SHL Telemedicine

Half Year Report 2021

SHL Telemedicine

SHL Telemedicine Ltd.
1 January - 30 June

Letter to Shareholders

Dear Shareholders

The first half of 2021 was marked by acceleration of our global activities and accomplishment of significant developments in implementing our strategy for growth in all our markets.

Telemedicine continues to strengthen the permanence of its position in the market as standard of care, and our company as a leading provider and developer, with vast experience in the field of telemedicine, is well positioned to benefit from this, as we continue to build a valuable pipeline of customers and potential deals are already starting to materialize.

Overall, the company has maintained stability in Revenues in the first half year of 2021, with Revenues for the period of USD 21.0 million, similar to the first half of 2020 in constant currency[1], with a semi-annual Proforma revenues run rate of USD 32.0 million reflecting an annual revenues run rate of over USD 60 million when including the Mediton Group acquisition[2]. Adjusted EBITDA[3] for the period was USD 2.8 million, compared to USD 4.1 million in the first half of 2020 in constant currency. Proforma EBITDA, when including the Mediton Group acquisition, is about USD 6.4 million in the half year with a run rate of about USD 13 million on an annual basis.

1 Constant Currency – to enable meaningful comparison between 1HY2021 and 1HY2020 results, 1HY2020 results are also presented at 1HY2021 constant currency exchange rates. The 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.

2 Proforma only - the Mediton Group results will be consolidated for the period starting as of September 1, 2021.

3 EBITDA excluding non-cash and extraordinary expenses.

During Q1 2021 we also successfully completed an equity capital raise of CHF 35 million, mainly from Israeli based Institutional investors, proceeds of which are being used to fuel the growth of our current business operations, as well as enhancing our company's SmartHeart™ supply chain and R&D activities. The increase in our inventories and investments in supply chain to address anticipated demand for the Company's products, resulted in negative operating free cash flow of USD 1.3 million, compared to positive Operating free cash flow USD 1.4 million in the first half 2020. The IFRS accounting treatment of changes in the fair value of the options granted to investors in the capital increases resulted in extraordinary non-cash financial expenses and a net loss for the period of USD 10.3 million, compared to a net profit of USD 0.1 million in the first half of 2020. The non-cash financial liability and the proceeds from the exercise price of the investors' options, will fully convert into equity, upon exercise of the options.

Germany

Revenues were USD 9.2 million, up 5% compared to the first half 2020 in constant currency. In January 2021 the Company started to provide Doctors' Virtual Visits services to BARMER health insurance company. BARMER is one of the top leading public health insurance companies in Germany covering about 9 million insured lives. In mid-2021 BARMER announced the availability of the Doctors' Virtual Visit Service to all of its insureds in Germany.

In July 2021 the Company was awarded a multi-year large Chronic Disease Telehealth contract following a tender to continue and provide the service to congestive heart failure (CHF) patients of AOK Bayern. This award followed a loss of a Chronic Disease Telehealth contract with a different health insurance customer at the beginning of 2021.

Also in January 2021, the company closed on the acquisition of 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.

Israel

In August 2021 the Company completed the accretive acquisition of majority stake in Mediton Group, a leading B2B healthcare services provider in Israel. The acquisition will double the company's annual revenues in Israel to a level of USD 43 - 46 million and EBITDA of USD 14 - 15.5 million. We expect that the synergy from the acquisition will increase the annual revenues in Israel to USD 57 - 62 million within 3 years.

Our Israeli business has maintained stability in revenues period-over-period, generating revenues of USD 11.7 million, and continues to provide high profitability.

USA

In the US we saw a significant progress with strategic players in the market.

In August 2021 we entered into an agreement with Mayo Clinic, one of the US and Global top leading Hospital and healthcare services provider, where Mayo Clinic will implement The Company's SmartHeart™ for use in its clinical and patient care protocols. Earlier, in in June 2021 the Company entered into collaborates with VNA Care according to which VNA Care will offer home telemonitoring using the Company's SmartHeart™ 12 lead ECG technology.

In parallel, in the beginning of 2021 we filed a pre-submission with the US Food and Drug Administration (FDA) for Over the Counter (OTC) use of its SmartHeart™ full 12 Lead ECG. Our goal is to receive FDA's clearance to market SmartHeart™ directly to consumers, to provide peace of mind and address the unmet need for remote cardiac care, representing an exceptional growth opportunity for SHL in the US market.

