directors

As of December 31, 2020, the members of the Board are the following: (a) Mr. Yariv Alroy (chairman); (b) Mr. Erez Alroy; (c) Mr. Yehoshua Abramovich (Independent (external) Director); (d) Ms. Dvora Kimhi (Independent (external) Director); (e) Prof. Amir Lerman; (f) Mr. Erez Nachtomy; and (g) Mr. Elon Shalev.

Since the Special General Meeting held on December 10, 2018 and as of the date hereof, the members of the audit committee, the compensation committee and the financial statements committee of SHL ("**Audit Committee**", "**Compensation Committee**" and "**FS Committee**", respectively) are Mr. Yehoshua Abramovich, Ms. Dvora Kimhi and Prof. Amir Lerman (said composition is in accordance with the requirements of the Israeli Companies Law 5759-

1999 (the "**Israeli Companies Law**" or the "**Companies Law**") and the regulations promulgated thereunder). In the Annual General Meeting held on October 8, 2020 (the "**2020 AGM**"), the following members of the Board were re-elected (by alphabetical order): (a) Mr. Yariv Alroy (Chairman); (b) Mr. Erez Alroy; (c) Prof. Amir Lerman; (d) Mr. Erez Nachtomy; and (e) Mr. Elon Shalev. Following the 2020 AGM, on March 1st, 2021, the Special General Meeting of the Shareholders approved, inter alia, an amendment to Mr. Yariv Alroy's compensation in his capacity as the Active Chairman of the Board (as defined below. For further information, please refer to Sections 3.3 and 5.1 below).

Resumes of the current Board members can be viewed on the Company's website at **http://www.shl-telemedicine.com/about-us/board-of-directors** as well as in Section 3.1.

Management

Mr. Erez Nachtomy was appointed as CEO on May 17, 2020, following Mr. Yoav Rubinstein's resignation, and has been serving since. Mr. Yossi Vadnagra was appointed as CFO on June 14, 2017 and has been serving since. Mr. Yoni Dagan was appointed as CTO in January 2017, and has been serving since.

Laws and regulations

The principles and rules of SHL on corporate governance are laid down in the Articles of Association of SHL, the Israeli Companies Law and the regulations promulgated thereunder, as well as other Israeli legislation applicable to SHL. As SHL is traded on the SIX Swiss Exchange, it has additionally taken upon itself to comply with certain reporting requirements of the listing rules of the SIX Swiss Exchange. In addition, certain reporting requirements apply to it directly as a foreign issuer with a main trading market on the SIX Swiss Exchange (for further information, please refer to Section 8 below).

The information presented here is updated as of December 31, 2020, unless otherwise noted, and was prepared in accordance with the Corporate Governance Directive of the SIX Swiss Exchange.

1. Group Structure and Shareholders

1.1 Group Structure

1.1.1 Operational Group Structure

SHL is a company incorporated in Israel whose shares are publicly traded on the SIX Swiss Exchange under the symbol SHLTN (see Section 1.1.2 for additional information on the Company). During 2020 the Company and its subsidiaries in Israel, Germany, and the U.S. operated in one business segment - telemedicine services. SHL and its subsidiaries develop and market advanced personal telemedicine solutions. Personal telemedicine is the transmission of medical data by an individual, from a remote location, to a medical call center via telecommunication networks. SHL's personal telemedicine systems are designed to improve quality of care and life for people suffering from various health conditions ranging from the high-risk and chronically ill to ordinary users of healthcare products and services who wish to take a more active role in managing their own health.

Telemedicine services are the provision of telemedicine services and devices to subscribers utilizing telephonic and internet communication technology. SHL's telemedicine solutions offer centralized remote diagnostic and monitoring services to end-users, making use of computer systems, high-tech devices, and specially designed medical data protocols. SHL's platforms offer solutions to subscribing patients, health insurance companies, hospitals, clinics, physicians and other health care providers. SHL Telemedizin GmbH, an indirectly wholly owned subsidiary of the Company, together with its subsidiaries Almeda Gesundheitsservices GmbH, Gesellschaft für Patientenhilfe DGP mbH, and Jumedi GmbH (acquired in January 2021) (together "**SHL Germany**"), operate in the German market and provide telemedicine services to patients in Germany, mainly through German health insurers. SHL Germany is run as a stand-alone business and enjoys a high degree of autonomy, with its own management, whereby corporate headquarters at SHL provides certain central functions (such as business development and accounting), as well as oversight and control on an ongoing basis (see below).

SHL and its Israeli subsidiaries Shahal Haifa-Medical Services Ltd. and Shahal Rashlatz-Rehovot Medical Services Ltd. (together "**SHL Israel**") operate in the Israeli market and provide telemedicine services mainly to private paying subscribers. SHL Israel is run as a stand-alone business under the Company's management, with corporate headquarters providing certain central functions (such as business development and accounting), as well as oversight and control on an ongoing basis.

SHL Telemedicine USA, Inc., a second-tier subsidiary (granddaughter company) of SHL, operates in the US market ("**SHL USA**") and sells telemedicine devices and services to healthcare professionals. SHL USA is active mainly in business development and sales and marketing activities together with corporate management. SHL Telemedicine India Private Limited conducted the group's activities in India ("**SHL India**") and sold telemedicine devices and services to healthcare professionals and private paying subscribers. SHL India was active mainly in business development and sales and marketing activities together with corporate management, but it has ceased to promote its activities during 2016 and is in the process of winding down. Research and development activities are conducted by SHL Telemedicine International Ltd. ("**SHL INT**"). Production of devices is outsourced by SHL INT to third party manufacturers with telemedicine devices being sold by SHL INT to SHL Germany, SHL Israel and SHL USA. In addition, SHL INT provides software development and maintenance services to all group entities. Corporate management is located at SHL Telemedicine and SHL INT and is active in performing its corporate duties, i.e. group management, business development, finance and oversight and control on an ongoing basis of its different territories (SHL Germany, SHL Israel, SHL USA, SHL India and SHL INT).

1.1.2 Description of the material group companies belonging to the SHL group:

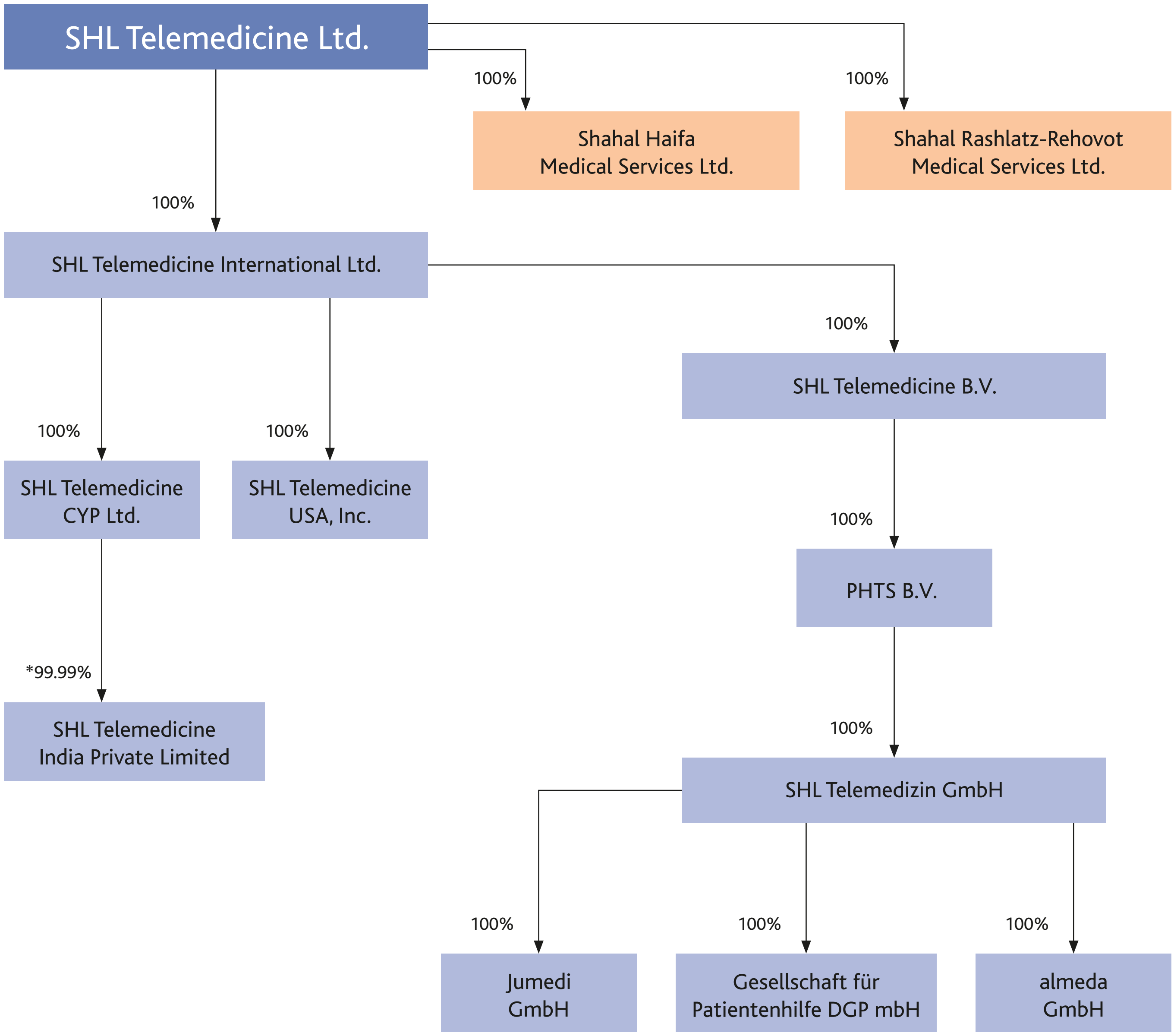
As of December 31, 2020, SHL's authorized share capital was New Israeli Shekel ("NIS") 140,000 divided into 14,000,000 ordinary shares of NIS 0.01 par value each, of which 10,878,491 shares were issued (364,037 shares held in treasury). As of the date hereof the Company's authorized share capital is comprised of 250,000 NIS divided into 25,000,000 ordinary shares of NIS 0.01 par value each, of which 14,467,380 shares are issued (64,037 shares held in treasury). The shares of SHL are traded on the main board of the SIX Swiss Exchange, security no. 1128957, ISIN IL0010855885. As of December 31, 2020, SHL's market capitalization was CHF 125.1 million. SHL's registered office is located at 90 Yigal Alon Street (Ashdar Building), Tel-Aviv, Israel. None of the issued and outstanding share capital of SHL is held by SHL's subsidiaries.

Non-Listed Companies Belonging to the SHL Group:

Name	Domicile	Share Capital and % of holding (directly or indirectly through wholly owned subsidiaries)
Shahal Haifa - Medical Services Ltd	Tel-Aviv, Israel	*Authorized Share Capital:* NIS 13,000, divided into 13,000 ordinary shares par value NIS 1.00 each *Issued Share Capital:* 200 ordinary shares 100% (held by SHL)
Shahal Rashlatz-Rehovot Medical Services Ltd.	Tel-Aviv, Israel	*Authorized Share Capital:* NIS 16,600 divided into 16,600 ordinary shares par value NIS 1.00 each *Issued Share Capital:* 100 ordinary shares 100% (held by SHL)
SHL Telemedicine International Ltd. ("SHL INT")	Tel-Aviv, Israel	*Authorized Share Capital:* NIS 101,000 divided into 101,000 ordinary shares par value NIS 1.00 each *Issued Share Capital:* 10,000 ordinary shares 100% (held by SHL)
SHL Telemedicine B.V. ("SHL BV")	Amsterdam, Netherlands	*Authorized Share Capital:* EUR 75,000 divided into 300,000 ordinary shares par value EUR 0.25 each *Issued Share Capital:* 74,043 ordinary shares. 100% (held by SHL INT)
Personal Healthcare Telemedicine Services Europe B.V. ("PHTS")	Amsterdam, Netherlands	*Authorized Share Capital:* EUR 4,000,000 divided into 400,000 ordinary shares par value EUR 10.00 each *Issued Share Capital:* 811,500 ordinary shares 100% (held by SHL BV)
SHL Telemedizin GmbH	Dusseldorf, Germany	*Authorized Share Capital:* EUR 300,000 divided into 2 ordinary shares par value EUR 25,000 and EUR 275,000 *Issued Share Capital:* 2 ordinary shares 100% (held by PHTS)
almeda GmbH	Munich, Germany	*Authorized Share Capital:* EUR 25,000 *Issued Share Capital:* 25,000 shares with par value EUR 1.00 100% (held by SHL Telemedizin GmbH)
Gesellschaft für Patientenhilfe DGP mbH	Grunwald, Germany	*Authorized Share Capital:* EUR 25,000 divided into 2 ordinary shares par value EUR 24,750 and EUR 250 *Issued Share Capital:* 2 ordinary shares 100% (held by SHL Telemedizin GmbH)
Jumedi GmbH	Munich, Germany	*Authorized Share Capital:* EUR 25,000 *Issued Share Capital:* 4 shares with par value EUR 6,250 each 100% (held by SHL Telemedizin GmbH)
SHL Telemedicine USA, Inc.	Delaware, USA	*Authorized Share Capital:* USD 1.00 divided into 100 ordinary shares par value USD 0.01 each *Issued Share Capital:* 100 ordinary shares 100% (held by SHL INT)
SHL Telemedicine CYP Ltd.	Nicosia, Cyprus	*Authorized Share Capital:* EUR 100 divided into 100 ordinary shares par value EUR 1.00 each *Issued Share Capital:* 100 ordinary shares 100% (held by SHL INT)
SHL Telemedicine India Private Limited	Haryana, India	*Authorized Share Capital:* Rs 7,000,000 divided into 700,000 Equity Shares of Rs 10, each *Issued Share Capital:* 625,126 Equity Shares 99.9% (held by SHL Cyprus) 0.01% (held by SHL BV)

There are no companies belonging to the consolidated entities of SHL whose equity securities are listed on a stock exchange.

Graphic Overview of Group Companies:



* 0.01% held by SHL Telemedicine B.V.

1.2 Significant Shareholders

As of December 31, 2020, SHL was aware of the following shareholders with more than 3% of all voting rights in the Company[1]:

	2020 Number of ordinary shares held	2020 % including treasury shares	2020 % excluding treasury shares	2019 % excluding treasury shares
Mrs. Mengke Cai and Kun Shen[2]	5,969,413	54.87%	56.77%	56.83%
Alroy Group[3]	2,507,608	23.05%	23.85%	23.88%
Value Base Group[4]	578,980	5.32%	5.51%	-
G.Z. Assets and Management Ltd.[5]	-	-	-	8.77%
SHL Treasury shares	364,037	3.35%	-	-

1 Calculated on the basis of the then issued and outstanding 10,878,491 shares as of December 31, 2020 The information in these tables is exclusively based on the notifications made by the shareholders to the Disclosure Office pursuant to art. 120 of the Swiss Financial Market Infrastructure Act of 19 June 2015, which are published on the website of SIX Swiss Exchange at https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html.

2 The respective shares are directly held by GF Fund Management Co. Ltd., 32/F South Tower Poly International Plaza No. 1, East Pazhou, Guangzhou, China the ultimate beneficial owner of which are Cai Mengke, Zhuhai, China and Kun Shen, Hong Kong, China who form an acquisition group. It should be noted that the voting rights attached to these shares are suspended pursuant to the TOB decision (for further information, please refer to the paragraph titled "Swiss Takeover Board Proceeding" above)

3 The Alroy Group is comprised of (i) Mr. Yoram Alroy; (ii) Nehama & Yoram Alroy Investment Ltd., (iii) Mr. Erez Alroy (the son of Mr. Yoram Alroy); (iv) Mr. Elon Shalev (the brother-in-law of Mr. Yoram Alroy); (v) Elon Shalev Investments Ltd.; (vi) Y. Alroy Family Ltd.; and (vii) Southland Holding Ltd. Further, pursuant to the Alroy Group notification, beneficial owners include Yoram Alroy and his wife, Nehama Alroy, as well as their children Yariv Alroy, Erez Alroy and Hila Alroy, and also Elon Shalev and his wife, Ziva Shalev). The Group is based on a shareholder agreement providing for cooperation in the nomination and appointment of directors. For further information regarding the Group please refer to the disclosure notification available at https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html#/shareholder-details/TBL2J00013.

4 Shareholder group consisting of the following beneficial owners (in the sense of the FMIA): Value Base Ltd. (Tel Aviv, Israel), Harmony Base LP (Tel Aviv, Israel), Ido Nouberger (Tel Aviv, Israel) and Victor Shamrich (Tel Aviv, Israel).

5 The beneficial owner of G.Z. Assets and Management Ltd. is Mr. Ziv Carthy.

As of the date hereof, SHL was aware of the following shareholders with more than 3% of all voting rights in the Company:

	Number of ordinary shares held	% including treasury shares	% excluding treasury shares
Mrs. Mengke Cai and Kun Shen[2]	5,969,413	41.26%	41.44%
Alroy Group[3]	2,507,608	17.33%	17.41%
More Provident Funds	894,332	6.18%	6.21%
Value Base Group[4]	837,865	5.79%	5.82%
Sphera Funds Management Ltd	596,000	4.12%	4.14%
Danbar Finance Ltd.	540,000	3.73%	3.75%
SHL Treasury shares	64,037	0.44%	-

In connection with the then upcoming capital increases, SHL reported in December 2020 a sales position of 5,533,347 future shares representing 50.87% of the then issued shares as of December 31, 2020 referring to the share placement. After the capital increases, SHL has reported in February 2021 a sales position of 2,137,895 future shares, representing 14.78% of the issued and outstanding shares as of the date hereof.

The above tables do not reflect holdings on a fully diluted basis.

All shareholdings that have been reported to SHL and the Disclosure Office of the SIX Swiss Exchange as per Art. 120 of the Swiss Financial Market Infrastructure Act of 19 June 2015 (FMIA) and the provisions of the Financial Market Infrastructure Ordinance of the Swiss Financial Market Supervisory Authority (FMIO-FINMA) and published on SIX Swiss Exchange AG's electronic publication platform can be viewed at https://www.six-exchange-regulation.com/de/ home/publications/significant-shareholders.html.

SHL is not aware of any other agreements or arrangements among its shareholders.

1.3 Cross-Shareholdings

There are no cross-shareholdings exceeding 5% of the share capital and voting rights by any of the Significant Shareholders and SHL.

2. Capital Structure

2.1 Capital on the Disclosure Deadline

Authorized share capital as of December 31, 2020	
Number of Ordinary Shares	14,000,000
Par value	NIS 0.01 each
Share capital	NIS 140,000

Issued and outstanding share capital as of December 31, 2020	
Number of Ordinary Shares *	10,514,454
par value	NIS 0.01 each
Share capital	NIS 105,144.54

* Excluding 364,037 Ordinary Shares held by SHL. For additional information regarding the implications of the purchase by a company of its own shares, see section 2.4.1 "The Ordinary Shares, Voting Rights".

Authorized share capital as of the date hereof	
Number of Ordinary Shares	25,000,000
Par value	NIS 0.01 each
Share capital	NIS 250,000

Issued and outstanding share capital as of the date hereof	
Number of Ordinary Shares *	14,403,343
par value	NIS 0.01 each
Share capital	NIS 144,033.43

* Excluding 64,037 Ordinary Shares held by SHL. For additional information regarding the implications of the purchase by a company of its own shares, see Section 2.4.1 "The Ordinary Shares, Voting Rights".

2.2 Authorized Capital, Issued Capital and Options

General

Under Israeli law, a company's authorized share capital represents the maximum number of shares which is authorized for issuance by the company. As of the date hereof, and since the increase of the authorized capital resolved by the special general meeting held on January 7, 2021, SHL's authorized share capital is comprised of NIS 250,000 divided into 25,000,000 ordinary shares of NIS 0.01 par value each (the "**Ordinary Shares**"). The issued and outstanding share capital of SHL, as of the date hereof was NIS 144,033.43, divided into 14,403,343 fully paid issued ordinary shares (excluding 64,037 Ordinary Shares held by SHL).

Any increase in the authorized share capital is valid as of the date of the approval thereof by the shareholders (with respect to special majority requirements, please refer to Section 6.2 below). Authorized share capital, or any increase thereof is not limited in time. However, the shareholders may, at the General Meeting, cancel authorized but not yet issued share capital, provided that the Company did not undertake to issue shares out of such authorized but unissued share capital. Pursuant to SHL's Articles of Association, the unissued shares are under the sole control of the Board of Directors of SHL who has the authority to allot or otherwise dispose of them on such terms and conditions as it may see fit. Generally, any such issuance of shares is valid as of the date of the approval thereof by the Board of Directors.

Under the 2015 Share Option Plan (as such term is hereinafter defined) the maximum number of options in SHL's option is up to 2,077,346 Ordinary Shares (subject to adjustments as set forth in the 2015 Share Option Plan) reserved for issuance upon exercise of options that may be granted. As of the date hereof, the pool is 2,077,346, out of which 454,244 options are available for grant For additional information with respect to the share option plan adopted by SHL and the grant of options to purchase Ordinary Shares, see the following section "2015 Share Option Plan".

In addition, in the framework of the Private Placement, SHL undertook to grant 800,000 First Closing Options and 1,144,444 Second Closing Options to be exercised within 24 months of the First Capital Increase or the Second Capital Increase, respectively (as such terms are defined in the following Section 2.3 "Changes in Capital Structure within the Last Three Financial Years").

2015 Share Option Plan

Key employees have been granted share options under the SHL's 2015 Executive and Key Employee Israeli Share Option Plan (formerly the "2005 Option Plan") (the "**2015 Share Option Plan**"). The plan is in effect until April 18, 2022. Pursuant to the 2015 Share Option Plan, options may be granted to executives, directors (whether executive or non-executive) and key employees of the Company or its subsidiaries, whereby the Board of Directors has full discretion to determine the specific grantees from time to time. The maximum number of Ordinary Shares which may be issued under the 2015 Share Option Plan and under any other existing or future share incentive Option Plans of the Company is

2,077,346, subject to adjustments as provided in the 2015 Share Option Plan.

On December 31, 2020 the number of options actually available for issuing was 824,244 (as of the date hereof the number of options actually available for issuing is 454,244). Pursuant to the 2015 Share Option Plan, the exercise price shall be the closing price for an Ordinary Share on the last trading day prior to the grant, unless determined otherwise by the Company's Board of Directors in its discretion. However, with respect to all option grants since May 2010, the Board of Directors determined in each case that the exercise price for such option grants shall be the average share price in the thirty (30) trading days preceding the date of grant. The foregoing has also been stipulated as the exercise price applicable to any grants of share-based compensation to the Company's officers pursuant to the 2020 Company's Officer Compensation Policy adopted on September 21, 2020, and as amended on March 1, 2021, which is in effect till September 20, 2023 (the "**2020 Compensation Policy**" or the "**Compensation Policy**", see Section 5.1 "Content and Method of Determining the Compensation and of the Shareholding Programs - Compensation Policy"). Further, pursuant to a resolution of the Board as of November 7, 2010, all options issued under the 2015 Share Option Plan are exercised by way of the net exercise method. Options granted under the 2015 Share Option Plan shall vest, unless determined otherwise by the Board, one-third (1/3) on each of the first, second and third anniversary of the date of grant, so that all options shall be fully vested and exercisable on the first business day following the lapse of thirty six (36) months from the date of grant, contingent upon the achievement of certain market and performance conditions which, unless determined otherwise by the Board, shall be based on the rate of the increase in the market price of the shares and of the Company's earnings per share. The Board may in its discretion reduce the relevant performance targets to zero, and has done so in all instances since June 2011. The options shall expire six (6) years from the date of grant (unless expired earlier under the terms of the 2015 Share Option Plan or the relevant award agreement). With respect to option grants to Company's officers, the Company's 2020 Compensation Policy provides a certain minimum vesting period, as follows: (i) first cliff after one (1) year from the date of grant; and (ii), full vesting shall occur no earlier than 36 months from the date of such grant. For further information on share options in the context of director and management compensation see Section 5.2 below.

Information with respect to the issued and outstanding SHL share options under the 2015 Option Plan is as follows:

	2020	Weighted average exercise price in CHF	2019	Weighted average exercise price in CHF
As of January 1	683,133	7.07	820,974	7.11
Granted during the year	265,000	5.56	18,000	6.51
Forfeited during the year	(476,136)	7.10	(155,841)	7.36
Exercised during the year	(50,000)	7.04	-	-
Outstanding at the end of the year	**421,997**	**6.10**	**683,133**	**7.07**
Fair value* at end of year	930,668		1,102,209	
Vested on December 31	**145,000**	**7.01**	**544,823**	**7.06**

* The fair value was estimated by an external expert, based on a binomial model

It should be noted that as part of the amendment to Mr. Yariv Alroy's terms of office, which was approved by the Special General Meeting on March 1, 2021, Mr. Alroy was allotted 250,000 options to purchase ordinary shares of the Company at an exercise price of CHF 10.73 per share (reflecting the average price per share in the 30 trading days prior to Board approval). The options' vesting schedule shall be in accordance with the Company's 2015 Option Plan, and in the event that Mr. Alroy ceases to serve in his position due to a change of control in the Company, all the options will automatically be fully vested, and shall be exercisable at any time until the lapse of six (6) months from the date of the cessation of his engagement, and shall thereafter terminate.

2.3 Changes in Capital Structure within the Last Three Financial Years

As of December 31, 2018, 2019 and 2020, SHL's issued share capital (excluding the ordinary shares held by SHL) was comprised of 10,503,152, 10,503,152 and 10,514,454 Ordinary Shares, respectively. The foregoing changes in the Company's share capital result from the exercise of share options backed by the sale of shares previously repurchased by SHL under its share repurchase plan, first approved by the Board on March 25, 2008, as increased and extended over time until March 13, 2013. The Board did not further extend the repurchase period beyond the aforementioned date.

As of December 31, 2020, the authorized share capital amounted to NIS 140,000.00 divided into 14,000,000 Ordinary Shares of NIS 0.01 par value. The special general meeting held on January 7, 2021 resolved to increase the authorized share capital to NIS 250,000.00 divided into 25,000,000 Ordinary Shares of NIS 0.01 par value.

Events after December 31, 2020:

On January 21, 2021, the Company issued 1,300,000 new Ordinary Shares (the "**First Capital Increase**") and on February 17, 2021 additional 2,288,889 new Ordinary Shares (the "**Second Capital Increase**"), each for CHF 9.00, from the authorized capital, resulting in 14,467,380 Ordinary Shares issued as of the date hereof. The shares from the First Capital Increase and the Second Capital Increase were privately placed with individual, mostly institutional Israeli investors (the "**Private Placement**"), along with 800,000 options at the closing of the First Capital Increase (the "**First Closing Options**") and 1,144,444 options at the closing of the Second Capital Increase (the "**Second Closing Options**"), each to purchase one further new ordinary share to be issued from the authorized capital at the exercise price of CHF 11.00 within 24 months as from the First Capital Increase or Second Capital Increase, respectively.

2.4 The Ordinary Shares

2.4.1 The Ordinary Shares

General

All issued Ordinary Shares are registered shares ranking pari passu in all respects. The Ordinary Shares do not have preemptive rights. The ownership or voting of Ordinary Shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by the Articles of Association of SHL or the laws of the State of Israel. The Ordinary Shares are in book entry form only. No share certificates are issued. All issued Ordinary Shares are booked into the Clearing System of SIX SIS Ltd. Since January 1st, 2017, Computershare Schweiz AG ("**Computershare**") is handling the share register. To exercise their voting rights, shareholders must be registered with Computershare (see Section 6.5 below). All of the issued and outstanding Ordinary Shares have been fully paid up.

