

As filed with the Securities and Exchange Commission on May 12, 2023

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F/A
(Amendment No. 1)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number 001-41641

SHL TELEMEDICINE LTD.

(Exact name of Registrant as specified in its charter and translation of Registrant's name into English)
ISRAEL

(Jurisdiction of incorporation or organization)

90 Yigal Alon Street

Tel Aviv 67891, Israel

(Address of principal executive offices)

Erez Nachtomy, Chief Executive Officer

Tel.: +972 (3) 561-2212

90 Yigal Alon Street

Tel Aviv 67891, Israel

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing one (1) ordinary share, nominal value NIS 0.01 per share	SHLT	Nasdaq Capital Market
Ordinary shares, nominal value NIS 0.01 per share*		

*Not for trading, but only in connection with the registration of the American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's class of capital or common stock as of the close of the period covered by the annual report: 14,683,844 as of December 31, 2022.

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (the “**Amendment**”) is being filed by SHL Telemedicine Ltd. (the “**Company**,” “**we**,” “**our**,” or “**us**”) to amend the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2022, originally filed with the U.S. Securities Exchange Commission on May 11, 2023 (the “**Original Filing**”). The Company is filing this Amendment solely to revise and correct certain inadvertent typographical errors in diluted earnings (loss) per share and footnotes 25 and 26 to the Company’s 2022 consolidated financial statements included in the Original Filing.

This Amendment consists solely of the cover page, this Explanatory Note, the corrected financial statements, which update and supersede the Company’s 2022 consolidated financial statements included in the Original Filing, and certifications by our chief executive officer and chief financial officer. This Amendment does not affect any other parts of, or any other exhibits to, the Original Filing, nor does it reflect events occurring after the date of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing. The Company’s Chief Executive Officer and Chief Financial Officer are providing currently dated revised certifications in connection with this Amendment. The certifications are filed as Exhibits 12.1, 12.2, 13.1 and 13.2.

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ITEM 19. EXHIBITS

The following exhibits are filed as part of this Amendment No. 1 to Annual Report on Form 20-F/A:

<u>Exhibit No.</u>	<u>Document</u>
12.1†	CEO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
12.2†	CFO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
13.1#	CEO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002
13.2#	CFO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101.INS*	Inline XBRL Instance Document-this instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Incorporated by reference to the Company's Registration Statement on Form 20-F/A (File No. 0001-41641).

† Filed with this Annual Report on Form 20-F/A

Furnished with this Annual Report on Form 20-F/A

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this Amendment No. 1 to Annual Report on Form 20-F/A on its behalf.

SHL TELEMEDICINE LTD.

By: /s/ Erez Nachtomy

Name: Erez Nachtomy

Title: Chief Executive Officer

Date: May 12, 2023

SHL TELEMEDICINE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

U.S. DOLLARS IN THOUSANDS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of

SHL TELEMEDICINE LTD.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SHL Telemedicine Ltd. and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

KOST FORER GABBAY & KASIERER

A Member of Ernst & Young Global

We have served as the Company’s auditor since 1997

Tel-Aviv, Israel

May 11, 2023

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Note	December 31,	
		2022	2021
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	4,483	14,845
Short-term investments	7	14,217	17,217
Trade receivables	8	7,797	8,130
Inventory	2e	3,879	4,202
Other accounts receivable	10	1,912	1,468
		<u>32,288</u>	<u>45,862</u>
NON-CURRENT ASSETS:			
Inventory	2e	1,731	—
Prepaid expenses	9	3,364	3,784
Call option to non-controlling interests, net	18	245	—
Long-term deposits		423	445
Right-of-use assets	13	11,038	13,013
Deferred taxes	20d	2,872	4,168
		<u>19,673</u>	<u>21,410</u>
PROPERTY AND EQUIPMENT, NET	11	<u>4,652</u>	<u>4,025</u>
GOODWILL	12	<u>33,745</u>	<u>37,508</u>
INTANGIBLE ASSETS, NET	12	<u>20,425</u>	<u>20,787</u>
Total assets		<u>110,783</u>	<u>129,592</u>

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Note	December 31,	
		2022	2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and others	14	2,169	1,798
Current maturities of lease liabilities	13	2,263	2,341
Deferred revenues	16	260	559
Income taxes payable	20	138	861
Trade payables		3,757	2,885
Other payables	17	9,238	8,920
		<u>17,825</u>	<u>17,364</u>
NON-CURRENT LIABILITIES:			
Liability for share options	18	7,164	17,220
Put option from non-controlling interests, net	18	—	67
Loans from banks	15	13,008	17,173
Deferred taxes	20d	2,700	3,434
Lease liabilities	13	9,302	11,189
Employee benefit liabilities	19	1,495	2,382
		<u>33,669</u>	<u>51,465</u>
Total liabilities		<u>51,494</u>	<u>68,829</u>
EQUITY:			
Attributable to equity holders of the Company:	23		
Issued capital		43	42
Additional paid-in capital		130,009	125,484
Treasury shares		(2)	(86)
Foreign currency translation reserve		(3,291)	2,966
Capital reserve for options		1,002	1,002
Capital reserve for remeasurement gains on defined benefit plans		1,000	442
Accumulated deficit		(73,074)	(72,998)
		<u>55,687</u>	<u>56,852</u>
Non-controlling interests		<u>3,602</u>	<u>3,911</u>
Total equity		<u>59,289</u>	<u>60,763</u>
Total liabilities and equity		<u>110,783</u>	<u>129,592</u>

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

<u>May 11, 2023</u> Date of approval of the financial statements	<u>/s/ Yariv Alroy</u> Yariv Alroy Chairman of the Board	<u>/s/ Erez Nachtomy</u> Erez Nachtomy CEO
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Note	Year ended December 31,		
		2022	2021	2020
Revenues	24a	58,998	49,582	40,164
Cost of revenues	24b	31,809	24,989	19,520
Gross profit		27,189	24,593	20,644
Research and development costs	24c	3,788	2,985	2,763
Selling and marketing expenses	24d	11,403	9,454	7,762
General and administrative expenses	24e	16,748	12,103	9,174
Other expenses	24g	416	548	549
Operating profit (loss)		(5,166)	(497)	396
Financial income	24f(1)	8,833	381	324
Financial expenses	24f(2)	(2,355)	(13,353)	(643)
Profit (loss) before taxes on income		1,312	(13,469)	77
Tax expenses (benefit)	20b	1,097	455	(201)
Net profit (loss)		215	(13,924)	278
Other comprehensive income:				
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gain (loss) on defined benefit plans	19	581	280	(33)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation reserve		(6,699)	859	2,808
Total other comprehensive loss (income)		(6,118)	1,139	2,775
Total comprehensive income (loss)		(5,903)	(12,785)	3,053
Net profit (loss) attributable to:				
Equity holders of the Company		(76)	(14,110)	278
Non-controlling interests		291	186	—
		215	(13,924)	278
Comprehensive income (loss) attributable to:				
Equity holders of the Company		(5,775)	(12,971)	3,053
Non-controlling interests		(128)	186	—
		(5,903)	(12,785)	3,053
Earnings per share:				
Basic earnings (loss)	25	(0.01)	(1.00)	0.03
Diluted earnings (loss)	25	(0.49)	(1.00)	0.03

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 options	Capital reserve for remeasurement gains on defined benefit plans	Accumulated deficit	Total	Non- controlling interests	Total equity
Balance as of January 1, 2020	31	96,731	(2,347)	(701)	—	195	(59,166)	34,743	—	34,743
Share-based payments	—	82	—	—	—	—	—	82	—	82
Exercise of Employee options	—	(71)	71	—	—	—	—	—	—	—
Net profit	—	—	—	—	—	—	278	278	—	278
Total other comprehensive income (loss)	—	—	—	2,808	—	(33)	—	2,775	—	2,775
Balance as of December 31, 2020	31	96,742	(2,276)	2,107	—	162	(58,888)	37,878	—	37,878
Issue of share capital (net of issue costs of \$2,907)	11	27,030	1,881	—	1,002	—	—	29,924	—	29,924
Exercise of share options	*)	782	—	—	—	—	—	782	—	782
Exercise of Employee options	—	(309)	309	—	—	—	—	—	—	—
Share-based payments	—	1,116	—	—	—	—	—	1,116	175	1,291
Equity component of transaction with non-controlling interest	—	123	—	—	—	—	—	123	(123)	—
Non-controlling interests arising on acquisition of subsidiary	—	—	—	—	—	—	—	—	3,673	3,673
Net profit (loss)	—	—	—	—	—	—	(14,110)	(14,110)	186	(13,924)
Total other comprehensive income	—	—	—	859	—	280	—	1,139	—	1,139
Balance as of December 31, 2021	42	125,484	(86)	2,966	1,002	442	(72,998)	56,852	3,911	60,763
Exercise of share options	1	2,975	—	—	—	—	—	2,976	—	2,976
Exercise of Employee options	*)	(84)	84	—	—	—	—	—	—	—
Share-based payments	—	1,347	—	—	—	—	—	1,347	410	1,757
Equity component of transaction with non-controlling interest	—	287	—	—	—	—	—	287	(287)	—
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(130)	(130)
PPA Adjustments	—	—	—	—	—	—	—	—	(174)	(174)
Net profit	—	—	—	—	—	—	(76)	(76)	291	215
Total other comprehensive income	—	—	—	(6,257)	—	558	—	(5,699)	(419)	(6,118)
Balance as of December 31, 2022	43	130,009	(2)	(3,291)	1,002	1,000	(73,074)	55,687	3,602	59,289

*) Represents an amount lower than \$ 1.