We are experiencing a significant step-up in our activity in all our territories, to accomplish our strategic goals that will bring significant value to our shareholders.

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

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The Shareholders and Board of Directors
SHL Telemedicine Ltd.

Auditors' review report to the shareholders and board of directers of SHL Telemedicine Ltd.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of SHL Telemedicine Ltd. ("the Company") and its subsidiaries as of June 30, 2021, which comprise the interim consolidated balance sheet as of June 30, 2021, and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Tel-Aviv, Israel
September 29, 2021

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

CONSOLIDATED BALANCE SHEETS U.S. dollars in thousands

	June 30,		December 31,
	2021	2020	2020
	Unaudited		Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	23,593	5,030	4,142
Short-term investments	17,932	3,948	6,481
Trade receivables	4,791	5,398	4,921
Inventory	2,226	925	1,372
Other accounts receivable	1,771	602	1,023
	50,313	15,903	17,939
NON-CURRENT ASSETS:			
Prepaid expenses	3,664	3,642	3,863
Long-term deposits	427	403	441
Right-of-use assets	10,774	11,624	11,856
Deferred taxes	3,809	4,278	4,528
	18,674	19,947	20,688
PROPERTY AND EQUIPMENT, NET	3,133	2,988	3,351
GOODWILL	18,619	16,808	18,168
INTANGIBLE ASSETS, NET	4,918	4,911	4,668
Total assets	**95,657**	**60,557**	**64,814**

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

CONSOLIDATED BALANCE SHEETS U.S. dollars in thousands

	June 30, 2021	June 30, 2020	December 31, 2020
	Unaudited	Unaudited	Audited
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities	-	2,164	2,333
Current maturities of lease liabilities	1,622	1,180	1,615
Deferred revenues	1,475	1,480	1,374
Income taxes payable	532	1,875	1,188
Trade payables	1,303	1,098	1,626
Other accounts payable	5,558	5,541	6,360
	10,490	13,338	14,496
NON-CURRENT LIABILITIES:			
Deferred revenues	-	84	-
Deferred taxes	365	292	239
Lease liabilities	9,581	10,744	10,620
Liability for Share Options	15,729	-	-
Employee benefit liabilities	1,617	1,232	1,581
	27,292	12,352	12,440
Total liabilities	37,782	25,690	26,936
EQUITY:			
Issued capital	42	31	31
Additional paid-in capital	125,561	96,722	96,742
Treasury shares	(229)	(2,347)	(2,276)
Foreign currency translation reserve	1,509	(816)	2,107
Capital reserve for remeasurement gains on defined benefit plans	162	375	162
Accumulated deficit	(69,170)	(59,098)	(58,888)
Total equity	57,875	34,867	37,878
Total liabilities and equity	**95,657**	**60,557**	**64,814**

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

September 29, 2021		
Date of approval of the financial statements	Yariv Alroy Chairman of the Board	Erez Nachtomy CEO

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Note	Six months ended June 30, 2021	Six months ended June 30, 2020	Year ended December 31, 2020
		Unaudited	Unaudited	Audited
Revenues for the period		21,032	19,493	40,164
Cost of revenues		10,136	9,651	19,520
Gross profit		10,896	9,842	20,644
Research and development costs		1,699	1,335	2,763
Selling and marketing expenses		4,388	3,852	*8,037
General and administrative expenses		4,790	3,664	*8,832
Other expenses		146	585	*616
Operating profit (loss)		(127)	406	396
Financial income		385	79	324
Financial expenses	5b	(9,974)	(293)	(643)
Profit (loss) before taxes on income		(9,716)	192	77
Taxes on income (tax benefit)		566	124	(201)
Net profit (loss)		(10,282)	68	278
Other comprehensive income:				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gain (loss) on defined benefit plans		-	180	(33)
		-	180	(33)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation reserve		(598)	(115)	2,808
		(598)	(115)	2,808
Total other comprehensive income (loss)		**(598)**	**65**	**2,775**
Total comprehensive income (loss)		(10,880)	133	3,053
Earnings per share:				
Basic and diluted earnings (loss)		**(0.75)**	**0.01**	**0.03**