Liquidation and Dividend Rights

In the event of SHL's liquidation, after satisfaction of liabilities to creditors, SHL's liquidation proceeds will be distributed to the holders of Ordinary Shares in proportion to the nominal value of their respective holdings. This liquidation right may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future. Under the Israeli Companies Law, dividends may be paid out of profits and other surpluses, as calculated under the Israeli Companies Law, or as accrued over a period of two years, whichever is higher, each based on the most recent financial statements of the Company (provided that the date with respect to which such financial statements were prepared does not pre-date the distribution by more than six (6) months); provided, however, that there is no reasonable concern that the payment of such dividend will prevent the Company from satisfying its existing and foreseeable obligations as they become due. Any dividends will be subject to Israeli withholding tax. SHL's Articles of Association provide that the Board of Directors may from time to time declare and cause SHL to pay such dividend as may appear to the Board of Directors to be justified by the profits of SHL. The shareholders entitled to receive dividends are the shareholders on the date upon which it was resolved to distribute the dividends or at such later date as shall be provided in the resolution in question.

Voting Rights

Holders of Ordinary Shares have one vote for each Ordinary Share held on all matters submitted to a vote of shareholders. For additional information regarding voting rights of the Ordinary Shares, see section 6.1 "Voting Rights Restrictions and Representations" below.

See also information regarding the suspension of voting rights of the shares held by Himalaya (Cayman Island) TMT Fund, Himalaya Asset Management Ltd., Xiang Xu, Kun Shen, and Mengke Cai in the Section "Changes in the Financial Year 2020" – "Swiss Takeover Board Proceeding" above.

In case a company purchases its own shares, under the Israeli Companies Law, such shares become dormant and do not confer voting or any other rights so long as such shares are held by the company. As of December 31, 2020, the Company held 364,037 of its own Ordinary Shares. As of the date hereof and following the consummation of the Private Placement, the Company holds 64,037 of its own Ordinary Shares. There are no preferential voting rights attached to any of the Shares of SHL.

2.4.2 Duties of Shareholders

Under the Israeli Companies Law, each shareholder has a duty to act in good faith and customary way toward the Company and other shareholders and to refrain from abusing his or her powers in the Company, such as in shareholder votes, and from discriminating other shareholders. Furthermore, specified shareholders have a duty of fairness towards the Company. These shareholders include any controlling shareholders, any shareholder who knows that he or she possesses the power to determine the outcome of a shareholders vote and any shareholder who, pursuant to the provisions of the articles of association, has the power to appoint an office holder or any other power with respect to the company. However, the Israeli Companies Law does not define the substance of this duty of fairness. The aforesaid duties of shareholders also apply to persons registered with the share register of the Company to the extent such persons exercise the rights attached to the Ordinary Shares.

In addition, under the Israeli Companies Law, the disclosure requirements that apply to an office holder in a public company with respect to a personal interest such office holder may have with respect to an existing or proposed transaction of the company also apply to a controlling shareholder of a public company. For such purpose, a controlling shareholder is a shareholder who has the ability to direct the activities of a company, including a shareholder that owns twenty-five (25) percent or more of the voting rights if no other shareholder owns more than fifty (50) percent of the voting rights, and whereby a person holding more than half of the means of control of a company (including the right to appoint a majority of the directors or the right to appoint a company's general manager) is presumed to control such company.

Further, any shareholder participating in a vote on an extraordinary transaction (including a private placement which is an extraordinary transaction) with a controlling shareholder or an extraordinary transaction with another person in which a controlling shareholder has a personal interest, or the engagement of a controlling shareholder or its relative as an office holder or employee (including the terms and conditions of the directors and office holders insurance and indemnification), must notify the Company prior to the relevant vote whether or not it has a personal interest in the relevant transaction – if no such notification is made, such shareholder is not entitled to vote and any vote of such shareholder is not counted (for approval requirements in connection with controlling shareholder transactions, please refer to Section 6.2 on "Statutory Quorums" below). The same notification requirement applies to shareholders that have a personal interest in the appointment of an Independent (External) Director (for election of Independent (External) Directors, please see Section 3.1 below); (b) shareholders that have a personal interest in a full purchase offer (for full purchase offers, please see Section 7.1 below), and (c) any shareholder that has a personal interest in the approval of the Compensation Policy of the Company (for further details regarding the Compensation Policy, please see Section 5.1 below).

Further, an "interested party" in a private placement (i.e. a holder of more than five (5) percent of the shares of a company or one who may become such holder as a result of the private placement) must promptly disclose any personal interest that he or she may have and any material information known to him or her in connection with such private placement.

Pursuant to the Swiss Financial Market Infrastructure Act of 19 June 2015 ("**FMIA**"), any shareholder or group of shareholders acting in concert of Company is required to disclose his/her/its holding reaches, exceeds or falls below certain thresholds, subject to limited exceptions. The relevant thresholds triggering notification are 3%, 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 66 2/3% of the voting rights of the Company. Persons acting in concert must disclose their shareholdings on a consolidated basis and the holdings of all such a group's members are aggregated in order to calculate compliance with relevant thresholds. The direct holder as well as any indirect holder ("beneficial owner", person being able to determine the exercise of the voting rights, whether exercisable or not) must be reported. Additionally, any third party who is not owning the shares but has been mandated to vote the shares in its sole discretion must be disclosed. The relevant shareholdings must be notified to the Company and Disclosure Office of the Six Swiss Exchange within four (4) trading days from agreeing on the relevant transaction. The Company shall then publish the information received within two (2) trading days from receipt of the notification. With respect to disclosure duties of shareholders submitting shareholder statements to the Company, please refer to Section 6.3 below.

The Special General Meeting which was convened on February 21, 2019, approved an amendment to the articles of association of the Company, pursuant to which each shareholder holding 5% or more of the Company's shares or voting rights and each member of the Board of the Company is obliged to provide the Company with an address in Israel for the receiving of documents (including judicial documents) (the "**Address**"). As long as such Address has not been provided, the Company's registered office will be considered as such shareholder's and/or director's Address for the receiving of documents (including judicial documents).

2.5 Dividend-right Certificates

No dividend-right certificates were issued by SHL as of the disclosure deadline.

2.6 Limitations on Transferability

Fully paid Ordinary Shares may be transferred freely.

Currently, there are no statutory restrictions limiting the transferability of the Shares. The ownership or voting of Ordinary Shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by the Articles of Association of SHL or the laws of the State of Israel.

Voting rights and the purchase of new shares may be suspended under Swiss law as a sanction for breaches of disclosure obligations and the obligation to publish a tender offer for all shares (see section "**Swiss Takeover Board Proceeding**" above).

2.7 Convertible Bonds and Options

No Convertible Bonds have been issued by SHL. Information on Options may be found in the Section 2.2 "Authorized Capital, Issued Capital and Options".

3. Board of Directors

The primary duties of the Board are defined in the Israeli Companies Law and in the Articles of Association of SHL. For a description of powers and duties of the Board of Directors, please refer to Section 3.3 of this report.

3.1 Members of the Board of Directors

The Articles of Association provide for a Board consisting of up to nine (9) members and not less than three (3) members until otherwise determined by simple resolution of the shareholders of SHL. As of December 31, 2020 and the date hereof the Board consists of seven (7) members, of whom two (2) members are Independent (external) Directors (Mr. Abramovich and Ms. Kimhi) (for further information on Independent Directors, please refer to the following section of this report).

Independent (External) Directors

Israeli companies that have offered securities to the public in or outside of Israel are required to appoint two (2) Independent (external) Directors under the provisions of the Israeli Companies Law. Each committee of a company's board of directors authorized to exercise the powers of the board of directors is required to include at least one (1) Independent Director, and pursuant to the Israeli Companies Law, the board of directors of a public company is required to appoint an audit committee and a compensation committee which must be comprised of at least three (3) directors, including all of the Independent (external) Directors. For the tasks of the audit committee and the compensation committee, respectively, and further requirements regarding the composition of the audit committee and the compensation committee, please refer to Section 3.3 below. As a general rule, Independent (external) Directors shall be Israeli residents, however, in a company whose shares are traded abroad (such as SHL), Independent (external) Directors may also be foreign residents. In the year under review, there were no Independent Directors who are foreign residents.

Pursuant to the Israeli Companies Law, to qualify for an appointment as an Independent (external) Director, the relevant candidate must possess either financial and accounting expertise or professional skills (as such terms are defined in rules promulgated under said law), provided that at least one (1) of the Independent Directors appointed possesses financial and accounting expertise. Further, all of the following persons are prevented from serving as Independent Directors: (a) any individual that is a relative of a controlling shareholder (as such terms are defined under the Israeli Companies Law); (b) any individual who has (or any of whose relatives, partners, employer, entities controlled by him, or someone that such individual is directly or indirectly subordinated to has) at the time of appointment or at any time during the two (2) years prior to such individual's appointment as an Independent Director, any "connection" (including, in general, employment, business and/ or professional relationships, control and/ or service as an office holder) with (i) the Company, (ii) its controlling shareholder(s) at the time of appointment, (iii) a relative of a controlling shareholder at the time of appointment, (iv) any entity whose controlling shareholder(s), at the time of appointment or during the two (2) years prior to the relevant Independent Director appointment is the Company or its controlling shareholder, or (v) the Chairman of the board, the general manager, a holder of 5% or more of the issued and outstanding share capital or voting rights in the company or the most senior financial executive in the company, at the time of appointment, and only if there is no controlling shareholder in the relevant company or a holder of at least twenty five percent (25%) of the voting rights in the company; (c) any individual whose position or other activities create or may create a conflict of interest with his or her role as an Independent Director or may adversely affect such role, or which may compromise such individual's ability to serve as an Independent Director; (d) an employee of the Israeli securities authority or an Israeli stock exchange; (e) a director of another company, if a director of such other company serves as an Independent Director in the first company; (f) without derogating from the restrictions set forth under (b) above, any individual who has (or whose relative, partner, employer or person to whom he/ she is directly or indirectly subordinated to, or a company in which he/ she is a controlling shareholder has) business or professional relationships with any person with respect to which an affiliation is prohibited under (b) above, even if such relationship is not an ongoing, constant relationship, and excluding relationships that are negligible; or (g) any person which in his/ her service as an Independent Director received any compensation for his/ her service beyond that authorized in accordance with applicable regulations promulgated under the Israeli Companies Law.

In addition, for a period of two (2) years following termination of the service of an Independent Director, the company in which such Independent Director served, as well as its controlling shareholder and/ or any entity under such controlling shareholder's control may not directly or indirectly provide any benefit to such Independent Director (as well as his/ her spouse and children), including without limitations appointment as an officer holder, engagement as an employee or provider of professional services against consideration, whether directly or indirectly and whether individually or through an entity controlled by such Independent Director, all with respect to the company and any entity under control of the controlling shareholder of the company. The foregoing limitations also apply to relatives (as defined under the Israeli Companies Law) of the Independent Director who are not his/ her spouse or child, but then for a period of one (1) year from termination of service.

The Independent Directors generally must be elected by a majority vote of the shareholders, provided that (a) such majority includes a majority of shares held by shareholders who are not a controlling shareholder or who do not have a personal interest in the appointment (except a personal interest which is not the result of a relationship with the controlling shareholder) and who are voting thereon, whereby abstaining votes will not be taken into account, or (b) the percentage of the voting rights held by shareholders as described under (a) and which object to the appointment is not more than two (2) percent of the voting rights of the company (the Minister of Justice may determine a different percentage; no such determination has been made to date).

The term of an Independent Director is three (3) years and may be extended by two (2) additional terms of three (3) years each. Independent Directors may be re-elected to any of the two (2) additional terms beyond their initial three (3) year term as aforesaid only subject to fulfillment of either of the following conditions: (a) one or more shareholders holding one percent (1%) or more of the voting rights of the company proposed such additional service period, and the appointment is approved by the general meeting with a majority of votes subject to the following: (i) the votes of controlling shareholders or anyone who has a personal interest in the appointment (excluding a personal interest which is not the result of a relationship with the controlling shareholder) and abstaining votes are not counted; (ii) the number of votes supporting the appointment (from among those shareholders which are not controlling shareholders or have a personal interest as aforesaid) amounts to more than two percent (2%) of the overall voting rights in the company (the Minister of Justice may determine a different percentage; no such determination has been made to date); and (iii) such Independent (external) Director may not be (A) at the time of appointment a Related or Competing Shareholder (as defined hereafter) or a relative thereof; or (B) a person with "connections" (as defined above) to a Related or Competing Shareholder at the time of appointment and the two (2) years prior thereto. "Related or Competing Shareholder" is defined under the Israeli Companies Law as (x) the shareholder proposing such appointment; or (y) a holder of shares or voting rights in the company of at least five percent (5%); and with respect to either of the foregoing, to the extent that at the time of appointment of the Independent Director such shareholder, a controlling shareholder thereof or a company under the control of the foregoing has business connections with the company, or that it, a controlling shareholder thereof or a company under the control of the foregoing is a competitor of the company; or

(b) the Board proposed the additional service term of such Independent Director and such appointment is approved in the same way as the appointment for the initial term is approved (see above); or
(c) the Independent (external) Director himself/herself proposed his/her re-election, and the appointment is approved in accordance with the conditions described under (a) above.

Independent ("Non-Dependent") Directors

Pursuant to the Israeli Companies Law, a public company may also designate certain directors as independent (non-dependent) directors. Pursuant to the relevant provisions of the law, independent (non-dependent) directors are either (i) Independent (external) Directors as set forth above, or (ii) such persons who fulfill all of the requirements applicable to Independent (external) Directors, as confirmed by the Audit Committee, except special financial or professional qualifications, and who have not served as a director of the Company for more than nine (9) continuous years (whereby any interruption of less than two (2) years does not suffice to constitute a disruption of such continuance). Unlike Independent (external) Directors, independent (non-dependent) directors are not elected for three (3) year terms, but may be re-elected each year. No special majority requirements apply with respect to their election.
As set forth below, a majority of the members of the Company's Audit Committee are required to be independent (non-dependent) directors (i.e. including the Independent (external) Directors).
The Company has currently no directors (other than the Independent (external) Directors as such) that have been designated by the Audit Committee as independent (non-dependent) directors.

Executive and Non-Executive Members of the Board

There is currently one (1) executive director on the Board of the Company (defined as a Board member who acts as a member of the Executive Management) - Mr. Erez Nachtomy, who also serves as the Company's CEO. None of the non-executive members of the Board in the year under review was a member of the management of SHL or of any of SHL's group companies in the three (3) financial years preceding the period under review. The non-executive members of the Board have no significant business connections with SHL or SHL's group companies. For a description of the family relationship between members Mr. Yariv Alroy, Mr. Erez Alroy and Mr. Elon Shalev, see "Significant Shareholders" in Section 1.2 above and "Share Ownership" in Section 5.3. It should be noted that although Mr. Yariv Alroy serves as an Active Chairman of the Board (as defined in below in Section 3.3), he is not a member of SHL's management and does not fulfill any executive function (for further information, please refer to Sections 3.3 and 5.1 below).

Board Members as of December 31, 2020

The following table sets forth the name, principal position, time of the first election, and the remaining term of office of each member of the Board of Directors as of December 31, 2020.

Name	Nationality	Position	First Election	Remaining Term*
Yariv Alroy	Israeli	Active Chairman of the Board / Non-executive member	2018**	2021
Yehoshua Abramovich	Israeli	Non-executive member/ Independent (external) Director	2017	2023
Erez Alroy	Israeli	Non-executive member	2018***	2021
Prof. Amir Lerman	Israeli and US	Non-executive member	2016	2021
Dvora Kimhi	Israeli	Non-executive member/ Independent (external) Director	2018	2021
Elon Shalev	Israeli	Non-executive member	2018****	2021
Erez Nachtomy	Israeli	Executive member	2018	2021

* With respect to members of the Board who are not Independent (external) Directors, where the remaining term is indicated as 2021, this means until the 2021 AGM. Mr. Abramovich's second term in office ends on June 27, 2023. Ms. Kimhi's first term in office shall end on December 9, 2021. For additional information regarding the election and term of office of SHL's directors please refer to Section 3.2 "Election of Directors and Term of Office".

** Yariv Alroy served as a director also between the years 2001 and 2006, and between 2010 and 2014.

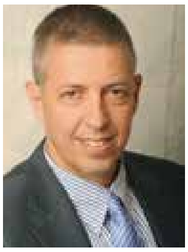
*** Erez Alroy served as a director also between the years 2008 and 2014 and between 2016 and 2017.

**** Elon Shalev served as a director also between 1987 and April 12, 2018..

Below are the resumes of the current members of the Board.

Yariv Alroy – Active Chairman of the Board

Mr. Yariv Alroy joined the Board of Directors of SHL as a non-executive Director in December 2018. Mr. Yariv Alroy served as the Company's Co-CEO from 2000 to January 15, 2016. He previously served as managing director of SHL Telemedicine International Ltd from 1997 to 2000 and Chief Operating Officer of the Company from 1993 to 1997. He also previously served as a Member of the Board of the Company between 2001 and 2006, and between 2010 and 2014. Before joining the Company, Mr. Yariv Alroy worked for a leading Israeli law firm from 1989 to 1993, with his last position being senior partner. Since 2016 he has been an investor and a businessman and serves as a Board Member of Duke Robotics Inc., a private reporting US corporation. He holds an LL.B. from Tel Aviv University, Israel. Mr. Yariv Alroy is part of the Alroy Group (see "Significant Shareholders"). Nationality: Israeli.



Erez Alroy

Mr. Erez Alroy joined the Board of Directors of SHL as a non-executive Director in December 2018. Mr. Erez Alroy served in various executive positions in SHL since its inception, and as its Co-CEO from 2000 to January 2015 and as a director from 2008 to 2014 and from 2016 to 2017. He is currently active in various investments and is a board member in Merhavia Holdings Ltd (TASE:MRHL). Mr. Erez Alroy holds an MBA from the Hebrew University in Jerusalem. Mr. Erez Alroy is part of the Alroy Group. Nationality: Israeli.

Yehoshua Abramovich

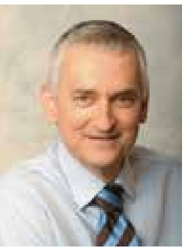
Mr. Abramovich joined the Board of Directors of SHL as a non-executive Director / Independent (external) Director in June 2017. Mr. Abramovich has held key positions in the Israeli capital market for over 25 years. He serves as the chairman of the board of Somoto limited, chairman of Atrade, Chairman of GalileoTech, Chairnan of IMed, member of the board of directors and chairman of the investment committee of I.D.I Insurance company and as a director in few other high- tech, real estate and energy companies. Mr. Abramovich was the CEO of Clal Finance during several years, one of Israel's largest financial institutions who provided a broad array of financial services ranging from portfolio management to brokerage and underwriting services. Clal Finance owned and managed mutual funds, an in-house hedge fund, and offered individually tailored structured products to clients. Prior to that, he served in various positions in Clal group, including Deputy CEO of Clal Insurance Enterprises Holdings. He served on the board of directors of the Tel- Aviv Stock Exchange until September 2008, and he is a member of the board of trustees of the Academic Track of the College of Management (COM). He has a B.A. in Economics & business management and an MBA from Tel Aviv University. Nationality: Israeli.

Dvora Kimhi

Ms. Dvorah Kimhi joined the Board of Directors of SHL as a non-executive Director / Independent (external) Director in December 2018. She also served as a non-executive Independent (external) Director in the Company from 2010 to 2014 and as a non-executive director from 2001 to 2007. Since 2002 and as of the date hereof, Ms. Kimhi serves as Vice President for regulatory and legal affairs with Channel 10, which merged with Channel 13 in January 2019. Prior to this Ms. Kimhi served as Chief Legal Advisor to Ananey Communications Ltd., Noga Communications and the Israeli Educational Television. Ms. Kimhi served as Independent director on the board of directors of Ananey communications since 2007 until 2012. Ms. Kimhi also serves on the board of directors of Kol Hayyam Hadrom Ltd., an Israel radio station. Ms. Kimhi is a member of the Israeli Bar, holds an LL.B. from Tel Aviv University and has specialized in contract law and communication regulation. Nationality: Israeli.

Prof. Amir Lerman

Prof. Lerman joined the Board of Directors of SHL as a non-executive Director in 2016. Prof. Lerman is the Vice-Chair, Cardiovascular Department and the Director of the Cardiovascular Research Center at the Mayo Clinic in Rochester (USA) since 2010. He is also the Program Director for vascular and valve, Center for Regenerative Medicine at the Mayo Clinic, since 2012. In addition, Prof. Lerman serves as the Director of the Mayo- Israeli startup company initiative as well as a faculty member at the Mirage Institute: US-Israel innovation bridge business leadership program, since 2009, in addition to various other positions held at the Mayo Clinic. Prof. Lerman also holds an appointment as Professor of Medicine at the Mayo Medical School since 2001. Prof. Lerman graduated from the Technion school of Medicine in Haifa Israel in 1985 and completed his training in internal medicine, cardiovascular diseases and invasive cardiology at the Mayo Clinic in 1994. Prof. Lerman published more than 700 manuscripts, book chapters and reviews; the NIH, AHA, and several foundations support his research. Nationality: American/Israeli.



Elon Shalev

Mr. Elon Shalev joined the Board of Directors of SHL as a non-executive Director in December 2018. Mr. Elon Shalev is co-founder of SHL, and has served as a director of SHL since its inception in 1987 until April 2018 and was its Chief Operating Officer from 1990 to 1993. Mr. Shalev currently served as the Vice Chairman of the board of directors of Partner Communications Company (NASDAQ, TASE: PTNR), a leading Israeli provider of telecommunications services from 2013 to 2019. Mr. Shalev was the founder of Channel 2 news in Israel and from 1993 to 1995 served as its CEO. From 1996 to 1999, he was Editor in Chief of "Yediot Aharonot", the largest daily newspaper in Israel and from 2000-2001 he was an Executive Vice President of Discount Investment Corporation Ltd. of the IDB group. Mr. Shalev has been serving as a senior advisor to the Saban Capital Group since 2004. He was a director in several large and well known Israeli firms. Mr. Shalev holds a B.A. degree in Political Science from the University of Tel-Aviv, Israel. Nationality: Israeli.

Erez Nachtomy

Mr. Erez Nachtomy joined the Board of Directors of SHL as a non-executive Director in December 2018 and became an executive director following his nomination as the Company's CEO, since May 2020. From 1989 until 2001, Mr. Nachtomy practiced law at a leading Israeli law firm – Weksler, Bregman & Co., becoming a partner in the firm in 1994 and later on promoted to a senior partner. In March 2001, he joined the executive team of SHL, as Vice President, and from January 2005 to December 2016 he served as Executive Vice President of the Company. Since 2017 he is an investor and a businessman specializing in strategic planning, M&A transactions, and capital raising and business development. He serves as a Board Member and officer of UAS Drone Corp., a reporting US corporation. Mr. Nachtomy hold an LL.B. from Tel Aviv University, Israel, and he is a member of the Israeli Bar. Nationality: Israeli.

3.2 Election of Directors and Term of Office

Pursuant to the Articles of Association of SHL, all members of the Board, except the two (2) Independent (external) Directors (who are to be elected as described above), are elected individually at the Annual General Meeting of the shareholders by a vote of the holders of a majority of the voting power represented at such meeting to serve until the next Annual General Meeting. All directors of SHL, except for the Independent (external) Directors - who may only serve three (3) three-year terms (please refer to the description above) - may be re-elected with no limit.

Pursuant to the provisions of the Israeli Companies Law, each candidate for directorship in a public company is required to execute a written declaration pursuant to which such person has the requisite qualifications and is able to dedicate the required time to its service as a director, and further that none of the reasons stipulated under the Israeli Companies Law preventing such director from being eligible for service as a director (such as a court conviction of an offense of corruption, fraud or use of inside information so long as five (5) years have not yet lapsed from the date of the relevant verdict) apply. With respect to Independent (external) Directors, the proposed candidates have to further submit a declaration that they fulfill the special professional qualification requirements stipulated under the Israeli Companies Law applicable to Independent Directors (see section 3.1 above). The foregoing declarations have to be submitted prior to the call for a shareholders' meeting at which the relevant candidate is proposed to be elected as a director.

In addition to the foregoing, a person who is a candidate to be a director of a company is required to disclose to the company, amongst others, whether the enforcement committee

instituted under the Israeli Securities Law has imposed certain enforcement measures on such person preventing him/ her from serving as a director in a public company, so long as the applicable period of restriction imposed has not yet lapsed. If sanctions were imposed which prohibit service as a director in a public company, then (a) the relevant candidate will not be appointed as a director; and (b) the service of any person already serving as a director will immediately terminate with submission of notice by the relevant director regarding such enforcement measures.
Under the Israeli Companies Law, the following persons may not be appointed as Chairman of the Board of a public company: (a) neither the Chief Executive Officer himself/ herself nor any of his/her relatives (as such term is defined under the Israeli Companies Law and which does not include uncles, aunts or cousins) may at the same time serve as Chairman of the Board, unless the shareholders consent to such service, which, in any event, may not exceed three (3) year periods from the date of each such approval. Approval shall be obtained by the Audit Committee, the Board and the shareholders. Approval by the shareholders requires that either (i) pursuant to a change in applicable law, if effect as of the year under review, the a majority vote in favor of the resolution shall include the consent of at least a the shareholders voting power represented at the meeting in person or by proxy and voting thereon who have no personal interest in approving the resolution and who are not controlling shareholders of the Company (whereby abstaining votes will not be counted), or (ii) the total shares of the shareholders who are not controlling shareholder and have no personal interest in approving the resolution voted against the resolution do not represent more than two (2) percent of the voting rights in the Company; or (b) a person directly or indirectly subordinated to the CEO. In addition, in a public company, the Chairman of the Board or his/ her relatives may not be authorized to exercise the powers of (a) the CEO, unless under the special approval requirements set forth above and each time only for a period of up to three (3) years; or (b) a person directly or indirectly subordinated to the CEO, and the Chairman is also prevented from serving in any other position in the company or an entity in its control (except service as a director or Chairman of a company under its control.) Shareholders participating in the special approvals as described above must disclose prior to the vote whether or not they have a personal interest - if no such disclosure is made, the votes of such shareholders will not be counted.

3.3 Internal Organizational Structure

Pursuant to the Israeli Companies Law and SHL's Articles of Association, the Board is ultimately responsible for the general policies and management of SHL. The Board establishes the strategic, organizational, accounting and financing policies of SHL. Specifically, the Board of SHL reviews, discusses and approves the half-year financial statements of the Company, and is updated on a regular basis regarding the development of SHL's business. Mr. Yariv Alroy, as an active chairman of the Board (the "**Active Chairman**"), in addition to his role as chairman of the Board of SHL, takes on increased duties on behalf of the Company, which include, inter alia, being in constant and direct contact with the Company's management in order to facilitate the communication between management and the Board and monitor the performance and implementation of the Company's policies and resolutions of the Board, all to ensure that the Company's course of business is aligned therewith.
The Board meets at least once each quarter. Topics addressed in the meetings include the strategy, business reviews and major projects, investments and transactions. Each of the Board committees conducts its meetings according to the needs of the relevant Board Committee. The Chief Executive Officer and the Chief Financial Officer of the Company are invited to Board meetings and attend such as the Board deems necessary. It should be noted that Mr. Nachtomy, the CEO of the Company as of the date hereof, is invited to all Board meetings, being a member of the Board. Pursuant to the Israeli Companies Law, persons that may not be elected as members of the audit committee and the compensation committee of a company (for further information regarding

persons not qualified to be audit committee or compensation committee members, please see the relevant sub-sections of this section below), respectively, may not be present at meetings of these committees unless the chairman of the committee determined that his/ her presence is required in order to present a certain topic; provided that (a) an employee of the company (who is not a controlling shareholder or its relative) may be present at the discussion in such meeting (but not at the time any resolution is taken) if such presence was requested by the committee; and (b) the company's legal counsel and the company corporate secretary (who are not controlling shareholders or their relatives) may be present both at discussions and resolutions of the audit or compensation committees if so requested by such committee.