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,		
	2022	2021	2020
Cash flows from operating activities:			
Net profit (loss)	215	(13,924)	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	7,134	5,382	4,928
Capital loss from sale of property and equipment	51	63	77
Impairment of property, and equipment	—	118	24
Impairment of intangible assets	—	—	24
Change in employee benefit liabilities, net	90	21	88
Financial expenses (income), net	(7,443)	12,857	276
Valuation (gains) loss of short-term investments	769	114	(167)
Cost of share-based payments	1,757	1,291	82
Tax expenses (benefit)	1,097	455	(201)
	<u>3,455</u>	<u>20,301</u>	<u>5,131</u>
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables, net	(641)	611	1,134
Increase in inventory	(2,544)	(3,097)	(248)
Decrease (increase) in prepaid expenses	(21)	202	(156)
Decrease (increase) in other accounts receivable	(471)	289	(303)
Increase in trade payables	1,264	494	393
Decrease in deferred revenues	(246)	(970)	(296)
Decrease (increase) in other accounts payable	845	(2,459)	(466)
	<u>(1,814)</u>	<u>(4,930)</u>	<u>58</u>
Cash paid and received:			
Interest received	429	318	102
Interest paid	(1,010)	(440)	(405)
Income tax received	87	7	189
Income taxes paid	(1,435)	(1,147)	(671)
	<u>(1,929)</u>	<u>(1,262)</u>	<u>(785)</u>
Net cash provided by (used in) operating activities	<u>(73)</u>	<u>185</u>	<u>4,682</u>

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,		
	2022	2021	2020
Cash flows from investing activities:			
Purchase of property and equipment	(1,661)	(625)	(859)
Acquisition of subsidiaries (a)	—	(27,323)	—
Investment in intangible assets	(5,243)	(2,633)	(913)
Investment in short-term deposits	(5,705)	(4,860)	—
Proceeds from short-term deposits	—	4,733	—
Purchase of short-term investments	(5,588)	(13,622)	(6,718)
Proceeds from sale of short-term investments	11,764	3,356	843
Net cash used in investing activities	(6,433)	(40,974)	(7,647)
Cash flows from financing activities:			
Proceeds from issue of share options liability	—	6,859	—
Dividend paid to non-controlling interests	(130)	—	—
Payment of lease liabilities	(2,447)	(1,933)	(1,456)
Proceeds from issue of share capital, net	—	30,140	—
Exercise of share options	1,961	463	—
Proceeds from (payment of) long-term loans	(1,665)	18,265	—
Proceeds from (payment of) short-term credit	—	(2,716)	2,179
Net cash provided by (used in) financing activities	(2,281)	51,078	723
Effect of exchange rate changes on cash and cash equivalents	(1,575)	414	308
Increase (decrease) in cash and cash equivalents	(10,362)	10,703	(1,934)
Cash and cash equivalents at the beginning of the year	14,845	4,142	6,076
Cash and cash equivalents at the end of the year	4,483	14,845	4,142
Non-cash transactions:			
Right-of-use asset recognized with corresponding lease liability	1,658	131	439
Liability derecognized and recorded in equity upon exercise of share options	1,015	319	—

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,		
	2022	2021	2020
(a) <u>Acquisition of subsidiaries</u>			
The subsidiaries' assets and liabilities at date of acquisition (excluding cash and cash equivalents):			
Trade receivables	—	3,424	—
Other receivables	—	685	—
Property and equipment	—	807	—
Deferred taxes	—	(3,356)	—
Right-of-use-assets	—	3,509	—
Intangible assets	—	34,157	—
Trade payables	—	(668)	—
Other payables	—	(2,492)	—
Put option, net	—	(185)	—
Loans from banks	—	(390)	—
Employee benefit liabilities	—	(985)	—
Lease liabilities	—	(3,510)	—
Non-controlling interests	—	(3,673)	—
	<u>—</u>	<u>27,323</u>	<u>—</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 1:- GENERAL

- a. 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. In April 2023 the Company started trading its American Depositary Shares (“ADRs”) on The NASDAQ Capital Market (the “Nasdaq”), under the ticker symbol “SHLT”, see also Note 27c.

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 addition, the Group provides B2B healthcare services in Israel in the field of diagnostics, preventive medicine, and medical opinions to institutional customers.

- 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, see also Note 5b.

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, liability to underwriters and derivatives (put option, and liability for share options) which are measured at fair value through profit or loss and employee benefit assets and liabilities.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as a change in equity by adjusting the carrying amount of the non-controlling interests with a corresponding adjustment of the equity attributable to equity holders of the Company less/plus the consideration paid or received.

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 and its subsidiaries in Israel 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

f. 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.

g. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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, including derivatives, 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:

a) 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, except for financial liabilities at fair value through profit or loss.

b) Financial liabilities measured at fair value through profit or loss:

Financial liabilities measured at fair value through profit or loss include liabilities held for trading, including derivatives, and financial liabilities that meet certain criteria which are designated upon initial recognition to fair value through profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

At initial recognition, the Company measures these financial liabilities at fair value. Transaction costs are recognized in profit or loss.

After initial recognition, changes in fair value are recognized in profit or loss.

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.

6. 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.

h. Leases:

The Group 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 Group as a lessee:

For leases in which the Group is the lessee, the Group 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 Group 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 Group 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 (excluding variable lease payments) discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate. After the commencement date, the Group measures the lease liability using the effective interest rate method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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:

	<u>Years</u>	<u>Mainly</u>
Motor vehicles	1.5-3.5	3
Buildings	6-11	10

The Group 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 Group uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Group 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 Group 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.

4. Lease modifications:

If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Group 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

If a lease modification reduces the scope of the lease, the Group 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 Group 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.

A put option granted by the Group to non-controlling interests and concurrently a call option received by the Group from the non-controlling interests that can be settled in cash or by the delivery of a variable number of shares are accounted for as a derivative financial liability or asset presented on a net basis and measured at fair value. The non-controlling interests continue to be recognized in equity until the put or call options are exercised.

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 at constant annual rates 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	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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:

	<u>Years</u>
Developments costs	5 - 10
Computer software	5
Contracts	6.75
Customer relations	10
Information technology	6

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The asset is measured at cost less any accumulated amortization and any accumulated impairment losses. Costs recognized as intangible assets include directly attributable costs of preparing the asset for its intended use such as cost of materials, direct labor costs and overhead.

Amortization of the asset begins when development is complete and the asset is available for use. As for the testing of impairment, see 1 below.

1. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 23).

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 23d. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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. The short-term employee benefit liability in the statement of financial position is measured on an undiscounted basis.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies or funds and classified as defined contribution plans or as defined benefit plans.

a) Defined contribution plans:

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

Contributions to a defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

b) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

When the Company has a surplus in a defined benefit plan, it shall measure the net defined benefit asset up to the present value of economic benefits available to the Company in the form of refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company when it can be utilized during the life of the plan or after the obligation is settled taking into account minimum contribution requirements.

If the Company's minimum contribution requirements consist of an obligation to make contributions for past services, the Company recognizes the obligation as long as these contributions will not be available in the form of a refund or a reduction in future contributions.

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 19).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the provision.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- 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.

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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- 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:

For the year ended	Israeli CPI Points *)	Exchange rate of		
		€	U.S. \$ NIS	CHF
December 31, 2022	241.4	3.75	3.52	3.82
December 31, 2021	229.4	3.52	3.11	3.40
December 31, 2020	223.1	3.94	3.21	3.65
Change during the year		%		
2022	5.2	6.5	13.2	12.4
2021	2.8	(10.7)	(3.1)	(6.8)

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

- y. Changes in accounting policies - initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. 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. The Amendment is 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 cumulative effect of initially applying the Amendment is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as applicable) at the beginning of the earliest period presented.