* Reclassified

The accompanying notes are an integral part of the interim condensed 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, 2021	31	96,742	(2,276)	2,107	162	(58,888)	37,878
Issue of share capital (net of issue costs of $ 1,747)	11	28,191	1,881	-	-	-	30,083
Proceeds from exercise of share options*	-	298	-	-	-	-	298
Share-based payments	-	496	-	-	-	-	496
Exercise of Employee options	-	(166)	166	-	-	-	-
Net loss	-	-	-	-	-	(10,282)	(10,282)
Total other comprehensive income	-	-	-	(598)	-	-	(598)

* The shares were issued on July 2, 2021

	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 June 30, 2021 (unaudited)	**42**	**125,561**	**(229)**	**1,509**	**162**	**(69,170)**	**57,875**
Balance as of January 1, 2020	31	96,731	(2,347)	(701)	195	(59,166)	34,743
Share-based payments	-	(9)	-	-	-	-	(9)
Net profit	-	-	-	-	-	68	68
Total other comprehensive income	-	-	-	(115)	180	-	65
Balance as of June 30, 2020 (unaudited)	**31**	**96,722**	**(2,347)**	**(816)**	**375**	**(59,098)**	**34,867**

	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, 2020	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 interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30,		Year ended December 31,
	2021	2020	2020
	Unaudited		Audited
Cash flows from operating activities:			
Net profit (loss)	(10,282)	68	278
Adjustments required to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Income and expenses not involving operating cash flows:			
Depreciation and amortization	2,246	2,362	4,928
Capital loss from sale of property and equipment	25	-	77
Impairment of property and equipment	-	-	24
Impairment of intangible assets	-	-	24
Change in employee benefit liabilities, net	62	68	88
Financial expenses, net	9,445	108	109
Cost of share-based payments	496	(9)	82
Taxes on income (tax benefit)	566	124	(201)
	12,840	2,653	5,131
Changes in operating assets and liabilities:			
Decrease in trade receivables, net	151	245	1,134
Decrease (increase) in inventory	(1,032)	202	(248)
Decrease (increase) prepaid expenses	146	(209)	(156)
Increase (decrease) in other accounts receivable	(554)	139	(303)
Increase (decrease) in trade payables	(350)	(22)	393
Increase (decrease) in deferred revenues	4	14	(296)
Decrease in other accounts payable	(949)	(858)	(466)
	(2,584)	(489)	58
Cash paid and received:			
Interest received	172	18	102
Interest paid	(188)	(187)	(405)
Income tax received	-	-	189
Income taxes paid	(637)	(84)	(671)
	(653)	(253)	(785)
Net cash provided by (used in) operating activities	**(679)**	**1,979**	**4,682**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30,		Year ended December 31,
	2021	2020	2020
	Unaudited		Audited
Cash flows from investing activities:			
Purchase of property and equipment	(156)	(260)	(859)
Investment in intangible assets	(610)	(319)	(913)
Acquisition of initially consolidated subsidiary[(b)]	(1,157)	-	-
Purchase of short-term investments	(12,111)	(3,941)	(6,718)
Proceeds from sale of short-term investments	731	82	843
Net cash used in investing activities	**(13,303)**	**(4,438)**	**(7,647)**
Cash flows from financing activities:			
Issue of share capital (net of issue costs)	30,083	-	-
Payment of lease liabilities	(799)	(686)	(1,456)
Receipts from issue of Share Options (net of issue costs)	6,789	-	-
Proceeds from exercise of share options	298	-	-
Short-term loans, net	(2,298)	2,137	2,179
Net cash provided by financing activities	**34,073**	**1,451**	**723**
Effect of exchange rate changes on cash and cash equivalents	(640)	(38)	308
Increase (decrease) in cash and cash equivalents	19,451	(1,046)	(1,934)
Cash and cash equivalents at the beginning of the period	4,142	6,076	6,076
Cash and cash equivalents at the end of the period	**23,593**	**5,030**	**4,142**
(a) Significant Non-cash transactions:			
Right-of-use asset recognized with corresponding lease liability	**77**	**374**	**439**
(b) Acquisition of initially consolidated subsidiary:			
The subsidiary's assets and liabilities at date of acquisition:			
Working capital (excluding cash and cash equivalents)	90	-	-
Property and equipment	(2)	-	-
Deferred tax liability	233	-	-
Intangible assets	(708)	-	-
Goodwill	(770)	-	-
	(1,157)	-	-