The Board has all powers vested in it according to the Israeli Companies Law and the Articles of Association, is authorized to determine the policy of SHL and to supervise the performance and actions of the CEO of the Company, and, without derogating from the above, has the following powers:

- determine SHL's plans of action, the principles for financing them and the order of priority among them;
- examine the financial status of SHL, and set the frame of credit that SHL shall be entitled to acquire;
- determine the organizational structure of SHL and its compensation policies;
- resolve to issue series of debentures;
- prepare and approve the financial statements of SHL;
- report to the Annual General Meeting of the status of SHL's affairs and of their financial outcomes;
- appoint the CEO and terminate such appointment, in accordance with the Israeli Companies Law;
- resolve in the matters on actions and transactions that require its approval according to the Israeli Companies Law and the Articles of Association;
- issue shares and convertible securities up to the total amount of the authorized share capital of SHL, in accordance with the Israeli Companies Law;
- decide on a "distribution" as set forth in Sections 307 - 308 of the Israeli Companies Law (including without limitations, dividends and share repurchases);
- express its opinion on a special tender offer, as set forth in Section 329 of the Israeli Companies Law.

Pursuant to the Articles of Association of SHL a quorum at a meeting of the Board shall be constituted by the presence in person or by telephone conference of a majority of the directors then in office who are lawfully entitled to participate in the meeting. Any director may call a meeting of the Board of Directors upon a seven (7) day notice, unless such notice has been waived by all the directors. The notice of a meeting shall include the agenda of the meeting. Pursuant to the Articles of Association of SHL the Board may meet and adjourn its meetings according to SHL's needs but at least once in every three months, and otherwise regulate such meetings and proceedings as the directors think fit. Meetings of the Board may also be held telephonically or by any other means of communication, provided that each director participating in such meeting can hear and be heard by all other directors participating in such meeting. A meeting of the Board at which a quorum is present shall be competent to exercise all the authorities, powers and discretion vested in or exercisable by the Board. A resolution proposed at any meeting of the Board shall be deemed adopted if approved by a simple majority of the directors then in office who are lawfully entitled to participate in the meeting and vote thereon, and present when such resolution is put to a vote and voting thereon. The Board may also adopt resolutions by unanimous written consents.

The Articles of Association of SHL provide that any director may, by written notice to SHL, appoint another person to serve as an alternate director and may cancel such appointment. Any person that meets the qualifications of a director under the Israeli Companies Law may act as an alternate director. One person may not act as an alternate director for more than one director, and in a public company a person serving as a director of the company or as an alternate director may not act as an alternate director. However, a director can serve as an alternate director to a member of a committee of the board of directors, provided that the alternate director is not a member of the committee in question; and provided further that in the event the alternate director is to serve as an alternate to an Independent (external) Director, such alternate director shall have financial and accounting expertise or professional skills, dependent on the expertise and skills of the Independent (external) Director such alternate director is supposed to replace. An alternate director to an Independent (external) Director may not be otherwise appointed.

Under the Israeli Companies Law a company is entitled to have several General Managers to be appointed by the Board who shall be responsible for the day-to-day operation of the company within the limits of the policy determined by the Board and subject to its direction. In a public company, office holders who are not directors are appointed by the General Manager/CEO who may determine the powers and duties of such office holders.

During the year under review the Board held twenty nine (29) meetings (five (5) of which as physical meetings, twelve (12) of which via video conference and twelve (12) by written resolutions). The length of such meetings depends on the agenda and the average duration is approximately 1.5 hours

Committees of the Board and Internal Auditor

The Articles of Association of SHL provide that the Board may delegate any or all of its powers to committees of the Board as it deems appropriate, subject to the provisions of the Israeli Companies Law. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board. The meetings and proceedings of any such committee are, mutatis mutandis, governed by the provisions contained in the Articles of Association for regulating the meetings of the Board, so far as not superseded by any regulations adopted by the Board of Directors. Any such committee authorized to execute the powers of the Board shall include at least one (1) Independent (external) Director. A committee authorized to execute the powers of the Board may only be comprised of members of the Board. A committee whose powers are limited to providing recommendations to the Board may be comprised of non-members.

Pursuant to the Israeli Companies Law, a board of directors may not delegate the following matters to a committee: determination of a general policy; distribution (except for re-purchase of company shares pursuant to a framework approved by the board); determination of the board of directors' stand on matters that require shareholder approval or on its opinion with regard to a special purchase offer; appointment of directors; issuance of securities (except for issuance to employees pursuant to an option plan approved by the board); approval of financial statements; approval of interested party transactions.

As mentioned above, although not mandatory, under the provisions of the Israeli Companies Law for a company which is not subject to reporting obligations under the Israeli Securities Law, the Board of Directors has voluntarily appointed a Committee for the Examination of the Financial Statements as of March 18, 2015. On February 21, 2019 the Board has voluntarily appointed a new committee – an Investment Committee. On February 10, 2020, the Board has voluntarily appointed a Cyber Committee and on May 17, 2020 the Board has voluntarily appointed an Executive Committee.

For further details regarding the composition of said committees in the year under review and as of the date hereof, please see below.

The committees of the Board of Directors meet as necessary and are required to take minutes, make full reports and recommendations to the Board of Directors, which recommendations are provided to the Board of Directors following each applicable session of the committees.

Pursuant to the Israeli Companies Law, the Board of Directors also appointed an internal auditor proposed by the Audit Committee.

Audit Committee – Pursuant to the Israeli Companies Law the Audit Committee must be comprised of at least three (3) directors, including all of the Independent (external) Directors, and a majority of its members must be Independent (Non-Dependent) Directors (i.e. including the Independent (external) Directors). The following persons may not be members of the Audit Committee: (a) the Chairman of the Board; (b) any director employed by the Company; (c) any director employed by a controlling shareholder of the Company or an entity under the control of such controlling shareholder; (d) any director who provides services, on a regular basis, to the Company, a controlling shareholder or an entity under the control of a controlling shareholder; (e) a director whose main livelihood is based on a controlling shareholder; and (f) a controlling shareholder or any of its relatives. Subject to limited exceptions, any person who could not be a member of the Audit Committee may not be present at its meetings. The Chairman of the Audit Committee shall be an Independent (external) Director not serving for more than nine (9) years. The legal quorum for any meeting of the Audit Committee shall be a majority of its members, provided that the majority of those present shall be Independent (non-dependent) Directors (see description above), and further provided that at least one (1) Independent (external) Director shall be present. The role of the Audit Committee includes, amongst others, the following: (a) to examine flaws in the business management of the Company, in consultation with the Internal Auditor and the external auditors, and to propose remedial measures to the Board; (b) to determine whether an interested party transaction is an ordinary or extraordinary transaction (where extraordinary transactions are subject to special approval requirements); (c) to approve interested party transactions, where so required under the Israeli Companies Law; and (d) to examine the existing internal control measures of the Company and the functioning of the Internal Auditor (see below). The Audit Committee is also charged with (e) prescribing with respect to transactions with controlling shareholders or another person in which a controlling shareholder has a personal interest (even if they are determined by the Audit Committee not to be extraordinary transactions), as well as with respect to the engagement terms of controlling shareholders and their relatives, the obligation to conduct either (i) a competitive process under the supervision of either the Audit Committee or who else the Audit Committee may determine in respect thereof pursuant to the criteria set by it; or (ii) other processes as determined by the Audit Committee, prior to the relevant transaction, and all in accordance with the type of transaction in question, and the Audit Committee may set the relevant criteria therefore once a year in advance; and (f) to determine the manner of approval of transactions with controlling shareholders or another person in which a controlling shareholder has a personal interest and to determine kinds of such transactions which require the approval of the Audit Committee, all with respect to such transactions which pursuant to the determination of the Audit Committee are not extraordinary transactions but also not negligible - the Audit Committee may so determine with respect to types of transactions according to criteria it may set one a year in advance. The Audit Committee also determines (g) whether a director or candidate for director fulfills the requirements for being classified as an independent (non- dependent) director. Neither the Israeli Companies Law nor the Company's Articles of Association prescribe a certain frequency at which meetings of the Audit Committee are to take place. Accordingly, the Audit Committee meets from time to time when deemed necessary.

Pursuant to the Israeli Companies Law, the Internal Auditor (see below) may request the chairperson of the Audit Committee to convene a meeting and the chairperson shall then convene such meeting if it deems it fit. In addition, should the Audit Committee find that there is a material flaw in the business management of the Company, it shall hold at least one meeting with respect to such material flaw in the presence of the Internal or external auditor, as the case may be, without any office holders that are not members of the committee present; provided that an office holder may be present for the purpose of presenting an opinion with respect to a matter which is in his/her field of responsibility. The duration of the meetings varies in accordance with the

topics discussed. During the year under review the Audit Committee held eight (8) meetings (two (2) of which as physical meetings and six (6) of which via video conference or teleconference), the duration of which was approximately one (1) hour.
In the year under review, the Audit Committee was composed of the following members: Mr. Yehoshua Abramovich (chairman), Ms. Dvora Kimhi and Prof. Amir Lerman (this composition is in compliance with the requirements of the Israeli Companies Law).

Compensation Committee – Pursuant to the Israeli Companies Law, an Israeli public company is obligated to appoint a Compensation Committee, which shall be comprised of at least three (3) members and of which all Independent (external) Directors shall be members and constitute a majority. The remaining members of the Compensation Committee shall be such whose engagement terms correspond to the rules of compensation set forth under applicable regulations under the Companies Law with respect to Independent (external) Directors. Persons who may not be members of the Audit Committee (see description above) may also not be members of the Compensation Committee. The Chairman of the Compensation Committee shall be an Independent (external) Director not serving for more than nine (9) years. The Audit Committee and the Compensation Committee may have identical members and an Audit Committee fulfilling the above requirements may at the same time also serve as the Compensation Committee. The role and authority of the Compensation Committee shall include (a) the issuance of a recommendation to the Board of Directors regarding the Compensation Policy, (b) issuance of a recommendation to the Board of Directors once every three (3) years regarding the extension of the Compensation Policy; (c) recommendation to the Board of Directors from time to time regarding any amendments to the Compensation Policy, as well as examination regarding its implementation; (d) approval of transactions with office holders (including controlling shareholders) regarding the terms of their engagement with the Company as required under the Israeli Companies Law; and (e) exemption of certain transactions from the shareholder approval requirement which may otherwise apply pursuant to the Israeli Companies Law. Neither the Israeli Companies Law nor the Company's Articles of Association prescribe a certain frequency at which meetings of the Compensation Committee are to take place. Accordingly, the Compensation Committee meets from time to time when deemed necessary. During the year under review the Compensation Committee held twelve (12) meetings (four (4) of which as physical meetings and eight (8) of which via teleconference or video conference). The duration of the meetings varies in accordance with the topics discussed. In the year under review the average meeting duration was approximately one (1) hour.
In the year under review, the Compensation Committee was composed of the following members: Mr. Yehoshua Abramovich (chairman), Ms. Dvora Kimhi and Prof. Amir Lerman (this composition is in compliance with the requirements of the Israeli Companies Law).

Committee for the Examination of the Financial Statements ("FS Committee") – Pursuant to the Israeli Companies Law, only companies which are "reporting companies" (for such purpose only companies subject to reporting obligations to the Israeli Securities Authority) must establish a FS Committee. However, the Board has voluntarily appointed a FS Committee as of March 18, 2015. Pursuant to regulations promulgated under the Israeli Companies Law, the FS Committee shall be comprised of at least three (3) members and those persons which may not serve on the Audit Committee are also prevented from serving on the FS Committee. The majority of its members must be independent (non-dependent) directors (i.e. including independent (external) directors). The committee's chairperson shall be an Independent (external) Director. All members must be able to read and understand financial reports and at least one of the Independent (non-dependent) Directors must be a director with financial and accounting expertise (as such term is defined under applicable regulations promulgated under the Israeli Companies Law). The Audit Committee may at the same time serve as the FS Committee if all of the legal requirements with respect to the committee members are met.

The task of the FS Committee is to examine the financial statements of the Company prior to their approval by the Board. In particular, the financial statements shall only be brought to the Board for approval, if all of the following requirements have been complied with: (A) The FS Committee shall have discussed and submitted its recommendations to the Board on all of the following items: (a) evaluations and estimations that were made in connection with the financial statements; (b) internal controls over financial reporting; (c) completeness and fairness of disclosures made under the financial statements; (d) the financial guidelines adopted and financial treatment implemented with respect to material matters of the Company; and (e) valuations, including assumptions and estimations on which they are based, on which the financial statements rely; (B) the external auditor shall be invited to all meetings of the FS Committee, and the Internal Auditor of the Company shall receive notices of its meetings and may participate therein; (C) the FS Committee shall have submitted its recommendation regarding the approval of the financial statements a reasonable time prior to the discussion thereof by the Board and shall have reported to the Board regarding all defects or problems which it may have discovered during its examination of the financial statements; and (D) the Board shall discuss the recommendations of the FS Committee.

During the year under review the FS Committee held five (5) meetings (all of which via teleconference or video conference). In the year under review the average meeting duration was approximately one and a one (1) hour.

The members of the FS Committee in the year under review and as of the date hereof, are Mr. Yehoshua Abramovich (chairman), Ms. Dvora Kimhi and Prof. Amir Lerman (this composition is in compliance with the requirements of the Israeli Companies Law) (for details of changes please refer to Section 3.1 “Board of Directors” above).

Investment Committee – Although not mandatory under the provisions of the Israeli Companies Law, the Board of Directors has voluntarily appointed an investment committee as of February 21, 2019 (the “**Investment Committee**”). The task of the Investment Committee is to determine the investment policy of the Company’s cash proceeds that are not required for its ongoing operations as will be from time to time. The members of the Investment Committee as of the date hereof, are Mr. Yehoshua Abramovich (chairman), Mr. Erez Alroy and Mr. Erez Nachtomy.

M&A Committee – Although not mandatory under the provisions of the Israeli Companies Law, the Board of Directors has voluntarily appointed a mergers and acquisitions committee as of June 16, 2019 (the “**M&A Committee**”). The task of the M&A Committee is to facilitate the execution, performance and delivery of prospective M&A transactions. The members of the M&A Committee as of the date hereof, are Mr. Yariv Alroy (chairman), Mr. Yehoshua Abramovich, Mr. Erez Alroy and Mr. Erez Nachtomy.

The M&A Committee meets from time to time when deemed necessary. Frequency and average duration of sessions are not provided given the general strategic role of such committee.

Cyber Committee – Although not mandatory under the provisions of the Israeli Companies Law, the Board of Directors has voluntarily appointed a cyber committee as of February 10, 2020 (the “**Cyber Committee**”). The task of the Cyber Committee is to recommend to the Board as to actions and/or measures to be taken in connection with the Company’s information technology, including, inter alia, for the purpose of developing, maintaining and promoting the security of the Company’s systems, networks and data, as well as supervising and monitoring the implementations of all such actions and/ or measures. The members of the Cyber Committee as of the date hereof, are Mr. Yariv Alroy (chairman), Mr. Yehoshua Abramovich and Mr. Erez Nachtomy.

The Cyber Committee meets from time to time when deemed necessary. Frequency and average duration of sessions are not provided given the sensitive role of such committee.

Executive Committee – Although not mandatory under the provisions of the Israeli Companies Law, the Board has voluntarily appointed an advisory executive committee as of May 17, 2020 ("**Executive Committee**"). The task of the Executive Committee is to assist and accompany the CEO and the Company in operating its ongoing business. The members of the Executive Committee as of the date hereof are Mr. Yariv Alroy, Mr. Yehoshua Abramovich and Mr. Elon Shalev.

The Executive Committee meets from time to time when deemed necessary. Frequency and average duration of sessions are not provided given the general strategic role of such committee.

Internal Auditor – Pursuant to the Israeli Companies Law, the Board of a public company shall appoint an internal auditor. Such appointment is made upon recommendation of the Audit Committee. Neither an interested party nor an officer of the company, any relatives of the foregoing or the external auditor or anyone on its behalf may serve in such position. The role of the Internal Auditor is to examine, among other things, whether SHL's activities comply with the law and orderly business procedure. Pursuant to the Israeli Internal Audit Law - 1992, together with the Israeli Companies Law, the Internal Auditor is authorized to demand and receive any kind of document and/ or information that is in the Company's or its employees' possession, which he deems necessary for the performance of his role, and he is to have access to all databases or data processing programs of the Company. Pursuant to the Israeli Companies Law, the Chairman of the Board or the Chairman of the Audit Committee may order the Internal Auditor to conduct an internal audit on matters where an urgent need for examination arose. In addition, the Internal Auditor shall receive notices of the meetings of the Audit Committee and may participate in such meetings. The Internal Auditor has no decision making powers. Pursuant to the Israeli Companies Law and the Company's Articles of Association, the internal auditor has to submit a work program to the Company's Audit Committee for approval.

Mr. Avner Eliav was appointed as SHL's Internal Auditor in June 2016. During the year under review, the Internal Auditor participated in four (4) meetings of the Audit Committee of the Company, in the framework of which the Internal Auditor presented the reports with respect to 2020 internal audit plan, inventory management, human resources, sales commissions and Survey of embezzlement and fraud internal audit reviews. In March 2021 the Audit Committee appointed Mr. Michael Gilinsky as the Company's new Internal Auditor.

3.4 Definition of Areas of Responsibility of Management; Information and Control Instruments Vis-À-Vis Senior Management

The senior management of SHL ("**Senior Management**") implements the general policies and strategic decisions of the Board. It manages the day-to-day business operations of SHL, including:

- Regularly assessing the achievement of targets set for the Company's business;
- Implementing the corporate policies, strategies and strategic plans given by the Board;
- Ensuring the efficient operation of the Company and achievement of optimized results;
- Ensuring that management capacity, financial and other resources are used efficiently.

The Board controls the actions of Senior Management through a variety of control mechanisms:

- The CEO and CFO inform the Board regularly about current developments, including by submitting written reports on relevant topics and participating in the relevant meetings of the Board and Board committees.
- Informal teleconferences are held as required between the Board and CEO and CFO as deemed necessary.
- Control over financial management is exercised by the FS Committee and the Board, which invite the CFO to each meeting at which financial results are discussed, as well as SHL's external auditors, as deemed necessary. The FS Committee and the Board discuss with the CFO and the auditors (to the extent applicable) not only the financial statements themselves but also their assessment of the internal controls and whether any material weaknesses have come to their attention.

- SHL has an Internal Auditor (for further information, please refer to "Committees of the Board and Internal Auditor" above). The Internal Auditor examines the processes and controls of the Company - not only with regard to financial operations, but also with regard to compliance of management with internal and external policies - and conveys his findings to the Chairman of the Board, the CEO and the Chairman of the Audit Committee, (for more information please refer to Section 3.3 "Internal Auditor" above).

The Board of Directors is also responsible for the supervision the Company's internal control system and risk management. The Senior Management of SHL identifies, analyzes, measures, monitors and mitigates financial and non-financial risks on an ongoing basis within the frame of the Company's general strategy. This includes, in particular, credit risks, foreign currency risks, risks regarding the fair value of financial instruments as well as liquidity risks. For the nature and management of these risks see Note 16 ("Financial Instruments") in SHL's financial statements for the year ending December 31, 2020 (see pp. 96-99 of SHL's financial statements). Further relevant risks that are monitored concern the market, the industry, compliance with national and international regulations in particular with regard to the medical sector, customer requirements, IT especially in connection with telemedicine industry, supply-side risks and catastrophes. When imminent risks are identified, qualified individuals are determined to deliver effective risk management. Risk assessments are submitted by the relevant individuals when appropriate, but at least annually, to the Senior Management, the relevant organ and the Board of Directors.

4. Senior Management

4.1 Members of Senior Management; Other Activities and Vested Interests

4.1.1 Organizational Structure as of December 31, 2020

Erez Nachtomy
CEO

Yossi Vadnagra
CFO

Yoni Dagan
CTO

Ralf Bork and Linus Drop*
Co-Managing Directors
SHL Telemedizin Germany

* Appointed in January 2021

4.1.2

The following members of management were in office as of December 31, 2020:

Erez Nachtomy

CEO

Mr. Nachtomy was appointed as CEO as of May 17, 2020. For Mr. Nachtomy's resume, please see section 3.1 above.

Yossi Vadnagra

Chief Financial Officer

Mr. Yossi Vadnagra joined SHL in February 2017 as Director of Business Development in Israel and has been appointed CFO in June 2017, with over twenty years of experience in international markets with Blue Chip companies as CFO in the Healthcare, Retail, and Engineering sectors. Before joining SHL, Mr. Vadnagra worked for six years as Chief Financial Officer and Co-CEO for G&V Business Solutions Ltd. in Israel and India, and in this capacity, worked with SHL on business development projects in India. Prior to that, Mr. Vadnagra worked for five years as Chief Financial Officer and Strategic Planning for Elbit India Healthcare, a subsidiary of Elbit Imaging Ltd. (NASDAQ: EMITF). Mr. Vadnagra is a CPA (Israel) with an MBA in Finance, both degrees achieved with honors from the College of Management in Israel. Nationality: Israeli.

Yoni Dagan

CTO

Mr. Yoni Dagan joined SHL in February 2017 from US-based medCPU, a company of enterprise decision support software and services capturing and analyzing the clinical picture from clinicians' freetext notes, dictations, and structured documentation entered into any Electronic Medical Record. At medCPU, Mr. Dagan was leading the R&D group based in Tel Aviv of over 30 engineers including R&D, integration, QA and algorithms teams. Mr. Dagan has over 15 years of experience as a technology expert specializing in medical devices, multidisciplinary systems, and leading multidisciplinary projects. Prior to his role with medCPU, Mr. Dagan served as Vice President of R&D in PulmOne Advanced Medical Devices, and CTO in SleepRate leading teams that developed novel medical devices and technologies. As CTO of SHL, Mr. Dagan is in charge of the technological needs and R&D of the Company. Mr. Dagan holds an MSc and a BSc in biomedical engineering, and an MBA from Tel Aviv University. He is a member of the medical devices standardization committee in the Israeli Institute of Standards Nationality: Israeli.

Ralf Bork
Co-Managing Director
SHL Telemedizin, Germany

Mr. Bork joined SHL Telemedicine in February 2018 and was appointed an Interim Managing Director in May 2019 and as Managing Director as of January 1, 2020. Previously he worked as Head of International Development and Deployment at Allianz Global Health. Previously served as VP Commercial at ResMed, reporting directly to the President of MEA/APAC. Following university, Mr. Bork worked for Roche Diagnostics and later McKinsey & Company. Mr. Bork holds an MBA with concentration in Economics from Philipps- Universität Marburg. Nationality: German.

Officers who have joined SHL during 2021:

Linus Drop, Co-Managing Director
SHL Telemedizin, Germany

Mr. Drop joined SHL Telemedicine in January 2021. Mr. Drop has significant experience in the German Healthcare market. He founded Jumedi in 2017 and served as its Managing Director. From 2008 to 2017 he held the position of Managing Director of Sanvartis GmbH, a German telehealth company. Mr. Drop started his career at Barmer Healthcare Insurance company where he held different positions for over 10 years. Mr. Drop studies training as a social security clerk (SOFA) and is a graduate of the business administration program of the Barmer Leadership Academy. Nationality: German.

Officers who have resigned from SHL during 2020:
Yoav Rubinstein, Former Chief Executive Officer (until May 2020)

Mr. Yoav Rubinstein was appointed as CEO as of June 1, 2017 and served as the Company's CEO until May 17, 2020. Prior to that, from March 2012 he has served as Senior Vice-President, Head of Global
Business Development as well as Interim CEO from 16 January 2016 until 2 March 2016, and from April, 21, 2017 until his appointment as CEO as aforementioned.
Before joining SHL, Mr. Rubinstein worked in the private equity industry, for 9.5 years as a Principal for Apax Partners (from 2000 to 2010) and then as a Senior Advisor to Saban Capital Group from 2010 to 2012. Mr. Rubinstein holds a B.A. in Business Administration from the Interdisciplinary Center, Israel. Nationality: Israeli and American.

The following members of management have served as management for part of the year under review, and are no longer employed by SHL: Mr. Yoav Rubinstein, who served as the Company's CEO, until May 17, 2020.

4.2 Management Contracts

SHL has not entered into management contracts with third parties. SHL's office holders who are in management are employees of the Company and their engagement terms and conditions are determined under their respective employment agreements.

5. Compensation, Shareholdings and Loans

5.1 Content and Method of Determining the Compensation and of the Shareholding Programs – Compensation Policy

Pursuant to the Israeli Companies Law, an
Israeli public company is required to adopt a compensation policy with respect to the terms of engagement of its officer holders (as such term is defined under the Israeli Companies Law and including without limitations, directors and controlling shareholders engaged as officers of the Company, subject to limited exceptions set forth in the regulations promulgated under the Israeli Companies Law in connection therewith (which are not applicable to SHL). The adoption of the Compensation Policy requires approval by the shareholders of the Company, further to approval by the Board which has to take into consideration the recommendations issued by the Compensation Committee in this respect. The relevant shareholder approval is subject to a special majority requirement of either (a) the majority vote in favor of the resolution including the consent of at least a majority of the shareholders' voting power represented at the meeting in person or by proxy and voting thereon who are neither controlling shareholders of the Company

nor have a personal interest in approving the Compensation Policy (not including abstaining votes), or (b) the total number of votes of those shareholders described in (a) above and objecting to the adoption of the Compensation Policy not representing more than two (2) percent of the voting rights in the Company. Any shareholder participating in the vote on the adoption of the Compensation Policy has to inform the company prior to the relevant vote whether or not he/she/it has a personal interest therein. Votes of shareholders who did not notify the Company on whether or not they have a personal interest in accordance with the foregoing are not counted.

As a general rule, pursuant to the Israeli Companies Law, remuneration to office holders which is inconsistent with the compensation policy of the company requires, in addition to the approval of the compensation committee and of the board of directors, the approval of a special majority in the general meeting of the shareholders, as set forth hereinabove.

Notwithstanding the aforesaid shareholder approval requirement, the Compensation Policy may also be approved, despite objection by the Company's shareholders in the event that after renewed consideration of the Compensation Policy and based on detailed reasons, both the Compensation Committee and thereafter the Board resolve that the adoption of such Compensation Policy despite the shareholders' objection is in the Company's best interest.