The application of the Amendment did not have a material impact on the Company’s financial statements.

2. 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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. The application of the Amendment does not require of property, plant and equipment the restatement of comparative data. Instead, the opening balance of retained earnings on the date of initial application date is adjusted for the cumulative effect of the Amendment.

As a result of the application of the Amendment, the Company now includes both incremental costs and certain other costs in determining whether a contract is onerous whereas before the Amendment, the Company only included incremental costs in the determination. Accordingly, the Company evaluated the effect of the application of the Amendment on contracts whose entire obligations have not been fulfilled as of January 1, 2022 and concluded that it is unnecessary to recognize any onerous contracts in respect thereof.

3. 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.

According to the Amendment, fees paid net of any fees received that are included in the cash flows are only those fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Amendment is effective for annual periods beginning on or after January 1, 2022. The Amendment is applied to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the Amendment, that is from January 1, 2022.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

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. In determining its accounting estimates, management relies on past experience, various underlying facts, external factors and reasonable assumptions, based on the relevant circumstances. 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 21 and 12.

- 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 20c.

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

a. Amendment to IAS 1, “Presentation of Financial Statements”:

In January 2020, the IASB issued an amendment to IAS 1, “Presentation of Financial Statements” regarding the criteria for determining the classification of liabilities as current or non-current (“the Original Amendment”). In October 2022, the IASB issued a subsequent amendment (“the Subsequent Amendment”).

According to the Subsequent Amendment:

- Only covenants with which an entity must comply on or before the reporting date will affect a liability’s classification as current or non-current.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

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

- An entity should provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months from the reporting date. This disclosure is required to include information about the covenants and the related liabilities. The disclosures must include information about the nature of the future covenants and when compliance is applicable, as well as the carrying amount of the related liabilities. The purpose of this information is to allow users to understand the nature of the future covenants and to assess the risk that a liability classified as non-current could become repayable within twelve months. Furthermore, if facts and circumstances indicate that an entity may have difficulty in complying with such covenants, those facts and circumstances should be disclosed.

According to the Original Amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument.

The Original Amendment and Subsequent Amendment are both effective for annual periods beginning on or after January 1, 2024 and must be applied retrospectively. Early application is permitted.

The Company is evaluating the effects of the Amendments on its financial statements.

- b. 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. Early application is permitted.

- c. 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 are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

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

The Amendment applies 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 5:- ACQUISITION OF SUBSIDIARIES

- a. On January 25, 2021 the Company's German subsidiary closed on the acquisition of 100% of Jumedo GmbH. The cash consideration paid was immaterial. Jumedo 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. Jumedo GmbH was founded in 2017, employs about 20 people, mainly Software and IT Solutions developers. Following the closing, Mr. Linus Drop who founded Jumedo in 2017 and served as its Managing Director was appointed as Co-Managing Director of SHL German Operation.
- 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) and financed the acquisition from cash on hand and long-term bank financing (see Note 15 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.

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of the non-controlling interests of the fair value of the acquiree's net identifiable assets.

For more details see Note 18h.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 5:- ACQUISITION OF SUBSIDIARIES (Cont.)

The fair value of the identifiable assets and liabilities of Mediton Group and Jumedí on the respective acquisition dates based on valuations prepared by an external valuation specialist:

	Fair Value (**)
Cash and cash equivalents	29
Trade receivables	3,424
Other receivables	685
Property, plant and equipment	807
Deferred tax assets	300
Right of use assets	3,509
Intangible assets	15,594 (*)
	<u>24,348</u>
Trade payables	(668)
Other payables	(2,492)
Short-term loans from banks	(390)
Employee benefit liabilities	(985)
Lease liabilities	(3,510)
Deferred tax liability	(3,656)
	<u>(11,701)</u>
Net identifiable assets	12,647
Non-controlling interests	(3,673)
Put liability, net	(185)
Goodwill arising on acquisition	18,563 (*)
Total purchase cost	<u>27,352</u>
Cash and cash equivalents acquired with the acquiree at the acquisition date	29
Cash paid	<u>(27,352)</u>
Net cash	<u>(27,323)</u>

(*) After reclassification of \$768 from other intangible assets to goodwill.

From the acquisition date, the acquired companies contributed net profit of \$378 to the consolidated net loss and \$8,775 to the consolidated revenues for 2021. If the business combination had taken place at the beginning of 2021, the consolidated net loss would have been \$13,383 and the consolidated revenues would have been \$64,273 for the year 2021.

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 deductible for income tax purposes.

(**) The fair value as of the acquisition date in 2021 was based on a provisional assessment. During 2022 the purchase price allocation (“PPA”) was completed, and it was determined that trade payables as of the acquisition date should be increased by \$581, with a corresponding decrease of \$174 in non-controlling interests and increase of \$407 in goodwill. This PPA adjustment has no material effect on profit or loss. Due to immateriality, the PPA adjustment has been recorded in the 2022 financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 6:- CASH AND CASH EQUIVALENTS

	December 31,	
	2022	2021
Cash in banks (mainly in EUR)	4,377	14,269
Short-term deposits (in NIS)	106	576
	<u>4,483</u>	<u>14,845</u>

NOTE 7:- SHORT-TERM INVESTMENTS

	December 31,	
	2022	2021
Marketable securities:		
Financial assets at fair value through profit or loss (mainly in USD)		
Corporate bonds	4,033	9,729
Government bonds and loans	392	2,046
Shares	784	2,616
Exchange Traded Funds	3,308	2,826
	<u>8,517</u>	<u>17,217</u>
Short-term deposits	<u>5,700</u>	<u>—</u>
	<u>14,217</u>	<u>17,217</u>

NOTE 8:- TRADE RECEIVABLES

	December 31,	
	2022	2021
Accounts receivable (1)	7,596	7,959
Other	201	203
Allowance for doubtful accounts	<u>—</u>	<u>(32)</u>
	<u>7,797</u>	<u>8,130</u>

(1) The terms of billed accounts receivable are generally 30-60 days. As of December 31, 2022 and 2021, there were no material billed receivables that were past due.

NOTE 9:- PREPAID EXPENSES

Amortization of prepaid expenses (costs of obtaining contracts – see Note 2p) amounted to \$788 in the year ended December 31, 2022 (2021- \$852).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 10:- OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2022	2021
Interest receivable	190	44
Government authorities	616	642
Related parties	40	—
Advances to supplies	54	176
Prepaid expenses	469	412
Others	543	194
	<u>1,912</u>	<u>1,468</u>

NOTE 11:- 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, 2021	17,537	5,821	2,168	2,349	3,241	45,532	76,648
Additions during the year	478	—	27	6	73	49	633
Disposals during the year	—	—	—	—	—	(559)	(559)
Transfer from inventory, net	—	—	—	—	—	422	422
Initially consolidated company	102	128	149	63	359	—	801
Currency translation differences	217	201	6	80	104	1,126	1,734
Balance as of December 31, 2021	<u>18,334</u>	<u>6,150</u>	<u>2,350</u>	<u>2,498</u>	<u>3,777</u>	<u>46,570</u>	<u>79,679</u>
Additions during the year	479	31	153	4	598	395	1,660
Disposals during the year	(4)	—	(64)	(2)	—	(1,106)	(1,176)
Transfer from inventory, net	—	—	—	—	—	564	564
Currency translation differences	(1,953)	(715)	(241)	(290)	(445)	(5,232)	(8,876)
Balance as of December 31, 2022	<u>16,856</u>	<u>5,466</u>	<u>2,198</u>	<u>2,210</u>	<u>3,930</u>	<u>41,191</u>	<u>71,851</u>
Accumulated depreciation:							
Balance as of January 1, 2021	16,643	5,800	1,645	2,040	2,992	44,177	73,297
Additions during the year	422	21	96	29	59	376	1,003
Disposals during the year	—	—	—	—	—	(260)	(260)
Impairment (see Note 24g)	—	—	—	—	—	(118)	(118)
Transfer from inventory, net	—	—	—	—	—	4	4
Currency translation differences	227	197	15	70	101	1,118	1,728
Balance as of December 31, 2021	<u>17,292</u>	<u>6,018</u>	<u>1,756</u>	<u>2,139</u>	<u>3,152</u>	<u>45,297</u>	<u>75,654</u>
Additions during the year	385	42	100	36	158	388	1,109
Disposals during the year	(4)	—	(64)	(2)	—	(1,054)	(1,124)
Transfer from inventory, net	—	—	—	—	—	7	7
Currency translation differences	(1,852)	(701)	(181)	(250)	(364)	(5,099)	(8,447)
Balance as of December 31, 2022	<u>15,821</u>	<u>5,359</u>	<u>1,611</u>	<u>1,923</u>	<u>2,946</u>	<u>39,539</u>	<u>67,199</u>
Depreciated cost as of December 31, 2022	<u>1,035</u>	<u>107</u>	<u>587</u>	<u>287</u>	<u>984</u>	<u>1,652</u>	<u>4,652</u>
Depreciated cost as of December 31, 2021	<u>1,042</u>	<u>132</u>	<u>594</u>	<u>359</u>	<u>625</u>	<u>1,273</u>	<u>4,025</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 12:- GOODWILL AND INTANGIBLE ASSETS, NET

