

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

FORM 20-F

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, 2023

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: 16,392,754 as of December 31, 2023.

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

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## Table of Contents

	<b>Page</b>
<a href="#">ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</a>	3
<a href="#">ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</a>	3
<a href="#">ITEM 3. KEY INFORMATION</a>	3
<a href="#">ITEM 4. INFORMATION ON THE COMPANY</a>	16
<a href="#">ITEM 4A. UNRESOLVED STAFF COMMENTS</a>	29
<a href="#">ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</a>	29
<a href="#">ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</a>	42
<a href="#">ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</a>	55
<a href="#">ITEM 8. FINANCIAL INFORMATION</a>	57
<a href="#">ITEM 9. THE OFFER AND LISTING</a>	57
<a href="#">ITEM 10. ADDITIONAL INFORMATION</a>	58
<a href="#">ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</a>	67
<a href="#">ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</a>	70
<a href="#">ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</a>	72
<a href="#">ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</a>	72
<a href="#">ITEM 15. CONTROLS AND PROCEDURES</a>	72
<a href="#">ITEM 16. [RESERVED]</a>	73
<a href="#">ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</a>	73
<a href="#">ITEM 16B. CODE OF ETHICS</a>	73
<a href="#">ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</a>	73
<a href="#">ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</a>	74
<a href="#">ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</a>	74
<a href="#">ITEM 16F. CHANGE IN REGISTRANT'S CERTIFIED ACCOUNTANT</a>	74
<a href="#">ITEM 16G. CORPORATE GOVERNANCE</a>	74
<a href="#">ITEM 16H. MINE SAFETY DISCLOSURE</a>	74
<a href="#">ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS</a>	74
<a href="#">ITEM 16J. INSIDER TRADING POLICIES</a>	74
<a href="#">ITEM 16K. CYBERSECURITY</a>	74
<a href="#">ITEM 17. FINANCIAL STATEMENTS</a>	75
<a href="#">ITEM 18. FINANCIAL STATEMENTS</a>	75
<a href="#">ITEM 19. EXHIBITS</a>	76

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## CONVENTIONS USED IN THIS ANNUAL REPORT

In this Annual Report on Form 20-F, unless the context otherwise requires:

- “SHL,” “the company,” “us,” “we” and “our” refer to SHL Telemedicine Ltd. and its subsidiaries;
- “SHL Telemedicine” refers only to SHL Telemedicine Ltd., and
- “Mediton” refers to the Mediton Group, in which we acquired a 70% interest on August 31, 2021.

Additionally, in this Annual Report:

- “CHF” and “Swiss francs” refer to the legal currency of Switzerland;
- “NIS” refers to New Israeli Shekels, the legal currency of the State of Israel;
- “\$” and “U.S. dollars” refer to the legal currency of the United States;
- “ADSs” refers to our American Depositary Shares, each representing one (1) of our ordinary shares;
- “IFRS” refers to International Financial Reporting Standards as issued by the International Accounting Standards Board;
- “Ordinary shares” refers to our ordinary shares, nominal value NIS 0.01 per share;
- “Nasdaq” refers to the Nasdaq Capital Market;
- “SEC” refers to the United States Securities and Exchange Commission; and
- “SIX” refers to the SIX Swiss Exchange Ltd.

Our reporting currency is the U.S. dollar. In this Annual Report, unless otherwise specified, all monetary amounts are in U.S. dollars. We prepare our financial statements in accordance with IFRS as issued by the International Accounting Standards Board.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, specifically Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, including, among others, statements regarding SHL and its business, financial condition and results of operations and the industry in which it operates, are forward-looking statements. Certain of these forward-looking statements are identifiable by use of the following words and other similar expressions: “anticipates,” “believes,” “budgets,” “could,” “estimates,” “expects,” “forecasts,” “intends,” “may,” “might,” “will,” “plans,” “predicts,” “projects,” “scheduled,” “should” or similar phrases, although the absence of such words does not necessarily mean that a statement is not forward looking.

Readers are cautioned that forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that are beyond our control and could cause actual results to differ materially from historical results or any future results expressed or implied by forward-looking statements. Factors that can cause actual results to differ from expectations and those contained in forward-looking statements include those risks described in Item 3.D. “Key Information—Risk Factors” contained in this Annual Report, including, but not limited to, our ability to operate and comply with the complex and evolving regulations in the highly regulated healthcare industry; continued development, consumer acceptance and market adoption in the relatively new, unproven and volatile and rapidly changing telehealth market; our ability to develop and introduce new products and solutions and enhancements to existing ones; the significant and increasing levels of competition in the telemedicine market; the impacts of pandemics and epidemics; our ability to continue to attract and retain key employees and personal in the highly competitive healthcare industry; the loss or breach of our proprietary rights and data security and privacy risks; political, judicial, legal, economic and military conditions in Israel and the surrounding region; global economic and financial market conditions and our ability to adapt to and comply with the different business and market factors, conditions, requirements and laws and regulations in the various countries in which we operate internationally; currency fluctuations; labor disputes; our ability to manage growth and integrate acquired businesses and expanding operations; our ability to obtain adequate levels of insurance to cover potential losses; our dependence on key suppliers and sub-contractors and other third parties; and other matters and risks not yet known to us or not currently considered material by us.

You should not place undue reliance on these forward-looking statements. All written and oral forward-looking statements, attributable to us, or persons acting on our behalf, are qualified in their entirety by these cautionary statements. Unless required by law, SHL undertakes no obligation to publicly update or revise any forward-looking statements.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3. KEY INFORMATION

A. [RESERVED]

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

*The realization of one or more of the events described below may have a material adverse effect on our cash flows, results of operations, financial condition, growth prospects and the trading price of our ADSs on Nasdaq and of our ordinary shares on the SIX. You should note that the risks discussed below are not the only risks to which we are exposed. Additional risks, which are not presently known to us or which we currently believe to be immaterial, could likewise result in a material adverse effect on our cash flows, results of operations, financial condition or growth prospects and the trading prices of our ADSs and ordinary shares. This section also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below and elsewhere in this Annual Report. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effects on our cash flows, results of operations, financial condition or growth prospects or the trading prices of our ADSs and ordinary shares.*

#### Industry-specific Risks

*We operate in a highly regulated industry and failure to comply with the complex regulations applicable to us could result in investigations, legal judgments or penalties, which could materially adversely affect our business.*

Our ability to conduct telehealth services and medical services is subject to a variety of laws and regulatory regimes of the countries and jurisdictions in which we operate and provide our services, including a variety of labor laws, privacy regulations, anti-corruption, anti-competition or financial relationships of healthcare providers with service providers. Such regulatory requirements can vary from country to country and new requirements may be imposed on us from time to time. In a regulatory climate that is uncertain and constantly changing, our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various laws and regulations. Compliance with these laws and regulations may require us to change our practices at an undeterminable and possibly significant initial monetary and recurring expense.

In addition, failure to properly adhere to these and other applicable laws and regulations could result in investigations, the imposition of penalties or adverse legal judgments by public or private plaintiffs, significant adverse publicity and reputational harm, suspension or revocation of licenses, fines, civil and/or administrative penalties, criminal penalties or other disciplinary actions, which could have a material adverse effect on our business, financial condition or results of operations.

*We depend on evolving governmental regulation in and around the health care industry and failure to comply with these and other laws and regulations could have a material adverse effect on our business, financial condition and results of operations.*

As a general matter, the healthcare industry is highly regulated. Regulations are constantly evolving and tend to be highly dependent on political developments as well as developments in the health insurance industry and in public finance. We are unable to predict future regulations and governmental decisions that might impact our business in the future with any certainty. Our business, financial condition and results of operations could be adversely affected by the failure to obtain required licenses and governmental approvals, comply with applicable regulations, or comply with existing or future laws, rules or regulations or their interpretations.

We and our business customers are subject to various laws governing privacy protection, confidentiality information and security laws. Because we and the Mediton Group retain personal and medical information of patients or other persons, we are also subject to data privacy protection and security laws, which require that owners of databases containing such information to meet certain obligations such as appointing a database administrator who shall supervise the use of the information only for its original purposes.

In various countries (such as Israel) a special authorization is needed to process and store personal data, such as patient medical data. The transmission of personal medical data via telecommunications, especially cross border transfer via internet, is a relatively new development, and patient and health care industry concerns regarding the confidentiality of such information could lead to further legislation and regulations that govern the methods of transmitting and storing patient medical data. Failure to comply with these and other laws and regulations could have a material adverse effect on our business, financial condition and results of operations.

In many countries, we are also subject to laws prohibiting the corporate practice of medicine and to laws that govern financial and other arrangements between health care providers and payers which are designed to induce the referral of a patient to a particular provider for medical products and services. Although we believe that we are in compliance with these laws, there can be no assurance that certain countries' governments will not determine that our operations comprise a violation of the prohibition on corporate practice of medicine, and force us to restructure, alter or terminate our operations in those countries.

In Israel, we operate under legislations and regulations that apply to the provision of the telemedicine services provided by us and the healthcare services provided by the Mediton Group. In addition, medical equipment laws apply to the medical devices being used by our private pay subscribers and by the Mediton Group in providing its healthcare services. These laws provide that medical equipment may only be manufactured and marketed in Israel, if it is registered as medical equipment in the "AMR register," in accordance with the Israeli registration conditions. In addition, certain regulations and Ministry of Health procedures apply to the provision of our telemedicine services and the use, operation, calibration and maintenance of certain medical devices or equipment and pharmaceutical products being used or operated by us or by the Mediton Group. The marketing and sale of our telemedicine services to our private pay consumers in Israel are also subject to the Consumer Protection Law and regulations, the goal of which is to protect customers that are individuals from misleading sales methods.

*Our business environment is volatile and rapidly changing.*

With respect to our telehealth services, the telehealth market is still relatively new and unproven and rapidly changing, and it is uncertain whether it will achieve and sustain high levels of demand in the various markets, consumer acceptance and market adoption. Our success will depend to a substantial extent on the willingness of our clients to use, and to increase the frequency and extent of their utilization of, our solutions, as well as on our ability to demonstrate the value of telehealth to employers, health plans, government agencies and other purchasers of healthcare for beneficiaries.

***We must continually develop and introduce new products, product enhancements and/or solutions and there is no guarantee that our investments in research and development will yield the desired results.***

Our success depends, in large part, on our ability to anticipate future customer needs with respect to product quality, price and functionality and to continue to design, manufacture and deploy new innovative products, solutions and services along with enhancements to sustain the performance of our existing products in response to such requirements. We have made, and expect to continue to make, substantial investments in the development of our products and related solutions, software and related solutions, to address new market needs and enhance customer engagement. It is critical for our success to be able to analyze and understand our markets and our customers' needs, and to maintain a roadmap for our research and development program that allows for its swift implementation.

***We compete in a highly competitive market, and our competitors constantly show competitive solutions to some of our technologies and services we offer, which may adversely affect demand for our services.***

In the last few years and particularly during the COVID-19 pandemic, we have experienced rapidly growing competition within the field of telemedicine services and products. Our main competitors include small companies providing focused solutions for a limited number of specific healthcare conditions, as well as larger companies providing comprehensive healthcare services. Competition from specialized software providers or device manufacturers, which may facilitate the collection of data but offer limited interpretation, feedback or guidance, and from other parties will result in continued pricing pressures, which are likely to lead to price declines in certain product segments, which could in turn negatively impact our sales, profitability and market share.