The 2020 Compensation Policy was adopted by the Special General Meeting of the shareholders of the Company held in September 2020, following the expiration of the 2017 Compensation Policy and the recommendation and earlier approval of the Compensation Committee and of the Board. The 2020 Compensation Policy includes several amendments in comparison to the 2017 Compensation Policy, which include: (i) the removal of a provision regarding severance payments pursuant to which severance payments of executive officers shall be in accordance with the provisions of the "General Approval regarding the payments by Employers to Pension Funds and Insurance Funds, in lieu of Severance Payments pursuant to the Severance Pay Law, 5723-1963"; (ii) the removal of a provision pursuant to which a director who is also an executive officer shall not be entitled to remuneration as a director. (iii) an amendment to the provisions with respect to directors remuneration, pursuant to which: (a) an Active Chairman of the Board shall receive a separate compensation in lieu of the remuneration to which the directors are entitled to, provided that such remuneration shall not exceed the sum of NIS 780,000 per annum (employer's cost); (b) the Company shall be entitled to pay a participation remuneration to directors (excluding the Active Chairman) for meetings via electronic means at the same rate as the remuneration it pays for physical meetings (subject to any applicable law); (iv) the addition of a list of the eligible KPIs for the annual bonus plan for the CEO; (v) the addition of a provision pursuant to which the Compensation Committee and the Board may decide, at their sole discretion, to pay an executive officer annual bonus even if KPIs were not determined in advance or in the event that the executive director did not achieve the KPIs determined, provided that the annual bonus shall not exceed three (3) times the base salary of that executive officer; (vi) amendment to the provision regarding the fair value of the share based compensation pursuant to which it shall not exceed the sums denominated in the Compensation Policy for one year (i.e. the fair value of the share base compensation at the time of the grant divided, linearly, to the number of the years until all the share based compensation is vested), and an amendment to the maximum sum of the share based compensation for all directors as a group per annum, which was increased from USD 500,000 to USD 800,000; (vii) the addition of a provision with respect to insurance, prescribing the maximum coverage per a claim and for a period of one year (a sum which shall not exceed USD 15 million) and for the insurance premium for a period of one year (a sum which shall not exceed USD 69,000). The 2020 Compensation Policy of the Company shall expire in September 2023.

Under law, the Board is required to examine from time to time whether any amendments to the Compensation Policy are necessary in light of changing circumstances or for any other reason, and similarly, the Compensation Committee shall issue recommendations to the Board in this respect from time to time. The Israeli Companies Law provides that the Compensation Policy shall be determined under consideration, amongst others, of the following points: (a) furtherance of the Company's objectives, its business plan and policies, with a long term view; (b) creation of adequate incentives for officer holders of the Company under consideration of the Company's risk management policy; (c) size of the Company and the nature of its operations; and (d) with respect to variable compensation components – the contribution of the office holder to the achievement of the Company's targets and increase in revenues, all with a long-term view and in accordance with the position of the relevant office holder.

Further, the Compensation Policy shall deal with the following matters: (a) education, qualifications, expertise, professional experience and achievements of the relevant office holder; (b) the position of the office holder, his/ her responsibilities and previous engagements signed with him/her; (c) the relation between the engagement terms of the relevant office holder to the engagement terms of the other employees and/ or subcontractors of the Company and particularly, the relation to the average salary and to the median (i.e. 50th percentile) salary of such employees and the impact of the difference between the foregoing on the working relationships in the Company; (d) in the event officer engagement terms include variable components – the possibility of reducing such components in the discretion of the Board of Directors, as well as the possibility to determine ceilings for the value of variable components which are not paid in cash; and (e) in the event the officer engagement terms include retirement grants – the period of engagement of the office holder, the applicable engagement terms during such time period, the performance of the Company during such period, the contribution of the officer holder to the achievement of the Company's targets and increase of its revenues, as well as the circumstances of retirement. At last, the Compensation Policy must contain the following provisions: (a) with respect to variable compensation components: (i) such must be based on the achievement of long-term performance goals and objectively measurable criteria (although with respect to an immaterial part of such components, the Company may resolve that such shall be granted based on criteria not objectively measurable under consideration of the officer holder's contribution to the Company); and (ii) the proportion between fixed and variable compensation components must be set, as well as a ceiling for the value of variable components at the time of payment (provided that with respect to variable components which are not paid in cash, a ceiling needs to be fixed at the time of grant); (b) a provision pursuant to which an office holder will repay to the Company any sums paid to him/her as part of his/her compensation if such sum was paid based on data which later turned out to be faulted and which was restated under the Company's financial statements, all on such conditions as set forth under the Compensation Policy; (c) a minimum holding and vesting period for variable compensation components in the form of equity, under reference to adequate incentives with a long-term view; and (d) a ceiling with respect to retirement grants. In an amendment to regulations promulgated under the Companies Law, certain reliefs were permitted, such as allowing a CEO to approve not material increases in salaries of office holders, yet in its Compensation Policy the Company elected not to implement same.

SHL's Compensation Policy stipulates that its main principles and objectives are as follows: to promote SHL's mission, long term goals and targets; (b) to create appropriate incentives for SHL's officers with the aim of aligning such officers' compensation with SHL's mission and goals, taking into account, inter alia, SHL's risk management policy; (c) to adapt a compensation package combination that matches the size of SHL and the nature of its activities; and (d) to comply with the provisions of the law by compensating those eligible pursuant to the Compensation Policy, based on their contribution and their efforts to the development of SHL's business and promotion of its goals, in the short and long term.

The Compensation Policy further provides that in general, the compensation terms of officers are to be examined annually while taking, inter alia, the following parameters into account: (i) the education, qualifications, expertise, seniority (in SHL in particular, and in the officer's profession in general), professional experience and achievements of the officer; (ii) the officer's position, and his previous agreements; (iii) the officer's contribution to SHL's business, profits and stability; (iv) the degree of responsibility imposed on the officer; (v) SHL's need to retain officers who have skills, know-how or unique expertise; (vi) SHL's global nature; (vii) the ratio between the officer's employment terms and conditions of and other Company employees and/or contract workers employed by SHL and in particular the ratio between such officer's compensation to the average wage and the median wage in the Company and the impact of the differences on labor relations in the Company. Pursuant to the Compensation Policy, SHL is entitled to grant to some or all of its officers (who are not directors) a compensation package including any or all of the following: fixed base salary in the form of cash, commissions, variable annual cash bonus, retirement grant, and share-based compensation. The compensation for each officer can also include additional standard benefits such as social benefits, pension insurance, managers insurance, study fund, severance payment, car allowance, mobile phone allowance, and medical insurance. The Compensation Policy further provides that SHL's officers are entitled to benefit from insurance, exculpation and indemnification arrangements to be approved from time to time pursuant to applicable law and the Articles of Association of the Company. It also stipulates that the Compensation Committee and the Board are to update the base salary of each of its officers from time to time based on the parameters specified above. In general, updating the base salary at a rate that exceeded 10% per year, of the base salary prior to such update (without taking into account any linkage differentials) was deemed a "material change" and considered as a deviation from the Compensation Policy. Pursuant to the provisions of the Companies Law, an immaterial change to existing compensation terms of office holders who are not directors or controlling shareholders only requires approval of the Company's Compensation Committee, whereas a material change to such terms would also require approval by the Board (for approval requirements, please also refer to Section 5.2 of this report below). Immaterial changes to office holders subject to the CEO may, under law, approved by the CEO, if the compensation policy of a company so allows, which SHL's policy in effect (the Compensation Policy) does not. In addition, approval of such compensation terms not in accordance with the Compensation Policy could only be approved by the Compensation Committee and the Board under limited circumstances specified under the Israeli Companies Law and in general, such transaction would be also subject to shareholder approval with a special approval requirement (a limited exception exists under the Israeli Companies Law).

With respect to share based compensation, the Compensation Policy provides that the Company is entitled to grant its officers options, restricted stock units or any other share-based compensation pursuant to an equity plan as adopted or shall be adopted, from time to time and subject to any applicable law. The aggregate fair value of such share-based compensation, measured at the time of grant, for all of the officers of the Company as a group, in a three (3) year period, is not to exceed individually for each officer (other than the CEO) a fair value which is one and a half (1.5) the annual base salary (and for the CEO two and a half (2.5)). Any share based compensation, if granted, is to mature in installments or vesting periods (or depend on meeting milestones) which shall take into account the appropriate incentive, in light of the Company's objectives in the years following the approval of the grant, and in any event the vesting shall be at a minimum as follows: (i) first cliff following one (1) year from the date of grant; and (ii) full vesting not earlier than 36 months from the date of the grant. Pursuant to the Compensation Policy, the applicable exercise price of share based compensation was to be equal to the average closing price of the SHL's share during the thirty (30) trading day period preceding the date of grant; however, the Compensation Committee and the Board have discretion to determine a different price under special circumstances and in exceptional cases, as laid out in their decision.

Option grant is done pursuant to the Board's full discretion pursuant to the general rules set forth under the policy, as described herein. Options to

VP's are usually based on CEO's recommendations, and to the CEO based on the Board's recommendations, and are sometimes the outcome of negotiations with the relevant employee.

With respect to the Company's directors (including also Independent (external) Directors and Independent (non-dependent) Directors), compensation is in accordance with the Rules Regarding the Compensation and Expenses of an External Director – 2000 (as promulgated under the Israeli Companies Law) (the "**Director Compensation Regulations**"). Subject to applicable law, compensation shall be allowed in amounts higher than what is stated in the Director Compensation Regulations, if any of such Independent (external) Directors or Independent (non-dependent) Directors is a professional director, an expert director or a director who makes a unique contribution to the Company. Both Independent (external) Directors of the Company, Mr. Abramovich and Ms. Kimhi, are expert directors and therefore are entitled to a higher compensation. Further, SHL is also entitled to pay to its directors share-based compensation (subject to applicable law and the restrictions applicable thereto in general under the Compensation Policy, as described above), but in any event the aggregate fair value of the share-based compensation, measured at the time of a new grant, for all of such directors, as a group, in any three (3) year period, did not exceed a fair value of US$ 800,000.

In addition, under the 2020 Compensation Policy:

a. **Chairman Compensation:** A chairman of the Board who took on increased duties on behalf the Company shall receive a compensation in recognition of such increased duties (i.e. a separate compensation in lieu of the remuneration of the chairman in his/her capacity as a Director (the "**Chairman's Compensation**"), as long as such person was an Active Chairman and provided that the Chairman's Compensation does not exceed the sum of NIS 780,000 per annum (employer's cost).

b. In January 2021, the Board, following the approval of the Compensation Committee, approved the amendment of Mr. Yariv Alroy's terms of office to reflect his contribution and devotion to SHL in his capacity as an Active Chairman (as defined in Section 3.3 "Internal Organizational Structure" above). The main modifications to Mr. Alroy's terms of office include (i) commitment to 90% scope of position, (ii) total monthly salary of NIS 65,000 (approximately USD 20,300) plus value added tax, instead of Boards members' remuneration (annual fee and participation fee) and the monthly payment of NIS 18,000 plus value added tax, and (iii) grant of 250,000 options to purchase Ordinary Shares at an exercise price of CHF 10.73 per share (reflecting the average price per share in the 30 trading days prior to Board approval). The options' vesting schedule shall be in accordance with the Company's 2015 Option Plan and in the event that Mr. Alroy ceases to serve in his position due to a change of control in the Company, all the options will automatically be fully vested, and shall be exercisable at any time until the lapse of six (6) months from the date of the cessation of his engagement, and shall thereafter terminate. The amendment above has been approved by the Special General Meeting of the Shareholders of the Company on March 1, 2021.

c. **Base salary:** The fixed base salary of each executive officer shall be determined based on a variety of considerations taking into considerations: (i) competitiveness - the base salary of executive officers will be evaluated by conducting external benchmarking using a defined peer group, selected based on such factors, among others, as Company's size, global footprint, nature of activities and competitors of similar talent; and (ii) internal fairness (Please find the description of the benchmarks below).

d. **Annual bonus:** Executive officers may be entitled to a variable cash bonus in accordance with an annual bonus plan, aimed to create an alignment between the compensation of the executive officers and the Company's annual and long term goals while focusing, inter alia, on individual goals that will be defined for each of the executive officers. The Board (after the approval of the Compensation Committee) shall have the full discretion to determine the amount of the bonus payout, if any, of any and all executive officer(s) in any given year, up to the maximum amounts set forth below,

and may also reduce such bonuses. The actual grant of bonuses shall be approved pursuant to applicable law. Annual bonus payout to executive officers may be calculated by using financial metrics and/or measurable key performance indicators ("**KPI**"), as pre-determined by the Compensation Committee and the Board, and/or qualitative evaluation the criteria for which are determined at the discretion of the Compensation Committee and the Board, based on budget targets, cash flow targets, profit targets, capital raise and individual goals. The measurement of profit targets shall be based on the audited annual financial statements of the Company, and the weighting of non- measurable criteria is based on the discretion of the Compensation Committee and the Board, as follows: (i) CEO – measurable KPI – group/ company KPI - 80%-100%; qualitative evaluation
- up to 20%. (ii) VPs (other executive officers subject to the CEO) - group/company KPI - up to 100%; individual KPI - up to 60%; qualitative evaluation – up to 20%.

e. Maximum amount of the annual cash bonus shall be as follow: (i) CEO - up to twelve (12) times of his or her base salary; VPs – up to six (6) times of such VP's base salary.

f. **Entitlement to annual bonus:** (i) The Compensation Policy lists some, but not all of the eligible KPIs for the annual bonus plan both on a group or company level, such as budget, cash flow or profit targets, or on an individual level, such as number of subscribers, meeting objectives of product development, gaining new businesses, sales targets, including geographical areas and/or from new products, and more, with goals for VPs; and for the CEO KPI such as revenue, revenue from existing geographies (Israel and Germany), revenue from new geographies, new products or new business line, EBITDA, operating free cash flow, net profit, subscribers in Israel, telehealth users, telehealth visits, major strategic impact (new major contract, new meaningful product/technology launching or purchasing, major international distribution agreement or partnership, M&A) and chronic care tenders; (ii) The measurement of profit targets shall be based on the audited annual financial statements of the Company. For the purpose of calculating a profit target, revenue and expenses not involving cash flow and/or re-evaluation of assets will not be taken into account; (iii) The annual cash bonus parameters will be determined by the Compensation Committee and the Board, taking into account the Company's risk management policy; (iv) Entitlement of an executive officer to receive any annual bonus shall be conditioned upon the achievement of a minimal threshold of 80% of the target performance of each of his or her KPIs or any other threshold determined in the annual bonus plan (the "**Threshold**"). Performance below the Threshold of a KPI shall not entitle such executive officer to any bonus payment with respect to such KPI; however, achievement of such Threshold of other KPIs of an executive officer may entitle same to a bonus payment with respect thereto. Performance above the Threshold may entitle the executive officer to a linear pro rata portion of the bonus set for such KPI or any other portion determined in the annual bonus plan (up to the ceiling of the bonus allocated thereto, provided that the aggregate annual bonus paid to an executive officer shall not exceed the ceiling set forth hereinabove. Notwithstanding the above, the Compensation Committee and the Board may decide, at their sole discretion, to pay an executive officer annual bonus, even if KPIs were not determined in advance or in the event the executive officer did not achieve the KPIs determined, provided however, that the annual bonus shall not exceed three (3) times the Base Salary of that executive officer.

g. **Special bonus:** in addition to the annual cash bonus, under special circumstances, the Compensation Committee and the Board may determine that an executive officer is also entitled to other cash bonuses in recognition of a "Significant Achievement" such as: merger, consolidation or acquisition of the Company with, by or into another corporation or entity; private placements to a strategic investor; public offering in a sum and a valuation predetermined by the Board: "Significant Achievement" – for the purpose of this section means an increase of at least

20% of the Company's equity or Company's market value or Company's annual revenue. The total amount of special cash bonuses awarded to an executive officer for any given calendar year may be up to six (6) times of the base salary of the CEO and three (3) times of the base salary of any other executive officer. In the year under review, the Company did not grant any special bonus.

h. **Share-based compensation:** (i) The fair value of the share based compensation shall not exceed the following for one year (i.e. the fair value of the share base compensation at the time of the grant divided, linearly, to the number of the years until all the share based compensation is vested): for an executive officer other than the CEO – one and half (1.5) times such executive officer's yearly base salary, for the CEO – shall not exceed two and a half (2.5) times the CEO's yearly base salary, and for all Directors as a group – an amount of USD 800,000; (ii) acceleration in a change of control event: in the event of a Corporate Transaction (as such term is defined under the Company's 2015 Executive and Key Employee Share Option Plan, see Section 2.2, or any option plan as in effect, from time to time), or in the event of termination by the Company of an executive officer (except for "cause") in a Change of Control event (as defined under law), subject to the recommendation and approval of the Compensation Committee (and subject to shareholder approval, if required under the Companies Law), the Board may authorize and approve the acceleration of all or any part of any unvested options outstanding immediately prior to the consummation of the Transaction. The share-based compensation is additional to the base-salary and does not constitute a part thereof.

i. **Advance notice period:** The advance notice period shall be determined individually with respect to each executive officer, and shall not exceed a period of six (6) months advance notice for the CEO and three (3) months periods for other executive officers.

j. **Retirement grant:** An executive officer may become entitled to a retirement grant in the event of termination by the Company (except for "cause"), such grant to be examined in light of the period of service or employment of the executive officer in the Company, the terms of service, the Company's performance during said period, the contribution of the executive officer to achieving the Company's goals and its profitability, and the circumstances of retirement. The amount or value of such retirement grant shall not exceed an additional six (6) months for the CEO (provided he is not a controlling shareholder) and three (3) months for the executive officers, of base salary, all in addition to the advance notice.
In the year under review the Company has not awarded any retirement grants.

k. **Retirement grant in a Change of Control event:** Upon termination of service or employment by the Company (except for "cause") of the CEO, or by the CEO (provided he is not a controlling shareholder) resulting from a Change of Control event, and during a six (6) months period following the closing date of such event, such terminated CEO may be entitled to an additional retirement grant of up to three (3) times of such CEO monthly base salary. Company may elect to pay such additional grant, to the extent approved, by acceleration of any future grants to the extent same exist under the employment agreement of any so eligible CEO. "Change of Control" – as such term is defined under the Israeli Companies Law. During the process of approval of the Compensation Policy the Compensation Committee and the Board have been presented and have taken into account a benchmark paper prepared by an impartial external consultant, with whom the Company is not otherwise engaged.
The companies included in the benchmark were twelve (12) public companies traded on the Tel Aviv Stock Exchange in the fields of commerce and services or technology, with revenues of up to three (3) times that of the Company.
Among the Companies used as a benchmark for the policy were:
Somoto - Traded on TASE - Technology (Software and Internet), Equity (31.12.15) NIS 101,409,000, Revenues – NIS 115,620,000, Net Profit NIS 13,719,000;

Telsys - Traded on TASE - Real estate - commerce and services, Equity (31.12.15) NIS 99,190,000, Revenues NIS 190,039,000, Net Profit – NIS 12,028,000;

Allot Communications - Traded on NASDAQ - Technology (Software and Internet), Equity (31.12.15) NIS 605,723,000, Revenues – NIS 358,919,000, Loss - NIS -93,444,000; and more.

The benchmark was based on the information published in the annual reports for the year 2015 of said companies. For comparison purposes, SHL figures for 31.12.15 in NIS were: Equity - NIS 133,460,000, Revenues – NIS 144,120,000, Loss NIS -61,161,000.

In determining the terms and conditions of employment of the CEO, a benchmark using twenty nine (29) public companies was used, the ones used in the previous benchmark as well as other public companies, including life science companies and such traded on TASE and/or NASDAQ, and based on such companies' annual reports for 2016. This benchmark compared the breakdown between base salary, options and annual and special bonuses for CEOs.

Among the companies the major ones were used as a benchmark for the CEO compensation were:

Somoto - Traded on TASE - Technology (Software and Internet) - Market Cap (29.12.16): NIS 169,078,000 - Equity (31.12.16): NIS 125,355,000 - Profit (31.12.16): NIS 29,772,000;

Maytronics - Traded on TASE - Technology (Electronics and optics) - Market Cap (29.12.16): NIS 1,517,375,000 - Equity (31.12.16): NIS 285,577,000 - Profit (31.12.16): NIS 70,731,000;

Orbit - Traded on TASE - Technology (security) - Market Cap (29.12.16): NIS 74,718,000 - Equity (31.12.16): NIS 54,234,000 - Loss (31.12.16): NIS -18,890,000;

Itamar Medical - Traded on TASE - Biomed (medical equipment) - Market Cap (29.12.16): NIS 390,959,000 - Equity (31.12.16): NIS 20,152,000 - Loss (31.12.16): NIS -55,380,000;

Evogene - Traded on TASE and NASDAQ - Biomed (Biotechnology) - Market Cap (29.12.16): NIS 499,424,000 - Equity (31.12.16): NIS 335,626,000 - Loss (31.12.16): NIS -75,331,000;

Mazor Robotics - Traded on TASE and NASDAQ Biomed (medical equipment) - Market Cap (29.12.16): NIS 2,054,786,000 - Equity (31.12.16): NIS 249,498,000 - Loss (31.12.16): NIS -71,778,000;

Compugen - Traded on TASE and NASDAQ Biomed (Biotechnology) - Market Cap (29.12.16): NIS 1,003,406,000 - Equity (31.12.16): NIS 244,231,000 - Loss (31.12.16): NIS -121,141,000;

Pluristem - Traded on TASE and NASDAQ - Biomed (Biotechnology) - Market Cap (29.12.16): NIS 446,960,000 - Equity (31.12.16): NIS 96,563,000 - Loss (31.12.16): NIS -139,112,000;

Brainsway - Traded on TASE - Biomed (medical equipment) - Market Cap (29.12.16): NIS 238,837,000 - Equity (31.12.16): NIS 39,554,000 - Loss (31.12.16): NIS -9,216,000;

Telsys - Traded on TASE - Real estate - commerce and services - Market Cap (29.12.16): NIS 174,686,000 - Equity (31.12.16): NIS 99,190,000 - Profit (31.12.16): NIS 12,305,000;

Nisko Electricity - Traded on TASE - Real estate - commerce - Market Cap (29.12.16): NIS 84,705,000 - Equity (31.12.16): NIS 101,379,000 - Profit (31.12.16): NIS, 1,087,000;

Allot Communications - Traded on NASDAQ - Technology (Software and Internet) - Market Cap (29.12.16): NIS 627,486,000 - Equity (31.12.16): NIS 604,334,000 - Loss (31.12.16): NIS -30,737,000; and more.

For comparison purposes, SHL figures for 31.12.16 in NIS were: Market cap NIS 271,063,000, Equity NIS 91,687,000, Loss NIS 42,613,000

5.2 Approval Requirements

Board of Directors

Except for limited circumstances provided for under regulations promulgated under the Israeli Companies Law, pursuant to the Israeli Companies Law, the compensation to be paid to the directors as such, as well as the terms of employment (including the terms and conditions of the directors and officers insurance and indemnification) of any of the directors in any other position, require the approval of the Compensation Committee, the Board and the shareholders (by a simple majority) and the relevant approvals by the Compensation Committee and the Board need to be made in accordance with the Compensation Policy in effect (subject to a limited exception). Further, pursuant to the Israeli Companies Law, approval by the shareholders of the terms of engagement of a controlling shareholder as an office holder (including as a director) or employee (and subject to the limited circumstances provided for under regulations promulgated under the Israeli Companies Law in which such shareholder approval is not required), requires either (i) that the majority vote in favor of the resolution shall include the consent of at least a majority of the shareholders voting power represented at the meeting in person or by proxy and voting thereon who have no personal interest in approving the resolution (not including abstaining votes), or (ii) that the total shares of the shareholders who have no personal interest in approving the resolution voted against the resolution do not represent more than two (2) percent of the voting rights in the company (the Israeli Minister of Justice is authorized to determine a different percentage; no such rules were promulgated to date).

Pursuant to the provisions of the Israeli Companies Law, as a general rule, any person that has a personal interest in a transaction (including approval of the terms of office of a director) may not participate or vote at the relevant Board, Audit Committee, or (with respect to the approval of engagement terms) Compensation Committee meeting where the transaction is discussed; provided that office holders who have a personal interest in a transaction may be present for the purpose of presenting such transaction, if the Chairman of the Audit Committee, the Chairman of the Board or the Chairman of the Compensation Committee, as the case may be, determined that such presence is required. In addition, if the majority of the members of the Board of Directors, the Audit Committee or the Compensation Committee, as applicable, have a personal interest in the terms of office of such a director, then the relevant director may be present during the deliberations and may vote on his terms of office, and in such event, shareholder approval is also required.

It is hereby noted that pursuant to the relevant regulations promulgated under the Israeli Companies Law, if the compensation of directors (including directors who are controlling shareholders) does not exceed the annual compensation and the participation compensation per meeting set forth in the Director Compensation Regulations, then under certain circumstances and given the approval of the company's compensation committee and the board of directors of that company, the approval of the shareholders is not required.

All Board members of the Company (excluding the Active Chairman who is not entitled to the participation fee and annual fee and Mr. Nachtomy who serves as CEO and is not entitled to the participation fee) receive the same compensation per meeting as well as annual compensation in accordance with the amounts set forth in the Director Compensation Regulations, except the Independent (external) Directors that receive a higher compensation (both annual and for participation) solely for their consideration as "expert" directors, all in accordance with the limits thereon, as prescribed in Director Compensation Regulations (see below). The compensation payable to Independent (external) Directors, is approved at the time of his/ her election (Independent (external) Directors are elected for a term of three (3) years). Pursuant to the Director Compensation Regulations, all Independent (external) Directors shall be entitled to the same compensation. Accordingly, in the event a newly elected Independent (external) Director is entitled to compensation higher than that of an already serving Independent (external) Director, identical compensation to such already serving director must be approved. The compensation to the current Board members that are not Independent (external) Directors was approved by the Compensation Committee and the Board on January 2019 and is not limited in time. No shareholders' approval was required due to relevant exemption under Israeli law.

No option grants were approved with respect to said directors during the year under review, except as set forth in the table under "Compensation for Acting Members of Governing Bodies" in section 5.3 below.

It is noted, that in the first 2017 Special General Meeting it was approved to issue to each "Other" director as such term defined under Israeli Law (i.e. inter alia, not including a controlling shareholder) the grant of 18,000 options to purchase 18,000 Ordinary Shares of SHL under

SHL's Share Option Plan. The following current members of the Board were granted 18,000 options (each) by the Company, in accordance with the SHL's 2015 Share Option Plan: Prof. Lerman, Mr. Abramovich, Ms. Kimhi, and Mr. Nachtomy (see Table below in this Section 5). The issuance of all the aforesaid options was approved by the Board, the Compensation Committee and the shareholders of the Company. There is currently one executive director (as defined above in Section 3 "Board of Directors" – "Executive and Non-Executive Members of the Board") on the Board of Directors, Mr. Nachtomy who serves also as the Company's CEO. The applicable compensation paid to the directors and the Chairman in the year under review pursuant to the foregoing is reflected in the table on "Compensation for Acting Members of Governing Bodies".