	Development costs	Contracts and others	Customer relations	Information Technology	Total other intangible assets	Goodwill (1)
As of January 1, 2022, net of accumulated amortization	5,309	—	14,929	549	20,787	37,508
Additions during the year	5,243	—	—	—	5,243	—
Amortization during the year	(1,829)	—	(1,526)	(102)	(3,457)	—
PPA adjustment (see Note 5)	—	—	—	—	—	407
Currency translation differences	(449)	—	(1,666)	(33)	(2,148)	(4,170)
As of December 31, 2022, net of accumulated amortization	<u>8,274</u>	<u>—</u>	<u>11,737</u>	<u>414</u>	<u>20,425</u>	<u>33,745</u>
As of December 31, 2022:						
Cost	46,961	7,488	16,510	621	71,580	33,745
Accumulated amortization	(38,687)	(7,488)	(4,773)	(207)	(51,155)	—
Net carrying amount	<u>8,274</u>	<u>—</u>	<u>11,737</u>	<u>414</u>	<u>20,425</u>	<u>33,745</u>
	Development costs	Contracts and others	Customer relations	Information Technology	Total other intangible assets	Goodwill (1)
As of January 1, 2021, net of accumulated amortization	4,090	578	—	—	4,668	18,168
Additions during the year	2,633	—	—	—	2,633	—
Initially consolidated company	—	—	14,889	705	15,594	18,563
Amortization during the year	(1,243)	(557)	(413)	(118)	(2,331)	—
Currency translation differences	(171)	(21)	453	(38)	223	777
As of December 31, 2021, net of accumulated amortization	<u>5,309</u>	<u>—</u>	<u>14,929</u>	<u>549</u>	<u>20,787</u>	<u>37,508</u>
As of December 31, 2021:						
Cost	46,489	7,947	18,010	659	73,105	37,508
Accumulated amortization	(41,180)	(7,947)	(3,081)	(110)	(52,318)	—
Net carrying amount	<u>5,309</u>	<u>—</u>	<u>14,929</u>	<u>549</u>	<u>20,787</u>	<u>37,508</u>

- (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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 12:- GOODWILL AND INTANGIBLE ASSETS, NET (Cont.)

The carrying amount of the goodwill has been allocated to the following cash generating units:

	December 31,	
	2022	2021
Israel – Telemedicine	3,044	3,445
Israel – Mediton	16,606	18,350
Germany	14,095	15,713
	<u>33,745</u>	<u>37,508</u>

In 2022 the goodwill previously allocated to International (primarily comprised of Germany) was reallocated wholly to Germany.

The recoverable amount of each of the cash generating units has been determined based on a value in use calculation using cash flow projections from financial budgets and forecasts approved by senior management covering a five-year period. The key assumptions used in the value in use calculations are the (i) discount rate (ii) growth rate of revenues in the 5 year forecast period subsequent to end of the reporting period, and (iii) growth rates used to extrapolate cash flows beyond the forecast period.

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

	December 31,	
	2022	2021*)
Israel – Telemedicine	19.1 %	17.9 %
Israel – Mediton	18.3 %	17.7 %
Germany	16.8 %	13.9 %

*) Revised to reflect pre-tax discount rates.

The average growth rate of revenues in the 5 year forecast period subsequent to the end of the reporting period, are as follows:

	December 31,	
	2022	2021
Israel - Telemedicine	4 %	3 %
Israel – Mediton	5.4 %	5.8 %
Germany	13.8 %	16.1 %

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

	December 31,	
	2022	2021
Israel - Telemedicine	3.2 %	3 %
Israel - Mediton	3.2 %	3 %
Germany	3 %	2.5 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 12:- GOODWILL AND INTANGIBLE ASSETS, NET (Cont.)

The recoverable amounts, based on value in use, of each of the cash generating units exceeds their carrying amounts.

Other than described below, management of the Group believes that no reasonably possible changes in any of the above key assumptions would cause the carrying amount of a cash generating unit to materially exceed its recoverable amount.

As of December 31, 2022, the estimated recoverable amount of the CGU Germany exceeds its carrying amount by \$3 million. The changes in the following assumptions used in the value in use calculations would result in the carrying amount to equal the recoverable amount:

- Pre-tax discount rate of 18.2%.
- Long term growth rate of 0.8 % or lower
- Reduction in the annual growth rate in fiscal years 2024-2027 of -1.7%.

As of December 31, 2022, the estimated recoverable amount of the CGU Mediton exceeds its carrying amount by \$1.5 million. The change in the following assumption used in the value in use calculations would result in the carrying amount to equal the recoverable amount:

- Pre-tax discount rate of 19.0%.
- Long term growth rate of 2.1 % or lower.
- Reduction in the annual growth rate in fiscal years 2024-2027 of 8.1%

NOTE 13:- 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 11 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,	
	2022	2021
Interest expense on lease liabilities	361	378
Expenses relating to short-term leases	25	25
Total cash outflow for leases	2,808	2,546

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 13:- LEASES (Cont.)**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:

	<u>More than 5 years</u>	
	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Lease payments applicable in extension option periods which as of the end of the reporting period are not reasonably certain to be exercised	<u>2,472</u>	<u>2,665</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 13:- LEASES (Cont.)

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

	Buildings	Motor vehicles	Total
Cost:			
Balance as of January 1, 2022	16,089	1,078	17,167
Additions during the year:			
New leases	950	475	1,425
Adjustments for indexation	266	30	296
Disposals	(55)	—	(55)
Currency translation differences	(1,406)	(134)	(1,540)
Balance as of December 31, 2022	<u>15,844</u>	<u>1,449</u>	<u>17,293</u>
Accumulated depreciation:			
Balance as of January 1, 2022	3,384	770	4,154
Additions during the year:			
Depreciation and amortization	2,248	321	2,569
Disposals	(29)	—	(29)
Currency translation differences	(345)	(94)	(439)
Balance as of December 31, 2022	<u>5,258</u>	<u>997</u>	<u>6,255</u>
Depreciated cost at December 31, 2022	<u>10,586</u>	<u>452</u>	<u>11,038</u>
	Buildings	Motor vehicles	Total
Cost:			
Balance as of January 1, 2021	12,989	1,105	14,094
Additions during the year:			
Initially consolidated company	3,532	—	3,532
New leases	33	79	112
Adjustments for indexation	89	—	89
Disposals	—	(120)	(120)
Currency translation differences	(554)	14	(540)
Balance as of December 31, 2021	<u>16,089</u>	<u>1,078</u>	<u>17,167</u>
Accumulated depreciation:			
Balance as of January 1, 2021	1,802	436	2,238
Additions during the year:			
Depreciation and amortization	1,652	396	2,048
Disposals	—	(78)	(78)
Currency translation differences	(70)	16	(54)
Balance as of December 31, 2021	<u>3,384</u>	<u>770</u>	<u>4,154</u>
Depreciated cost at December 31, 2021	<u>12,705</u>	<u>308</u>	<u>13,013</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 14:- CREDIT FROM BANKS

	Interest rate (1) %	December 31,	
		2022	2021
Credit from banks:			
NIS - unlinked		—	—
Current maturities of long-term loans (see Note 15)	Prime (1) + 1.05	2,169	1,798
		2,169	1,798

(1) The Prime rate as of December 31, 2022 – 4.75% (December 31, 2021– 1.6%).

NOTE 15:- LONG-TERM LOANS

- a. 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 (approximately \$18,000) for a period of 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. As of December 31, 2022 the Company is in compliance with these covenants.