Our ability to compete effectively depends on our ability to distinguish ourselves and our services from our competitors and their products, and includes factors such as: long-term outcomes, ease of use, price, brand recognition, longer operating history, greater market penetration, established client channels and strong customer relationships, larger marketing budgets and quality of services.

There can be no assurance that we will be able to continue to sell our products and services or maintain profitability in the face of this competition. Failure to compete successfully as a result of the above factors or for other reasons would have a material adverse effect on our business, financial condition and results of operations.

***Our proprietary rights may be challenged, which could have a material adverse effect on our business, financial condition and results of operations.***

Our ability to compete successfully will depend, in part, on our ability to protect our proprietary rights, including the source code of our software. Although we continue implementing protective measures, including patents and trademarks, to defend our proprietary rights, these measures may not be successful, and our patents may not provide meaningful protection against potential competitors developing substantially similar products and services. Moreover, any patents issued to us may be challenged, invalidated or circumvented and the rights granted thereunder may not provide a competitive advantage to us.

We also rely on trade secrets and proprietary knowledge, which we protect, in part, through confidentiality agreements with employees, consultants and other parties. There can be no assurance that these agreements will not be breached, that we will have adequate remedies for any breach or that our trade secrets will not otherwise become known to, or independently developed by, competitors. If we were to be unsuccessful in defending our proprietary rights, or if our trade secrets or proprietary knowledge were breached, it could have a material adverse effect on our business, financial condition and results of operations.

***If we fail to retain our key personnel and attract and retain additional qualified healthcare and management personnel, we may not be able to pursue our growth strategy.***

Our success depends to a significant degree upon the continued contributions of our management team and our technical, marketing and sales personnel, and our ability to attract and retain additional highly qualified management, and technical, marketing and sales personnel. Competition for highly skilled management, technical, marketing and sales personnel, and other employees in the healthcare industry is intense. We may not be able to attract or retain highly qualified personnel in the future. The members of our senior management are at-will employees and therefore they may terminate their employment with us at any time with no advance notice. The replacement of our key employees would likely involve significant time and costs and may significantly delay or prevent the achievement of our business objectives. If any of our key employees leave or are terminated, and we fail to attract and retain qualified and experienced professionals on acceptable terms to replace them, the loss of their services could have a material adverse effect on our business, financial condition and results of operations.

We must also attract and retain additional highly skilled healthcare personnel in order to continue to execute our growth strategy. Our ability to attract and retain qualified healthcare personnel depends on several factors, including our ability to provide competitive benefits and wages. If we do not increase benefits and wages in response to increases by our competitors, we could face difficulties attracting and retaining qualified management and healthcare personnel. In addition, if we raise wages in response to our competitors' wage increases and are unable to pass such increases on to our clients, our margins and net profits could decline, which could adversely affect our business, financial condition and results of operations.

#### **Risks Related to Our Operations in Israel**

##### *Conditions in Israel and relations between Israel and other countries could adversely affect our business.*

Many of our employees and suppliers, including most of the members of our management team, are located in Israel. In addition, a number of our officers and directors are residents of Israel. Accordingly, military instability in Israel and the political, economic and military conditions in Israel and the surrounding region may directly affect our business and operations.

Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbors and terrorist organizations active in the region, including Hamas, an Islamist terrorist group that controls the Gaza Strip, with Hezbollah, an Islamist terrorist group that controls large portions of southern Lebanon, and with Iranian-backed military forces in Syria. In addition, Iran has threatened to attack Israel and may be developing nuclear weapons. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations. In addition, in the event that our facilities are damaged as a result of hostile action or hostilities otherwise disrupt the ongoing operation of its facilities, our ability to continue our operations could be materially adversely affected.

In October 2023, Hamas terrorists infiltrated Israel's southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Hamas also launched extensive rocket attacks on the Israeli population and industrial centers located along Israel's border with the Gaza Strip and in other areas within the State of Israel. These attacks resulted in thousands of deaths and injuries, and, in addition, Hamas kidnapped many Israeli civilians and soldiers. Following the attack, Israel's security cabinet declared war against Hamas and commenced a military campaign against Hamas in parallel to Hamas' continued rocket and other terror attacks.

Following the attack by Hamas on Israel's southern border, Hezbollah in Lebanon has also launched missile, rocket, and shooting attacks against Israeli military sites, troops, and civilian areas in northern Israel. In response to these attacks, the Israeli army has carried out a number of targeted strikes on Hezbollah in southern Lebanon. It is possible that other terrorist organizations, including those located in the West Bank, as well as other countries hostile to Israel, such as Iran, will join the hostilities.

Furthermore, the Israeli government has recently been pursuing legislative changes that, if adopted, would alter the current state of separation of powers among the three branches of government, and that have sparked considerable political debate. These changes could have negative consequences on the business and economic conditions in Israel that may include, among others, a downgrade in Israel's sovereign credit rating, increased interest rates, currency fluctuations, inflation, civil unrest and volatility in securities markets, which could have an adverse effect on our business.

Our commercial insurance does not cover losses that may occur as a result of events associated with war and terrorism. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or that it will sufficiently cover our potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our results of operations.

Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial condition and the expansion of our business. Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts, divestment and sanctions have been undertaken against Israel, which could also adversely impact our business.



*Service of process upon our directors and officers may be difficult to effect in non-Israeli jurisdictions such as the United States.*

Service of process upon our directors and officers, most of whom reside in Israel, may be difficult to effect in a non-Israeli jurisdiction such as the United States.

*Foreign judgments against us and our directors or officers may not be enforceable.*

We are incorporated in Israel and substantially all of our assets are located outside the United States. Substantially all of our directors and officers are non-U.S. citizens and most of their assets are also located outside of the United States. Accordingly, the enforceability of judgments against us and our directors and officers may be limited outside Israel. Specifically, Israeli courts might not enforce judgments rendered outside Israel, which may make it difficult to collect on judgments rendered against us or our officers and directors. Israeli courts will not enforce a foreign judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if its enforcement is likely to prejudice the sovereignty or security of the State of Israel.

*Many of our employees and independent contractors in Israel are required to perform military reserve duty, which may disrupt their work for us.*

Many Israeli citizens are obligated to perform several days, and in some cases more, of annual military reserve duty each year until they reach the age of 40 (or older for reservists who are military officers or who have certain occupations) and, in the event of a military conflict, may be called to active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists. It is possible that there will be military reserve duty call-ups in the future. In connection with the Israeli security cabinet's declaration of war against Hamas and possible hostilities with other organizations, the Israeli military called up several hundred thousand of its reserves for active service. As of December 31, 2023, some of our employees in Israel (mainly members of our healthcare staff) were called up. Additional employees, including members of management, may be called up for service in the current or any future military conflict. Although to date our operations have not been disrupted by such call-ups, we cannot assure that this will be the case in the future. Our operations could be disrupted by such call-ups, particularly if such call-ups include members of our management, and given the current shortage of highly qualified personnel in our industry in Israel due to the recent acceleration of activity in startups, especially in the technology space. Such disruption could materially and adversely affect our business, financial condition and results of operations.

*The rights and responsibilities of our shareholders are governed by Israeli law, which differ in certain respects from the rights and responsibilities of shareholders of U.S. corporations.*

Since we are incorporated under Israeli law, the rights and responsibilities of our shareholders are governed by our Articles of Association as in effect from time to time and Israeli law. These rights and responsibilities differ in certain respects from the rights and responsibilities of shareholders of U.S. corporations. In particular, shareholders of Israeli companies have a duty to act in good faith and in a customary manner in exercising their rights and performing their obligations towards their and other shareholders and to refrain from abusing their power in the companies, including, among other things, in voting at general meetings of shareholders on certain matters, such as amendments to their articles of association, an increase of companies' authorized share capital, mergers and approval of related party transactions. A shareholder also has a general duty to refrain from discriminating against other shareholders. In addition, a controlling shareholder or a shareholder who knows that it possesses the power to determine the outcome of a shareholders' vote or to appoint or prevent the appointment of an office holder in the company has a duty to act in fairness towards the company. These provisions may be interpreted to impose additional obligations and liabilities on our shareholders that are not typically imposed on shareholders of U.S. corporations.

*Provisions of Israeli and Swiss law and our Articles of Association may delay, prevent or otherwise impede a merger with, or an acquisition of, us, which could prevent a change of control, even if the terms of such a transaction are favorable to us and our shareholders.*

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to mergers and acquisition transactions. For example, a merger may not be consummated unless at least 50 days have passed from the date on which a merger proposal is filed by each merging company with the Israel Registrar of Companies and at least 30 days have passed from the date on which the shareholders of both merging companies have approved the merger. In addition, a majority of each class of securities of the target company must approve a merger. Moreover, a tender offer for all of a company's issued and outstanding shares can only be completed if the acquirer receives positive responses from the holders of at least 95% of the issued share capital. Completion of the tender offer also requires approval of a majority of the offerees that do not have a personal interest in the tender offer, unless, following consummation of the tender offer, the acquirer would hold at least 98% of the company's outstanding shares. In addition, shareholders, including those who indicated their acceptance of a tender offer, may, at any time within six months following the completion of the tender offer, claim that the consideration for the acquisition of their shares does not reflect their fair market value, and petition an Israeli court to alter the consideration for the acquisition accordingly, unless the acquirer stipulated in its tender offer that shareholders accepting the offer may not seek such appraisal rights, and the acquirer or the company published all required information with respect to the tender offer prior to the tender offer's response date.

Israeli tax considerations may also make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax.

These and other similar provisions could delay, prevent or impede an acquisition of us or our merger with another company, even if such an acquisition or merger would be beneficial to us or to our shareholders.

Due to our listing on the SIX Swiss Exchange, Swiss takeover law applies, which could also restrict or discourage mergers, acquisition and change of control of us. For respective provisions affecting mergers, acquisitions and changes of control applicable to us as a result of our SIX Swiss Exchange listing, see Item 10.B. "Memorandum and Articles of Association – Swiss Laws Applicable with Respect to Our Ordinary Shares".

*The ability of any Israeli company to pay dividends is subject to Israeli law and the amount of cash dividends payable may be subject to devaluation in the Israeli currency.*

The ability of an Israeli company to pay dividends is governed by Israeli law, which provides that cash dividends may be paid only out of retained earnings or earnings derived over the two most recent fiscal years, whichever is higher, as determined for statutory purposes in Israeli currency, provided that there is no reasonable concern that payment of a dividend will prevent a company from satisfying its existing and foreseeable obligations as they become due. In the event of a devaluation of the Israeli currency against the U.S. dollar, the amount in U.S. dollars available for payment of cash dividends out of prior years' earnings will decrease.

#### **Operational Risks**

*The global nature of our operations exposes us to a variety of risks resulting from organizational, logistical, legal, political and cultural as well as other related challenges.*

Our international business is subject to risks resulting from differing legal and regulatory requirements, political, social and economic conditions and unforeseeable developments in a variety of jurisdictions. Our international operations are subject to particular risks in addition to those faced by our domestic operations, including the following: the need to localize and adapt our solutions for specific countries, requirements of foreign laws and other governmental controls over our services (including employment, healthcare, tax, privacy and data protection laws and regulations), new and different sources of competition, local business and cultural factors that differ from our normal standards and practices, adverse tax consequences, fluctuations in currency exchange rates which could make our solutions more expensive or increase our costs of doing business in certain countries, limitations on future growth or inability to maintain current levels of revenues from international sales, difficulties in staffing, managing and operating our international operations, difficulties in coordinating the activities of our geographically dispersed and culturally diverse operations and political unrest, war, pandemics, terrorism or regional natural disasters, all of which could adversely affect our business, financial condition and results of operations.