The Independent (external) Directors of SHL are entitled to compensation as provided under the Director Compensation Regulations and in accordance with the Company's Compensation Policy (please refer to Section 5.1 above), which compensation is comprised of reimbursement of reasonable expenses and a fixed annual fee plus a participation fee per each Board or Committee meeting attended, all as set forth in the Director Compensation Regulations. Independent (external) Directors are not entitled to any performance-based compensation. The Director Compensation Regulations provide, inter alia, for specific minimum, "set" and maximum amounts with respect to the annual fee and the participation fee to be paid to Independent Directors, dependent on the relevant company's "rank", as determined based upon the company's shareholders' equity as such appears in the company's audited balance sheet for the preceding year. In the event a public company chooses to pay to the independent directors an annual fee and a participation fee in an amount between the "set" amount and the maximum amount set under the regulations, then such compensation is not subject to approval by the shareholders of the company. The foregoing exception to the shareholder approval requirement does not apply with respect to compensation in the form of securities of a company. All directors (excluding the Active Chairman) of the Company receive the payment of an annual fee in an amount between the "set" and the maximum amount, as well as a participation fee per meeting in the "set" amount (however, as noted herein, the amounts of the annual fee and the participation fee received by the SHL's Independent (external) Directors are higher than the other directors since they are considered as "expert" external directors pursuant to the relevant regulations promulgated under the Israeli Companies Law).

It should be noted that Mr. Yariv Alroy, as an Active Chairman of the Board, receives a remuneration in his capacity as such. (for further information, please refer to Section 5.1 above).

Directors are reimbursed for travel and other reasonable expenses related to their capacity as directors of SHL and all directors (including directors that are not compensation for their services) are entitled to indemnification and D&O insurance coverage, all as approved by the Compensation Committee, the Board and the shareholders (For more information on director compensation, see also "Compensation for Acting Members of Governing Bodies" Section).

The Board of Directors is in charge of the implementation of the Compensation Policy, which shall be in force for a period of 3 years from the date the Compensation Policy is duly approved. The Company has the right to change the Compensation Policy, at any time, in accordance with the provisions of applicable law. Pursuant to the Compensation Policy, the Compensation Committee (i) shall examine the application of the Compensation Policy, from time to time, and at the latest each year, and recommend any changes, to the extent necessary, to the Board, and (ii) shall evaluate annually the performance of each of the Company's executive officers and shall review at least annually the executive officers' personal compensation programs in light of the Company's goals and objectives with respect to such programs, and recommend any changes to the Board.

Senior Management (Other than the CEO)

Pursuant to the Israeli Companies Law, the engagement terms of office holders of the Company that are not directors, controlling shareholders or their relatives, or the CEO of the

Company (including indemnification undertakings and officer insurance coverage) require approval by the Board following approval by the Compensation Committee, and the approval by the Board and the Compensation Committee shall be in accordance with the Compensation Policy (subject to a limited exception). Pursuant to the Israeli Companies Law, the salaries and emoluments of the executives of SHL were, in the year under review, governed by the Compensation Policy, taking into account with respect to each executive, the parameters according to the 2020 Compensation Policy and the framework set forth thereunder (for a further description thereof, please refer to Section 5.1 of this report). Generally, members of the management whose compensation is being discussed may participate in the Compensation Committee's meetings to the extent necessary, but may not be present when a resolution regarding their compensation is being adopted. Since no specific targets (and the weight thereof), including KPIs for the year 2020 were determined in advance by the Compensation Committee and the Board, the amounts of bonuses to SHL's office holders which are indicated in this report are an estimate based on the Company's past bonus payments.

In general, compensation terms are reviewed when the CEO or the Board deem it necessary to review such terms, e.g. when market conditions change etc. Per the Company's Compensation Policy, any increase of the base salary (with respect to office holders that are not directors or controlling shareholders) of up to 10% requires only approval of the Company's Compensation Committee. For approval requirements regarding higher increases, please refer to section 5.1 above. Any such approvals made by the Compensation Committee only are brought to the attention of the Board.

In the year under review, the annual compensation of Senior Management, other than of the CEO was comprised of a fixed base salary component and options. In the year under review the Company has made provisions for annual bonuses (based on the estimation thereof) in the amount of $ 212,197. In addition to the foregoing, all members of Senior Management were entitled to additional benefits in the form of a company car and a mobile phone. All members of Senior Management that were employed by the Company are also entitled to customary contributions to pension funds, as well as to "Study Funds" and some also have Disability Insurance. Such contributions amount on the Company's side to 6.5% for the pension component, 8.33% to the severance pay component, 7.5% to the Study Fund, and 0.7%-1% to the Disability Insurance (if applicable).

As a general rule, fixed base salary and performance based cash bonus are subject to the applicable effective Company's Compensation Policy and the conditions stipulated in such policy and are subject to the aforesaid corporate approval requirements for persons considered office holders, including office holders who may be deemed controlling shareholders, under the Israeli Companies Law. Share option incentive awards are subject to Compensation Committee approval in accordance with the Company's Compensation Policy and further Board approval and such additional corporate approvals as set forth above with respect to office holders.

Parameters taken into account related to the composition of the compensation packages of Senior Management members were set forth in SHL's Compensation Policy (for a list of such parameters, please refer to Section 5.1 above). For limitations applicable to annual cash bonuses for the year under review, please refer to the description of the Company's Compensation Policy under Section 5.1 above. Overall, the compensation of Senior Management in the year under review was comprised, on an average to approximately 64% of a cash base salary and 36% of performance based cash bonuses and share options granted. Please note that the bonus amounts are an estimate based on the Company's past bonus payments, thus the actual payment of bonuses is subject to the approval of the Company's organs pursuant to and in accordance with the Companies Law.

CEO

Since no specific targets (and the weight thereof) for the year 2020 were determined in advance by the Compensation Committee and the Board, the actual annual bonus payment to the CEO for the year 2020 indicated below is an estimate based on the Company's past bonus payments.

Overall, the compensation of the CEO in the year under review was comprised of 26% of a base salary 74% of performance based cash bonuses and share options granted. Please note that as indicated above, the bonus amounts are based on an estimate, thus the actual payment of bonus to the CEO is subject to the approval of the Company's organs pursuant to and in accordance with the Companies Law

For more information on director and senior management compensation, see also Section 5.3 "Compensation for Acting Members of Governing Bodies").

Share Option Program

The grant of share options to employees, directors and consultants of SHL and its subsidiaries is in the sole discretion of the Board which may determine from time to time and subject to the provisions of the 2015 Share Option Plan, additional grantees of options under the plan and any matter related to the administration of the 2015 Share Option Plan.

Option grant is done pursuant to the Board's full discretion pursuant to the general rules set forth under the policy, as described herein. Options to VP's are usually based on CEO's recommendations, and to the CEO based on the Board's recommendations, and are sometimes the outcome of negotiations with the relevant employee.

Notwithstanding the aforesaid, pursuant to the provisions of the Israeli Companies Law, should such options be granted to the directors or a controlling shareholder as part of their compensation, such grant shall require the approval of the Compensation Committee, the Board and the shareholders, and with respect to office holders who are not directors, the CEO or controlling shareholders of the Company or their relatives, such grant shall require approval by the Compensation Committee, followed by approval by the Board, all of the foregoing approvals of the Compensation Committee and the Board to be made in accordance with the Compensation Policy. Pursuant to the Israeli Companies Law, the qualified majority described above (please refer to Section 5.2 - with respect to the approval by the shareholders of the engagement of a controlling shareholder as an office holder or employee) is also required for the approval by the shareholders of the grant of share options to a controlling shareholder as part of its compensation. Further, SHL's Compensation Policy prescribes certain ceilings with respect to the value of any share-based compensation granted to (a) any individual officer; and (b) the non-executive directors as a group, in each case with respect to any three (3) year period (for more details regarding such ceilings, please refer to Section 5.1 above). The Compensation Policy also requires that the Compensation Committee and the Board, when discussing the grant, shall consider whether such grant is a suitable incentive for increasing SHL's value in the long term, the economic value of the grant, the exercise price and the other terms (for further details of the Compensation Policy with respect to shareholdings programs see Section 5.1).

For vesting conditions applicable to options, please refer to Section 2.2 above.

5.3 Compensation for Members of the Board of Directors and Senior Management

Compensation for Acting Members of Governing Bodies

It may be noted that SHL is not subject to the Swiss Compensation Ordinance.

The total of all compensation (including all employer contribution into pension funds, managers insurance, other social benefit payments and national insurance payments) which was paid to the members of the Board of Directors and the Senior Management for their service or employment, as the case may be, during the year under review, was as follows:

All figures are disclosed in their US dollar equivalent, based on a NIS/US$ exchange rate of 3.44.

Board of directors

Name	Function	Base Compensation and fringe benefits	Cash Bonus	Share options granted or exercised*	Total
Yariv Alroy	Active Chairman/ non-executive member	132,908	-	-	132,908
Erez Alroy	Non-executive member	63,473	-	-	63,473
Erez Nachtomy**	Executive member	36,681	-	-	36,681
Elon Shalev	Non-executive member	60,392	-	-	60,392
Prof. Amir Lerman	Non-executive member	40,284	-	-	40,284
Yehoshua Abramovich	Non-executive member/ Independent director	109,212	-	-	109,212
Dvora Kimhi	Non-executive member/ Independent director	66,089	-	-	66,089
Total for all Board members:		509,039	-	-	**509,039

* Represents the fair value of the share options granted or exercised in the year under review.
** Please see the table below related to the Senior Management SHL on the compensation Erez Nachtomy received in his function as CEO.

Senior Management SHL

Name	Function	Base Compensation and fringe benefits	Cash Bonus**	Share options granted or exercised*	Total
Yoav Rubinstein	CEO – until May 2020	322,189	-	-	322,189
Erez Nachtomy***	CEO – from May 2020	180,396	46,479	458,811	685,686
Other members of the Senior Management		694,932	165,718	-	860,650
Total for all Members of Senior Management:		1,197,517	212,197	458,811	1,868,525

* Represents the fair value of the share options granted or exercised.
** Estimated amounts (for more information please refer to "Senior Management (Other than the CEO)" and "CEO" in this Section above). The actual payment of the cash bonus is subject to all applicable corporate approvals.
*** Please see the table above related to the Board of directors on the compensation Erez Nachtomy received in his function as board member

The highest total compensation payable to a member of the governing bodies in 2020 was to the CEO, Mr. Erez Nachtomy (see above).

The Senior Management of SHL consisted of the CEO and two additional members during the year under review. The CEO position changed in May 2020. Yoav Rubinstein served as CEO until May 2020 and received a compensation for his term of office and his notice period during the year under review. Erez Nachtomy's compensation accounts for his services as CEO for a term of roughly eight months (from May 2020 until December 2020). On an annualized basis, his total target compensation would be the highest total compensation of all members of the Senior Management.

Pursuant to the Israeli Companies Law, the Compensation Committee, the Board and the shareholders of SHL re-approved and confirmed the existing directors' and officers' insurance provided, and indemnification undertaking issued by, the Company in favor of all of its officers and directors (including controlling shareholders) and authorized the management of the Company to negotiate and execute, and to periodically renew and keep in force, for and on behalf of the Company, a liability insurance policy for all of the Company's directors and officers, as shall be in office from time to time, for a coverage of up to US$15 million. Accordingly, the undertaking by SHL to indemnify all directors and officers, in office from time to time, to the extent and limitations set forth in the indemnification letters issued to such persons, in an aggregate sum of up to US$ 15 million was re-confirmed. The entitlement to insurance, exculpation and indemnification arrangements, as may be approved by the Company from time to time, is also set forth in the Compensation Policy.

The table and numbers above include compensation to former board members and former members of governing bodies in the year under review.

Share Allotment in the Year under Review

No Ordinary Shares of SHL were allotted to the executive or to the non-executive members of the Board, or to the management or parties closely linked to any such person during the year under review. For information on option allotments to directors and management members, please refer to the Section immediately following.

Share Ownership as of December 31, 2020

The number of Ordinary Shares held, pursuant to the Share Register, as of December 31, 2020, by the members of the Board and the then Senior Management and parties closely linked to such persons amounted in the aggregate to 2,522,311 Ordinary Shares. For information on options allotted to the members of the Board and Senior Management, please refer to the table below.

Messrs. Elon Shalev, Yariv Alroy and Erez Alroy, non-executive members of the Board, are all members of the Alroy Group. The Alroy Group held, as of December 31, 2020, an aggregate number of 2,507,608 Ordinary Shares. For information regarding the shareholding percentages of the Alroy Group, please refer to the Section titled "Significant Shareholders".

Share Options

Information with regard to Options granted in the year under review and held pursuant to the Option Plan as of December 31, 2020 by the members of the Board of Directors and Senior Management, as well as parties closely linked to such persons, is as set forth below.

Name	Function	Share Options outstanding at December 31, 2020	Weighted Average exercise price in CHF	Granted during the year	Exercise price of options granted	Vested	Exercised
Yariv Alroy	Active Chairman	-	-	-	-	-	-
Erez Alroy	Non-executive member	-	-	-	-	-	-
Erez Nachtomy	Executive member, CEO	188,000	CHF 5.77	170,000	CHF 5.69	12,000	-
Elon Shalev	Non-executive member	-	-	-	-	-	-
Prof. Amir Lerman	Non-executive member	18,000	CHF 6.73	-	-	18,000	-
Yehoshua Abramovich	Non-executive member/Independent director	18,000	CHF 7.04	-	-	18,000	-
Dvora Kimhi	Non-executive member/Independent director	18,000	CHF 7.70	-	-	12,000	-
Yoav Rubinstein	CEO – until May 2020			-	-		-
Yossi Vadnagra	CFO	50,000	CHF 7.04	-	-	50,000	-
Yoni Dagan	CTO	20,000	CHF 7.04	-	-	20,000	30,000
Ralf Bork	Managing Director SHL Telemedizin, Germany	80,000	CHF 5.26	80,000	CHF 5.26	-	-

For additional information with respect to share option plans adopted by SHL and the grant of options to purchase Ordinary Shares, see Section 2.2 above.

Additional Honorariums and Remuneration

None of the members of the Board and Senior Management or parties closely linked to such persons have billed honorariums or other remuneration in the financial year 2020 to SHL or to any of its subsidiaries for additional services performed during the year under review.

Loans Granted to Governing Bodies

No guarantees, outstanding loans, advances or credits were granted during the year under review by SHL and its subsidiaries to executive members or non-executive members of the Board of Directors, Senior Management or parties closely linked to such persons.

6. Shareholder Participation

6.1 Voting Rights Restrictions, Representation Restrictions and Participation

There are currently no voting-rights and representation restrictions in place, except as set forth below. For voting rights of Ordinary Shares in general, please refer to Section 2.4 above. For the TOB Decision pursuant to which Mrs. Mengke Cai, Mr. Xiang Xu, Himalaya (Cayman Islands) TMT Fund, Himalaya Asset Management Ltd., and Kun Shen are obliged to make a public tender offer for all listed shares in SHL and the suspension of their voting rights until the publication of the tender offer, see Section 2.4.1, and Section "Swiss Takeover Board Proceeding" under "Changes in the Financial Year 2020" above.

The voting rights of the Ordinary Shares in general may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights if authorized in the future, such an authorization requires a majority of sixty-six (66) percent of the voting power present at the General Meeting pursuant to the Company's Articles of Association. The quorum required for any meeting of shareholders is at least two (2) shareholders present in person or by proxy who together hold or represent at least thirty-three and one third (33.1/3) percent of the voting rights. A meeting adjourned for lack of a quorum is adjourned to the same day in the following week at the same time and place or to any time and place as specified in the notice of such meeting or as the chairman may designate with the consent of a majority of the voting power present and voting on the question of adjournment. At the reconvened meeting, the required quorum consists of any two (2) shareholders present in person or by proxy, regardless of the number of Ordinary Shares represented.

Under SHL's Articles of Association all resolutions submitted to the shareholders, unless provided for otherwise in the Articles of Association or under any applicable law, shall be deemed adopted if approved by the holders of a simple majority of the voting power represented at the meeting in person or by proxy and voting thereon. For resolutions that require special majority, see Section "Statutory Quorums" below.

For the requirement of shareholders holding 5% or more of the Company's shares or voting rights to provide the Company with an address in Israel to receive documents see Section 2.4.2 above.

6.2 Statutory Quorums

Pursuant to the Company's Articles of Association, the following resolutions require a special majority of sixty-six (66) percent of the voting power represented at the shareholders meeting: (a) increase of authorized share capital; and (b) creation of shares with special rights or modifications of share rights. Furthermore, under Israeli law and under SHL's Articles of Association, a voluntary winding-up would require a majority of seventy-five (75) percent of the voting power represented at the shareholders meeting. For special majority requirements with respect to the adoption of the Company's Compensation Policy, please refer to Section 5.1 above, with respect to controlling shareholder transactions, please refer to Section 5.2 above, and with respect to the election of Independent (external) Directors to the Board of Directors, please refer to Section 3.1 above.

6.3 Convocation of the General Meeting of Shareholders

Under SHL's Articles of Association, an Annual General Meeting shall be held once in every calendar year at such time (within a period of not more than fifteen (15) months after the last preceding Annual General Meeting) and at such place either within or without the State of Israel as may be determined by the Board. All General Meetings other than Annual General Meetings are called "Special General Meetings". Pursuant to the Articles of Association of the Company and the Israeli Companies Law, the Board may, whenever it thinks fit, convene a Special General Meeting at such time and place, within or without the State of Israel, as may be determined by the Board. Special General Meetings may also be convened upon requisition of either of the following (a) two (2) directors, or one fourth of the directors in service; or (b) one or more shareholders, holding not less than 5% of the issued and outstanding share capital of the Company and not less than 1% of the voting rights in the Company; or one or more shareholders holding not less than 5% of the voting rights of the Company. If a meeting shall be requisitioned as aforesaid, then the meeting shall be held not later than thirty-five (35) days from the time notice of such meeting is given to shareholders (unless otherwise required for a meeting at which matters may be voted on by ballot - see below).

Not less than twenty-one (21) days prior notice shall be given to any General Meeting and shall be published in one newspaper in Israel and in one newspaper in Switzerland or in accordance with the rules and regulations of the stock exchange on which SHL's shares are listed. As permitted under applicable law, as of January 2016, the Company no longer publishes the notices in the newspaper, nor does it mail hard copies to shareholders, and the material can be downloaded from its website, following ad hoc publications of the agenda of such meetings. Shareholders may vote on certain matters (such as the election or removal of directors or transactions between a company and any of its officers or controlling shareholders or in which such persons may have a personal interest) by submitting a written ballot with respect thereto (the "**Ballot**") (but may vote thereon in person or by proxy). In the event such matters are included in the agenda of a General Meeting then not less than thirty five (35) days' prior notice shall be given, unless to the Company's best knowledge, at the time of the resolution regarding convening of the meeting, a controlling shareholder of the company will hold, as of the record date, such number of votes which will enable the controlling shareholder to pass the required resolution, even if all other shareholders participate and vote against (i.e. in general more than 50% of the voting rights).

Pursuant to relevant regulations promulgated under the Israeli Companies Law, in the event that a topic on the agenda requires also approval by the Board, then the relevant newspaper and shareholder notices shall not be published or sent, as the case may be, later than ninety (90) days following such Board approval. Since 2016, as permitted under Israeli law, Company does not provide written notices to shareholders nor does it publish invitations in newspapers and only publishes ad hoc publications in connection with general meetings as well as on its website. Pursuant to regulations promulgated under the Israeli Companies Law, the notice of a general meeting in a public company must in addition include the type of meeting, place and time thereof, a summary of the resolutions proposed to be adopted, the majority required with respect thereto and the record date. A public company must also include the phone number and address of its registered office and the times at which the full version of the proposed resolutions may be reviewed. In the event the agenda includes matters which may be voted on by Ballot, then additional details are required to be included in the notice, including, inter alia, the deadline for submitting shareholder statements to the company and the deadline for submitting Ballots.

A proxy must be delivered to the registered office of SHL not later than 48 hours prior to the General Meeting. A Ballot must be delivered to the registered office of SHL not later than four (4) hours prior to the General Meeting. For the Ballot to become effective: (i) any shareholder whose shares are registered with the Company's registrar of shareholders must enclose a copy of such shareholder's identity card, passport or certificate of incorporation, as the case may be; and (ii) any shareholder whose shares are registered with Computershare must enclose a written confirmation from Computershare as to its ownership of the voting shares.

The aforementioned regulations also stipulate that any shareholder wishing to state his position with respect to any of the said matters on the agenda may do so by requesting the Company to deliver such position to the other shareholders (the "Shareholder Statement"). The Shareholder Statement must be delivered to the registered office of the Company not later than ten (10) days prior to the general meeting as such date is determined by the Board. A Shareholder Statement shall be delivered to all shareholders no later than one (1) day following receipt thereof. Should a company elect to state its position with respect to such Shareholder Statement, it shall deliver such position (the "Company Statement") to the shareholders, no later than five (5) days prior to the General Meeting. Any such Statement must be written in a clear and simple language and shall include no more than 500 words per subject matter. A Shareholder Statement shall detail the identity of such shareholder, as well as his percentage interest in the Company; a shareholder who is a corporate entity shall detail the identity of its controlling shareholder(s), as well as additional holdings (if any) of such controlling shareholder(s) in shares of the Company, to the best knowledge of the shareholder submitting the Shareholder Statement. A shareholder submitting the Shareholder Statement, who acts in consort with others with respect to voting in shareholder meetings, whether in general or with respect to certain matter(s) on the agenda, shall indicate so in the Shareholder Statement, and shall describe the aforementioned arrangements and the identity of the shareholders so acting in consort. Any shareholder (as well as any shareholder acting in consort with such shareholder) having a personal interest in any matter on the agenda, shall describe the nature of such personal interest. Any shareholder may revoke his/her/its Ballot by submitting a cancellation notice (the "Cancellation Notice"). The Cancellation Notice together with sufficient proof as to the identity of such canceling shareholder, to the absolute discretion of an officer of the Company, must be delivered to the registered office of the Company not later than twenty four (24) hours prior to the General Meeting. Any such shareholder submitting a Cancellation Notice may only vote by attending the General Meeting in person or by proxy. One or more shareholders holding, at the Record Date, shares representing five (5) percent or more of the total voting power in the Company, as well as any holder of such percentage out of the total voting power not held by the controlling shareholder(s), as such term is defined under Section 268 of the Israeli Companies Law, may, following the General Meeting, in person or by proxy, inspect the Ballots and the record thereof at the Company's registered office. The competent court may, at the request of any shareholder who does not hold, at the Record Date, the aforementioned percentage, instruct the Company to allow the inspection of said documents and records, in whole or in part, on terms and conditions determined by the court.

6.4 Agenda

Pursuant to the Israeli Companies Law, the agenda at a General Meeting shall be determined by the Board.

Pursuant to the Israeli Companies Law, any one or more shareholders holding at least one (1) percent of the voting rights in the Company may request the directors to include a certain topic in the agenda of the general meeting, provided that such topic is suitable to be discussed at a general meeting. Pursuant to regulations promulgated under the Israeli Companies Law, (i) with respect to general meetings which include topics which may be voted on by Ballot (see above), such shareholder request needs to be submitted not later than seven (7) days from convening of the shareholder meeting; and (ii) with respect to other general meetings, such request needs to be submitted not later than three (3) days from convening of the shareholder meeting. In the event that the Board deems a suggested topic fit for inclusion in the agenda of the general meeting, the Company shall prepare an updated agenda and shall publish such agenda (both by newspaper notice and by notice to shareholders) not later than seven (7) days after the last date on which requests for amendments to the meeting agenda could have been submitted. The foregoing does not apply in the event the Company publishes a preliminary notice of its intention to convene a general meeting, such preliminary notice to be published by shareholder notice at least twenty- one (21) days prior to the publication of the actual notice of the general meeting. In such preliminary notice, the Company shall describe the expected agenda topics and shall notify shareholders that Company shall be entitled not to examine any requests of shareholders to include additional topics on the agenda in the event such were received later than fourteen (14) days from the publication of the preliminary notice of the general meeting.

At a General Meeting, resolutions may be adopted only on subjects that were specified in the agenda for the particular General Meeting.

6.5 Registration in the Share Register with Computershare

To be able to participate in a general meeting of the shareholders and vote the Shares, a shareholder must be registered with Computershare Schweiz AG, by the record date set by the Board of Directors in its resolution to convene a general meeting of the shareholders. Such record date shall not, pursuant to regulations promulgated under the Israeli Companies Law, be earlier than forty (40) days prior the date of the General Meeting and not later than four (4) days prior to the date of such General Meeting (provided that with respect to General Meetings the agenda of which includes topics which may be voted on by Ballot (see above), such date shall be not later than twenty-eight (28) days prior to the General Meeting), or different periods as shall be permitted by applicable law. A determination of shareholders of record with respect to a General Meeting shall apply to any adjournment of such meeting. Confirmations regarding share registration can be obtained from Computershare Schweiz AG. To be registered with Computershare Schweiz AG, a shareholder should request her or his custody bank to submit the respective request to Computershare Schweiz AG through a SIX SIS Ltd. member institution.

Of 33⅓ % of the voting rights - regardless of whether this person can actually exercise those voting rights - is obliged to make a public takeover offer for all of the listed shares of such company. The acquirer must therefore make an offer to purchase or exchange securities in the company. For Details about the TOB proceeding regarding the pending tender offer obligation of certain shareholders of the Company see Section "Swiss Takeover Board Proceeding" under "Changes in the Financial Year 2020" above. To the understanding of the Company, it is exempt from Israeli law provisions relating to special tender offers, but certain tender offer rules with respect to full tender offers under the Israeli Companies Law apply to it. These include that, if as result of an acquisition of shares an acquirer will hold more than ninety (90) percent of a company's shares, the acquisition must be made by means of a tender offer for all of the shares. Furthermore, pursuant to the Israeli Companies Law all of the shares of the minority shareholders will be transferred to the offeror in the event that either (a) such number of shares are tendered to the offeror so that more than ninety-eight (98) percent of the outstanding shares are held by it; or (b) such number of shares are tendered to the offeror so that more than ninety-five (95) percent of the outstanding shares are held by it and more than half of the shareholders that do not have a personal interest in the acceptance of the purchase offer tendered their shares.

SHL's Articles of Association do not contain provisions regarding opting out or opting up.

6.6 Clauses on Changes of Control

There are no clauses on changes of control in agreements and plans benefiting members of the Board of Directors and/or members of the Management and/or other members of SHL's cadre, except under the Compensation Policy with respect to possible acceleration of options and retirement grant to the CEO in case of termination of employment by either party within six (6) months as of such event. (For further details see section 5.1 above).

7. Auditors

7.1 Duration of the Mandate and Term of Office of the Head Auditor

Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global are the auditors of SHL since 1997. Under the Israeli Companies Law and the Articles of Association, the auditors of SHL are appointed by resolution of the Annual General Meeting and serve until their re-election, removal or replacement by subsequent shareholder resolution. SHL's auditors were last re-appointed at the 2020 Annual General Meeting. Mr. Itay Bar-Haim (CPA) was the head auditor, as of the 2015 audit and until the 2019 audit (inclusive). Mr. Ofer Ben-Ezra replaced Mr. Itay Bar-Haim, as the head auditor from the 2020 audit following the auditor mandatory rotation rule pursuant to which the audit partner conducting the audit must be replaced every five (5) years.

7.2 Auditing Honorariums and Additional Honorariums

Ernst & Young charged in the financial year 2020 approximately USD 282 thousands for services rendered in connection with auditing the financial statements of SHL and its subsidiaries and the consolidated financial statements of the SHL Group.

7.3 Additional Honorariums

In addition, Ernst & Young charged approximately USD 99 thousands for additional services performed for the SHL Group in the field of tax advice and general advisory services. The aforesaid sums include payments made to other member firms of Ernst & Young outside of Israel.