- b. Composition:

	December 31,	
	2022	2021
	Dollars in thousands	
Long-term loan	15,177	18,971
Less – current maturities	2,169	1,798
Balance	13,008	17,173

NOTE 16:- DEFERRED REVENUES

Deferred revenues are 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 17:- OTHER PAYABLES

	December 31,	
	2022	2021
Employees and payroll accruals	4,562	4,223
Accrued expenses	2,090	2,127
Liability for underwriter – see Note 18	1,131	1,021
VAT to customers and suppliers	399	572
Government authorities	640	542
Other	416	435
	9,238	8,920

NOTE 18:- FINANCIAL INSTRUMENTS

Financial assets and liabilities:

	Carrying amount	
	December 31,	
	2022	2021
Financial assets at amortized cost:		
Cash and cash equivalents	4,483	14,845
Trade receivables	5,700	—
Other accounts receivable	7,797	8,130
Long term deposits	1,912	1,468
	423	445
Total	20,315	24,888
Financial assets at fair value through profit or loss:		
Call option from non-controlling interests	245	—
Short term investments	8,517	17,217
Total	8,762	17,217
Financial liabilities at amortized cost:		
Credit from banks and others	2,169	1,798
Trade payables	3,757	2,885
Other payables	8,110	7,899
Loans from banks	13,008	17,173
Lease liabilities	11,565	13,530
Total	38,609	43,285
Financial liabilities at fair value through profit or loss:		
Liability for share options	7,164	17,220
Other payables - liability to underwriters	1,131	1,021
Put option to non-controlling interests	—	67
Total	8,295	18,308

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, interest rate 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, 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 holds cash and cash equivalents and short-term investments in foreign currency as the Group purchases its devices in foreign currency. 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. The Company's exposure to foreign currency changes for all other currencies is immaterial.

	<u>Change in USD rate</u>	<u>Effect on profit tax</u>
2022	+5 %	(320)
	-5%	320
2021	+5 %	(347)
	-5%	347
2020	+5 %	(20)
	-5%	20

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

	Change in EUR rate	Effect on profit before tax
2022	+5 %	(38)
	-5%	38
2021	+5 %	(252)
	-5%	252
2020	+5 %	(113)
	-5%	113

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, 2022, the balance of these investments is \$8,517.

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
2022	+5 %	426
	-5%	(426)
2021	+5 %	861
	-5%	(861)
2020	+5 %	324
	-5%	(324)

d. Fair value of financial instruments not measured at fair value:

The carrying amounts of cash and cash equivalents, trade and other receivables, short-term credit from banks, trade payables and other accounts payable approximate their fair value due to the short-term maturity of such instruments. The carrying amount of long-term bank loan approximates the fair value as the interest rate is variable.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

e. Interest rate risk:

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The effect of reasonably possible increase of 5% of the interest rate on the Group's profit before tax is not material

f. 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 \$ 12,312.

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

December 31, 2022:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
Trade payables	3,757	—	—	—	—	—	3,757
Accrued expenses	2,090	—	—	—	—	—	2,090
PUT option (*)	—	—	11,289	—	—	—	11,289
Liability for underwriter	1,131	—	—	—	—	—	1,131
Lease liabilities	2,478	2,294	1,932	1,726	3,608	274	12,312
Loans from bank	3,002	2,933	2,861	2,788	2,714	3,927	18,225
	<u>12,458</u>	<u>5,227</u>	<u>16,082</u>	<u>4,514</u>	<u>6,322</u>	<u>4,201</u>	<u>48,804</u>

December 31, 2021:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
Trade payables	2,885	—	—	—	—	—	2,885
Accrued expenses	2,150	—	—	—	—	—	2,150
PUT option (*)	—	—	—	11,633	—	—	11,633
Liability for underwriter	1,021	—	—	—	—	—	1,021
Lease liabilities	2,757	2,389	2,163	1,840	1,707	3,742	14,598
Loans from bank	2,289	2,885	2,885	2,884	2,884	7,212	21,039
	<u>11,102</u>	<u>5,274</u>	<u>5,048</u>	<u>16,357</u>	<u>4,591</u>	<u>10,954</u>	<u>53,326</u>

(*) Estimated gross cash outflow assuming that option will be exercised at earliest possible date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

g. Changes in liabilities arising from financing activities:

	January 1, 2022	Cash flows	Foreign exchange movement	Other	December 31, 2022
Lease liabilities (including current maturities)	13,530	(2,447)	(1,176)	1,657	11,564
Liability for underwriters	1,021	—	(129)	239	1,131
Long term bank loan	18,971	(1,665)	(2,130)	—	15,176
Credit from banks	—	—	—	—	—
Total liabilities from financing activities	<u>33,522</u>	<u>(4,112)</u>	<u>(3,435)</u>	<u>1,896</u>	<u>27,871</u>

	January 1, 2021	Cash flows	Foreign exchange movement	Other	December 31, 2021
Lease liabilities (including current maturities)	12,235	(1,916)	(429) *	3,640	13,530
Liability for underwriters	—	—	39	982	1,021
Long term bank loan	—	18,265	706	—	18,971
Credit from banks	2,333	(2,716)	(6)	389	—
Total liabilities from financing activities	<u>14,568</u>	<u>13,633</u>	<u>310</u>	<u>5,011</u>	<u>33,522</u>

(*) Initially consolidated subsidiary.

h. Fair value:

The table below is a comparison between the carrying amount and fair value of the Company's financial instruments that are presented in the financial statements not at fair value (other than those whose amortized cost is a reasonable approximation of fair values):

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy in financial instruments:

	Financial instruments			Total
	Liability for share options (*)	Liability to underwriters	Call (Put) option to non-controlling interests, net	
Balance as of January 1, 2022	(17,220)	(1,021)	(67)	(18,308)
Issuance of Share Options				
Remeasurement recognized in:				
Profit (loss)	7,423	(240)	320	7,503
Other comprehensive income (loss)	1,618	130	(8)	1,740
Exercise of Share Options into shares	1,015	—	—	1,015
As of December 31, 2022	<u>(7,164)</u>	<u>(1,131)</u>	<u>245</u>	<u>(8,050)</u>
Presented in balance sheet:				
Call option	—	—	245	245
Other payables (short-term)	—	(1,131)	—	(1,131)
Liability for share options	<u>(7,164)</u>	<u>—</u>	<u>—</u>	<u>(7,164)</u>

	Financial instruments			Total
	Liability for share options (*)	Liability to underwriters	Put option to non-controlling interests, net	
Balance as of January 1, 2021	—	—	—	—
Issuance of Share Options	(7,178)	(416)	(184)	(7,778)
Remeasurement recognized in:				
Profit (loss)	(9,700)	(566)	120	(10,146)
Other comprehensive income (loss)	(661)	(39)	(3)	(703)
Exercise of Share Options into shares	319	—	—	319
As of December 31, 2021	<u>(17,220)</u>	<u>(1,021)</u>	<u>(67)</u>	<u>(18,308)</u>
Presented in balance sheet:				
Put + Call option	—	—	(67)	(67)
Other payables (short-term)	—	(1,021)	—	(1,021)
Liability for share options	<u>(17,220)</u>	<u>—</u>	<u>—</u>	<u>(17,220)</u>

(*) See Note 23b for information on fair value measurement

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 18:- FINANCIAL INSTRUMENTS (Cont.)

The Company used the Monte Carlo option pricing model when estimating the fair value of the Put and Call Options granted in the acquisition of Mediton Group – see Note 5b.

The following table lists the significant inputs to the Monte Carlo model used to determine the fair value of the Put Option net of the Call option:

	December 31, 2022	December 31, 2021
Underlying asset value	35,541	39,496
Expected volatility of the share price	36.7%-39.2 %	42.0%-43.2 %
Discount rate	15 %	14.4 %
Risk-free interest rate	3.68 %	0.48 %
Term of option	3.67 years	4.67 years

The following table demonstrates the effect on fair value of a reasonably possible change in the underlying asset value with all other variables held constant:

2022:

	Increase/ decrease in underlying asset value	Effect on Fair value, net
	+5 %	463
	-5%	(453)

2021:

	Increase/ decrease in underlying asset value	Effect on Fair value, net
	+5 %	460
	-5%	(603)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 19:- EMPLOYEE BENEFIT LIABILITIES

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

2022:

	Expenses recognized in profit or loss				Payments from the plan	Actuarial gain (loss) arising from changes in financial assumptions	Gain (loss) from remeasurement in other comprehensive income			Contributions by employer	Balance at December 31, 2022
	Balance at January 1, 2022	Current service cost	Net interest expense	Total expense recognized in profit or loss for the period			Actuarial gain (loss) arising from experience adjustments	Total effect on other comprehensive income for the period	Effect of changes in foreign exchange rates		
Defined benefit obligation	(9,848)	(405)	(245)	(650)	374	775	87	862	1,109	—	(8,153)
Fair value of plan assets	7,466	—	198	198	(349)	—	(123)	(123)	(870)	336	6,658
Net defined benefit liability (asset)	<u>(2,382)</u>	<u>(405)</u>	<u>(47)</u>	<u>(452)</u>	<u>25</u>	<u>775</u>	<u>(36)</u>	<u>739</u>	<u>239</u>	<u>336</u>	<u>(1,495)</u>

2021:

	Expenses recognized in profit or loss				Payments from the plan	Actuarial gain (loss) arising from changes in financial assumptions	Gain (loss) from remeasurement in other comprehensive income			Contributions		Balance at December 31, 2021
	Balance at January 1, 2021	Current service cost	Net interest expense	Total expense recognized in profit or loss for the period			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	Initially consolidated company	
Defined benefit obligation	(7,083)	(379)	(167)	(546)	503	(194)	(66)	(260)	(275)	—	(2,186)	(9,848)
Fair value of plan assets	5,502	—	133	133	(480)	—	519	540	222	347	1,202	7,466
Net defined benefit liability (asset)	<u>(1,581)</u>	<u>(379)</u>	<u>(34)</u>	<u>(413)</u>	<u>23</u>	<u>(194)</u>	<u>453</u>	<u>280</u>	<u>(53)</u>	<u>347</u>	<u>(984)</u>	<u>(2,382)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 19:- EMPLOYEE BENEFIT LIABILITIES (Cont.)