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 1 | GENERAL

a. These consolidated financial statements have been prepared in a condensed format as of June 30, 2021 and for the six months then ended. These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements and accompanying notes of SHL Telemedicine Ltd. ("the Company") as of December 31, 2020 and for the year then ended ("the annual financial statements").

b. Following are data regarding the Israeli CPI and the exchange rates of the Euro, U.S. dollar and the Swiss Franc in relation to the new Israeli Shekel (NIS):

	Israeli		Exchange rate	
	CPI	€ 1	U.S. $ 1	CHF 1
For the period ended	Points		NIS	
June 30, 2021	226.7	3.87	3.26	3.53
June 30, 2020	222.9	3.88	3.47	3.64
December 31, 2020	223.1	3.94	3.21	3.65
Change during the period	%	%	%	%
June 2021 (6 months)	1.6	(1.8)	1.6	(3.3)
June 2020 (6 months)	(0.8)	0.1	0.3	1.9
December 31, 2020	(0.7)	1.5	(7.2)	2.0

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

NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim condensed consolidated financial statements:

The interim condensed consolidated financial statements for the six months ended June 30, 2021 have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting. The significant accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements.

Issue of a unit of securities:

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

b. Disclosure of new accounting pronouncements in the period prior to their adoption

1. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors"

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is to be applied prospectively for annual reporting periods beginning on or after January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

2. Amendment to IAS 12, "Income Taxes"

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment is to be applied for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

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

NOTE 3 | REVENUES

	Six months ended June 30, 2021	Six months ended June 30, 2020	Year ended December 31, 2020
	Unaudited	Unaudited	Audited
Revenues for services performed during the period	20,492	18,444	38,310
Revenues from sale of devices	540	1,049	1,773
Performance-based revenues*	-	-	81
	21,032	19,493	40,164

* 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.

NOTE 4 | BUSINESS COMBINATION

On January 25, 2021 the Company's German subsidiary closed on the acquisition of 100% of Jumedi GmbH ("Jumedi") for consideration in cash of € 1,107 thousands ($ 1,348). Jumedi is a developer of a modular system for digital health applications ("DiGA") and of "CareDoc" an innovative hybrid CRM system with integrated medical application, mainly being used by Healthcare Insurance companies in Germany. Jumedi was founded in 2017, employs about 20 people, mainly Software and IT Solutions developers. Following the closing, the founder of Jumedi who founded Jumedi in 2017 and served as its Managing Director was appointed as Co-Managing Director of SHL German Operation.

According to the acquisition agreement, € 100 thousand ($ 124) will be paid to the founder of Jumedi 18 months after the closing date, provided that the founder continues to be employed by the Group until the end of that period. The Company is recognizing that amount as compensation expense ratably over the 18 month period.

The fair value of the identifiable assets and liabilities of Jumedi on the acquisition date:

	Fair value
Cash and cash equivalents	191
Trade receivables	156
Other accounts receivable	153
Property, plant and equipment	2
Software and digital telehealth platforms	708
	1,210
Trade payables	(56)
Deferred revenues	(138)
Other payables	(205)
Deferred tax liability	(233)
	(632)
Net identifiable assets	578
Goodwill arising on acquisition	770
Total purchase cost	**1,348**

Acquisition costs during the period that are directly attributable to the transaction of approximately $ 146 were recorded in other expenses.

Cash outflow/inflow on the acquisition:

Cash and cash equivalents acquired with the acquiree at the acquisition date	191
Cash paid	(1,348)
Net cash	**(1,157)**

From the acquisition date, Jumedi has contributed $ 11 to the consolidated net loss and $ 685 to the consolidated revenues. Had the acquisition taken place on January 1, 2021, the pro forma effect on the consolidated net loss and revenues would have been immaterial.

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and the acquiree.

The goodwill recognized is not expected to be deductible for income tax purposes.

The Company has recognized the fair value of the identifiable assets acquired and liabilities assumed in the business combination based on a preliminary draft valuation by an external valuation specialist. The fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, any material adjustments to comparative information, if necessary, will be reflected in the financial statements.