7.4 Supervisory and Control Instruments vis-a-vis the External Auditors

Pursuant to the Israeli Companies Law, the external auditors of the Company shall be independent, both directly and indirectly, from the Company. In the event that the Board of Directors becomes aware of any connection between the external auditors and the Company which constitutes a dependency, the Board shall instruct the auditors to immediately cease such connection. If the auditors do not adhere to this instruction, the Board shall call for a special general meeting of shareholders, within a reasonable time, in order to remove the auditors.

The Company may not condition the compensation of the external auditor in a way that may limit the performance of the audit or that links between the compensation and the outcome of the audit.

The external auditor may at any time review such Company documents which it requires to perform its tasks, and to receive explanations with respect thereto. The auditor is entitled to participate in all annual meetings at which the financial statements audited by auditor are presented, and at all board meetings and FS committee meetings with respect to discussion and approval of such financial statements.

The external auditor reports to the Board in the meetings of the Board in which the external auditor participates.

If the auditor becomes aware of a material flaw in the financial controls of the Company, it must report such flaw to the Chairman of the Board. The external auditor participates in meetings of the Board and the FS Committee at which the annual and interim financial statements of the Company are discussed. The annual audit plan pursuant to which the external auditor conducts the audit is subject to the Audit Committee's prior approval. Prior to each annual audit, the external auditor distributes a questionnaire to be filled by the Company, assessing the independence of such external auditor with respect to the Company. The Audit Committee also assesses the independence of the external auditor based on the abovementioned questionnaire prior to each annual audit. The remuneration of the external auditor is determined by the Board of Directors of the Company, once a year, based on the management's recommendations. The performance of the external auditor is being assessed by the CFO of the Company based on continuous contact and interactions with the external auditor, and the CFO reports to the Financial Statements Committee and the Board of Directors.

During the year under review, the Board has held four (4) meetings with the Company's external auditor as part of the authorization of the Annual and Interim Financial Statements. The FS Committee has held four (4) meetings at which the Company's external auditor was present as part of the discussion of the annual and interim financial statements, and the Audit Committee has held two (2) meetings at which the Company's external auditor was present as part of the discussion with respect to the annual audit.

8. Information Policy

SHL is committed to a policy of open and effective communications with customers, partners, shareholders and staff alike (within constraints imposed by confidentiality obligations and applicable law). SHL's investor relations program features regular publication of relevant information for the benefit of the public and the capital markets. The actual share price, press releases and presentations are also available on the website. SHL maintains two (2) websites offering up-to-date corporate and product information: www.shl-telemedicine.com and www.shahal.co.il.

SHL informs interested parties through a variety of corporate publications including annual and half-yearly reports, which can be ordered or downloaded from www.shl-telemedicine.com. These reports feature operational reviews as well as consolidated balance sheets, profit & loss statements and cash flow statements as of December 31 and June 30 respectively. The annual report includes a corporate governance report as required under the SIX Listing Rules. The Company does currently not intend to publish quarterly financial statements. In addition, SHL conducts regular communication briefings with media representatives and financial analysts.

SHL publishes price-sensitive information as required by the SIX Listing Rules. The Company's ad-hoc reports and press releases may be retrieved at www.shl-telemedicine.com/newsroom/press-release-2021/. Persons that wish to be included in the Company's distribution list with respect to ad hoc notices may do so at www.shl-telemedicine.com/about-us/investorrelations/ir-contact/.

Official notices concerning the listing of shares required under the SIX Listing Rules will be published in electronic form on the website of the SIX (currently www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/).

The Company may send notices to shareholders who are registered in the share register of the Company, Computershare Schweiz AG. According to the Articles of Association, each shareholder holding 5% or more of the Shares or voting rights and each member of the Board of Directors of the Company is obliged to provide the Company with an address in Israel for the receiving of documents (including judicial documents). As long as such address has not been provided, the Company's registered office will be considered as the Shareholder's and/or director's address for the receiving of documents (including judicial documents).

SHL maintains an insider trading and management transactions disclosure policy (the "Insider Trading Policy"), last approved in April 2016. The Insider Trading Policy provisions are applicable to members of the Board, officers, employees, representatives and consultants of the Company, as well as the immediate family members and household members of such persons, in addition to any other person which may receive inside information with respect to the Company. Amongst others, the Insider Trading Policy forbids trading in SHL's securities by the aforementioned persons while in possession of inside information, and additionally provides that board members and certain senior management members may only trade in SHL's securities during specifically stipulated "open periods" as defined under the Insider Trading Policy. The provisions regarding disclosure and reporting of management transactions apply to members of the Board and members of Senior Management ("Management Members"). According to the Insider Trading Policy, Management Members are obliged to report a transaction in the Company's securities (as further described hereafter) if it has a direct or indirect effect on their assets. Transactions executed by related parties (including spouses, individuals living in the same household, and legal entities, partnerships and fiduciary institutions if the Management Member holds a management position in such entity or institution, controls it or is its beneficiary) must also be reported, if such transactions were carried out under the significant influence of the Management Member. Transactions required to be reported are all transactions (purchase and sale and grant of rights) in (a) shares or similar equities of SHL, (b) any conversion, purchase or sale rights that provide for or permit actual delivery of shares of SHL or conversion or sale rights of SHL, or (c) Financial Instruments on shares of SHL (options, forward contracts or contracts for difference) which provide for or permit cash settlement, and other contracts for difference whose performance on rights under (a) or (b). Shares or options acquired under an employee share option plan do not have to be reported, except if there was an election right whether to receive cash or shares/ options, however, any sale of shares or exercise of options acquired under an employee share option plan must be reported. Management Members must report their transactions no later than on the second trading day following the conclusion of the contract by using the Disclosure Report template and sending the report to the CFO. The CFO has to file such Disclosure Report with the SIX Swiss Exchange within three (3) trading days upon receiving the Disclosure Report.

Investor's calendar

Annual General Meeting	December 20, 2021
Half Year 2021 Report	September 14, 2021

Contact person for Investor Relations

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Consolidated Financial Statements 2020

Contents

Financial Overview

Despite a very complex year, which was at global level, the company maintained stability in revenues, had a positive operational cash flow and closed the year with a strong balance sheet.

As in many other organizations, the COVID-19 pandemic gave its signals and affected revenues and costs. Coping with COVID-19 required quick and inefficient operational changes in Israel and in Germany which led to increase in operating costs. The importance of maintaining the level of service while working remotely, with duplicate medical centers, maintaining homogeneous medical response teams and creating self-contained shifts ("capsules"), all led to inefficient work and hence the increase in operating costs.

Following the long period of working under COVID-19 conditions, the operational changes will continue to serve the company and will allow it to seize and develop opportunities that COVID-19 has created in the field of telemedicine. For the telemedicine industry this was a disruptive event that shifted telemedicine to the center of the stage, making it clear that the time for telemedicine is now, and it is turning into standard of care.

The company is very experienced in the telemedicine field, with unmatched operational and technological assets and is well positioned, both in the territories in which it is already operating and in the US, and has an unprecedented opportunity in the coming years to leverage this disruptive event.

Financial Results Snapshot

The following table gives a snapshot on our financial results reported in accordance with generally accepted accounting principles ("GAAP"). Presenting 2019 figures in constant currency (2019CC)[1] gives more meaningful comparison between the periods due to fluctuations in NIS/USD/EUR exchange rates.

1. Constant Currency – in order to enable meaningful comparison between 2020 and 2019 results, 2019 results are also presented at 2020 constant currency exchange rates. Management believes that this presentation enables a more meaningful comparison between the periods due to the significant fluctuations in NIS/USD/EUR exchange rates during the period.

K USD	2020	2019	change %	2019 CC	change %
Revenues for the year	$ 40,083	$ 39,880	1%	$ 40,956	(2%)
Performance-based revenues	$ 81	$ 2,004	(96%)	$ 2,039	(96%)
Revenues	**$ 40,164**	**$ 41,884**	**(4%)**	**$ 42,995**	**(7%)**
Cost of revenues	$ 19,520	$ 18,422	6%	$ 18,894	3%
Gross profit	**$ 20,644**	**$ 23,462**	**(12%)**	**$ 24,101**	**(14%)**
% of revenues	51%	56%		56%	
R&D costs	$ 2,763	$ 2,511	10%	$ 2,592	7%
S&M expenses	$ 7,762	$ 7,337	6%	$ 7,542	3%
G&A expenses	$ 9,174	$ 7,899	16%	$ 8,122	13%
Other expenses / (income)	$ 549	$ 634	(13%)	$ 656	(16%)
EBIT	**$ 396**	**$ 5,081**	**(92%)**	**$ 5,189**	**(92%)**
	1%	12%		12%	
Financial expenses	$ 319	$ 309	3%	$ 319	(0%)
Tax expenses / (Tax benefit)	($ 201)	($ 923)	n.a.	($ 965)	n.a.
Net profit	**$ 278**	**$ 5,695**	**(95%)**	**$ 5,835**	**(95%)**
	1%	14%		14%	
EBITDA	**$ 5,372**	**$ 9,361**	**(43%)**	**$ 9,582**	**(44%)**
% of revenues	13%	22%		22%	

Results of Operations

Revenues for the year

In fiscal year 2020, SHL recorded revenues for the year[2] of USD 40.1 million, compared to USD 39.9 in 2019. In constant currency, revenues for the year[2] were down 2% compared to 2019 revenues.

Performance-based (extraordinary) revenues[3]

During 2020 the Company recognized performance-based revenues of USD 0.1 million from cost savings delivered under a Chronic Disease Management Service contracts in Germany relating to 2019. This compared to fiscal year 2019 in which the company recorded an additional revenue of USD 2.0 million for cost saving delivered under a Chronic Disease Management Service contract in Germany related to the years 2015 and 2017. While meaningful savings were generated under the contracts, there were less applicable periods and the overall payout to the Company according to the scheme, was lower than in 2019. With consistent proven outcomes, the Company has transited to fixed only contracts.

Total revenues amounted to USD 40.2 million in fiscal year 2020, compared with total revenues of USD 41.9 million in fiscal year 2019.

Revenues for the year[4] from the Company's German operation amounted to USD 17.0 million compared to USD 18.6 million in 2019. In constant currency, revenues for the year[4] were down 9% compared to 2019. This decline is a result of longer decision-making cycles of institutional customers, delays in launch of new programs and slower recruitment of patients to Chronic Disease Telehealth Programs, along with a decline in service utilization by one of the institutional payors with whom the engagement ended by the end of the year.

Revenues from the Israeli operation amounted to USD 22.5 million compared to USD 21.1 million in 2019. In constant currency, revenues in Israel were up 3% compared to 2019. The Israeli operation continued to contribute profitability to the Group.

In terms of geographic breakdown, the German business accounted for 43% of total revenues, with the Israeli business accounting for 56% of total revenues. This compared with 49% and 50% of total revenues, respectively, in 2019.

Gross margin

In fiscal year 2020, gross margin was 51% compared to 56% in fiscal year 2019. Gross margins, excluding performance-based revenues, were 51% and 54% respectively between the years. Early in the COVID-19 pandemic the Company took various measures to allow it to continue to operate safely and seamlessly, as well as providing protected working environment to its employees. These measures included implementation of different operating processes, both in Israel and Germany, such as self-contained shifts ("capsules") and deployment of considerable part of its workforce to working remotely, all of which are supported by IT and communication solutions. These operational changes were ongoing in 2020, causing decreased operational efficiency and increased costs.

2. Before performance-based revenues[3] for prior periods
3. Commencing in 2016, due to the significant variability of the various factors that can affect the level of cost savings and the resulting difficulty in measuring such cost savings reliably, the Company recognizes revenues from performance-based contracts only after receiving final data as to the actual cost savings. Performance-based revenues were USD 2.0 million and USD 0.1 million in 2019 and 2020, respectively.
4. Before performance-based revenues for prior periods

Research and Development costs, net

Research and development costs amounted to USD 2.8 million in 2020 compared with USD 2.5 million in 2019. In constant currency, research and development costs were up 7% compared to 2019. The increase is attributed mainly to less capitalization of development costs due to slower progress in development projects which were delayed due to the pandemic. R&D expenses in 2020 amounted to USD 2.4 of which USD 0.9 million was capitalized compared to USD 2.7 million out of which USD 1.2 million was capitalized in 2019. Amortization of development costs amounted to USD 1.2 million (USD 1.0 million in 2019).

Selling and Marketing Expenses

Selling and marketing expenses for fiscal year 2020 amounted to USD 7.8 million, compared with USD 7.3 million in fiscal year 2019. In constant currency, selling and marketing expenses were up 3% compared to 2019 which is attributed to the additional marketing efforts put for sustaining the business in Israel with the breakout of the COVID-19 pandemic. In fiscal year 2020, selling and marketing expenses accounted for 19.3% of revenues for the year[5], compared to 18.4% of revenues for the year[5] in fiscal 2019.

General and Administrative Expenses

General and administrative expenses for fiscal year 2020 amounted to USD 9.2 million, USD 1.3 higher than fiscal year 2019. In constant currency, general and administrative expenses were up 13% compared to 2019. Majority of the increase is in professional fees. The Company had taken full advantage of the strong tail wind that COVID-19 has created in the telemedicine space and has been working with professionals and experts to design its procedures and operations.

Other expenses

In fiscal year 2020, the Company incurred non-recurring expenses in the sum of USD 0.5 million compared to the sum of USD 0.6 million in fiscal year 2019. Out of which, in fiscal year 2020 the Company incurred impairments in the sum of USD 0.05 million compared to a sum of USD 0.4 million in fiscal year 2019 which was mainly attributed to impairment of development costs related to obsolete developments.

Earnings before Income Tax, Depreciation and Amortization (EBITDA) and Earnings before Income Taxes (EBIT)

EBITDA for fiscal year 2020 amounted to USD 5.4 million (13% of revenue) with an EBIT of USD 0.4 million, this compared to EBITDA of USD 9.4 million and an EBIT of USD 5.1 million in 2019. Change is attributed to the difference in performance-based revenues between the years and to the additional operational costs that the Company incurred during the fiscal year mainly due to COVID-19.

EBITDA for fiscal year 2020, excluding performance-based revenues and other extraordinary expenses, was USD 5.8 million (14% of revenues for the year[5]) compared to USD 7.6 million in 2019 (USD 7.8 in constant currency).

Financial Income/Expenses

Financial expenses, net for fiscal year 2020 amounted to USD 0.3 million in par with financial expenses, net in fiscal year 2019.

Taxes on Income

For fiscal year 2020, taxes on income amounted to an income of USD 0.2 million which is mainly attributed to taxes in respect to prior years, compared to an income of

5. Before performance-based revenues for prior periods

USD 0.9 million in fiscal year 2019 which was mainly attributed to the increase in deferred tax assets matching them to the extent that their recoverability has become probable (please refer to note 2.m in the 2020 consolidated financial statements).

Net Profit

Net profit for fiscal year 2020 amounted to USD 0.3 million ($ 0.03 per share) compared with a net profit of USD 5.7 million ($ 0.54 per share) in fiscal year 2019. Main changes are attributed to the differences in performance-based revenues between the years, to the additional operational costs that the Company incurred during the fiscal year mainly due to COVID-19, and to the tax income in fiscal year 2020 as explained in the Taxes on Income paragraph above.

Major Changes in Assets, Liabilities and Equity

SHL's balance sheet remains strong and expands from USD 59.8 million as of December 31, 2019 to USD 64.8 million as of December 31, 2020, and total equity is up from USD 34.7 million as of December 31, 2019 to USD 37.9 million as of December 31, 2020 mainly attributed to the other comprehensive income during the year.

Current assets as of December 31, 2020 were USD 17.9 million (28% of total assets) of which USD 10.6 million in cash and cash equivalents and short-term investments, compared to current assets of USD 13.6 million as of December 31, 2019 (23% of total assets) of which USD 6.1 million in cash, cash equivalents. The increase in current assets is attributed mainly to the increase in short term investments.

Current liabilities as of December 31, 2020 were USD 14.5 million (22% of total balance sheet) of which USD 2.3 million in credit from banks, compared to current liabilities of USD 12.3 million as of December 31, 2019 (21% of total balance sheet) of which there were no credit from banks and current maturities. The increase in credit from banks is attributed to the partial drawdown of available credit lines to keep the Company liquid during the COVID-19 pandemic outbreak.

Working Capital has increased from USD 1.3 million as of December 31, 2019 to USD 3.4 million as of December 31, 2020, attributed mainly to the increase in short term investments. Current ratio remains positive with 1.2 as of December 31, 2020 compared to 1.1 as of December 31, 2019, while Quick ratio is up from 1.0 as of December 31, 2019 to 1.1 as of December 31, 2020. All liquidity ratios continue to demonstrate a positive liquidity position and a strong ability of the Company to meet its debt obligations.

Non-current assets are without any material change between the years with USD 20.7 million as of December 31, 2020 compared to USD 20.4 million as of December 31, 2019.

Long term liabilities are without any material change between the years with USD 12.4 million as of December 31, 2020 compared to USD 12.8 million as of December 31, 2019.

Property and equipment, net amounted to USD 3.4 million as of December 31, 2020 compared with USD 3.3 million as of December 31, 2019. Property and equipment, net is mainly comprised of telemedicine devices on loan to the company's subscribers amounting to USD 1.4 million (41% of total) as of December 31, 2020 compared with USD 1.5 million (45% of total) as of December 31, 2019.
Goodwill as of December 31, 2020 amounted to

USD 18.2 million compared with USD 16.9 million as of December 31, 2019. The increase is attributed to currency translation differences.

Intangible assets, net as of December 31, 2020 amounted to USD 4.7 million compared with USD 5.7 million as of December 31, 2019. The net decrease is attributed to amortization of the intangible assets in fiscal year 2020.

Total equity as of December 31, 2020 amounted to USD 37.9 million (58% of total balance sheet) compared with total equity of USD 34.7 on December 31, 2019 (58% of total balance sheet). The increase in equity is mainly attributed to other comprehensive income in fiscal year 2020.

The increase in current liabilities attributed to the short-term credit from banks along with the increase in the total equity attributed to the comprehensive income keep the Debt Equity ratio of the Company stable at 0.7 between the years.

Cash Flow

Operating cash flow for the year remains positive and strong in fiscal 2020 with cash provided by operations amounting to USD 4.7 million compared to cash provided by operations of USD 10.9 million in fiscal year 2019. Operating cash flow in fiscal year 2019 included USD 2.0 million received for cost saving under Chronic Disease Management Service contracts from customers in Germany. As described in this financial overview, fiscal year 2020 absorbed high operational costs mainly attributed to the COVID-19 pandemic.

Net cash used in investing activities in fiscal year 2020 amounted to USD 7.7 million, mainly comprising of purchases of short-term investments and of investments in fixed and intangible assets, compared to cash provided by investing activities of USD 2.5 million in fiscal year 2019, comprising mainly of proceeds from sale of short-term investment and proceeds from short term deposits, net of investments in fixed and intangible assets.

Net Cash provided by financing activities for fiscal year 2020 amounted to USD 0.7 million comprising of proceeds from short-term credit net of payments of lease liabilities. This compared to net cash used in financing activities in fiscal year 2019 of USD 11.9 million mainly comprising of dividend payment of USD 10.5 million.

As of December 31, 2020, the Company's cash and cash equivalents balances amounted to USD 4.1 million down by USD 1.9 million from December 31, 2019 mainly due to the cash used in investment activities for purchase of short-term investments which amounted to USD 5.9 million net, in 2020.

Yossi Vadnagra
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT To the Shareholders of SHL TELEMEDICINE LTD.

Opinion

We have audited the consolidated financial statements of SHL Telemedicine Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019, in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

The Key Audit Matters we identified are:

	Description of Key Audit Matter and why a matter of most significance in the audit	Description of Auditor's Response
Existence and measurement of medical devices	As of December 31, 2020, the total carrying amounts of telemedicine devices in property and equipment and inventory are approximately $1.3 million and $1.4 million, respectively. These amounts are comprised of thousands of devices that are on loan to customers (property and equipment) and that are being held by the Group (inventory). The Group's monitoring of the existence and measurement (as described in Notes 2e and 2j in the consolidated financial statements) of these devices involves a complex interface among automated and non-automated accounting records distributed among various entities within the Group. The aforementioned factors led us to conclude that the existence and measurement of telemedicine devices is a key audit matter.	Our audit procedures included testing of physical counts of the devices and extensive detailed testing of the accounting records, including checking mathematical accuracy, to support the carrying amounts of the devices. We also performed substantive testing and examination of underlying documentation to support the costs comprising the carrying amounts, including the appropriate elimination of intercompany profit for transfers of devices between entities in the Group. We evaluated the realizability of the carrying amounts based on analysis and testing of invoices issued subsequent to the reporting date. We also performed significant testing of cross-referencing of data between different systems to support the existence of the devices on loan.
Impairment of Goodwill with respect to the Group's international operations	As of December 31, 2020, the carrying amount of Goodwill allocated to international operations is approximately $14.8 million. Management performs a review of the Goodwill for impairment pursuant to IAS 36. This impairment review involves significant judgmental assumptions and estimates with respect to future cash flows from the Group's international operations, as described in Note 11 to the consolidated financial statements. Due to the significance of the amount and the judgmental nature of management assumptions, we concluded that this is a key audit matter.	Our audit procedures included the assessment of the recoverability of Goodwill by auditing management's forecasts of revenues and cash flows to be generated from its main international operations. As part of our audit, we compared management's forecast to actual results and future budget, as well as gaining an understanding and performing sensitivity analysis of the changes in the assumptions underlying the forecast compared to prior year.

Impairment of development costs.	As of December 31, 2020, the carrying amount of capitalized development costs is $4.1 million, as described in Note 11 to the consolidated financial statements. Management performed a review for impairment of the capitalized development costs pursuant to IAS 36 while considering their expected useful life, technological validity and the Group's ability to benefit from them. Due to the significance of the amount and the judgmental nature of management assumptions, we concluded that this is a key audit matter.	Our audit procedures included updating our understanding, via meetings with management, of the nature and composition of development costs capitalized in 2020 and in prior years. We challenged the existence and value of prior years' capitalized development costs for them to still have a valid business rationale as well as valid expectations for future economic benefits to the Group. Amongst our procedures we challenged the useful life of the capitalized development costs and the need for impairment due to advances in technology and audited management forecast of revenues from sale/loan of devices for reasonableness including comparison of actual results to prior year's forecast.

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the board of directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The board of directors is responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditors' report is Mr. Ofer Ben Ezra.

Tel-Aviv, Israel

April 12, 2021

Kost Forer Gabbay and Kasierer

KOST FORER GABBAY & KASIERER

A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS U.S. dollars in thousands

	Note	December 31, 2020	2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5	4,142	6,076
Short-term investments	6	6,481	-
Trade receivables	7	4,921	5,660
Inventory	2e	1,372	1,136
Other accounts receivable	9	1,023	743
		17,939	**13,615**
NON-CURRENT ASSETS:			
Prepaid expenses	8	3,863	3,440
Long-term deposits		441	403
Right-of-use assets	12	11,856	12,052
Deferred taxes	18d	4,528	4,484
		20,688	**20,379**
PROPERTY AND EQUIPMENT, NET	10	3,351	3,287
GOODWILL	11	18,168	16,853
INTANGIBLE ASSETS, NET	11	4,668	5,666
Total assets		**64,814**	**59,800**

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

CONSOLIDATED BALANCE SHEETS U.S. dollars in thousands

	Note	December 31, 2020	December 31, 2019
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	13	2,333	-
Current maturities of lease liabilities	12	1,615	1,321
Deferred revenues	14	1,374	1,438
Income taxes payable	18	1,188	1,956
Trade payables		1,626	1,122
Other accounts payable	15	6,360	6,437
		14,496	**12,274**
NON-CURRENT LIABILITIES:			
Deferred revenues	14	-	114
Deferred taxes	18d	239	365
Lease liabilities	12	10,620	10,955
Employee benefit liabilities	17	1,581	1,349
		12,440	12,783
Total liabilities		**26,936**	**25,057**
EQUITY:	21		
Issued capital		31	31
Additional paid-in capital		96,742	96,731
Treasury shares		(2,276)	(2,347)
Foreign currency translation reserve		2,107	(701)
Capital reserve for remeasurement gains on defined benefit plans		162	195
Accumulated deficit		(58,888)	(59,166)
Total equity		**37,878**	**34,743**
Total liabilities and equity		**64,814**	**59,800**

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

April 12, 2021	Yariv Alroy	Erez Nachtomy
Date of approval of the financial statements	Chairman of the Board	CEO

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Note	Year ended December 31, 2020	2019
Revenues	22a	40,164	41,884
Cost of revenues	22b	19,520	18,422
Gross profit		20,644	23,462
Research and development costs	22c	2,763	2,511
Selling and marketing expenses	22d	7,762	7,337
General and administrative expenses	22e	9,174	7,899
Other expenses	22g	549	634
Operating profit		396	5,081
Financial income	22f(1)	324	258
Financial expenses	22f(2)	(643)	(567)
Profit before taxes on income		77	4,772
Tax benefit	18b	(201)	(923)
Net profit		**278**	**5,695**
Other comprehensive income:			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement loss on defined benefit plans	17	(33)	(313)
		(33)	(313)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve		2,808	1,952
		2,808	1,952
Total other comprehensive income		2,775	1,639
Total comprehensive income		**3,053**	**7,334**
Earnings per share:			
Basic and diluted earnings	**23**	**0.03**	**0.54**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY U.S. dollars in thousands

	Issued capital	Additional paid-in capital	Treasury shares	Foreign currency translation reserve	Capital reserve for remeasurement gains on defined benefit plans	Accumulated deficit	Total
Balance as of January 1, 2019	**31**	**96,503**	**(2,347)**	**(2,653)**	**508**	**(54,358)**	**37,684**
Share-based payments	-	228	-	-	-	-	228
Dividend paid	-	-	-	-	-	(10,503)	(10,503)
Net profit	-	-	-	-	-	5,695	5,695
Total other comprehensive income (loss)	-	-	-	1,952	(313)	-	1,639
Balance as of December 31, 2019	**31**	**96,731**	**(2,347)**	**(701)**	**195**	**(59,166)**	**34,743**
Share-based payments	-	82	-	-	-	-	82
Exercise of options	-	(71)	71	-	-	-	-
Net profit	-	-	-	-	-	278	278
Total other comprehensive income (loss)	-	-	-	2,808	(33)	-	2,775
Balance as of December 31, 2020	**31**	**96,742**	**(2,276)**	**2,107**	**162**	**(58,888)**	**37,878**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS U.S. dollars in thousands

	Year ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net profit	278	5,695
Adjustments required to reconcile net profit to net cash provided by operating activities :		
Income and expenses not involving operating cash flows:		
Depreciation and amortization	4,928	3,919
Capital loss from sale of property and equipment	77	57
Impairment of property, and equipment	24	(28)
Impairment of intangible assets	24	389
Change in employee benefit liabilities, net	88	137
Financial expenses, net	276	106
Valuation gains of short-term investments	(167)	-
Cost of share-based payments	82	228
Tax benefit	(201)	(923)
	5,131	3,885
Changes in operating assets and liabilities:		
Decrease in trade receivables, net	1,134	1,371
Decrease (increase) in inventory	(248)	232
Increase in prepaid expenses	(156)	(99)
Decrease (increase) in other accounts receivable	(303)	5,384
Increase (decrease) in trade payables	393	(7)
Decrease in deferred revenues	(296)	(247)
Decrease in other accounts payable	(466)	(4,982)
	58	1,652
Cash paid and received:		
Interest received	102	51
Interest paid	(405)	(146)
Income tax received	189	-
Income taxes paid	(671)	(287)
	(785)	(382)
Net cash provided by operating activities	4,682	10,850

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

CONSOLIDATED STATEMENTS OF CASH FLOWS U.S. dollars in thousands

	Year ended December 31,	
	2020	2019
Cash flows from investing activities:		
Purchase of property and equipment	(859)	(768)
Investment in intangible assets	(913)	(1,206)
Purchase of long term deposit	-	(188)
Proceeds from short-term deposit	-	1,007
Purchase of short-term investments	(6,718)	(248)
Proceeds from sale of short-term investments	843	3,877
Net cash provided by (used in) investing activities	(7,647)	2,474
Cash flows from financing activities:		
Dividend paid	-	(10,503)
Payment of lease liabilities	(1,456)	(407)
Payment of long-term loans	-	(977)
Proceeds from (payment of) short-term credit	2,179	(5)
Net cash provided by (used in) financing activities	723	(11,892)
Effect of exchange rate changes on cash and cash equivalents	308	216
Increase (decrease) in cash and cash equivalents	(1,934)	1,648
Cash and cash equivalents at the beginning of the year	6,076	4,428
Cash and cash equivalents at the end of the year	**4,142**	**6,076**
Non-cash transactions:		
Right-of-use asset recognized with corresponding lease liability	**439**	**10,403**

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

NOTE 1 | GENERAL

SHL Telemedicine Ltd. ("SHL" and/or "the Company") was incorporated in Israel. The registered office is located at Ashdar Building, Yigal Alon St. in Tel Aviv. Its shares are publicly-traded on the SIX Swiss Exchange under the symbol SHLTN.