2020:

	Expenses recognized in profit or loss				Payments from the plan	Actuarial gain (loss) arising from changes in financial assumptions	Gain (loss) from remeasurement in other comprehensive income			Contributions	Balance at December 31, 2020
	Balance at January 1, 2020	Current service cost	Net interest expense	Total expense recognized in profit or loss for the period			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	
	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)

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

	Year ended December 31,		
	2022	2021	2020
Insurance contracts	6,658	7,466	5,502

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 19:- EMPLOYEE BENEFIT LIABILITIES (Cont.)

c. The principal assumptions underlying the defined benefit plan:

	2022	2021	2020
Discount rate	5.57	1.00-2.98	2.27
Expected rate of salary increase	2.0-5.92	2.00-5.70	4.40

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		
	2022	2021	2020
Sensitivity test for changes in the expected rate of salary increase:			
The change as a result of:			
Salary increase of 6.51% (instead of 5.9%) (2021- 6.27% instead of 5.70%, 2020- 4.84% instead of 4.40%)	(49)	(105)	(97)
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	(13)	57	(29)
Decrease of 1 % in discount rate	45	128	38

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 20:- 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 2022, 2021 and 2020.

The deferred taxes are computed at the average tax rate of 23% (2021 – 23%, 2020 – 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,		
	2022	2021	2020
Current taxes	749	236	—
Deferred taxes	341	259	136
Taxes in respect of prior years	7	(40)	(337)
	<u>1,097</u>	<u>455</u>	<u>(201)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 20:- TAXES ON INCOME (Cont.)

c. Deferred tax assets (liabilities):

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

	Fixed and intangible assets	Employee benefit liabilities	Carry-forward tax losses	Total
Balance at January 1, 2021	(599)	517	4,371	4,289
Initially consolidated companies	(3,656)	300	—	(3,356)
Amount included in statement of comprehensive income	334	(19)	(574)	(259)
Currency translation differences	(85)	26	119	60
Balance at December 31, 2021	(4,006)	824	3,916	734
Amount included in statement of comprehensive income	498	(122)	(875)	(499)(*)
Currency translation differences	443	(90)	(416)	(63)
Balance at December 31, 2022	<u>(3,065)</u>	<u>612</u>	<u>2,625</u>	<u>172</u>

(*) \$159 presented in other comprehensive income.

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

	December 31,	
	2022	2021
Non-current assets	2,872	4,168
Non-current liabilities	(2,700)	(3,434)
	<u>172</u>	<u>734</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 20:- TAXES ON INCOME (Cont.)

- 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,		
	2022	2021	2020
Income (loss) before taxes on income	1,312	(13,469)	77
Statutory tax rate in Israel	23 %	23 %	23 %
Tax computed at the statutory tax rate	302	(3,098)	18
Increase (decrease) in taxes resulting from:			
Taxes in respect of previous years	7	(40)	(337)
Non-deductible expenses (non-taxable income)	(1,699)	2,613	134
Different tax rates	60	22	(2)
Loss for which deferred taxes were not recognized	2,234	926	857
Capital losses for which deferred taxes were not recognized	193	32	(36)
Utilization of previously unrecognized tax losses	—	—	(835)
Total tax expenses reported in the consolidated statements of comprehensive income	1,097	455	(201)

- f. Carry forward tax losses:

The carry forward losses for tax purposes as of December 31, 2022 amount to NIS 236,130,000 (\$67,102) (2021 –NIS 249,552,000 (\$80,242), 2020 – NIS 254,320,000, \$79,104) in Israel (which may be carried forward indefinitely) and EUR 22,212,000 (\$23,689) (2021 – EUR 17,026,000 (\$19,270), 2020 – EUR 16,737,000, \$ 20,532) in Europe. In the U.S., SHL USA has federal and state net operating losses and credits of \$10,716 (2021 - \$8,866, 2020 - \$ 7,743), which expire at various times.

Deferred tax assets in the amount of \$21,113 (2021 - \$26,194) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 20:- TAXES ON INCOME (Cont.)

g. The expiry dates for carry forward tax losses which are not recognized are as follows:

	Year ended	
	December 31,	
	2022	2021
2022	—	412
2023	24	37
2024	229	743
2025	126	400
2026	52	139
2027	281	945
2028-2031	423	1,447
2032-2039	857	10,749
Unlimited	87,278	75,030
	<u>89,270</u>	<u>89,902</u>

NOTE 21:- COMPENSATION OF KEY MANAGEMENT PERSONNEL (INCLUDING DIRECTORS)

	Year ended		
	December 31,		
	2022	2021	2020
a. Balance:			
Other accounts payables	181	170	195
b. Transactions:			
Short-term employee benefits	2,531	2,108	1,919
Share-based payment benefits	1,179	883	69
Total	<u>3,710</u>	<u>2,991</u>	<u>1,988</u>

NOTE 22:- 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 23:- EQUITY

- a. Composition of share capital:

	December 31, 2022		December 31, 2021	
	Authorized	Issued and outstanding*) Number of shares	Authorized	Issued and outstanding*)
Ordinary shares of NIS 0.01 par value each	25,000,000	14,682,272	25,000,000	14,491,171

*) Net of treasury shares – see (c).

- b. Movement in share capital:

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 23:- EQUITY (Cont.)

Below are the amounts of proceeds received from both Capital Increases and the allocation of the proceeds to Share capital and Share options:

	Total received proceeds	Allocated to:	
		Share capital	Share options
Capital increase	39,316	32,138	7,178
Issue costs:			
Payment to underwriter in cash	1,758	1,437	321
Share options granted to underwriter	1,002	819	183
Estimated liability for future cash payment to underwriter upon exercise of options by investors	416	340	76
Payment in cash to other consultants	380	310	69
Total issue costs	3,556	2,907	649

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:

	December 31, 2022	December 31, 2021
Expected dividend	0%	0%
Expected volatility of the share price	32.59%-38.24%	34.81%-35.16%
Risk-free interest rate	0.82%	0%
Expected average life of options	0.06-0.13 years	1.06-1.13 years
Share price	CHF 14.80 (\$16.05)	CHF 19.10 (\$20.91)

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 \$7,164 (\$17,220 at December 31, 2021). During the reporting period \$7,423 (2021 - \$(9,700)) was recorded in financial income (expenses) in respect of the revaluation of the liability (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) of 10% in the share price would decrease (increase) the profit before taxes by \$2,779 (\$2,745) (2021 - \$3,702 (\$3,600)) thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 23:- EQUITY (Cont.)

The following table lists the movements in Share Options:

First capital increase	800,000
Second capital increase	1,144,445
Exercise of share options	<u>(38,625)</u>
Balance on December 31, 2021	1,905,820
Exercise of share options	<u>(171,945)</u>
Balance on December 31, 2022	<u>1,733,875</u>

See Note 27b about Options exercised after balance sheet date.

In respect of the Capital Increases, the underwriters were also granted options to acquire 97,222 Units of securities. Each Unit comprises 1 Ordinary share and 0.5 option to acquire 1 Ordinary share at an exercise price of CHF 11 (\$11.93). As of December 31, 2022, no options had been exercised. These options will expire in March 2025.

The underwriters are also entitled to receive a cash payment derived from future cash received by the Company from the exercise of the Share Options. In addition, the underwriters were granted options to acquire a certain number of Units of securities based on a formula derived from the future cash payments received from the exercise of the Share Options. These Units are identical to those described above. As of December 31, 2022, the estimated number of Units to be issued is 59,414. See also Note 27b regarding actual number of Units issued after balance sheet date.