***Labor disputes may disrupt our operations or lead to higher labor costs.***

Employee costs represent a significant cost for our business. Such costs could increase following wage negotiations. Our personnel in certain countries benefit from more favorable laws. In the event our relationships with our personnel, workers, representatives and unions deteriorate or labor laws become more stringent, we could face strikes or similar interruptions to our business as well as significantly increased wage and non-wage labor costs.

***Significant growth may challenge our operations.***

We may expand significantly in the coming years. Our successful growth will be dependent on our ability to manage our rapidly expanding operations, including, among other things, our ability to integrate new personnel on a timely basis, to improve continually our financial and management controls, reporting systems and procedures and to outsource a substantial portion of our manufacturing successfully. This growth could place significant strain on our operations. If our controls, systems or procedures, or the sub-contractors to whom we outsource our production, prove inadequate to support our operations, we may be unable to achieve our goals for growth. Any failure to manage growth effectively would have a material adverse effect upon our business, financial condition and results of operations.

***Acquisitions, substantial investments or absence of suitable acquisitions may negatively affect our financial performance.***

We may acquire or make substantial investments in complementary businesses, distribution channels, technologies or products in the future. Any such acquisition or investment would entail various risks, including the difficulty of assimilating the technologies, operations and personnel of the acquired business, the potential disruption of our ongoing business and, generally, our potential inability to obtain the desired financial and strategic benefits from the acquisition or investment. Future acquisitions and investments could also result in substantial cash expenditures, potentially dilutive issuances of equity securities, the incurrence of additional debt and contingent liabilities, and amortization expenses related to goodwill and other intangible assets, which could adversely affect our business, financial condition or results of operations.

***We may be negatively affected by the failure of key suppliers and sub-contractors.***

We believe that the expansion of our manufacturing capabilities and the manufacturing of component parts can be most effectively accomplished through outside sources. Because of our dependence on manufacturers and suppliers, we may experience logistical problems in our supply chain, including long lead times for receipt of products or components, inventory shortages or related difficulties. Moreover, third party manufacturers and suppliers may fail to produce products or components that meet our quality standards or to deliver such products or components in a timely manner.

We may be unable to locate a sufficient number of additional qualified manufacturers or suppliers to meet the demand for our products. Although we believe that we can find alternative manufacturers and suppliers for these externally sourced components, there is no guarantee that we will be able to find alternative manufacturers and suppliers or make cost-effective alternative arrangements in a timely manner. Any failure of outside manufacturers or suppliers to meet our needs could have a material adverse effect on our business, financial condition and results of operations.

***We may be affected by other third-party risks.***

In providing our services, we use third parties for certain services, such as cloud services and external data hosting services. Although we engage in due diligence, closely scrutinizing our third-party providers, sometimes these third parties may not perform as contractually required or expected. This may adversely impact our services and may lead to client attrition and could have a material adverse effect on our business, financial condition, results of operations and reputation.

***We may encounter data security and privacy risks.***

We are heavily dependent on critical, complex and interdependent information technology systems, including Internet-based systems, to support our business processes. In addition, we gather information, which can include personal sensitive information. We are also increasingly seeking to develop technology-based products to improve patient welfare in a variety of ways, which could also result in us gathering personal information about patients and others electronically.

Our technology systems may be exposed to external or internal security incidents, breakdowns, malicious intrusions, cyberattacks and cybercrimes, including state-sponsored cybercrimes, malware, misplaced or lost data, programming or human errors, or other similar events. Like other companies, we have been the subject of cyberattacks in the past. As the external cyber-attack threat keeps growing, impacting globally and across different industries, we expect to be subject to additional cyberattacks in the future. Although cyberattacks have not had a material adverse impact on the Company to date and the Company has invested, and continues to invest, in improved cybersecurity processes and technology designed to protect against such attacks, we may not be able to prevent future breakdowns or breaches of our systems and we may not be able to prevent such events from having a material adverse effect on our business, financial condition, results of operations or reputation.

*Our financial results may be affected by fluctuations in exchange rates.*

Our functional currency in Israel is the NIS and our reporting currency is the U.S. dollar. An important part of our revenues and expenses are currently paid in NIS, euros and U.S. dollars. As a result, our business is generally exposed to transactional and translational currency exchange risks caused by fluctuations in exchange rates among those different currencies. We do not currently engage in foreign currency hedging transactions to manage foreign currency exchange risks.

*Liability may arise that may not or, not fully, be covered by insurance.*

We are not insured against all risks and our insurance could prove insufficient to cover certain losses. Generally, health care companies are subject to claims alleging negligence, product liability, breach of warranty or malpractice that may involve large claims and significant defense costs whether or not such liability is imposed.

While we have been able to obtain liability insurance in the past, there is no guarantee that such insurance will be available in the future on terms acceptable to us, if at all. Moreover, a successful claim in excess of the limits of our insurance coverage could have a material adverse effect on our business, financial condition and results of operations. Such claims, regardless of their merit or eventual outcome, may also have a material adverse effect on our reputation.

## **Other Risks**

*Recent global events caused volatility and disruption of financial markets could affect our access to credit.*

The current economic market environment has caused contraction in the availability of credit in the marketplace. This could potentially reduce our sources of liquidity. While there have not been changes to date regarding our ability to access credit, future volatility could have a negative impact on our financial position and performance which could put us in default of the credit conditions and impact our ability to access credit. Additionally, future volatility and financial market disruptions could impact lenders' ability to provide new loans or honor the terms of credit agreements.

*We must comply with tax laws in several jurisdictions.*

We conduct operations in multiple tax jurisdictions, and the tax laws of those jurisdictions generally require that the transfer prices between affiliated companies shall be the same as those between unrelated companies dealing at arm's length, and that such prices are supported by contemporaneous documentation. While we believe that we operate in compliance with applicable tax laws (including transfer pricing laws) and we intend to continue to do so, if tax authorities in any of these jurisdictions were to successfully challenge our tax policies, they could require us to make adjustments to our tax policies, which could result in a higher overall tax liability to us, and possibly interest and penalties, and could adversely affect our business, results of operations and financial condition.

Additionally, the integrated nature of our worldwide operations can produce conflicting claims from tax authorities in different countries as to the profits to be taxed in the individual countries. The majority of the jurisdictions in which we operate have double tax treaties with other foreign jurisdictions, which provide a framework for mitigating the impact of double taxation on our revenues and capital gains. However, mechanisms developed to resolve such conflicting claims are largely untested and can be expected to be very lengthy.

## Risks Related to our ADSs and Ordinary Shares

*Restrictions on the shares held by certain principal shareholders may be removed which could mean such principal shareholders may have a significant influence on decisions by our shareholders.*

In January 2018 the Swiss Takeover Board found that Mengke Cai, Xiang Xu, Himalaya (Cayman Islands) TMT Fund, Himalaya Asset Management Ltd. and Kun Shen, who in the aggregate hold approximately 36.4% of the issued shares of SHL as of May 5, 2023, were acting in concert and should have published a tender offer for all of the SHL shares in accordance with Swiss law governing companies traded on the SIX. Subsequently, the relevant Swiss authorities suspended all of these shareholders' voting rights and prohibited them from disposing of their shares without the court's prior approval or from purchasing any additional shares until they make a tender offer for all of the SHL shares. Although we are not aware of any intention by the relevant authorities in Switzerland to overturn this decision, if they were to do so, these shareholders would regain all of the rights associated with their shares and would have a significant influence on decisions by our shareholders.

*An active trading market for the ADSs may fail to develop and continue after the Nasdaq listing and the market prices for our ADSs and our ordinary shares may be volatile.*

There was no public market for our securities in the United States prior to the listing of our ADSs on Nasdaq. An active trading market may not develop now that our ADSs are listed on the Nasdaq. If an active trading market for the ADSs fails to develop and continue, you may not be able to resell your ADSs quickly or at the market price you expect due to lack of sufficient liquidity.

The market prices of our ADSs on Nasdaq and our ordinary shares on the SIX may be highly volatile and could also be negatively influenced by adverse developments affecting the general economic or investment climate. In addition, geopolitical factors such as war, pandemics or acts of terrorism may indirectly adversely affect the market prices of our ADSs on Nasdaq and of our ordinary shares on the SIX.

*Our securities are traded on more than one market or exchange and this may result in price variations.*

Our ADSs were listed for trading on Nasdaq on April 3, 2023. Our ordinary shares have been trading on the SIX since November 15, 2000. Trading in our ADSs and ordinary shares on these markets takes place in different currencies (U.S. dollars on Nasdaq and Swiss francs on the SIX), and at different times (resulting from different time zones, trading days, and public holidays in the United States and Switzerland). The trading prices of our ADSs and ordinary shares on these two markets may differ due to these and other factors. Any decrease in the price of our ordinary shares on the SIX could cause a decrease in the trading price of our ADSs on Nasdaq. In addition, the current price of our ADSs may have little or no relationship to the historical sales prices of our ordinary shares on the SIX. The trading price of our ADSs may also fluctuate over time, particularly given our recent initial listing on Nasdaq.

*Future sales or issuances, or the possibility or perception of future sales or issuances, of a substantial number of ADSs or ordinary shares or other securities that are convertible into our equity securities could cause the market prices of our ADSs or ordinary shares to fall.*

The market prices of our ADSs and ordinary shares could decline as a result of sales of a large number of ADSs or ordinary shares in the public markets in the future or the possibility or perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to issue equity securities in the future at a time and price that we deem appropriate.

***The issuance of equity or other securities that are convertible into equity, including options, or the exercise of options on ADSs or ordinary shares could immediately and substantially dilute the ownership interest and rights of our shareholders.***

We may choose to raise additional capital in the future, depending on market conditions or strategic considerations and subject to any applicable shareholder approval or other requirements under Israeli law or the listing rules of Nasdaq or the SIX. To the extent that additional capital is raised through the issuance of ADSs, ordinary shares or other securities that are convertible into our equity, the issuance of these securities will dilute the proportional holding of our ADSs and ordinary shares by our investors, and the terms may include liquidation or other preferences that adversely affect the rights of our shareholders. The Board of Directors has granted and may in the future grant options to investors and employees, consultants, directors and officers of the company and other third parties to acquire ADSs and ordinary shares. For example, in January and February 2021, in connection with a private placement of 3,588,889 ordinary shares mainly to Israel based institutional investors, we issued options to purchase 1,944,444 ordinary shares, exercisable until January 20, 2023, and February 16, 2023, respectively, at an exercise price of CHF 11.00. Out of such options, options to purchase 1,914,478 newly issued shares were exercised.

As of April 15, 2024, we also had options outstanding for the issuance of up to 1,205,244 ordinary shares under our Share Option Plan. Pursuant to our Share Option Plan, all option exercises are on a net cash basis (*i.e.*, require cashless exercise). For further information please refer to Item 6.B. “Compensation – Share Option Plan”.

***Sales of substantial numbers of our ADSs and ordinary shares and changes in our shareholder structure may adversely affect the price of our ADSs and ordinary shares as well as the position of our shareholders.***

Certain of our shareholders hold a significant number of our ordinary shares, as further described under Item 6.E, “Directors, Senior Management and Employees—Share Ownership.” Block sales of significant shareholdings and other changes in our shareholder structure may adversely affect the trading prices of our ADSs and our ordinary shares, may result in a change of control and may adversely impact the trading price of our ADSs and ordinary shares.