NOTE 5 | MATERIAL EVENTS DURING THE REPORTING PERIOD

a. 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 vaccine has been administered in Israel and other countries, these operational changes are ongoing, causing decreased operational efficiency and increased costs. At the same time, COVID-19 pandemic serves as a catalyst for the acceleration in the adoption of Telemedicine and the Company is well positioned to explore the global opportunities in the Telemedicine space.

b. On December 17, 2020 the Company entered into several share purchase agreements to raise gross 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. Following the placement, the number of SHL shares increased by about 33% to 14,467,380. The Placement Shares were 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 were issued in an international private placement, mainly to Israel based institutional investors. The New Shares are equivalent to all currently existing registered Ordinary shares of the Company and carry full dividend rights from the time of their issue.

On January 7, 2021, the Special General Meeting of the Company approved the increase of the authorized share capital of the Company to 25,000,000 Ordinary shares of NIS 0.01 par value each. 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") and selling 300,000 treasury shares. The New Shares were listed on SIX Swiss Exchange on January 22, 2021. In addition, 800,000 Share Options to purchase Ordinary shares were 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 Share Options to purchase further Ordinary shares were 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 par value each; Issued - 14,467,380 Ordinary shares, of which treasury shares - 64,037 Ordinary shares.

Total issue costs amounted to $ 2,137 of which $ 390 were allocated to the issuance of the Share Options and recorded in finance expenses. The balance of $ 1,747 were recorded as a deduction from additional paid-in capital in equity.

Since the exercise price of the Share Options issued to the investors is denominated in CHF which is not the functional currency (NIS) of the Company, these Share Options are accounted for upon initial recognition as a financial liability at fair value through profit or loss. After initial recognition, increase (decrease) in fair value in each reporting period are recognized in profit or loss as non-cash financial expenses (income).

The Company uses the Black and Scholes option pricing model when estimating the fair value of the Share Options.

The following table lists the significant inputs to the Black and Scholes model used for the fair value measurement of the Share Options:

	As at	
	June 30, 2021	Issue date
Expected dividend	0%	0%
Expected volatility of the share price	55.69%-56.54%	53.67%-53.96%
Risk-free interest rate	0%	0%
Expected average life of options	1.56-1.64 years	2 years
Share price	CHF 16.90 ($18.31)	CHF 11.00-11.10 ($12.3-$12.5)

The expected volatility of the share price reflects the assumption that the historical volatility of the share price is reasonably indicative of expected future trends.

Based on the above inputs, the total fair value of the Share Option liability was $ 7,179 at the date of issuance and the total fair value of the liability was $ 15,729 at June 30, 2021. The increase in fair value of the liability during the reporting period in the amount of $ 8,550 was recorded in financial expenses (this amount is a non-cash expense).
The fair value measurement of the liability is categorized in Level 3 of the fair value hierarchy. An increase (decrease) in share price would increase (decrease) the fair value of the liability.

c. Following note 25b to the 2020 Annual financial statements, the large health insurance customer extended the contract period until mid 2022.

d. During the period, the Company's Board of Directors and the Special General Meeting approved the grant of 559,000 options to the Chairman, to a director and to senior managers, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years after appointment (25%-33% after 1 year, and thereafter in 8 installments on a quarterly basis). The weighted average fair value of options granted is CHF 3.485-4.688 ($ 3.870-5.224). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 11.00-13.50; exercise price - CHF 10.73-12.08; expected volatility - 42.28%-43.08%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.48-3.75 years.

e. 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 are effective as of January 1, 2021.

NOTE 6 | SEGMENT INFORMATION

As presented in the annual financial statements, the Group operates in three geographic 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
Six months ended June 30, 2021 (unaudited):				
Europe	-	9,188	-	9,188
Israel	10,906	802	-	11,708
Others	-	-	136	136
Total revenues	**10,906**	**9,990**	**136**	**21,032**
Six months ended June 30, 2020 (unaudited):				
Europe	-	8,062	-	8,062
Israel	10,285	688	6	10,979
Others	-	-	452	452
Total revenues	**10,285**	**8,750**	**458**	**19,493**
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**

* Includes performance-based revenues of $ 81 in the year ended December 31, 2020.

b. Segment profit (loss):

	Six months ended June 30, 2021	Six months ended June 30, 2020	Year ended December 31, 2020
	Unaudited	Unaudited	Audited
Europe*	(425)	(1,014)	(1,373)
Israel	3,665	**3,075	4,804
Others	(552)	70	(63)
	2,688	**2,131**	**3,368**
Unallocated income and expenses:			
Corporate and R&D expenses	(2,815)	**(1,725)	(2,934)
Other expenses	-	-	(38)
Operating profit (loss)	(127)	406	396
Financial expenses, net	(9,589)	(214)	(319)
Profit (loss) before taxes on income	**(9,716)**	**192**	**77**

* Includes performance-based revenues of $ 81 in the year ended December 31, 2020.
** Reclassified.