SHL and its subsidiaries ("the Group") develop and market advanced personal telemedicine solutions. Personal telemedicine is the transmission of medical data by an individual, from a remote location, to a medical call center via telecommunication networks. SHL's personal telemedicine systems are designed to improve quality of care and life for people suffering from various health conditions ranging from the high-risk and chronically ill to ordinary users of healthcare products and services who wish to take a more active role in managing their own health.

In the first quarter of 2020, the Coronavirus epidemic broke out in China, and has spread to many other countries around the globe, including countries in which the Group is operating, and the World Health Organization declared that the Coronavirus is a global epidemic.

The outbreak of the Coronavirus, as well as the uncertainty regarding the spread of the virus have led to a global economic slowdown.

Early in the COVID-19 pandemic the Company took various measures to allow it to continue to operate safely and seamlessly, as well as providing protected working environment to its employees.

These measures include implementation of different operating processes, both in Israel and Germany, such as self-contained shifts ("capsules") and deployment of considerable part of its workforce to working remotely, all of which are supported by IT and communication solutions. Given the continued prevalence of COVID-19 and it being a rolling event, even though the COVID-19 vaccine is now being administered in Israel and other territories, these operational changes are ongoing, causing decreased operational efficiency and increased costs, as well as longer decision-making cycles of institutional customers, delays in launch of new programs and slower recruitment of patients to the Company's Chronic Disease Telehealth Programs in Germany. At the same time, COVID-19 pandemic serves as a catalyst for the acceleration in the adaption of Telemedicine and the Company is well positioned to explore the global opportunities in the Telemedicine space.

NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements:

1.These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group's financial statements have been prepared on a cost basis, except for marketable securities (financial assets presented at fair value through profit or loss) which are measured at fair value.

The Group has elected to present the statement of comprehensive income using the function of expense method.

2. Consistent accounting policies:

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

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 is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control.

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 consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

c. Functional currency and presentation currency:

1. Functional currency and presentation currency:

The presentation currency of the financial statements is the U.S. dollar.

The functional currency, which 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 functional currency of the Company is the NIS.

When a Group entity's functional currency differs from the presentation currency, that entity's financial statements are translated so that they can be included in the consolidated financial statements as follows:

a) Assets and liabilities of foreign operations, including goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of said foreign operation, are translated at the closing rate at the end of the reporting period.

b) Income and expenses for each period presented in the statement of income are translated at average exchange rates for the presented periods.

c) Share capital, capital reserves and other changes in capital are translated at the exchange rate prevailing at the date of incurrence.

d) Retained earnings are translated based on the opening balance translated at the exchange rate at that date and other relevant transactions (such as dividend) during the period are translated as described in b) and c) above.

e) All resulting translation differences are recognized as a separate component of other comprehensive income (loss) in equity "foreign currency translation reserve".

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency (other than the functional currency) are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate at the date of the transaction.

3. Index-linked monetary items:

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at the end of each reporting period according to the terms of the agreement. Linkage differences arising from the adjustment, as above, other than those capitalized to qualifying assets or carried to equity in hedge transactions, are recognized in profit or loss.

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 acquisition 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.

e. Inventory:

Inventory of telemedicine devices for sale is presented at the lower of cost or net realizable value. Cost is determined using the "first-in, first-out" method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

f. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

- The Company's business model for managing financial assets; and
- The contractual cash flow terms of the financial asset.

a) Debt instruments are measured at amortized cost when:
   The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.
b) Debt instruments are measured at fair value through profit or loss when:
   A financial asset which is a debt instrument does not meet the criteria for measurement at amortized cost. After initial recognition, the financial asset is measured at fair value and gains or losses from fair value adjustments are recognized in profit or loss.
c) Equity instruments and other financial assets held for trading:
   Investments in equity instruments do not meet the above criteria and accordingly are measured at fair value through profit or loss.
   Other financial assets held for trading are measured at fair value through profit or loss unless they are designated as effective hedging instruments.
   Dividends from investments in equity instruments are recognized in profit or loss when the right to receive the dividends is established.

2. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.

The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit loss.

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset.

3. Derecognition of financial assets:

A financial asset is derecognized only when the contractual rights to the cash flows from the financial asset has expired.

4. Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method.

5. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or 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.

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

g. Leases:

On January 1, 2019, the Company first applied IFRS 16, "Leases" ("the Standard"). The Company elected to apply the provisions of the Standard using the modified retrospective approach (without restatement of comparative data).

The accounting policy for leases applied effective from January 1, 2019, is as follows:
The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

1. The Company as a lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

Leases which entitle employees to a company car as part of their employment terms are accounted for as employee benefits in accordance with the provisions of IAS 19 and not as subleases.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term.

Following are the periods of depreciation of the right-of-use assets by class of underlying asset:

	Years	Mainly
Motor vehicles	1.5-3.5	3
Buildings	6-15	10

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

2. Variable lease payments that depend on an index:

On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

3. Lease extension and termination options:

A non-cancellable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

4. Lease modifications:

If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Company remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

If a lease modification reduces the scope of the lease, the Company recognizes a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Company subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

i. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the date of acquisition with the addition of non-controlling interests in the acquiree.

Direct acquisition costs are carried to the income statement as incurred.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of evaluation of impairment of goodwill, goodwill purchased in a business combination is evaluated and attributed to the cash-generating units to which it had been allocated.

j. Property and equipment:

Property and equipment are measured at cost, including directly attributable costs, less accumulated depreciation and accumulated impairment losses. Cost includes spare parts and auxiliary equipment that can be used only in connection with the property and equipment.

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

	%	
Medical equipment	10 - 15	(mainly 15)
Motor vehicles and ambulances	15 - 20	(mainly 20)
Office furniture and equipment	6 - 7	(mainly 6)
Computers and peripheral equipment	15 - 33	(mainly 20)
Leasehold improvements	see below	
Telemedicine devices on loan to customers	10	

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

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

k. Intangible assets:

Intangible assets acquired in a business combination are included at fair value at the acquisition date. After initial recognition, intangible assets are carried at their cost less any accumulated amortization and any accumulated impairment losses. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

According to management's assessment, intangible assets have a finite useful life.

The assets are amortized over their useful life using the straight-line method and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively as changes in accounting estimates. The amortization of intangible assets with finite useful lives is recognized in profit or loss.

Gains or losses arising from the derecognition of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

The useful life of intangible assets is as follows:

	Years
Developments costs	5 - 10
Computer software	5
Contracts and customer relations	1.75-10

Research and development expenditures:
Research expenditures are recognized in profit or loss when incurred. An intangible asset arising from development or from the development phase of an internal project is recognized if the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the Company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

The asset is measured at cost less any accumulated amortization and any accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. As for the testing of impairment, see l below.

l. Impairment of non-financial assets:
The Group evaluates the need to record an impairment of the carrying amount 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 future 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, other than goodwill, 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 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.

The following criteria are applied in assessing impairment of these specific assets:

1. Goodwill related to subsidiaries:
For the purpose of impairment testing, goodwill acquired in a business combination is allocated, at the acquisition date, to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

The Company reviews goodwill for impairment once a year or more frequently if events or changes in circumstances indicate that there is impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

2. Development costs capitalized during the development period:

The impairment test is performed annually, on December 31, or more frequently if events or changes in circumstances indicate that there is impairment.

m. Taxes on income:

Taxes on income in the statement of comprehensive income comprise current and deferred taxes. Current or deferred taxes are recognized in the statement of income except to the extent that the tax arises from items which are recognized directly in other comprehensive income or in equity. In such cases, the tax effect is also recognized in the relevant item.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period 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 rates that are expected to apply to the period when the taxes are reversed in profit or loss, comprehensive income or equity, based on tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes in profit or loss represent the changes in the carrying amount of deferred tax balances during the reporting period, excluding changes attributable to items recognized outside of profit or loss.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. Also, temporary differences (such as carry forward losses) for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability has become probable. Any resulting reduction or reversal is recognized in the line item, “taxes on income”. Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees 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 Group’s policy not to initiate distribution of dividends that triggers an additional tax liability.

All deferred tax assets and deferred tax liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred taxes are offset in the statement of financial position 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.

n. Share-based payment transactions:
The Company's employees are entitled to remuneration in the form of equity-settled share-based payment transactions (see details in Note 21).

Equity-settled transactions:
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 is determined using a standard option pricing model, additional details are given in Note 21d. In estimating fair value, the vesting conditions (consisting of service conditions and performance conditions other than market conditions) are not taken into account. The only conditions taken into account in estimating fair value are market conditions and non-vesting conditions. As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

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 fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or income recognized in profit or loss represents the movement in the cumulative expense recognized at the end of the reporting period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

If the Group modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date.

If a grant of an equity instrument is cancelled, it is accounted for as if it had vested on the cancellation date, and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the cancelled grant and is identified as a replacement grant on the grant date, the cancelled and new grants are accounted for as a modification of the original grant, as described in the previous paragraph.

o. Employee benefit liabilities:
The Group has several employee benefit plans:

1. Short-term employee benefits:
Short-term employee benefits include salaries, paid annual leave, paid 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 Group 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 plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group operates a defined benefit plan in respect of severance pay pursuant to the

Severance Pay Law in Israel. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employee-employer relation is measured using the projected unit credit method. The actuarial assumptions include rates of employee turnover and future salary increases based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index with term of the benefit obligation.

In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

The liability for employee benefits presented in the balance sheet reflects the present value of the defined benefit obligation less the fair value of the plan assets (see details in Note 17).

Remeasurements of the net liability are recognized as other comprehensive income (loss) in the period in which they occur.

p. Treasury shares:

Company shares held by the Company are recognized at cost of purchase and deducted from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

q. Revenue recognition:

Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

Revenue from rendering of services:

Revenue from rendering of services is recognized over time, during the period the customer simultaneously receives and consumes the benefits provided by the Company's performance. Revenue is recognized in the reporting periods in which the services are rendered. Revenues from the installation fees are recognized as the installation is performed.

The Company charges its customers based on payment terms agreed upon in specific agreements. When payments are made before or after the service is performed, the Company recognizes the resulting contract asset (income receivable) or liability (deferred revenues) and recognizes revenue in profit or loss when the work is performed. The Company has elected to apply the practical expedient allowed by the Standard and does not separate the financing component in transactions in which the period between receipt of the advance payment and the performance of the service is expected to be less than one year.

Revenue from the sale of telemedicine devices:

Revenue from sale of telemedicine devices is recognized in profit or loss at the point in time when the control of the goods is transferred to the customer, generally upon delivery of the goods to the customer.

Variable consideration:

Certain service contracts ("performance-based" contracts) include remuneration, in part or in whole, based on the level of health cost savings to the customer (variable consideration). According to the Standard, variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Due to the significant variability of the various factors that can affect the level of cost savings and the resulting difficulty in measuring such cost savings reliably, the Company recognizes revenues from performance-based contracts only after receiving final data as to the actual cost savings. From mid-2019 the Company has shifted from performance-based contracts to fixed only contracts.

Costs of obtaining a contract:

Costs incurred in obtaining subscription contracts which would not have been incurred if the contract had not been obtained (incremental costs) and which the Company expects to recover are recognized as an asset (prepaid expenses). The asset is amortized over the estimated average service period of subscriber contracts, adjusted for cancellations.

r. Interest income:

Interest income on financial assets is recognized as it accrues using the effective interest method.

s. Earnings per share:

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

For diluted earnings per share, the weighted average of shares outstanding is adjusted, assuming conversion of potential dilutive shares (employee options), except when such conversion has an anti-dilutive effect.

t. 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. If the effect is material, provisions are measured according to the estimated future cash flows discounted using a pre-tax interest rate that reflects the market assessments of the time value of money and, where appropriate, those risks specific to the liability.

Onerous contracts:

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group from the contract. The provision is measured at the lower of the present value of the anticipated cost of exiting from the contract and the present value of the net anticipated cost of fulfilling it.

u. Advertising expenses:

Expenditures incurred on advertising, marketing or promotional activities, such as production of catalogues and promotional pamphlets, are recognized as an expense when the Group has the right of access to the advertising goods or when the Group receives those services.

v. Presentation of statement of comprehensive income:

The Group has elected to present a single statement of comprehensive income which includes both the items of the statement of income and the items of other comprehensive income.

w. 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.

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

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.

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 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).

x. Exchange rates and linkage basis:

Data regarding Israeli CPI and exchange rates of the U.S. dollar, the Euro and the Swiss Franc in relation to the NIS is as follows:

	Israeli	Exchange rate of		
For the year ended	CPI	€	U.S. $	CHF
	Points*		NIS	
December 31, 2020	223.1	3.94	3.21	3.65
December 31, 2019	224.7	3.88	3.46	3.58
December 31, 2018	223.3	4.29	3.75	3.81
Change during the year		%		
2020	(0.7)	1.5	(7.2)	2.0
2019	0.6	(9.6)	(7.7)	(6.0)

* The index on an average basis of 1993 = 100.

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

Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements:

a. Judgments:

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

— **Capitalization of development costs**

Development costs are capitalized in accordance with the accounting policy described in Note 2k, which is based on the criteria set forth in IAS 38. The assessment of whether development costs meet the criteria for recognition as an intangible asset requires significant management judgment, in particular with respect to technical feasibility, generation of future economic benefits, and ability to measure reliably the costs attributable to the intangible asset.

b. Estimates and assumptions:

The preparation of these 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. These estimates and underlying assumptions are reviewed regularly. 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 end of the reporting period 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.

- **Impairment of goodwill:**
  The Group reviews goodwill for impairment at least once a year. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows. Further details are given in Notes 2i and 11.

- **Deferred tax assets:**
  Deferred tax assets are recognized for unused carry forward tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in Notes 2m and 18c.

- **Impairment of intangible assets (other than goodwill):**
  In testing for impairment of these assets (development costs, customer contracts and customer relations), management makes assumptions regarding the expected cash flows, the discount rate and the expected period of benefits.

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

a. Amendment to IAS 16, "Property, Plant and Equipment":

In May 2020, the IASB issued an amendment to IAS 16, "Property, Plant and Equipment" ("the Amendment"). The Amendment prohibits a company from deducting from the cost of property, plant and equipment ("PP&E") consideration received from the sales of items produced while the company is preparing the asset for its intended use. Instead, the company should recognize such consideration and related costs in profit or loss.

The Amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Amendment is to be applied retrospectively, but only to items of PP&E made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the Amendment. The company should recognize the cumulative effect of initially applying the Amendment as an adjustment to the opening balance of retained earnings at the beginning of the earliest period presented.

The Company estimates that the application of the Amendment is not expected to have a material impact on the financial statements.

b. Amendment to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets":

In May 2020, the IASB issued an amendment to IAS 37, regarding which costs a company should include when assessing whether a contract is onerous ("the Amendment"). According to the Amendment, costs of fulfilling a contract include both the incremental costs (for example, raw materials and direct labor) and an allocation of other costs that relate directly to fulfilling a contract (for example, depreciation of an item of property, plant and equipment used in fulfilling the contract).

The Amendment is effective for annual periods beginning on or after January 1, 2022 and applies to contracts for which all obligations in respect thereof have not yet been fulfilled as of January 1, 2022. Early application is permitted.

The Company estimates that the application of the Amendment is not expected to have a material impact on the financial statements.

c. Annual improvements to IFRSs 2018-2020:

In May 2020, the IASB issued certain amendments in the context of the Annual Improvements to IFRSs 2018-2020 Cycle. The main amendment is to IFRS 9, "Financial Instruments" ("the Amendment"). The Amendment clarifies which fees a company should include in the "10% test" described in paragraph B3.3.6 of IFRS 9 when assessing whether the terms of a debt instrument that has been modified or exchanged are substantially different from the terms of the original debt instrument.

The Amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The Amendment is to be applied to debt instruments that are modified or exchanged commencing from the year in which the Amendment is first applied.

d. Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment") regarding the criteria for determining the classification of liabilities as current or non-current.

The Amendment includes the following clarifications:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Amendment is effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively.

The Company is evaluating the possible impact of the Amendment on its current loan agreements.

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

NOTE 5 | CASH AND CASH EQUIVALENTS

	December 31,	
	2020	2019
Cash in banks (mainly in EUR)	3,988	6,073
Short-term deposits (in NIS)	154	3
	4,142	6,076

NOTE 6 | SHORT-TERM INVESTMENTS

	December 31,	
	2020	2019
Marketable securities:		
Financial assets at fair value through profit or loss (mainly in NIS)		
Corporate bonds	3,334	-
Government bonds and loans	2,487	-
Shares	486	-
Other	174	-
	6,481	-

NOTE 7 | TRADE RECEIVABLES

	December 31,	
	2020	2019
Accounts receivable[1]	4,660	5,318
Other	261	342
	4,921	5,660

1 The terms of billed accounts receivable are generally 30-60 days. As of December 31, 2020 and 2019, there were no material billed receivables that were past due.

NOTE 8 | PREPAID EXPENSES

Amortization of prepaid expenses (costs of obtaining contracts - see Note 2q) amounted to $778 in the year ended December 31, 2020 (2019- $715).

NOTE 9 | OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2020	2019
Prepaid expenses	411	198
Others	612	545
	1,023	743

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

NOTE 10 | PROPERTY AND EQUIPMENT

	Computers and peripheral equipment	Medical equipment	Office furniture and equipment	Motor vehicles and ambulances	Leasehold improvements	Devices on loan	Total
Cost:							
Balance as of January 1, 2019	15,216	4,993	1,966	1,754	2,681	39,656	66,266
Additions during the year	371	-	139	-	175	83	768
Disposals during the year	(665)	-	(96)	-	(64)	(147)	(972)
Transfer to inventory, net	-	-	-	-	-	(193)	(193)
Currency translation differences	929	422	94	148	220	2,956	4,769
Balance as of December 31, 2019	15,851	5,415	2,103	1,902	3,012	42,355	70,638
Additions during the year	472	-	37	284	-	66	859
Disposals during the year	(58)	-	(135)	-	-	(235)	(428)
Transfer to inventory, net	-	-	-	-	-	104	104
Currency translation differences	1,272	406	163	163	229	3,242	5,475
Balance as of December 31, 2020	**17,537**	**5,821**	**2,168**	**2,349**	**3,241**	**45,532**	**76,648**
Accumulated depreciation:							
Balance as of January 1, 2019	14,270	4,879	1,518	1,615	2,473	37,968	62,723
Additions during the year	444	54	76	107	110	395	1,186
Disposals during the year	(665)	-	(94)	-	(43)	(113)	(915)
Transfer to inventory, net	-	-	-	-	-	(228)	(228)
Impairment (see Note 22g)	-	-	-	-	-	(28)	(28)
Currency translation differences	887	415	75	140	208	2,888	4,613
Balance as of December 31, 2019	14,936	5,348	1,575	1,862	2,748	40,882	67,351
Additions during the year	531	48	83	36	36	321	1,055
Disposals during the year	(29)	-	(135)	-	-	(187)	(351)
Impairment (see Note 22g)	-	-	-	-	-	24	24
Currency translation differences	1,205	404	122	142	208	3,137	5,218
Balance as of December 31, 2020	**16,643**	**5,800**	**1,645**	**2,040**	**2,992**	**44,177**	**73,297**
Depreciated cost as of December 31, 2020	**894**	**21**	**523**	**309**	**249**	**1,355**	**3,351**
Depreciated cost as of December 31, 2019	**915**	**67**	**528**	**40**	**264**	**1,473**	**3,287**

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

NOTE 11 | GOODWILL AND INTANGIBLE ASSETS, NET

	Development costs	Contracts and others	Customer relations	Total other intangible assets	Goodwill[1]
As of January 1, 2020, net of accumulated amortization	4,116	1,550	-	5,666	16,853
Additions during the year	913	-	-	913	-
Amortization during the year	(1,234)	(1,039)	-	(2,273)	-
Impairment (see Note 22g)	(24)	-	-	(24)	-
Currency translation differences	319	67	-	386	1,315
As of December 31, 2020, net of accumulated amortization	**4,090**	**578**	**-**	**4,668**	**18,168**
As of December 31, 2020:					
Cost	43,752	8,614	3,387	55,753	18,168
Accumulated amortization	(39,662)	(8,036)	(3,387)	(51,085)	-
Net carrying amount	**4,090**	**578**	**-**	**4,668**	**18,168**

	Development costs	Contracts and others	Customer relations	Total other intangible assets	Goodwill[1]
As of January 1, 2019, net of accumulated amortization	4,120	2,624	205	6,949	15,817
Additions during the year	1,206	-	-	1,206	-
Amortization during the year	(1,024)	(1,021)	(201)	(2,246)	-
Impairment (see Note 22g)	(389)	-	-	(389)	-
Currency translation differences	203	(53)	(4)	146	1,036
As of December 31, 2019, net of accumulated amortization	**4,116**	**1,550**	**-**	**5,666**	**16,853**
As of December 31, 2019:					
Cost	39,620	7,880	3,098	50,598	16,853
Accumulated amortization	(35,504)	(6,330)	(3,098)	(44,932)	-
Net carrying amount	**4,116**	**1,550**	**-**	**5,666**	**16,853**

1 The recoverable amount of the cash generating units to which the goodwill mainly relates has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period.
The carrying amount of the goodwill has been allocated to the following cash generating units:

	December 31, 2020	December 31, 2019
Israel	3,332	3,100
International	14,836	13,753
	18,168	16,853

The pre-tax discount rate applied to cash flow projections are as follows:

	December 31, 2020	December 31, 2019
Israel	17%	17%
International	10%-16%	12%-18.8%

The cash flows beyond the 5-year period are extrapolated using the following growth rates:

	December 31, 2020	December 31, 2019
Israel	1%	1%
International	2%	2%

The recoverable amounts, based on value in use, of each of the cash generating units exceeds their carrying amounts.
Management of the Group believes that no reasonably possible changes in key assumptions would cause the carrying amount of a cash generating unit to exceed its recoverable amount.

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

NOTE 12 | LEASES

Disclosures for leases in which the Company acts as lessee:

The Company has entered into leases of buildings and motor vehicles which are used for the Company's operations.

Leases of buildings have lease terms of between 6 and 15 years whereas leases of vehicles have lease terms of 3 years.

Some of the leases entered into by the Company include extension and/or termination options and variable lease payments.

a. Information on leases:

	Year ended December 31,	
	2020	2019
Interest expense on lease liabilities	354	264
Expenses relating to short-term leases	36	243
Total cash outflow for leases	1,456	528

b. Lease extension and termination options:

The Company has leases that include extension and termination options. These options provide flexibility in managing the leased assets and align with the Company's business needs.

The Company exercises significant judgement in deciding whether it is reasonably certain that the extension and termination options will be exercised.

The Company generally includes in the lease term the exercise of extension options existing in the lease agreements when it is reasonably certain that the extension option will be exercised. In these leases, the Company usually exercises the extension option to avoid a significant adverse impact to its operating activities in the event that an alternative asset is not available immediately upon termination of the noncancelable lease period.

In leases of motor vehicles, the Company does not include in the lease term the exercise of extension options since the Company does not ordinarily exercise options that extend the lease period beyond 5 years.

Lease terms that include termination options will include the period covered by the termination option when it is reasonably certain that the termination option will not be exercised.

Following are details of potential future undiscounted lease payments for periods covered by extension or termination options that were not included in the measurement of the Company's lease liabilities:

	More than 5 years	
	December 31,	
	2020	2019
Lease payments applicable in extension option periods which as of the end of the reporting period are not reasonably certain to be exercised	2,515	2,349

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

c. Disclosures in respect of right-of-use assets:

	Buildings	Motor vehicles	Total
Cost:			
Balance as of January 1, 2020	11,752	798	12,550
Additions during the year:			
New leases	258	246	504
Adjustments for indexation	(9)	-	(9)
Disposals	(62)	(17)	(79)
Currency translation differences	1,050	78	1,128
Balance as of December 31, 2020	**12,989**	**1,105**	**14,094**
Accumulated depreciation:			
Balance as of January 1, 2020	423	75	498
Additions during the year:			
Depreciation and amortization	1,265	335	1,600
Disposals	(18)	(5)	(23)
Currency translation differences	132	31	163
Balance as of December 31, 2020	**1,802**	**436**	**2,238**
Depreciated cost at December 31, 2020	**11,187**	**669**	**11,856**
Cost:			
Balance as of January 1, 2019	1,962	-	1,962
Additions during the year:			
New leases	9,614	776	10,390
Adjustments for indexation	13	-	13
Currency translation differences	163	22	185
Balance as of December 31, 2019	**11,752**	**798**	**12,550**
Accumulated depreciation:			
Balance as of January 1, 2019	-	-	-
Additions during the year:			
Depreciation and amortization	414	74	488
Currency translation differences	9	1	10
Balance as of December 31, 2019	**423**	**75**	**498**
Depreciated cost at December 31, 2019	**11,329**	**723**	**12,052**

NOTE 13 | CREDIT FROM BANKS

	Interest rate %	December 31, 2020
Credit from banks:		
NIS - unlinked	1.95% - Prime[1] +1.05	2,333
		2,333

1 The Prime rate as of December 31, 2020 – 1.6%.

NOTE 14 | DEFERRED REVENUES

	December 31, 2020	December 31, 2019
Total	1,374	1,552
Less - long-term deferred revenues	-	114
	1,374	**1,438**

Deferred revenues are substantially all in respect of contracts in which the period between receipt of the advance payment and the performance of the service is expected to be less than one year.