The Company can elect to replace the above options to the underwriters with a cash payment based on a formula set forth in the agreement with the underwriters. In 2023 the Company has elected to issue options.

The Company used the Monte Carlo option pricing model when estimating the fair value of the liability for future payment to the underwriter as described above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 23:- EQUITY (Cont.)

The following table lists the significant inputs to the Monte Carlo model used for the fair value measurement of the liability:

	December 31, 2022	December 31, 2021
Expected volatility of the share price	43.15%	38.7%
Risk-free interest rate	0.82%	0%
Expected average life of options	0.21 years	1.21 years
Share price	CHF 14.80 (\$16.05)	CHF 19.10 (\$20.91)

Based on the above inputs, the total fair value of the options to acquire Units and the future payment liability at the date of issuance were \$1,002 and \$416, respectively. The fair value of the liability at December 31, 2022 was \$1,131 (December 31, 2021 - \$1,021). The increase in fair value of the liability during the reporting period in the amount of \$239 (2021 - \$566) was recorded in financial expenses (this amount is a non cash expense). The fair value of the liability as of December 31, 2022, approximates the maximum amount of the future cash payment to the underwriters assuming all Share Options were exercised.

Total issue costs amounted to \$3,556 of which \$649 were allocated to the issuance of the Share Options and recorded in finance expenses. The balance of \$2,907 were recorded as a deduction from additional paid-in capital in equity.

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

	Number of shares
Balance at January 1, 2021	10,514,454
Issue of share capital	3,588,889
Exercise of share options	38,625
Treasury shares sold	300,000
Treasury shares sold upon exercise of employee options	49,203
Balance at December 31, 2021	14,491,171
Exercise of share options	171,945
Exercise of employees share options	5,694
Treasury shares sold upon exercise of employee options	13,462
Balance at December 31, 2022	<u>14,682,272</u>

c. Treasury shares:

The Company holds 1,372 shares (14,834 shares as of December 31, 2021) at a total cost of \$2 as of December 31, 2021 (\$86 as of December 31, 2021).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 23:- EQUITY (Cont.)

d. Share option plans:

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 (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 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 from the approval of the Company's Board of Directors (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.

On January 22, 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% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 3.485 (\$3.933). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 11.00; exercise price - CHF 10.73; expected volatility - 43.08%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.49 years.

On February 8, 2021, the Company's Board of Directors approved the grant of 75,000 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% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 3.485 (\$3.87). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 11.10; exercise price - CHF 11.24; expected volatility - 42.89%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.75 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**U.S. dollars in thousands****NOTE 23:- EQUITY (Cont.)**

On March 1, 2021, the Company's special General Meeting approved the grant of 250,000 options to the Company's Chairman of the Board, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years from the approval of the Company's Board of Directors (25% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 3.724 (\$4.074). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 11.40; exercise price - CHF 10.73; expected volatility - 42.71%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.48 years.

On March 1, 2021, the Company's Board of Directors approved the grant of 45,000 options to 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 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 3.594 (\$3.932). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 11.40; exercise price - CHF 11.09; expected volatility - 42.71%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.49 years.

On April 27, 2021, the Company's Board of Directors approved the grant of 85,000 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% after 1 year, and 9.375% each

quarter thereafter). The weighted average fair value of options granted is CHF 3.875 (\$4.242). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 11.70; exercise price - CHF 10.96; expected volatility - 42.49%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.59 years.

On May 18, 2021, the Company's Board of Directors approved the grant of 36,000 options to 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 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 4.505 (\$5.022). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 12.90; exercise price - CHF 11.56; expected volatility - 42.28%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.67 years.

On May 31, 2021, the Company's Board of Directors approved the grant of 18,000 options to a Member of the Board, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years (33% after 1 year, and 8.33% each quarter thereafter). The weighted average fair value of options granted is CHF 4.688 (\$5.224). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 13.50; exercise price - CHF 12.08; expected volatility - 42.36%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.6 years.

On August 23, 2021, the Company's Board of Directors approved the grant of 15,000 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% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 5.002 (\$5.454). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 16.40; exercise price - CHF 16.82; expected volatility - 42.65%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.68 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**U.S. dollars in thousands****NOTE 23:- EQUITY (Cont.)**

On December 9, 2021, the Company's Board of Directors approved the grant of 90,000 options to Members of the Board, under the 2015 Executive and Key Employee Israeli Share Option Plan. The options shall vest over a period of 3 years (33% after 1 year, and 8.33% each quarter thereafter). The weighted average fair value of options granted is CHF 6.9458 (\$7.518). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 19.70; exercise price - CHF 17.02; expected volatility - 42.49%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.4 years.

On January 2, 2022, the Company's Board of Directors approved the grant of 97,500 options to Senior Managers, under the 2021 Executive and Key Employee Israeli Share Incentive Plan. The options shall vest over a period of 3 years (25% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 5.893 (\$6.451). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 19.10; exercise price - CHF 19.33; expected volatility - 42.33%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.71 years.

On February 15, 2022, the Company's Board of Directors approved the grant of 12,500 options to a Senior Manager, under the 2021 Executive and Key Employee Israeli Share Incentive Plan. The options shall vest over a period of 3 years (25% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 5.387 (\$5.822). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 17.40; exercise price - CHF 17.69; expected volatility - 42.61%; risk free interest rate - 0.13%; expected dividend - 0%; and expected average life of options - 3.68 years.

On June 20, 2022, the Company's Board of Directors approved the grant of 100,000 options to a Senior Manager, under the 2021 Executive and Key Employee Israeli Share Incentive Plan. The options shall vest over a period of 3 years (25% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 5.550 (\$5.753). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 17.40; exercise price - CHF 17.39; expected volatility - 41.75%; risk free interest rate - 1.15%; expected dividend - 0%; and expected average life of options - 3.6 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.

On October 31, 2021, the Board of Directors approved to increase the maximum number of shares which may be issued under the Plan by 2,000,000.

On October 31, 2021, the Board of Directors approved to amend and rename the share options plan as "The SHL Telemedicine LTD. 2021 Executive and Key Employee Israeli Share Incentive Plan", and to extend the term of the Plan until the Board decides otherwise.

In the years ended December 31, 2022, 2021 and 2020, the Group recorded share-based compensation in the statements of comprehensive income in the amount of \$1,347, \$1,116 and \$82, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 23:- EQUITY (Cont.)

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

	2022		2021	
	No. of options	WAEP (CHF)	No. of options	WAEP (CHF)
Outstanding at the beginning of the year	835,055	10.12	421,997	6.10
Granted during the year	210,000	18.31	664,000	11.91
Forfeited during the year	(7,500)	19.33	(163,000)	8.93
Exercised during the year *)	(36,125)	7.94	(87,942)	6.57
Outstanding at the end of the year	<u>1,001,430</u>	11.85	<u>835,055</u>	10.12
Exercisable at the end of the year	<u>454,480</u>	9.42	<u>146,088</u>	6.52

- *) The weighted average share price at the date of exercise of these options was CHF 16.85. Exercise was cashless.

The weighted average remaining contractual life for the share options outstanding as of December 31, 2022 was 4.18 years (as of December 31, 2021 – 4.83 years).

- f. Restricted Shares of Mediton Group:

On December 20, 2021, a Mediton executive was granted 256 restricted share units (“RSU”) of Mediton Group. The fair value of the RSUs in the amount of \$822 was determined based on the price that the Company paid for the acquisition of the Mediton Group shares (see Note 5b). The RSUs shall vest over a period of 3 years (33% after 1 year, and 16.5% each half year thereafter). The purchase agreement of Mediton Group includes a provision for anti-dilution protection to the Company in respect of the grant of the RSUs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 24:- SUPPLEMENTARY INFORMATION TO STATEMENTS OF COMPREHENSIVE INCOME

a. Revenues:

	Year ended December 31,		
	2021	2020	2020
Revenues for services performed during the period	57,869	48,343	38,310
Revenues from sale of devices	1,129	1,239	1,773
Performance-based revenues ⁽¹⁾	—	—	81
	<u>58,998</u>	<u>49,582</u>	<u>40,164</u>

(1) In 2020 the Company recognized performance-based revenues in the amounts of \$81 with respect of cost savings arising from 2019.

b. Cost of revenues:

Salaries and related benefits	16,480	14,955	12,925
Medical Services	8,712	4,682	640
Rental fees and maintenance	1,013	1,072	689
Depreciation and amortization	1,789	1,736	1,596
Cost of devices	1,013	1,249	1,099
Others	2,802	1,295	2,571
	<u>31,809</u>	<u>24,989</u>	<u>19,520</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 24:- SUPPLEMENTARY INFORMATION TO STATEMENTS OF COMPREHENSIVE INCOME (Cont.)