***Whether we will pay dividends to our shareholders is uncertain.***

We do not have a dividend policy. Our Board declared a dividend in 2019, but did not declare a dividend in 2020, 2021, 2022 or 2023. There can be no assurance that our Board will declare a dividend in any given financial year. If we do not declare dividends, capital appreciation, if any, of our ADSs and ordinary shares will be your sole source of gain.

***Analyst reports and recommendations may impact the trading price and volume of our ADSs and ordinary shares and cause them to decline.***

The trading markets for our ADSs and our ordinary shares will likely be influenced by the equity research and reports that industry or security analysts publish about us or our industry after our listing. We do not control these analysts. If one or more of the analysts who cover us downgrade their recommendation regarding our ADSs or ordinary shares, the trading prices of our ADSs and our ordinary shares would likely decline. In addition, if one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the market, which could, in turn, cause the trading volume or the trading prices of our ADSs and our ordinary shares to decline.

***Market conditions may cause the market price of our ADSs and ordinary shares to fluctuate substantially.***

The market price of our ADSs and ordinary shares may experience high volatility. Our year-end operating results, changes in general conditions in the economy or the financial markets and other developments affecting us or our competitors could cause the market price of our ADSs and ordinary shares to fluctuate substantially. The capital markets have experienced extreme volatility and disruption over the past years. In some cases, trading markets have produced downward pressure on stock prices for certain issuers seemingly without regard to those issuers’ underlying financial strength.

*As a foreign private issuer, we are exempt from certain public disclosure requirements, which may afford less protection to the holders of our ADSs and ordinary shares than they would enjoy if we were a domestic U.S. company.*

We are a foreign private issuer and are not subject to the same disclosure and other requirements that are imposed upon U.S. domestic issuers by the SEC. As a foreign private issuer, we will be exempt from the rules and regulations under the Exchange Act, related to the furnishing and content of proxy statements, and our officers, directors, and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. Furthermore, as a foreign private issuer we are not required to disclose the compensation of our five most highly compensated officers on an individual basis as is required of U.S. domestic reporting companies. In addition, we will not be required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic reporting companies whose securities are registered under the Exchange Act. Moreover, we will not be required to comply with Regulation FD, which restricts the selective disclosure of material information. These exemptions and leniencies will reduce the frequency and scope of information and protections to which you may otherwise have been eligible in relation to a U.S. domestic issuer.

If we cease to qualify as a foreign private issuer, we would be required to comply fully with the reporting requirements of the Exchange Act applicable to U.S. domestic issuers. We would lose our foreign private issuer status if a majority of our shares are owned by U.S. residents and a majority of our directors or executive officers are U.S. citizens or residents or we fail to meet additional requirements necessary to avoid loss of foreign private issuer status.

*As a foreign private issuer, we are permitted to rely on exemptions from certain corporate governance standards.*

While our ADSs are listed on Nasdaq, we are permitted to follow certain home country corporate governance practices instead of certain Nasdaq corporate governance standards. We are required to provide a brief description of the significant differences between our corporate governance practices and the corporate governance practices required to be followed by domestic U.S. companies listed on Nasdaq. The standards applicable to us are considerably different than the standards applied to domestic U.S. issuers. For instance, under our home country rules, we are not required to maintain a majority of independent directors and a compensation committee comprised of independent directors, and the charters of our board committees do not necessarily contain all of the Nasdaq charter requirements for such committees of U.S. domestic companies.

We have relied on and intend to continue to rely on some of these exemptions. As a result, as a holder of our ADSs or ordinary shares, you may not be provided with the benefits of certain Nasdaq corporate governance standards.

*We are an “emerging growth company,” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies may make our ADSs and ordinary shares less attractive to investors and, as a result, adversely affect the price of our ADSs and ordinary shares and result in a less active trading market for our ADSs and ordinary shares.*

We are an “emerging growth company” as defined in the U.S. Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. For example, we have elected to rely on an exemption from the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, relating to internal control over financial reporting, and we will not provide such an attestation from our auditors. We cannot predict whether investors will find our ADSs and ordinary shares less attractive because of our reliance on some or all of these exemptions. If investors find our ADSs and ordinary shares less attractive, it may adversely affect the price of our ADSs and ordinary shares and there may be a less active trading market for the ADSs.

*ADS holders do not have the same rights as our shareholders.*

ADS holders do not have the same rights as our shareholders. For example, ADS holders may not attend shareholders’ meetings or directly exercise the voting rights attaching to our ordinary shares. ADS holders may vote only by instructing the depository to vote on their behalf. If we request the depository to solicit your voting instructions (and we are not required to do so), the depository will notify you of a shareholders’ meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depository how to vote. For instructions to be valid, they must reach the depository by a date set by the depository. The depository will try, as far as practical, subject to the laws of Israel and the provisions of our Articles of Association or similar documents, to vote or to have its agents vote the deposited ordinary shares as instructed by ADS holders. If we do not request the depository to solicit your voting instructions, the depository is not required to do so. Except by instructing the depository as described above, you will not be able to exercise voting rights unless you surrender your ADSs and withdraw the ordinary shares. However, you may not know about the meeting enough in advance to withdraw the ordinary shares. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depository to vote your ordinary shares. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise voting rights and there may be nothing you can do if your ordinary shares are not voted as you requested. In addition, ADS holders have no right to call a shareholders’ meeting unless ADS holders cancel their ADS and hold the ordinary shares underlying such ADSs directly.

***The deposit agreement may be amended or terminated without the ADS holder's consent.***

We and the depositary may amend or terminate the deposit agreement without your consent. Holders of the ADSs are entitled to a prior notice in the event of a materially prejudicial amendment or termination thereof or if the amendment adds or increases fees or charges. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended.

The deposit agreement may be terminated at any time upon prior written notice to holders of the ADSs. Upon the termination of the deposit agreement, our company will be discharged from all obligations under the deposit agreement except for its obligations to the depositary thereunder. At any time after the termination date, the depositary may sell the deposited securities. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. After the termination date and before the depositary sells all of the securities, the depositary may refuse to accept a surrender of ADSs by a holder for the purpose of withdrawing deposited securities if it would interfere with the selling process. During this time, the depositary will not be required to register any transfer or ADSs or distribute any dividends or other distributions, give any notices or perform any other duties under the deposit agreement.

***Holders of ADSs may be subject to limitations on transfer of their ADSs.***

Your ADSs will be transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement.

***You may not receive the same distributions or dividends as those we make to the holders of our ordinary shares, and, in certain limited circumstances, you may not receive dividends or other distributions on our ordinary shares, if it is illegal or impractical to make them available to you.***

The depositary for the ADSs has agreed to pay to you the cash dividends and other distributions it or its custodian receives on ordinary shares or other deposited securities underlying the ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not required to pay such cash dividends and other distributions if it determines that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act, that are not properly registered or distributed under an applicable exemption from registration. In addition, conversion into U.S. dollars from foreign currency that was part of a dividend made in respect of deposited ordinary shares may require the approval or license of, or a filing with, a government or agency thereof, which may be unobtainable. In these cases, the depositary may determine not to distribute such property, or a portion thereof, and hold such property as "deposited securities" or it may seek to affect a substitute dividend or distribution, including of the net cash proceeds from the sale of the dividends that the depositary deems to be an equitable and practicable substitute. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities distributed by us. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or any other property distributed on our ordinary shares to holders of ADSs.

In addition, the depositary may deduct from any dividends or distributions by us its fees and may withhold an amount on account of taxes or other governmental charges to the extent the depositary believes it is required to make such withholding. This means that you may not receive the same distributions or dividends as those we make to the holders of our ordinary shares, and, in certain limited circumstances, you may not receive any value for such distributions or dividends if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of the ADSs.



***Holders or beneficial owners of our ADSs have limited recourse if we or the depository fail to meet our respective obligations under the deposit agreement or if they wish us or the depository to participate in legal proceedings.***

The deposit agreement expressly limits our obligations and liability and those of the depository. We and the depository:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if we are, or it is, prevented or delayed by law or circumstances beyond our, or its, control from performing our or its obligations under the deposit agreement;
- are not liable if we exercise or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of the ADSs to benefit from any distribution on deposited securities that is not made available to holders of the ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on behalf of the holders of the ADSs or any other person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

These provisions of the deposit agreement limit the ability of holders of the ADSs to obtain recourse if we or the depository fail to meet our respective obligations under the deposit agreement or if they wish us or the depository to participate in a legal proceeding.

***ADS holders have limited choice of forum, which could increase your cost and limit your ability to bring a claim in a judicial forum that you find favorable for disputes against the depository, us or the depository's or our respective directors, officers or employees, and may discourage such lawsuits.***

The deposit agreement governing our ADSs provides that by holding or owning an ADS or an interest therein, holders and owners of ADSs irrevocably agree that any legal suit, action or proceeding against or involving the depository and/or us brought by holders or owners of ADSs, arising out of or based upon the deposit agreement or the ADSs or the transactions contemplated thereby, including, without limitation, claims under the Securities Act of 1933, may be only instituted in the United States District Court for the Southern District of New York (or in the state courts of New York County in New York if either (i) the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute or (ii) the designation of the United States District Court for the Southern District of New York as the exclusive forum for any particular dispute is, or becomes, invalid, illegal or unenforceable). Any person or entity purchasing or otherwise acquiring any of our ADSs, whether by transfer, sale, operation of law or otherwise, shall be deemed to have notice of and have irrevocably agreed and consented to this choice of forum provision.

This forum provision may increase your cost and limit your ability to bring a claim in a judicial forum that you find favorable for disputes with the depository or us, or the depository's or our respective directors, officers or employees, which may discourage such lawsuits against the depository, us and the depository's and our respective directors, officers or employees. However, it is possible that a court could find this choice of forum provision to be inapplicable or unenforceable. The enforceability of similar choice of forum provisions has been challenged in legal proceedings. It is possible that a court could find this type of provisions to be inapplicable or unenforceable.

To the extent that any such claims may be based upon federal law claims, Section 27 of the Securities Exchange Act of 1934 creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Securities Exchange Act of 1934 or the rules and regulations thereunder. Furthermore, Section 22 of the Securities Act of 1933 creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act of 1933 or the rules and regulations thereunder. Actions by owners and holders of our ADSs to enforce any duty or liability created by the Securities Exchange Act of 1934, the Securities Act of 1933 or the respective rules and regulations thereunder must be brought in the United States District Court for the Southern District of New York. Holders of our ADSs will not be deemed to have waived our compliance with the federal securities laws and the regulations promulgated thereunder.

*ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable results to the plaintiff(s) in any such action.*

The deposit agreement governing our ADSs provides that holders and beneficial owners of ADSs irrevocably waive the right to a trial by jury in any legal proceeding arising out of or relating to the deposit agreement or the ADSs, including claims under federal securities laws, against us or the depository to the fullest extent permitted by applicable law. If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. To our knowledge, the enforceability of a jury trial waiver under the federal securities laws has not been finally adjudicated by a federal court, and holders of the ADSs are not able to waive our or the depository's compliance with U.S. federal securities laws or the rules and regulations promulgated thereunder. However, we believe that a jury trial waiver provision is generally enforceable under the laws of the State of New York, which govern the deposit agreement, by a court of the State of New York or a federal court, which have non-exclusive jurisdiction over matters arising under the deposit agreement, applying such law. In determining whether to enforce a jury trial waiver provision, New York courts and federal courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement and the ADSs. In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim sounding in fraud or one that is based upon a creditor's negligence in failing to liquidate collateral upon a guarantor's demand, or in the case of an intentional tort claim (as opposed to a contract dispute), none of which we believe are applicable in the case of the deposit agreement or the ADSs. No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depository of compliance with any provision of the federal securities laws. If you or any other holder or beneficial owner of ADSs brings a claim against us or the depository in connection with matters arising under the deposit agreement or the ADSs, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and/or the depository. If a lawsuit is brought against us and/or the depository under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may augur different results than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action, depending on, among other things, the nature of the claims, the judge or justice hearing such claims, and the venue of the hearing.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### *A. HISTORY AND DEVELOPMENT OF THE COMPANY*

###### **General**

SHL Telemedicine Ltd. was incorporated in Israel on November 7, 1986, and is a limited liability company for unlimited duration under the laws of the State of Israel. The address of our registered office and principal executive office is Ashdar Building, 90 Yigal Alon St., Tel Aviv 6789130, Israel. SHL's legal name is "SHL Telemedicine Ltd."

###### **History**

SHL was founded in Israel by Mr. Yoram Alroy in 1986 and went public in 2000 by listing on the SIX under the ticker symbol "SHLTN." On April 3, 2023, SHL commenced trading on the Nasdaq under the ticker symbol "SHLT". Since its founding, SHL has expanded its operations and is now an international group specializing in telemedicine services, including the provision and development of advanced personal telemedicine solutions, with operations in Israel, Germany and the United States. Since its inception, SHL's business has been dedicated to emergency medical services and telemedicine. For more than a quarter of a century, and with tens of thousands of subscribers, SHL has been providing monitoring services to cardiac patients and taking care of people in need of home-based medical support. SHL's ethos is to provide its subscribers professional medical care digitally when its subscribers need it. SHL monitors its subscribers' health and wellbeing to reduce the need for emergency intervention and hospitalization. SHL's aim is to increase its users' chances of survival if a heart attack strikes and generally improve users' quality of life following such medical events.

SHL expanded into Europe in 2001 by establishing a joint venture with Philips Medical Systems International B.V., providing telemedicine services based on SHL's proprietary technology. In 2004, SHL acquired Philips' equity interest in the joint venture. Over the years, SHL has strategically acquired local private companies in Germany such as Almeda GmbH, Gesellschaft für Patientenhilfe DGP mbH, and Jumedí GmbH, and is currently one of the leading companies in providing telehealth services and remote patient monitoring services of chronic patients for health insurance funds in Germany.

SHL introduced its unique and patented mobile 12 lead electrocardiogram (ECG) SmartHeart® platform in the U.S. in 2020, and since then has entered into commercial agreements with leading U.S. healthcare providers, including the Mayo Clinic, CVS and Henry Schein.

During January and February 2021, SHL issued 3,588,889 ordinary shares (and sold 300,000 Treasury shares) to certain investors in a private placement for approximately CHF 35 million to support the growth of its business operations in Germany, expand its business in the U.S., enhance SHL's supply chain and accelerate research and development activities.

On August 31, 2021, a subsidiary of SHL acquired 70% of the share capital of Mediton Group, a leading B2B healthcare services provider in Israel for NIS 84 million. The Mediton Group is comprised of the following entities, all of which provide medical services to the institutional and payer markets:

- Mediton Medical Centers Chain Ltd., which provides private medical services, and project management in various medical fields, including the performance of surveys, medical examinations for organizations, occupational examinations, and the operation of specialist clinics; and
- Medishur Ltd. which primarily provides medical examinations for insurance companies.

We believe the Mediton acquisition provides SHL the ability to leverage synergies and cross sell its technology and services to Meriton's customers.

#### Principal Capital Expenditures and Divestitures

	2023	2022	2021
<b>Property and Equipment</b>			
<i>Property and Equipment</i>	1,289	1,661*	1,434
<b>Intangible assets</b>			
<i>Development Costs</i>	4,203	5,243	2,633
<i>Mediton's Customer Relations</i>	—	—	14,886
<i>Jumedí's Information Technology</i>	—	—	705
	<b>5,492</b>	<b>6,904</b>	<b>19,658</b>

\* Includes property and equipment of Mediton.

#### Public Information

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us, at <http://www.sec.gov>. SHL is subject to the periodic reporting requirements of the Securities Exchange Act of 1934, and accordingly files certain reports with the SEC. These reports can be inspected and retrieved through the SEC's EDGAR system on the SEC's Internet website referred to above. See Item 10.H, "Additional Information—Documents on Display."

Our website is <http://www.shl-telemedicine.com>. No information contained on our website is intended to be included as part of, or incorporated by reference in, this Annual Report.

## Overview

SHL is an international group specializing in telemedicine services, including the provision and development of advanced personal telemedicine solutions, with operations in Israel, Germany and the United States. Personal telemedicine is the transmission of medical data by an individual from a remote location to a telemedicine center or healthcare provider via telecommunication networks and the subsequent data reading and provision of medical assessment or services to the individual via electronic and telecommunication technologies. Our 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.

We are a leader with a long history in the telemedicine markets in Israel and Germany, providing remote medical services and patient management with telemedicine centers available 24/7, and global service of cloud-based technology, all of which results in approximately three million interactions and data readings annually.

SHL's primary focus is the development of technologies, solutions, and advanced telemedicine services to assess and monitor acute and chronic heart health and cardiac diseases, such as congestive heart failure, among others. In the U.S., SHL's primary offering is its SmartHeart® platform, the only 12 lead ECG that enables a full, hospital-quality ECG to be performed by a lay-person without the assistance of a healthcare professional. SHL's SmartHeart® technology is patented and U.S. Food and Drug Administration, or FDA-, cleared.

We believe SHL's personal telemedicine systems have strategically positioned the company to meet the increasing demand for virtual healthcare, which is more efficient and less expensive than healthcare provided in traditional clinical environments. As patients, healthcare providers and third-party payers seek new ways to deliver cost effective healthcare services without adversely affecting quality, we believe they will increasingly turn to those products that enable quality care to be delivered primarily outside the costly hospital and outpatient clinical environments.

## Telemedicine Market Overview

Telemedicine is one of several segments in the healthcare market. Telemedicine is the distribution and provision of health-related services and information via electronic and telecommunication technologies for the purpose of improving health care. The goals of telemedicine are to improve interaction between patients and healthcare service providers, ensure a speedy and secure transmission of data, and provide better processing and storage of large amounts of data. Telemedicine also improves cost-efficiencies by delivering patient data and medical care virtually outside the traditional more expensive clinical environment.

Sub-segments of telemedicine include electronic patient records, remote telemonitoring, expert systems, ambient assisted living and virtual reality (VR) in medicine. We believe telemedicine is a particularly interesting segment of the healthcare market, due to its growth potential. Telemedicine offers diagnostic, ongoing monitoring and assessment and therapy measures that make use of telecommunications to bridge the distance and time intervals between doctors and their patients, or between consulting doctors.

Telemedicine goes beyond the saving and processing of data extending to testing, the secure transfer of vital signs and electronic monitoring of the state of a patient's condition. Other applications of telemedicine include medical care services that are supplied independently of the location of service providers, patients and records of care or medical devices.

## SHL's Geographic Operations

We operate in three geographic segments for financial reporting purposes: Israel, Europe and the Rest of the World. Israel is our largest segment with revenues of approximately \$42.1 million in the fiscal year ended December 31, 2023. Our European segment is our second largest segment and consists of our German operations with revenues of approximately \$14.1 million in the fiscal year ended December 31, 2023. Our rest of the world segment consists of our U.S. operations with revenue of approximately \$0.9 million in the fiscal year ended December 31, 2023.

### *Israel*

Our primary and largest operation is in Israel where SHL has developed a successful telemedicine service offering for individuals and communities. In Israel, SHL provides personal telemedicine services and telemedicine center services to its private pay subscribers based on its proprietary medical technology which enables the users to remotely perform and transmit a full 12 lead ECG at home. SHL's 24/7 telemedicine center is staffed with an experienced medical team that handles subscriber's calls. SHL also provides and facilitates immediate assistance to its subscribers in emergency cases, offering home visits by professional medical staff and mobile intensive care ambulance services in certain coverage areas.

We have conducted several clinical studies that indicate that our 12 lead ECG product and cardiac telemedicine services offer a higher quality of care to cardiac patients as measured by post myocardial infarction hospitalization mortality and readmission rates. Specifically, a clinical study published in the Telemedicine and e-HEALTH Journal (tmj) in 2009 found the one-year post-acute myocardial infarction ("AMI") mortality rate of SHL Telemedicine subscribers in Israel to be 4.4% compared to 9.7% for patients in the Acute Coronary Syndrome in Israel Survey (ACSIS) 2004, a biannual survey of all 26 intensive cardiac care units operating in Israel. Similarly, in a clinical study published in the Telemedicine and e-HEALTH Journal (tmj) in 2014, SHL Telemedicine subscribers hospitalized for AMI in Israel experienced 30-day post-hospitalization readmission rates of 5.8% compared to 30-day post-AMI readmission rates ranging from 11.3% to 28.1% in a number of previous studies published in leading medical journals.

Subscribers to SHL's cardiac telemedicine services purchase our user friendly personal 12 lead ECG technology pay monthly fee for the use of these services, generating recurring revenues. SHL's dual position both as an experienced operator of telemedicine services and as a technology developer enables it to offer solutions to healthcare payers and providers seeking a cost effective and innovative alternative to traditional healthcare delivery methods. To date, SHL has developed its expertise in the design and provision of personal telemedicine services through its extensive experience in operating the largest telemedicine center in Israel in terms of number of patient-subscribers.

### *Mediton Group*

On August 31, 2021, SHL expanded its presence in Israel by acquiring 70% of Mediton Group for approximately \$26 million. Mediton is a healthcare service provider working with institutions and payers, governmental entities, and large employer customers.

Mediton was established in 1993, and specializes in diagnostics, preventative healthcare and expert witness services for medical opinions, with medical centers in several of Israel's most populated cities, and we expect Mediton to commence also offering mobile hybrid services to such customers in 2024. Mediton has long standing relationships with Israel's blue-chip companies, government institutions, payers and health insurance funds. Mediton provides its services through a wide array of healthcare professionals, with whom it employs or contracts with, including physicians, physical therapists, occupational therapists, psychologists, nurses, paramedics, and technicians. Most of Mediton's contracts are multi-year evergreen contracts, with governmental contracts being subject to Israeli mandatory tender law requirements.

Mediton's main service lines include the following:

- Preventative healthcare, including annual medical check-ups that include comprehensive laboratory tests, stress ECG tests, eye exams, and more;
- Expert witness services for medical experts' and medical committees, including for disability and workers comp, serving a wide range of institutions, such as pension funds, the Israeli Institute of Social Security, and the Israeli Ministry of Defense;
- Occupational healthcare, including occupational safety and health regulated medical exams, exposure to hazardous materials, and occupational disability claims, as well as assisting organizations in promoting early detection of diseases and medical conditions within the workforce by offering periodical check-ups and specialized examinations;
- Medical examinations, including at home, for the underwriting of insurance policies for health, disability, life, or nursing home policyholders; and
- Medical and psychological evaluations, including for truck drivers, public transportation drivers and drivers of hazardous cargos.