NOTE 7 | SUBSEQUENT EVENTS

a. On August 23, 2021, the Board of Directors of the Company 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 grant date (25% after 1 year, and 9.375% each quarter thereafter). On the date of grant, the share price was CHF 16.40, and the exercise price was CHF 16.82.

b. On August 24, 2021, the Company signed an agreement to acquire 70% of the Mediton Group companies, a leading provider of B2B healthcare services in Israel in the field of diagnostics, preventive medicine, and medical opinions to institutional customers, including Israeli blue-chip companies, government institutions including the Israeli Social Security and Ministry of Defense, all four sick funds and to insurance companies.

The Company acquired a 70% interest in Mediton Group for approx. NIS 84 million ($ 26 million) on a cash-free debt-free basis adjusted by net working capital and financed the acquisition from cash on hand and long-term bank financing (see Note 7c below). The transaction includes the grant of a put option to, and the receipt of a call option from, the non-controlling interest that upon exercise of the put option or call option will result in the acquisition by the Company of the remaining 30% interest in Mediton Group in approximately four to five years from closing. The exercise price of the put option and call option is based on a multiple of EBITDA of Mediton Group as defined in the acquisition agreement. The Mediton Group will continue to operate under its current leadership.

c. On August 29, 2021, the Company signed an agreement with a bank in Israel to obtain a long-term loan in the amount of NIS 59 million ($ 18 million) for a period of up to 7 years and 9 months. The loan is denominated in NIS, and bears an annual interest rate of prime + 1.05% (2.65% as of the signing date). The loan will be repaid in 28 quarterly installments following an initial moratorium period of 9 months.

The loan agreement includes certain financial covenants related to the Company's Israeli operations as follows: (i) tangible equity of at least NIS 40 million; (ii) tangible equity to total tangible assets of at least 40%; and (iii) net debt to EBITDA of 3.5 at the maximum.

Information For Investors

Capital structure

As of June 30, 2021, the issued share capital was divided into 14,429,762 shares with a par value of NIS 0.01 each (excluding 37,618 ordinary shares of NIS 0.01 par value each held by SHL)

Significant shareholders’

As of June 30, 2021, 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	41.26%	41.37%
Alroy Group	2,507,608	17.33%	17.38%
More Provident Funds	894,332	6.18%	6.20%
Value Base Group	837,865	5.79%	5.81%
Sphera Funds Management Ltd	596,000	4.12%	4.13%
Danbar Finance Ltd.	540,000	3.73%	3.74%
SHL Treasury shares	37,618	0.26%	-

* 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 Section 1.2 “Significant Shareholders” in the 2020 Annual Report).

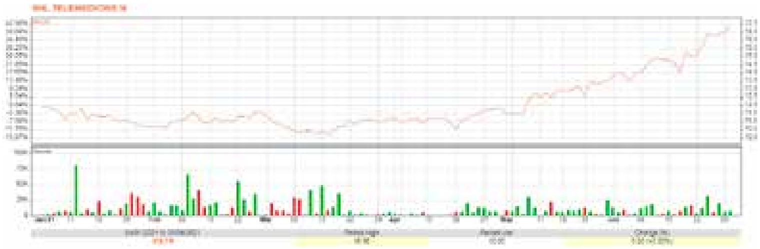
The above table of Significant Shareholders reflects both actual holdings as of June 30, 2021, after deducting from the total number of shares outstanding 37,618 Ordinary Shares held by SHL, and actual holding as of June 30, 2021 calculated including ordinary shares held by SHL, all as indicated above, but does not reflect holding on a fully diluted basis. All in accordance with notifications received by the Company from shareholders and the SAG registrar as of June 30, 2021.

Statistics on SHL Telemedicine as at June 30, 2021

Registered shares with a par value of NIS 0.01 each	
Securities number	1128957
Number of shares*	14,429,762
Market price high/low (CHF)	10.00/16.90
Market capitalization high/low (CHF million)	144.3/243.9
Market capitalization 30/06/21 (CHF million)	243.9
Share capital – nominal value (NIS)	144,298

* Excluding 37,618 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

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