NOTE 15 | OTHER ACCOUNTS PAYABLE

	December 31, 2020	December 31, 2019
Employees and payroll accruals	2,887	2,937
Accrued expenses	2,260	2,244
VAT to customers and suppliers	620	567
Government authorities	218	335
Other	375	354
	6,360	**6,437**

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

NOTE 16 | FINANCIAL INSTRUMENTS

The Group's principal financial liabilities are comprised of lease liabilities, credit from banks and trade payables. The main purpose of these financial liabilities is for financing of the Group's operations. The Group has various financial assets such as trade receivables, cash and deposits.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, market risk, and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks, which are summarized below.

a. Concentration of credit risks:

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, and trade receivables. Cash and cash equivalents are deposited with major banks. Management believes that the financial institutions that hold the Group's investments are financially sound, and, accordingly, minimal credit risk exists with respect to these investments.

The Group's trade receivables mainly derived from sales to customers in Germany and Israel. The Group has adopted credit policies and standards intended to accommodate industry growth and inherent risk. Management believes that credit risks are moderated by the diversity of its end customers. The Group performs ongoing credit evaluations of its customers' financial condition and requires collateral as deemed necessary. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

b. Foreign currency risk:

The Group is subject to foreign exchange risk as it operates and has sales in different countries mainly Germany. Thus certain revenues and expenses are denominated in currencies other than the functional currency of the relevant entity in the Group. Group management regularly monitors its foreign exchange risk and attempts to limit such risks by making adequate decisions regarding cash and credit positions.

Foreign currency sensitivity analysis:

The following table demonstrates the sensitivity test to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is immaterial.

	Change in USD rate	Effect on profit before tax
2020	+5%	(2)
	-5%	3
2019	+5%	(244)
	-5%	269

	Change in EUR rate	Effect on profit before tax
2020	+5%	(67)
	-5%	67
2019	+5%	217
	-5%	(217)

c. Market risk:

The Group has investments in marketable financial instruments that commencing from March 31, 2020 are classified as Financial assets at fair value through profit or loss in respect of which the Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price (level 1 of the fair value hierarchy). As of December 31, 2020, the balance of these investments is $ 6,481.

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

The following table demonstrates the sensitivity to a reasonably possible change in the market price with all other variables held constant, of the Group's profit before tax (due to changes in the carrying amount of marketable securities).

	Increase/decrease in price	Effect on profit before tax
2020	+5%	324
	-5%	(324)

d. Fair value of financial instruments:

The carrying amounts of cash and cash equivalents, trade and other receivables, credit from banks, trade payables and other accounts payable approximate their fair value due to the short-term maturity of such instruments.

Management believes that the carrying amount of long-term deposits approximate their fair value.

e. Liquidity risk:

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets and projected cash flows from operations.

The Group has long-term lease liabilities repayable in monthly equal installments until March, 2029.

Total aggregate contractual undiscounted payments including interest amounts to approximately $ 13,811.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
December 31, 2020:							
Lease liabilities	1,949	1,857	1,553	1,515	1,496	5,441	13,811
	1,949	**1,857**	**1,553**	**1,515**	**1,496**	**5,441**	**13,811**
December 31, 2019:							
Lease liabilities	1,660	1,646	1,572	1,382	1,382	6,372	14,015
	1,660	**1,646**	**1,572**	**1,382**	**1,382**	**6,372**	**14,015**

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

f. Linkage terms of monetary balances in the consolidated balance sheets of the Group are as follows:

	In or linked to					
	U.S.$	CHF	Euro	Israeli CPI	NIS	Total
December 31, 2020						
Assets:						
Cash and cash equivalents	399	15	2,592	-	1,136	4,142
Short-term investments	77	-	-	2,282	4,122	6,481
Trade receivables	19	-	2,567	-	2,335	4,921
Other accounts receivable	45	-	554	-	424	1,023
Long-term deposits	-	-	441	-	-	441
	540	**15**	**6,154**	**2,282**	**8,017**	**17,008**
Liabilities:						
Trade payables	102	-	693	-	831	1,626
Credit from banks	-	-	-	-	2,333	2,333
Lease liabilities (including current maturities)	-	-	8,613	2,983	639	12,235
Other short and long-term liabilities	516	353	2,998	-	3,681	7,548
	618	353	12,304	2,983	7,484	23,742
NET:	**(78)**	**(338)**	**(6,150)**	**(701)**	**533**	**(6,734)**
December 31, 2019						
Assets:						
Cash and cash equivalents	184	25	4,537	-	1,330	6,076
Trade receivables	25	-	3,365	-	2,270	5,660
Other accounts receivable	4	-	392	-	347	743
Long-term deposits	-	-	403	-	-	403
	213	25	8,697	-	3,947	12,882
Liabilities:						
Trade payables	46	-	390	-	686	1,122
Lease liabilities (including current maturities)	-	-	8,656	55	3,565	12,276
Other short and long-term liabilities	550	315	3,569	-	3,959	8,393
	596	**315**	**12,615**	**55**	**8,210**	**21,791**
NET:	**(383)**	**(290)**	**(3,918)**	**(55)**	**(4,263)**	**(8,909)**

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

g. Changes in liabilities arising from financing activities

	January 1, 2020	Cash flows	Foreign exchange movement	Other	December 31, 2020
Lease liabilities (including current maturities)	12,276	(1,810)	1,003	766	12,235
Credit from banks	-	2,179	154	-	2,333
Total liabilities from financing activities	**12,276**	**369**	**1,157**	**766**	**14,568**

	January 1, 2019	Cash flows	Foreign exchange movement	Other	December 31, 2019
Lease liabilities (including current maturities)	-	(527)	438	*12,365	12,276
Credit from banks and long-term loans	932	(982)	48	2	-
Total liabilities from financing activities	932	(1,509)	486	12,367	12,276

* Includes $1,962 in respect of initial application of IFRS 16 and $10,403 in respect of additions in 2019.

NOTE 17 | EMPLOYEE BENEFIT LIABILITIES

a. Changes in the defined benefit obligation and fair value of plan assets:

2020:

		Expenses recognized in profit or loss				Gain (loss) from remeasurement in other comprehensive income				Contributions	
	Balance at January 1, 2020	Current service cost	Net interest expense	Total expense recognized in profit or loss for the period	Payments from the plan	Actuarial gain (loss) arising from changes in financial assumptions	Actuarial gain (loss) arising from experience adjustments	Total effect on other comprehensive income for the period	Effect of changes in foreign exchange rates	by employer	Balance at December 31, 2020
	USD in thousands										
Defined benefit obligation	**(6,435)**	**(384)**	**(148)**	**(532)**	**427**	**(37)**	**(11)**	**(48)**	**(495)**	**-**	**(7,083)**
Fair value of plan assets	**5,086**	**-**	**123**	**123**	**(394)**	**-**	**15**	**15**	**384**	**288**	**5,502**
Net defined benefit liability (asset)	**(1,349)**	**(384)**	**(25)**	**(409)**	**33**	**(37)**	**4**	**(33)**	**(111)**	**288**	**(1,581)**

2019:

		Expenses recognized in profit or loss				Gain (loss) from remeasurement in other comprehensive income				Contributions	
	Balance at January 1, 2019	Current service cost	Net interest expense	Total expense recognized in profit or loss for the period	Payments from the plan	Actuarial gain (loss) arising from changes in financial assumptions	Actuarial gain (loss) arising from experience adjustments	Total effect on other comprehensive income for the period	Effect of changes in foreign exchange rates	by employer	Balance at December 31, 2019
	USD in thousands										
Defined benefit obligation	**(5,328)**	**(373)**	**(206)**	**(579)**	**425**	**(405)**	**(98)**	**(503)**	**(450)**	**-**	**(6,435)**
Fair value of plan assets	**4,493**	**-**	**183**	**183**	**(402)**	**-**	**190**	**190**	**386**	**236**	**5,086**
Net defined benefit liability (asset)	**(835)**	**(373)**	**(23)**	**(396)**	**23**	**(405)**	**92**	**(313)**	**(64)**	**236**	**(1,349)**

b. Disaggregation of the fair value of the plan assets:

	Year ended December 31,	
	2020	2019
Insurance contracts	5,502	5,086

c. The principal assumptions underlying the defined benefit plan:

	2020	2019
	%	
Discount rate	2.27	2.42
Expected rate of salary increase	4.40	4.49

d. Amount, timing and uncertainty of future cash flows:

Below are reasonably possible changes at the end of the reporting period in each actuarial assumption assuming that all other actuarial assumptions are constant:

	Change in defined benefit obligation	
	USD in thousands	
	Year ended December 31,	
	2020	2019
Sensitivity test for changes in the expected rate of salary increase:		
The change as a result of:		
Salary increase of 4.84% (instead of 4.4%) (2019 - 4.94% instead of 4.4%)	(97)	(86)
Sensitivity test for changes in the discount rate of the plan assets and liability:		
The change as a result of:		
Increase of 1 % in discount rate	(29)	(27)
Decrease of 1 % in discount rate	38	36

NOTE 18 | TAXES ON INCOME

a. Tax rates applicable to the income of the Group companies:

1. **Companies in Israel:**
   The Israeli corporate income tax rate was 23% in 2019 and 2020.
   The deferred taxes are computed at the average tax rate of 23% (2019 - 23%), based on the tax rates that are expected to apply upon realization.

2. **Foreign subsidiaries:**
   The principal tax rates applicable to the major subsidiaries whose place of incorporation is outside Israel are:
   The U.S. - tax at the rate of 21%.
   Germany - tax at the rate of 31.4%.

b. Taxes on income included in the statements of comprehensive income:

	Year ended December 31,	
	2020	2019
Current taxes	-	668
Deferred taxes	136	(1,634)
Taxes in respect of prior years	(337)	43
	(201)	**(923)**

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

c. Deferred tax assets (liabilities):

Composition and changes in deferred taxes, as presented in the consolidated balance sheet, are as follows:

	Balance sheet items				
	Fixed and intangible assets	Employee benefit liabilities	Carry-forward tax losses	Short-term Investments	Total
Balance at January 1, 2019	(1,574)	278	3,422	15	2,141
Amount included in statement of comprehensive income	599	113	937	(15)	1,634
Currency translation differences	(31)	27	348	-	344
Balance at December 31, 2019	(1,006)	418	4,707	-	4,119
Amount included in statement of comprehensive income	458	64	(658)	-	(136)
Currency translation differences	(51)	35	322	-	306
Balance at December 31, 2020	**(599)**	**517**	**4,371**	**-**	**4,289**

d. The deferred taxes are reflected in the balance sheet as follows:

	Year ended December 31,	
	2020	2019
Non-current assets	4,528	4,484
Non-current liabilities	(239)	(365)
	4,289	**4,119**

e. A reconciliation of the theoretical tax expense assuming all income is taxed at the statutory rate applicable to the income of companies in Israel, and the actual tax expense is as follows:

	Year ended December 31,	
	2020	2019
Income before taxes on income	**77**	**4,772**
Statutory tax rate in Israel	**23%**	**23%**
Tax computed at the statutory tax rate	18	1,097
Increase (decrease) in taxes resulting from:		
Taxes in respect of previous years	(337)	43
Tax adjustment in respect of inflation in Israel	(2)	(3)
Non-deductible expenses	134	199
Different tax rates	-	103
Loss for which deferred taxes were not recognized	857	976
Utilization of previously unrecognized capital losses	(36)	-
Utilization of previously unrecognized tax losses	(835)	(3,397)
Other	-	59
Total tax benefit reported in the consolidated statements of comprehensive income	**(201)**	**(923)**

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

f. Carry forward tax losses:
The carry forward losses for tax purposes as of December 31, 2020 amount to NIS 254,320,000 ($ 79,104) (2019 – NIS 280,676,000, $ 81,214) in Israel (which may be carried forward indefinitely) and EUR 16,737,000 ($ 20,532) (2019 – EUR 16,764,000, $ 18,812) in Europe. In the U.S., SHL USA has federal and state net operating losses and credits of $ 7,743 (2019 - $ 7,743), which expire at various times.

Deferred tax assets in the amount of $ 25,482 (2019 - $ 23,174) relating to carry forward tax losses as described above, and deductible temporary differences, are not included in the consolidated financial statements as management presently believes that it is not probable that these deferred taxes will be realized in the foreseeable future.

NOTE 19 | COMPENSATION OF KEY MANAGEMENT PERSONNEL (INCLUDING DIRECTORS)

	Year ended December 31	
	2020	2019
Balances:		
Other accounts payables	195	129
Transactions:		
Short-term employee benefits	1,919	1,853
Share-based payment benefits	69	218
Total	**1,988**	**2,071**

NOTE 20 | COMMITMENTS AND CONTINGENT LIABILITIES

a. Charges:
As collateral for the Group's liabilities, fixed charges have been placed on specific accounts receivable.

b. Contingent liabilities:
The Group, from time to time, is party to various claims and disputes associated with its ongoing business operations. In management's opinion, based on the opinion of its legal counsels, none of these claims or disputes is expected, either individually or in the aggregate, to have a material adverse effect on the Group's financial position, results of operations or cash flows.

c. On August 28, 2019, the Company signed an agreement to acquire 51% of Netherlands based Kadima BV, with an option to acquire the remaining 49% within 24 months of closing. Kadima BV Group is a provider of arrhythmia monitoring services in the Dutch market providing ECG diagnosis for patients with heart rhythm disorders on behalf of a wide network of general practitioners. The closing of the transaction was expected to take place by end of 2019 subject to signing of a definitive agreement. As of the date of approval of the financial statements the signing of a definitive agreement in connection with the acquisition of Kadima BV has not been concluded. The transaction will not be further assessed without a clear understanding of the COVID-19 impact on the Kadima business.

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

NOTE 21 | EQUITY

a. Composition of share capital:

	December 31, 2020		December 31, 2019	
	Authorized	Issued and outstanding*	Authorized	Issued and outstanding*
	Number of shares			
Ordinary shares of NIS 0.01 par value each	14,000,000	10,514,454	14,000,000	10,503,152

* Net of treasury shares.

b. Movement in share capital:

Issued and outstanding share capital (net of treasury shares):

	Number of shares
Balance at January 1, 2019	10,503,152
Changes in 2019	-
Balance at December 31, 2019	10,503,152
Treasury shares sold upon exercise of options	11,302
Balance at December 31, 2020	10,514,454

c. Treasury shares:

The Company holds 364,037 shares (375,339 shares as of December 31, 2019) at a total cost of $ 2,276 as of December 31, 2020 ($ 2,347 as of December 31, 2019).

d. Share option plans:

On February 21, 2019, the Special General Meeting approved the grant of 18,000 options to a director, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years after appointment (33% on December 10, 2019, and 8.33% each quarter thereafter). The weighted average fair value of options granted is CHF 1.113 ($ 1.112). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 5.96; exercise price - CHF 6.51; expected volatility - 36.68%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.56 years.

On May 4, 2020, the Company's Board of Directors approved the grant of 80,000 options to a senior manager, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years after appointment (25% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 1.869 ($ 1.937). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 5.80; exercise price - CHF 5.26; expected volatility - 39.15%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.42 years.

On June 30, 2020, the Company's Board of Directors and the Special General Meeting approved the grant of 50,000 options to the Acting CEO, who is also a director in the Company, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years after appointment (25% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 1.729 ($ 1.817). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 5.75; exercise price - CHF 5.61; expected volatility - 39.84%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.45 years.

On August 6, 2020, the Company's Board of Directors approved the grant of 15,000 options to a consultant, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years after appointment (25% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 1.498 ($ 1.649). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 5.30; exercise price - CHF 5.61; expected volatility - 39.85%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.88 years.

On December 10, 2020, the Company's Board of Directors and the Special General Meeting approved the grant of 120,000 options to the Acting CEO, who is also a director in the Company, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years after appointment (25% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 4.03 ($ 4.532). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 8.75; exercise price - CHF 5.73; expected volatility - 42.78%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.54 years.

All options are exercisable for a period of 6 years from grant date.

On April 17, 2020, the Board of Directors approved to extend the term of the Plan for a period of two (2) years until April 18, 2022.

In the years ended December 31, 2020 and 2019, the Group recorded share-based compensation in the statements of comprehensive income in the amount of $ 82 and $ 228, respectively.

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

e. The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year.

	2020		2019	
	No. of options	WAEP (CHF)	No. of options	WAEP (CHF)
Outstanding at the beginning of the year	683,133	7.07	820,974	7.19
Granted during the year	265,000	5.56	18,000	6.51
Forfeited during the year	(476,136)	7.10	(155,841)	7.36
Exercised during the year*	(50,000)	7.04	-	-
Outstanding at the end of the year	**421,997**	**6.10**	**683,133**	**7.07**
Exercisable at the end of the year	**145,000**	**7.01**	**544,823**	**7.06**

* The weighted average share price at the date of exercise of these options was CHF 9.30. Exercise was cashless.

The weighted average remaining contractual life for the share options outstanding as of December 31, 2020 was 4.49 years (as of December 31, 2019 - 3.91 years).

f. On November 7, 2010, the Board of Directors of the Company determined that all exercise of options shall be effectuated by way of net exercise for all currently outstanding options and all new options to be granted under the "2015 Executive and Key Employee Israeli Share Option Plan".

g. On March 27, 2019, the Board of Directors of the Company approved a distribution of a dividend in the amount of USD 1.00 per share totaling approximately USD 10.5 million, which was paid on April 16, 2019 to shareholders on record as of April 11, 2019.

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

NOTE 22 | SUPPLEMENTARY INFORMATION TO STATEMENTS OF COMPREHENSIVE INCOME

a. Revenues:

	Year ended December 31,	
	2020	2019
Revenues for services performed during the period	38,310	38,681
Revenues from sale of devices	1,773	1,199
Performance-based revenues[1]	81	2,004
	40,164	**41,884**

1. In 2020 the Company recognized performance-based revenues in the amounts of $81 with respect of cost savings arising from 2019. In 2019 the Company recognized performance-based revenues in the amounts of $ 749 with respect of cost savings arising from 2017 and $ 1,255 with respect of cost savings arising from 2015.

b. Cost of revenues:

Salaries and related benefits	12,925	12,307
Rental fees and maintenance	689	1,814
Depreciation and amortization	1,596	949
Cost of devices	1,099	651
Others	3,211	2,701
	19,520	**18,422**

c. Research and development costs:

Salaries and related benefits	1,889	1,937
Amortization of development costs	1,234	1,024
Others	553	756
	3,676	**3,717**
Less - capitalization of development costs	913	1,206
	2,763	**2,511**

d. Selling and marketing expenses:

	Year ended December 31,	
	2020	2019
Salaries and related benefits	4,119	4,081
Marketing and related expenses	1,270	712
Depreciation and amortization	1,509	1,494
Rental fees and maintenance	138	228
Maintenance of vehicles	177	335
Others	549	487
	7,762	**7,337**

e. General and administrative expenses:

Salaries and related benefits	3,809	3,860
Rental fees and office expenses	846	753
Professional fees	3,377	2,500
Depreciation and amortization	589	452
Others	553	334
	9,174	**7,899**

f. Financial income (expenses):

1. Financial income:

Exchange rate differences	64	128
Gain on marketable securities, net	156	108
Interest	104	22
	324	**258**

2. Financial expenses:

Exchange rate differences	(17)	(70)
Interest	(405)	(292)
Others	(221)	(205)
	(643)	**(567)**

g. Other expenses:

	Year ended December 31,	
	2020	2019
Impairment of intangible assets:		
- see Note 11 Development costs[1]	24	389
Impairment of property and equipment[2]		
- see Note 10	24	(28)
Other expenses	501	273
	549	634

1. Impairment of development costs in connection with projects for which management decided to discontinue development due to changes in economic and market strategies.
2. Impairment in respect of telemedicine devices available for loan to customers for which management decided to discontinue their use due to technological and commercial obsolescence (2019 - reversal of impairment).

NOTE 23 | NET EARNINGS PER SHARE

a. Details of the number of shares and net profit used in the computation of net earnings per share:

	Year ended December 31,			
	2020		2019	
	Weighted number of shares	Net profit	Weighted number of shares	Net profit
	In thousands		In thousands	
Number of shares and net profit:				
For the computation of basic net earnings	10,503	278	10,503	5,695
Effect of dilution - share options	1	-	-	-
For the computation of diluted net earnings	10,504	278	10,503	5,695

b. To compute diluted net earnings per share, the following options (dilutive potential Ordinary shares), have not been taken into account since their conversion has an anti-dilutive effect: 342,000 (2019 - 683,133) options to employees under share-based payment plans.

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

NOTE 24 | SEGMENT INFORMATION

The Group operates in three geographical segments: Israel, Europe (principally Germany) and Rest of the world.

Management monitors the operating results of its geographical units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment profit. SG&A Group expenses and some research and development expenses are mostly allocated to the separate geographic units. Some corporate expenses, some research and development expenses, finance costs and finance income and income taxes are managed on a group basis and are not allocated to the geographic segments.

Revenues are allocated based on the location of the end customer. The Group presents disaggregated revenue information based on types of customers: Individual customers and communities, Institutions and payers (income from service agreements with institutions, insurance companies and HMOs), and others.

a. Segment revenues:

	Individuals and communities	Institutions and payers	Others	Total
Year ended December 31, 2020:				
Europe	-	17,040	-	17,040
Israel	21,067	1,436	3	22,506
Others	-	-	618	618
Total revenues	**21,067**	**18,476**	**621**	**40,164**

	Individuals and communities	Institutions and payers	Others	Total
Year ended December 31, 2019:				
Europe*	-	20,599	-	20,599
Israel	19,904	1,196	7	21,107
Others	-	-	178	178
Total revenues	**19,904**	**21,795**	**185**	**41,884**

* Includes performance-based revenues in 2020 and 2019 of $ 81 and $ 2,004 respectively.

b. Reporting on geographic segments:

	Year ended December 31, 2020	2019
Segment profit (loss):		
Europe*	(1,373)	3,176
Israel	4,804	5,419
Others	(63)	(602)
	3,368	**7,993**
Unallocated income and expenses:		
Corporate, R&D and other expenses	(2,934)	(2,272)
Other expenses	(38)	(640)
Operating profit	396	5,081
Financial expenses, net	(319)	(309)
Profit before taxes on income	**77**	**4,772**

* Includes performance-based revenues in 2020 and 2019 of $ 81 and $ 2,004 respectively.

NOTES TO CONSOLIDATED STATEMENTS U.S. dollars in thousands

c. Additional information:

	Europe	Israel	Others	Total
Year ended December 31, 2020				
Depreciation and amortization[1]	**2,906**	**2,039**	**31**	**4,976**

	Europe	Israel	Unallocated assets	Total
Non-current assets	**12,253**	**27,504**	**2,149**	**41,906**

	Europe	Israel	Others	Total
Year ended December 31, 2019				
Depreciation and amortization[1]	**2,039**	**2,226**	**15**	**4,280**

	Europe	Israel	Unallocated assets	Total
Non-current assets	**13,008**	**22,239**	**2,611**	**37,858**

1 Includes impairment

d. Additional information about revenues:

Revenues from major customers which each account for 10% or more of total revenues as reported in the financial statements:

	Year ended December 31, 2020	2019
Customer A – Institutions and Payers*	2,913	4,826
Customer B – Institutions and Payers	7,339	7,880
Customer C – Institutions and Payers	1,857	2,604
Customer D – Institutions and Payers	2,893	3,093

* Includes performance-based revenues in 2020 and 2019 of $ 81 and $ 2,004 respectively.

NOTE 25 | SUBSEQUENT EVENTS

a. On December 17, 2020 the Company has entered into several share purchase agreements to raise proceeds totaling CHF 35 million (approximately $ 39 million) via the placement of 3,588,889 shares from authorized capital (the "New Shares") and of 300,000 treasury shares (together with the New Shares, the "Placement Shares") by way of private placement. The estimated expenses related to the placement amounted to $ 2 - 2.5 million. Following the placement, the number of SHL shares would increase by about 33% to 14,467,380. The Placement Shares would be issued in two rounds of Capital Increases at a price per share of CHF 9.00. For each two ordinary shares issued to a purchaser, the Company granted the purchaser an option for a period of 24 months to purchase one ordinary share at a price per share of CHF 11.00. The shares would be issued in an international private placement, mainly to Israel based institutional investors. The new shares will be equivalent to all currently existing registered shares of the Company and carry full dividend rights from the time of their issue.

On January 21, 2021 the Company closed the first of the two Capital Increases by issuing 1,300,000 new ordinary shares from authorized capital (the "New Shares"). The New Shares were listed on SIX Swiss Exchange on January 22, 2021. In addition, 800,000 options to purchase ordinary shares of the Company, have been granted on January 21, 2021, to be newly issued from the authorized capital upon exercise ("Share Options", ratio 1:1, exercise price CHF 11.00, exercise period 24 months).

On February 17, 2021 the Company closed the second Capital Increase by issuing 2,288,889 new ordinary shares from its authorized capital (the "New Shares"). The New Shares were listed on SIX Swiss Exchange on February 18, 2021. In addition, 1,144,444 options to purchase further ordinary shares of the Company, have been granted on February 17, 2021, to be newly issued from the authorized capital upon exercise (ratio 1:1, exercise price CHF 11.00, exercise period 24 months).

In both Capital Increases The New Shares have been placed by way of a private placement. No subscription rights of the existing shareholders apply and no public offering takes place.

Pursuant to the Swiss Financial Services Act, a listing prospectus has been issued by SHL and approved by SIX Exchange Regulation for the purpose of the listing of the New Shares.

SHL's share capital after the second capital increase and placement: Authorized capital – 25,000,000 Ordinary shares of NIS 0.01; Issued – 14,467,380 Ordinary shares of NIS 0.01, of which treasury shares - 64,037 Ordinary shares of NIS 0.01.

b. On January 12, 2021 the Company announced that it was informed by one of its large health insurance customers that following a tender process the customer decided to award the contract to a different provider, a global healthcare company, and that the contract will terminate in mid 2021.

c. On January 21, 2021, the Company's Board of Directors approved the grant of 50,000 options to a Senior Manager, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years (25% on January 22, 2022, and 9.375% each quarter thereafter). On the date of grant, the share price was CHF 11, and the exercise price was CHF 10.73.

d. On January 25, 2021 the Company's German subsidiary closed on the acquisition of 100% of Jumedi GmbH. The cash consideration paid was immaterial. Jumedi GmbH is a developer of a modular system for digital health applications (DiGA) and of "CareDoc" an innovative hybrid CRM system with integrated medical app, mainly being used by Healthcare Insurance companies in Germany. Jumedi GmbH was founded in 2017, employs about 20 people, mainly Software and IT Solutions developers. Following the closing, Mr. Linus Drop who founded Jumedi in 2017 and served as its Managing Director was appointed as Co-Managing Director of SHL German Operation.

e. On February 8, 2021, the Company's Board of Directors approved the grant of 75,000 options to a Board member of SHL USA, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years (25% on February 8, 2022, and 9.375% each quarter thereafter). On the date of grant, the share price was CHF 11.10, and the exercise price was CHF 11.24.

f. On March 1, 2021, the Company's Board of Directors and the Special General Meeting approved the grant of 250,000 options to the Chairman of the Board and 45,000 options to two other Senior Managers, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years (25% after one year, and 9.375% each quarter thereafter). On the date of grant, the share price was CHF 11.4, and the exercise price was CHF 10.73 - 11.09.

g. On March 1, 2021, following the approval of the Compensation Committee and the Board of Directors of the Company, the Company's Special General Meeting approved the updated terms of office of the Company's chairman of the Board of Directors so that in respect of his service as an active chairman of the Board, in a position scope of not less than 90%, will be entitled to a total monthly salary of approximately $ 20 and will not be entitled to receive the directors' remuneration (annual fee and participation fee). The amended terms of office will be in effect as of January 1, 2021.

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