### *Germany*

SHL is a leader with a long history in the German telemedicine market having entered into agreements with the largest German health insurance funds. These agreements are typically multi-year contracts for the provision of telehealth services to insured patients of the health insurance funds. SHL provides its services in Germany primarily from its telemedicine center in Munich.

SHL primarily provides the following services to health insurance funds in Germany:

- **Remote monitoring of chronic patients:** Our remote patient monitoring programs monitor and stabilize patients with chronic conditions, including congestive heart failure, and geriatric patients at home, reducing hospitalizations and saving costs for its health insurance fund customers.
- **Telehealth hot-line services:** Remote real-time medical consultations, scheduling of doctor appointments, second opinion services, and structured health coaching programs for cardiac conditions.
- **Doctors' Virtual Visits:** A service that allows health insurance fund patients to connect on-demand with doctors for virtual video appointments.

Recent legislative initiations in Germany have promoted the increasing use of telemedicine. In the fall of 2020, German legislation introduced so-called digital health applications (DiGAs) to statutory health insurance ("SHI") care. Other initiatives supporting the promotion of telemedicine include e-prescription as well as electronic health record initiatives.

In January 2022, the Federal Joint Committee (Gemeinsamer Bundesausschuss), or G-B-A, a German regulatory governmental body, introduced reimbursement for remote monitoring of patients with heart failure (RPM-HF) by German statutory health insurance funds. These services are provided in cooperation with a telemedicine center and physicians qualified as specialists in internal medicine and cardiology. G-B-A reimbursement for remote patient monitoring RPM-HF provides SHL another channel to offer its remote monitoring services for chronic congestive heart failure patients in addition to its traditional agreements with German health insurance funds.

### *Main Growth Drivers in Germany:*

1. At the end of 2020, SHL entered into an agreement with BARMER GEK, one of the largest health insurance funds in Germany ("BARMER"), to provide Doctors' Virtual Visits in Germany. In July 2021 BARMER announced the availability of this new service to all its insured patients on a nationwide basis. Subsequently, in September 2022, SHL won a long-term contract with BARMER to provide these services for a seven year period and in 2023 BARMER launched marketing and communication activities for the new BARMER Teledoktor digital App which provides SHL's Doctors' Virtual Visits and Telehealth Services to all of BARMER's insureds in Germany. In November 2022 SHL entered a contract with AOK Plus, another large German health insurance fund, to provide these services to its insured patients.

2. **New customer wins:** We believe that SHL has a strong competitive advantage and position in terms of quality, know-how and long-term customer relationships. We invested significantly in the development of our platform, and we believe we are well positioned to gain more market share. In November 2021, SHL was awarded a multi-year telehealth contract to provide services to geriatric patients of AOK Rheinland-Pfalz/Saarland – Die Gesundheitskasse, a large German health insurance fund.
3. **Telemonitoring for congestive heart failure patients:** Telemonitoring for congestive heart failure patients has become the standard of care since early 2022 following the introduction of remote monitoring reimbursement by G-BA.

#### *United States*

SHL introduced its unique and patented FDA-cleared SmartHeart® platform to the U.S. market in 2020, providing U.S. customers the high-quality technology and benefits of its mobile 12 lead ECG technology developed and sold in Israel. The SmartHeart® platform is SHL's latest generation ECG solution which is a cloud-based technology that is the only 12 lead personal ECG enabling a full, hospital-quality ECG to be performed anywhere at any time by a lay-person without assistance from a medical professional. SHL's SmartHeart® solution enables patients to conduct a 12 lead ECG procedure in various remote settings, including from their home. The connectivity of SHL's SmartHeart® cloud-based platform to certified healthcare professionals allows for a prompt virtual review and interpretation of data collected on its 12 lead ECG.

SHL's SmartHeart® platform is currently approved by the FDA, for use only with a prescription. SHL is in the process of seeking the FDA over-the-counter, or OTC, clearance for SmartHeart® through the 510(k) pathway. Although we believe that given the FDA's feedback to a pre-submission that we filed regarding the OTC clearance for SmartHeart®, the materials and documentation we prepared and are contemplating to prepare will ultimately enable us to obtain OTC clearance from the FDA, the FDA approval process is highly stringent and there can be no assurance that SHL will ultimately be successful in obtaining OTC clearance from the FDA, or the length of time required to obtain any such approval. See "D. Risk Factors – We operate in a highly regulated industry and failure to comply with the complex regulations applicable to us could result in investigations, legal judgments or penalties, which could materially adversely affect our business" and " - We depend on evolving governmental regulation in and around the health care industry and failure to comply with these and other laws and regulations could have a material adverse effect on our business, financial condition and results of operations." in Item 3. Key Information.

Final results of the Imperial College London TELE-ACS clinical trial, which focused on the application of SmartHeart's 12-lead ECG technology for monitoring of post-MI (heart attack) patients at home, were presented in April 2024 at the American College of Cardiology's 24<sup>th</sup> Annual Scientific Session & Expo Late-Breaking Clinical Trials Sessions (ACC 24 LBCT) in Atlanta. Key findings from the study included the following:

- a 76% reduction in the likelihood of hospital readmission within six months for patients using telemedicine;
- a 41% decrease in the likelihood of attending the emergency department compared to standard care recipients;
- significant reductions in unplanned coronary revascularizations; and
- notable decreases in patient-reported symptoms, including chest pain, breathlessness, and dizziness.

Moreover, the study was also published in the Journal of the American College of Cardiology.

In September 2023 we also received initial results from the HELP-MI trial conducted by the Mayo Clinic, which also focused on the application of SmartHeart's 12-lead ECG technology for monitoring of post-MI (heart attack) patients at home. The initial results were presented at the Vulnerable Plaque and Patient Meeting (VPM) in September, 2023, and included the following:

- the number of cardiovascular-driven emergency department visits for patients using the SmartHeart® device in the HELP-ME trial was zero (0); and
- the number of cardiovascular-driven rehospitalization visits for patients using the device in the HELP-ME trial was also zero (0).

## **Growth Strategy**

We have been at the forefront of providing and developing telemedicine services and technology for over 30 years. We have vast experience in remotely monitoring and managing acute and chronic heart patients. Our telemedicine centers review ECG transmissions and other data received directly from our customers and transmitted from a variety of devices, including the personal mobile ECG devices developed by us and provided to our customers.

Our telemedicine services for chronic heart failure patients and other chronic patients reduce hospital readmissions and the duration of hospitalizations of patients, decrease mortality and improves patients' quality of life.

For both our acute and chronic telemedicine services, we provide cardiac and other home-use medical monitoring technology that transmit data to our telemedicine centers. We analyze the data received and interact with our clients to monitor their wellbeing and levels of compliance with their set treatment. Clinical data is maintained in our data base in compliance with data protection rules and made securely accessible online to patients and their approved physicians.

Virtual medical services are gaining momentum, offering growth potential in both existing and new markets.

The COVID-19 pandemic illustrated the importance and many benefits of telemedicine and the need to be able to implement comprehensive technological solutions to track, diagnose, offer treatment, and maintain ongoing care for patients remotely, as our services and products offer.

We continue to focus our efforts on driving the growth of our operations in the German and Israeli markets by addressing current customer needs and new opportunities while promoting the SmartHeart® platform technology in the U.S. and elsewhere. In November 2023, we announced the soft launch of the SmartHeart® membership program in the U.S. as part of our direct-to-consumer initiative, offering a comprehensive private-pay subscription service that delivers at-home professional cardiac care directly to the consumer.

We intend to continue to seek to enhance our growth by selectively acquiring cross-selling businesses that offer synergistic product lines and complementary technologies and services, such as the Mediton acquisition. We are continuously examining potential acquisition targets, including competitors, businesses with related technologies and certain operators of telemedicine centers.

## **Regulations**

### ***General***

In many countries and regions, most notably the U.S., Western Europe and Japan, medical device products and software such as our products are subject to legislation adopted by regulatory agencies and governments at all levels. In the U.S., medical products are subject to FDA approval. In Europe, many products require the CE Marking before they can be sold in the European Union, or the EU. The regulatory approval process is lengthy (usually approximately six to 12 months in all of the developed markets), expensive and uncertain, and any approvals or clearances that we seek may be denied. Product approvals and clearances, if issued, can be withdrawn for failure to comply with regulatory standards or the occurrence of unforeseen problems following initial marketing. The FDA, and similar regulatory authorities in other countries, also require us and any manufacturing contractors we employ to adhere to regulations setting forth requirements for Good Manufacturing Practices, or GMP, which include extensive testing, control and documentation requirements to ensure quality control. Failure to comply with applicable regulations could result in sanctions being imposed on us.

In various countries a special authorization is needed to process and store personal data, such as patient medical data. The transmission of personal medical data via telecommunications, especially cross border transfer via internet, is a relatively new development, and patient and health care industry concerns regarding the confidentiality of such information could lead to further legislation and regulations that govern the methods of transmitting and storing patient medical data. Failure to comply with these and other laws and regulations could have a material adverse effect on our business, financial condition and results of operations.

### ***Israel***

In Israel, we operate under legislations and regulations that apply to the provision of the telemedicine services provided by us and the healthcare services provided by the Mediton Group. In addition, medical equipment laws apply to the medical devices being used by our private pay subscribers and by the Mediton Group in providing its healthcare services. These laws provide that medical equipment may only be manufactured and marketed in Israel, if it is registered as medical equipment in the "AMR register," in accordance with the Israeli registration conditions. In addition, certain regulations and Ministry of Health procedures apply to the provision of our telemedicine services and the use, operation, calibration and maintenance of certain medical devices or equipment and pharmaceutical products being used or operated by us or by the Mediton Group. The marketing and sale of our telemedicine services to our private pay consumers in Israel are also subject to Consumer Protection laws and regulations, the goal of which is to protect individual customers from misleading sales methods.



We and our business customers are subject to various laws governing privacy protection, confidentiality information and security laws. Because we and the Mediton Group retain personal and medical information of patients or other persons, we are also subject to data privacy protection and security laws, which require that owners of databases containing such information to meet certain obligations such as registration with authorities and the appointment of a database administrator to supervise the use of stored information only for its original purposes.

In Germany and the United States, SHL is also subject to laws prohibiting the corporate practice of medicine and laws that govern financial and other arrangements between health care providers and payers which are designed to regulate the referral of a patient to a particular provider for medical products and services.

### **Germany**

In Germany, we utilize a business-to-business, or B2B, model, where we work with health insurance funds to remotely monitor and stabilize patients and save costs for health insurers.

Healthcare in Germany is primarily organized by the SHI funds. Approximately 90% of the population in Germany is insured within the SHI, while around 10% of the population are covered by private health insurance. Through the SHI funds, citizens have equal access to healthcare benefits from healthcare professionals who are licensed and provide healthcare services within the statutory healthcare system. Membership in the SHI system is mandatory for employees unless their income rises above an annually determined threshold.

In connection with the SHI system, the legislature creates the legal framework for the provision of medical services, and the medical self-governing bodies, such as the associations (at a federal and regional level) of SHI accredited physicians, SHI funds and the German Hospital Federation, formulate and implement in detail which healthcare services will be provided and under what conditions. The highest decision-making body in the SHI system is the G-B-A, a German association representing all relevant parties of the healthcare sector such as physicians, hospitals, health insurance funds and patients. The G-BA issues directives and determines the benefit package of the SHI system. The organization of the SHI system, the responsibilities of the G-BA and the other self-governing bodies, as well as the provisions for medical care, are laid down in the Social Code Book V (SGB V).