c. Research and development costs:

Salaries and related benefits	3,468	2,173	1,889
Amortization of development costs	1,829	1,243	1,234
Others	3,734	2,202	553
	9,031	5,618	3,676
Less - capitalization of development costs	5,243	2,633	913
	<u>3,788</u>	<u>2,985</u>	<u>2,763</u>

d. Selling and marketing expenses:

Salaries and related benefits	5,409	4,803	4,119
Marketing and related expenses	2,190	1,802	1,270
Depreciation and amortization	1,918	1,453	1,509
Rental fees and maintenance	271	205	138
Maintenance of vehicles	240	182	177
Others	1,375	1,009	549
	<u>11,403</u>	<u>9,454</u>	<u>7,762</u>

e. General and administrative expenses:

Salaries and related benefits	8,492	5,837	3,809
Office expenses	2,349	1,366	846
Professional fees	3,897	3,245	3,377
Depreciation and amortization	1,599	950	589
Others	411	705	553
	<u>16,748</u>	<u>12,103</u>	<u>9,174</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 24:- SUPPLEMENTARY INFORMATION TO STATEMENTS OF COMPREHENSIVE INCOME (Cont.)

f. Financial income (expenses):

1. Financial income:

Exchange rate differences	661	5	64
Gain on marketable securities, net	—	—	156
Share options	7,423	—	—
Call+Put options	320	—	—
Interest	429	376	104
	<u>8,833</u>	<u>381</u>	<u>324</u>

2. Financial expenses:

Share options	(239)	(10,126)	—
Exchange rate differences	(53)	(1,595)	(17)
Loss from marketable securities, net	(769)	(114)	—
Interest	(1,033)	(529)	(405)
Financial expenses arising from share options liability	—	(677)	—
Others	(261)	(312)	(221)
	<u>(2,355)</u>	<u>(13,353)</u>	<u>(643)</u>

g. Other expenses:

Impairment of intangible assets:- see Note 12			
Development costs ⁽¹⁾	—	—	24
Impairment of property and equipment ⁽²⁾ -see Note 11	—	118	24
Expenses related to acquisitions	—	590	—
Other (incomes) expenses	416	(160)	501
	<u>416</u>	<u>548</u>	<u>549</u>

- (1) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 25:- NET EARNINGS PER SHARE

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

	Year ended December 31,					
	2022		2021		2020	
	Weighted average number of shares	Net profit (loss)	Weighted average number of shares	Net profit	Weighted average number of shares	Net profit (loss)
In thousands		In thousands		In thousands		
For the computation of basic net earnings	14,542	(76)	14,046	(14,110)(*)	10,503	278
Effect of dilution - share options	656	(7,423)	—	—	1	—
For the computation of diluted net earnings	<u>15,198</u>	<u>(7,499)</u>	<u>14,046</u>	<u>(14,110)</u>	<u>10,504</u>	<u>278</u>

(*) Revised to reflect net loss attributable to equity holders of the Company

- 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: 1,236,387 (2021 – 3,536,351, 2020 – 342,000) options to employees under share-based payment plans and options to investors and others.

NOTE 26:- SEGMENT INFORMATION

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 26:- SEGMENT INFORMATION (Cont.)

a. Segment revenues:

	Individuals and communities	Institutions and payers	Others	Total
Year ended December 31, 2022:				
Europe	—	13,374	—	13,374
Israel	22,161	22,975	2	45,138
ROW	—	—	486	486
Total revenues	<u>22,161</u>	<u>36,349</u>	<u>488</u>	<u>58,998</u>
Year ended December 31, 2021:				
Europe	—	17,942	—	17,942
Israel	22,331	8,832	27	31,190
ROW	—	—	450	450
Total revenues	<u>22,331</u>	<u>26,774</u>	<u>477</u>	<u>49,582</u>
Year ended December 31, 2020:				
Europe	—	17,040	—	17,040
Israel	21,067	1,436	3	22,506
ROW	—	—	618	618
Total revenues	<u>21,067</u>	<u>18,476</u>	<u>621</u>	<u>40,164</u>

b. Reporting on geographic segments:

	Year ended December 31,		
	2022	2021	2020
Segment profit (loss):			
Europe	(3,044)	(477)	(1,373)
Israel	8,641	8,226	4,804
ROW	<u>(2,972)</u>	<u>(1,132)</u>	<u>(63)</u>
	2,625	6,617	3,368
Unallocated income and expenses:			
Corporate, R&D and other expenses	(7,375)	(6,798)	(2,934)
Other expenses	<u>(416)</u>	<u>(316)</u>	<u>(38)</u>
Operating profit (loss)	(5,166)	(497)	396
Financial income (expenses), net	<u>6,478</u>	<u>(12,972)</u>	<u>(319)</u>
Profit (loss) before taxes on income	<u>1,312</u>	<u>(13,469)</u>	<u>77</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 26:- SEGMENT INFORMATION (Cont.)

c. Additional information:

	Europe	Israel	Others	Total	
Year ended December 31, 2022					
Depreciation and amortization	2,654	4,470	10	7,134	
Year ended December 31, 2021					
	Europe	Israel	ROW	Unallocated assets	Total
Non-current assets	27,132	40,056	1,767	2,636	71,591
Year ended December 31, 2021					
Depreciation and amortization ⁽¹⁾	2,765	2,735	—	—	5,500
Non-current assets	27,697 ⁽²⁾	45,376 ⁽²⁾	—	2,260	75,333
Year ended December 31, 2020					
Depreciation and amortization ⁽¹⁾	2,906	2,039	31	4,976	

(1) Includes impairment.

(2) Reclassified.

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,		
	2022	2021	2020
Customer A – institutions and payers	—	7,126	7,339

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 27:- SUBSEQUENT EVENTS

- a. On January 2, 2023, the Company's Board of Directors approved the grant of 248,500 options to employees and consultants, under the 2021 Executive and Key Employee Israeli Share Incentive Plan. The options shall vest over a period of 3 years (25% on January 2, 2024, and 9.375% each quarter thereafter). On the date of grant, the share price was CHF 14.8, and the exercise price was CHF 15.56.
- b. During January 2023 and February 2023 the Company received proceeds of approximately CHF 18.7 million (USD 20.3 million) from exercises of 1,703,908 share options granted in the private placements in January 2021 and February 2021 and 29,967 options were forfeited. In addition, the underwriters received a cash payment of approximately CHF 1.1 million (USD 1.1 million) derived from cash received by the Company from the exercise of the Share Options and 58,498 Units of securities, see Note 23b above.
- c. On March 31, 2023 the Company announced that the U.S. Securities and Exchange Commission (the "SEC") declared effective the Company's registration statement of its securities under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), in connection with the NASDAQ Listing of its American Depositary Shares ("ADRs"), each representing one ordinary share of the Company. The ADRs commenced trading on The NASDAQ Capital Market (the "Nasdaq"), on April 3 2023 under the ticker symbol "SHLT", in parallel to its ordinary shares continuing to be listed on the Swiss Stock Exchange.
- d. On April 3, 2023 the Company announced that Mr. Bernd Altpeter was nominated as Co-Managing Director of SHL German Operation, together with Mr. Linus Drop.

**Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Erez Nachtomy, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 20-F/A (the “report”) of SHL Telemedicine Ltd. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; and

4. [Reserved].

5. [Reserved].

[SIGNATURE PAGE FOLLOWS]

Date: May 12, 2023

/s/ Erez Nachtomy.

Name: Erez Nachtomy

Title: Chief Executive Officer
(Principal Executive Officer)

**Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Amir Hai, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 20-F/A (the “report”) of SHL Telemedicine Ltd. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; and

4. [Reserved].

5. [Reserved].

[SIGNATURE PAGE FOLLOWS]

Date: May 12, 2023

/s/ Amir Hair.

Name: Amir Hai

Title: Chief Financial Officer
(Principal Financial Officer)

**Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with Amendment No. 1 to the Annual Report of SHL Telemedicine, Ltd. (the "Company") on Form 20-F/A for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Erez Nachtomy, Chief Executive Officer of the Company and Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2023

/s/ Erez Nachtomy

Name: Erez Nachtomy
Title: Chief Executive Officer
(Principal Executive Officer)

**Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with Amendment No. 1 to the Annual Report of SHL Telemedicine, Ltd. (the "Company") on Form 20-F/A for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Amir Hai, Chief Financial Officer of the Company and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2023

/s/ Amir Hai

Name: Amir Hai

Title: Chief Financial Officer

(Principal Financial Officer)