In addition, as a main principle, SGB V sets out that patient entitlement to medical service within the system of the SHI is restricted by the “efficiency principle”, namely that the respective healthcare must be sufficient, appropriate and economically efficient, and must not exceed the extent of what is necessary. Recently, SGB V has been subject to numerous legislative changes and amendments primarily to improve, enhance, and take advantage of the opportunity provided by the digitalization of medical services with the ultimate goal of improving the quality of healthcare.

Digitalization of medicine and the pandemic have accelerated the introduction and application of telemedicine services in Germany in recent years. Since 2018, with the exception of the State of Brandenburg, the general prohibition for physicians to diagnose and treat patients solely by means of telecommunication was lifted. These prior professional rules of conduct prohibited physicians from taking on new patients without direct, physical interactions. With the exception of the State of Brandenburg, patients in all states may now be diagnosed and treated solely by means of telecommunication, provided that – in each individual case – such provision of medical care is reasonable from a physician’s perspective and it is ensured that the necessary level of care is applied. Since then, the use of video and phone consultations of physicians is allowed and is increasing. In the wake of such change, the general prohibition to advertise such remote medical services has been abolished as well. Advertisement for remote medical services is now permitted, provided that – according to the recognized medical state of art – a personal and direct contact between the physician and patient is not necessary.

New legislation was introduced in Germany in 2020 that made the use of telemedicine services permissible and contained provisions designed to support and encourage their increasing usage. We believe that these favorable legislative trends will result in a significant part of the market shifting to remote medical services in the coming years, with virtual visit services and patient care becoming new standards of care. In January 2022, the G-B-A introduced reimbursement for remote monitoring of patients with heart failure (RPM-HF) by German SHI funds. These services are provided in cooperation with a telemedicine center and physicians qualified as specialists in internal medicine and cardiology. G-B-A reimbursement for remote patient monitoring RPM-HF provides SHL with another channel to offer its remote monitoring services for chronic congestive heart failure patients in addition to its traditional agreements with German SHI funds.

In the fall of 2020, German legislation introduced so-called digital health applications (DiGAs) to SHI care. DiGAs are class I or II medical devices, such as medical applications. Currently, 62 DiGAs are listed in a catalogue pursuant to Section 139e SGB V and may be prescribed by a treating physician. SHI patients are entitled to receive such DiGAs.

Since July 2021, SHI patients may request the use of an electronic patient file to store patient's data. In December 2023, the German legislator resolved that starting in 2025 use of the electronic patient file will become mandatory, unless a patient opts out of its use.

### ***European Union***

In Europe, the requirements for medical devices are established in two European regulations applicable since May 26, 2021, in all current and future member states of the EU. The two regulations are (1) the European Union Medical Device Regulation (the "MDR") and (2) Regulation (EU) 2017/746 of April 5, 2017, relating to in vitro diagnostic medical devices. Although the MDR is self-binding in all member states of the EU, numerous acts of the EU and of national legislation in each member state are necessary to fully implement the legal provisions. These provisions essentially include higher safety standards to be met by medical devices and, therefore, require a new conformity assessment procedure and re-certification of all medical devices regardless of whether they have already been placed on the market. During the EU EPSCO (Employment, Social Policy Health and Consumer Affairs) Council Meeting in December 2022, the council identified risks relating to the shortage of medical devices in the EU market due to the MDR. It was determined that a legislative change would be required to address this, and accordingly, on March 20, 2023, the European Commission adopted amendments to the MDR, to allow for extension of the transitional provisions contained in the MDR until the end of 2027 or 2028 depending on the classification of the device.

### ***United States***

Manufacturers of medical devices are required to register with the FDA as device manufacturers and submit listing information for devices in commercial distribution. As a manufacturer of medical devices, we are subject to requirements governing premarket approval and clearance, labelling, promotion, clinical research, medical device adverse event reporting, manufacturing practices, reporting of corrections and removals, and recordkeeping. Further, we are subject to periodic inspection by the FDA for compliance with these requirements. With respect to manufacturing, we are subject to the FDA's Quality System Regulation (21 C.F.R. Part 820) and related FDA guidance, which requires us to manufacture products in accordance with GMP, including standards governing product design. The medical device reporting regulations and guidance require that we report to the FDA whenever we receive or become aware of information that reasonably suggests a device may have caused or contributed to a death or serious injury, or that a device has malfunctioned, and a device or similar device would be likely to cause or contribute to a death or serious injury if the malfunction were to recur. FDA regulations also may require us to conduct product recalls and take certain other corrective actions in response to potential quality issues. In addition, the FDA prohibits our products division from promoting our manufactured products for unapproved or uncleared indications or in a false or misleading manner. We are also prohibited from promoting unapproved or uncleared drugs or devices more generally. Finally, as with our pharmaceutical products, states impose additional requirements on our drug and device manufacturing and distribution activities, including requiring additional state licenses. We are subject to periodic inspections by the FDA and other authorities for compliance with these requirements.

### **Sales and Marketing**

Sales and marketing activities are managed in each of our local territories in accordance with its main business model. In Israel, the business model is focused on marketing and selling SHL cardiac monitoring services directly to individual consumers. Our marketing and sales activity therefore is focused on the acquisition of individual customers. Mediton's marketing and sales are focused on providing its services to institutions and payers. In Germany, the business model is based on the B2B model, where we have agreements with German health insurance funds to provide services to insured patients of such healthcare insurance funds as well as other services such as Telehealth and Doctors' Virtual Visits, and therefore marketing and sales activity in Germany is focused on the German health insurance funds' customers. In the U.S., SHL is focused on marketing and selling its unique and patented FDA-cleared mobile 12 lead ECG SmartHeart® platform to direct consumers, health systems, healthcare providers, payers and other healthcare business customers, including leading healthcare providers such as the Mayo Clinic, CVS and Henry Schein.

## Customer Relationships

A key part of our business is establishing and maintaining strong collaborations with leading providers and consumers in the health industry, including top health insurers, health organizations and medical centers.

In Germany, we have various multi-year agreements, known as Section 140 agreements, for the provision of our telemedicine services, with a number of leading German SHI funds that collectively provide health insurance coverage to approximately 30% of the German population in the aggregate (amounting to approximately 25 million persons). These agreements generally contain terms ranging from four to seven years, with some containing evergreen renewal provisions.

Pursuant to these agreements, the SHI funds refer their chronic patients, including those with cardiac congestive heart failure conditions, to us for remote monitoring services. We provide these patients at-home monitoring systems that enable them to transmit data to telemedicine centers on a daily basis or as needed upon presentation of symptoms. In the event of change or deviation in a patient's data, the telemedicine center contacts the patient and provides guidance to stabilize the patient's condition, in order to prevent further deterioration and avoid hospitalization. Payment for these services by the SHUI funds is based on a fixed amount per period for each insured patient enrolled in our service.

In addition, we also provide telehealth and virtual physician visit services to the insured patients of German SHI funds pursuant to other Section 140 agreements. Payment for these services by the SHI funds is transactional and is based on the number and type of service used by the insured.

In the U.S., our business is primarily focused on the marketing and sale of our SmartHeart® platform to consumers and healthcare business customers. We engage both directly with consumers and with healthcare facilities and providers with the goal of providing them with our SmartHeart® platform to be incorporated into their different platforms in multiple use cases and settings. In November 2023, we announced the soft launch of the SmartHeart® membership program in the U.S. as part of our direct-to-consumer initiative, offering a comprehensive private-pay subscription service that delivers at-home professional cardiac care directly to the consumer. In October 2020, we entered into a collaboration with the Mayo Clinic to evaluate the incidence of emergency department visits, rehospitalizations and major adverse cardiovascular events (MACE), and cost-effectiveness over a period of 90 days after the first hospitalization for a heart attack for patients using our SmartHeart® 12 lead ECG.

## Competition

In the last few years, we have experienced rapidly growing competition within the field of telemedicine services and products. Our main competitors include small companies providing focused solutions for a limited number of specific healthcare conditions, as well as larger companies providing comprehensive healthcare services. These companies, which may offer their services at lower prices, are continuing to develop additional products and are becoming more sophisticated and effective. In addition, large, well-financed healthcare providers and insurance carriers have in some cases developed their own platform or tools and may provide these solutions to their clients at discounted prices. Competition from specialized software providers or device manufacturers, which may facilitate the collection of data but offer limited interpretation, feedback or guidance, and from other parties will result in continued pricing pressures, which are likely to lead to price declines in certain product segments, which could negatively impact our sales, profitability and market share.

### *Competition in Israel*

In Israel, our main competitor is Natali (a company for emergency medical services in Israel) Ltd., which provides telehealth and home care services, and Monitor - emergency medical services Ltd., a cardiac monitoring company.

Mediton competes primarily with companies providing medical services such as LMS (Iotem medical services), MPT, Cardiomedix, Femi connecting healthcare, Shemer Medical Institute, and in certain cases units operated by hospitals.

### *Competition in Germany*

We operate in a highly competitive environment in Germany. We compete with large companies with global reach and significant experience in this market such as Philips Medical Systems and Teladoc, companies with significant national presence such as Otto Group – Medgate and Vitaphone, as well as smaller players such as Teleclinic, 4 sigma, and MD-Medicus. We expect there will be consolidation in this market as companies seek to acquire know-how and technologies and leverage the synergies of complementary products and services and efficiencies of scale.

### *Competition in the U.S.*

We operate in a highly competitive and fragmented industry, subject to rapid change and significantly affected by new product introductions, results of clinical research, corporate combinations and other factors. Large competitors in the ambulatory cardiac market including GE Healthcare, Medtronic Inc., Boston Scientific Corporation, and Philips Medical Systems. Recently, there has been an increase in acquisition activity and consolidation in our industry. Many of our competitors have substantially greater financial, manufacturing, marketing and technical resources than we do. Furthermore, many of our competitors have well-established brands, widespread distribution channels, broader product offerings and an established customer base.

These competitors have also developed patch-based cardiac monitors that have received FDA and foreign regulatory clearances. We are also aware of small start-up companies entering the 12 lead ECG cardiac monitoring market, such as Heartbeam Inc. Large medical device companies may continue to acquire or form alliances with these smaller companies in order to diversify their product offering and participate in the digital health space. We believe the principal competitive factors in our market include:

- ease of use, comfort and unobtrusiveness of the device for the patient;
- quality and clinical validation of the deep-learned algorithms used to detect arrhythmias;
- concise and comprehensive reports supporting efficient physician interpretation;
- ease of use of service workflow for physicians and supporting clinicians;
- contracted rates with third-party payors;
- government reimbursement rates associated with our products and services;
- quality of clinical data and publications in peer-reviewed journals;
- size, experience, knowledge and training of sales and marketing teams;
- reputation of existing device manufacturers and service providers; and
- relationships with physicians, hospitals, administrators, and other third-party payors.

C. ORGANIZATIONAL STRUCTURE

SHL Telemedicine Ltd. is the parent company of a group of direct and indirect subsidiaries worldwide. The following table lists our subsidiaries, their countries of incorporation and our direct or indirect ownership interests in them.

Subsidiary	Country of Incorporation	Direct/Indirect Ownership Interest
Shahal Haifa Medical Services Ltd.	Israel	<p><i>Authorized Share Capital:</i> NIS 13,000 divided into 13,000 ordinary shares, par value NIS 1.00 each</p> <p><i>Issued Share Capital:</i> 200 ordinary shares—100% held by SHL</p>
Shahal Rashlatz- Rehovot Medical Services Ltd. (“Shahal Rashlatz”, or “SHLR”)	Israel	<p><i>Authorized Share Capital:</i> NIS 16,600 divided into 16,600 ordinary shares, par value NIS 1.00 each</p> <p><i>Issued Share Capital:</i> 100 ordinary shares—100% held by SHL</p>
Mediton Medical Centers Chain Ltd. (“Mediton Medical”)	Israel	<p><i>Authorized Share Capital:</i> NIS 22,900 divided into 22,900 ordinary shares, par value NIS 1.00 each</p> <p><i>Issued Share Capital:</i> 100 ordinary shares</p> <p><i>70% (held by Shahal Rashlatz)</i></p>
Medishur Ltd.	Israel	<p><i>Authorized Share Capital:</i> NIS 2,640 divided into 2,600 ordinary shares, par value NIS 1.00 each and 40 management shares, par value NIS 1.00 each</p> <p><i>Issued Share Capital:</i> 100 ordinary shares</p> <p><i>70% (held by Shahal Rashlatz)</i></p>
Mediton - Adam Ltd.	Israel	<p><i>Authorized Share Capital:</i> NIS 200 divided into 100 management shares, par value NIS 2.00 each, and NIS 22,800 divided into 22,800 ordinary shares, par value NIS 1.00 each</p> <p><i>Issued Share Capital:</i> 100 ordinary shares, four management shares</p> <p><i>70% (100% held by Mediton Medical)</i></p>
SHL Telemedicine International Ltd. (“SHL INT”)	Israel	<p><i>Authorized Share Capital:</i> NIS 101,000 divided into 101,000 ordinary shares, par value NIS 1.00 each</p> <p><i>Issued Share Capital:</i> 10,000 ordinary shares—100% held by SHL</p>
SHL Telemedicine B.V (“SHL BV”)	The Netherlands	<p><i>Authorized Share Capital:</i> EUR 75,000 divided into 300,000 ordinary shares, par value EUR 0.25 each</p> <p><i>Issued Share Capital:</i> 74,043 ordinary shares—100% held by SHL INT</p>

Personal Healthcare Telemedicine Services Europe B.V. (“PHTS”)	The Netherlands	<i>Authorized Share Capital:</i> EUR 4,000,000 divided into 400,000 ordinary shares, par value EUR 10.00 each <i>Issued Share Capital:</i> 811,500 ordinary shares—100% held by SHL BV
SHL Telemedizin GmbH (“SHL Telemedizin”)	Germany	<i>Authorized Share Capital:</i> EUR 300,000 divided into 2 ordinary shares, par value EUR 25,000 and EUR 275,000 <i>Issued Share Capital:</i> 2 ordinary shares—100% held by PHTS
Almeda GmbH	Germany	<i>Authorized Share Capital:</i> EUR 25,000 <i>Issued Share Capital:</i> 25,000 shares, par value EUR 1.00 each—100% held by SHL Telemedizin
Jumedi GmbH	Germany	<i>Authorized Share Capital:</i> EUR 25,000 <i>Issued Share Capital:</i> 4 shares, par value EUR 6,250 each —100% held by SHL Telemedizin
Gesellschaft für Patientenhilfe DGP mbH	Germany	<i>Authorized Share Capital:</i> EUR 25,000 divided into 2 ordinary shares, par value EUR 24,750 and EUR 250 <i>Issued Share Capital:</i> 2 ordinary shares—100% held by SHL Telemedizin
SHL Telemedicine USA, Inc.	USA (Delaware)	<i>Authorized Share Capital:</i> \$1.00 divided into 100 shares of common stock, par value \$0.01 each <i>Issued Share Capital:</i> 100 shares of common stock—100% held by SHL INT
SHL Telemedicine India Private Limited	India	<i>Authorized Share Capital:</i> Rs 7,000,000 divided into 700,000 equity shares of Rs 10 each <i>Issued Share Capital:</i> 625,126 equity shares—99.9% held by SHL INT and 0.01% held by SHL BV

D. *PROPERTY, PLANTS AND EQUIPMENT*

The following table identifies our principal office and telemedicine center facilities, all of which are rented by us:

<b>Location</b>	<b>Address</b>	<b>Description</b>	<b>Approximate Size</b>
Munich - Germany	Balanstraße 69 Munich	SHL’s German head office and telemedicine center in Germany	3,208 sqm
Israel	90 Yigal Alon St. Tel Aviv	SHL’s Israeli head office and telemedicine center	5,389 sqm
Israel	18 Hahashmal St. Tel Aviv*	Mediton – Medical services	2,752 sqm

\* We lease this property from an affiliate of the 30% minority shareholder of Mediton from whom we acquired our 70% interest in Mediton.

#### ITEM 4.A. UNRESOLVED STAFF COMMENTS

Not applicable.

#### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

##### A. OPERATING RESULTS

*The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with the consolidated financial statements and related notes thereto of us beginning on page F-1 of this Annual Report. The discussion should also be read in conjunction with the information included and referenced in Item 3.D. "Key Information – Risk Factors," Item 5. "Operating and Financial Review and Prospects" Results, Item 8. "Financial Information" and Item 18. "Financial Statements."*

*Certain information included in this discussion and analysis includes forward-looking statements that are subject to risks and uncertainties, and which may cause actual results to differ materially from those expressed or implied by such forward-looking statements. For further information on important factors that could cause our actual results to differ materially from the results described in the forward-looking statements contained in this discussion and analysis, see "Cautionary Note Regarding Forward-Looking Statements," Item 3.D, "Key Information—Risk Factors" and information elsewhere in this Annual Report.*

##### Overview

SHL is an international group specializing in telemedicine services, including the provision and development of advanced personal telemedicine solutions, with operations in Israel, Germany and the United States. Personal telemedicine is the transmission of medical data by an individual, from a remote location to a telemedicine center or healthcare provider via telecommunication networks and the subsequent data reading and provision of medical assessment or services to the individual via electronic telecommunication technologies. Our 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.

We are a leader with a long history in the telemedicine market in Israel and Germany, providing remote medical services and patient management, with telemedicine centers in Israel and Germany that are available 24/7, and global service of cloud-based technology, all of which results in about 3 million interactions and data readings annually.

Today, our primary focus is developing technologies, solutions, and advanced telemedicine services to diagnose and monitor the heart and other cardiac diseases, such as congestive heart failure. Our key product is the SmartHeart® platform, a unique advanced technology that is the only full ECG 12 lead ECG that enables a hospital-quality full ECG to be performed by a lay-person without the assistance of a healthcare professional. The SmartHeart® platform's technology is FDA-cleared and patented, and SmartHeart® is registered as a trademark.

##### Basis of Presentation

We prepare our financial statements in accordance with IFRS as issued by the International Accounting Standards Board. The presentation currency of our financial statements is the U.S. dollar.

Our material accounting policies are described in Note 2 of our audited consolidated financial statements for the years ended December 31, 2023, 2022 and 2021 included elsewhere in this Annual Report.

## Components of Operating Results

### General

Most of our revenues and expenses are generated in NIS. Accordingly, we consider the NIS to be our functional currency in Israel and our consolidated financial statements are prepared in NIS.

Our reporting currency is in U.S. Dollars. The translation of our financial statement to U.S. dollars is based on the following methods:

- a) Assets and liabilities of foreign operations, including goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of said foreign operation, are translated at the closing rate at the end of the reporting period.
- b) Income and expenses for each period presented in the statement of income are translated at average exchange rates for the presented periods.
- c) Share capital, capital reserves and other changes in capital are translated at the exchange rate prevailing at the date of incurrence.
- d) Retained earnings are translated based on the opening balance translated at the exchange rate at that date and other relevant transactions (such as issuing a 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".

As we evaluate our growth prospects and manage our operations for the future, we believe that we can further expand healthcare services in Israel and Germany and increase the worldwide distribution of SmartHeart® platform solutions (mainly in the United States).

We followed the below sales strategy in fiscal year 2023 in order to expand our revenues:

- Leverage synergies and cross-sell our products and services with Mediton;
- Commercial agreements with leading U.S. healthcare providers such as the Mayo clinics and CVS;
- Commercial agreements with BARMER and other health insurance funds in Germany for doctor's virtual visits and telehealth services;
- Increased sales and marketing activities mainly in the U.S.;
- Increased research and development investments related to the SmartHeart® platform; and
- Continued pursuit of strategic relationships with customers, mainly in the U.S., including the soft launch of the SmartHeart® membership program in the U.S. as part of our direct-to-consumer initiative.

### Revenues

In general, our revenues derive from healthcare services contracts (B2C and B2B), which is recognized over time, and the sale of telemedicine devices, which is recognized at the point of time when the control of the goods is transferred to customers.

### Cost of revenues

The cost of revenues consists of salaries and related expenses, external services fees, cost of devices, and allocation of overhead expenses. Overhead expenses consist of a variety of costs, including rent, office IT and associated expenses.



### Research and Development Expenses

Research and development expenses consist primarily of salaries and related expense payments for subcontractors and overhead expenses.

### Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries and related expenses, commissions and fees to third party representatives, marketing & advertising, promotional expenses, domestic and international travels, web site maintenance, and overhead expenses.

### General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related expenses, including share-based compensation, professional fees (which include legal, audit and other consulting fees) and other general corporate expenses.

### Financial Income (loss), Net

Financial income, net, consists primarily of share option liability adjustments, earning or loss from marketable securities, interest earned on bank deposits, bank charges, and gains or losses from the exchange rate differences in respect of balances and transactions in other than functional currencies.

### Results of Operations

	Year ended December 31,		
	2023	2022	2021
		(in thousands)	
Revenue	\$ 57,075	\$ 58,998	49,582
Cost of revenue	31,814	31,809	24,989
Gross profit	25,261	27,189	24,593
Operating Expenses:			
Research and development	5,260	3,788	2,985
Sales and marketing	10,581	11,403	9,454
General and administrative	16,228	16,748	12,103
Other expenses	2,198	416	548
Total operating expenses	34,267	32,355	25,090
Operating (loss)	(9,006)	(5,166)	(497)
Financial income (expense), net	3,042	6,478	(12,972)
Profit (loss) before income taxes	(5,964)	1,312	(13,469)
Tax expenses	891	1,097	455
Net profit (loss)	<u>\$ (6,855)</u>	<u>\$ 215</u>	<u>\$ (13,924)</u>

	Year ended December 31,		
	2023	2022	2021
Revenue	100%	100%	100%
Cost of revenue	56	54	50
Gross profit	44	46	50
Operating Expenses:			
Research and development	9	6	6
Sales and marketing	19	19	19
General and administrative	28	28	24
Other expenses	4	1	1
Total operating expenses	60	55	51
Operating (loss)	(16)	(9)	(1)
Financial income (expense), net	5	11	(26)
Profit (loss) before income taxes	(11)	2	(27)
Tax expenses	1	2	1
Net profit (loss)	(12)%	0%	(28)%

**Year Ended December 31, 2023 Compared to Year Ended December 31, 2022**

**Revenue:**

	Individuals and communities	Institutions and payers	Others	Total
	(in thousands)			
<b>Year ended December 31, 2023:</b>				
Europe	\$ -	\$ 14,067	\$ -	\$ 14,067
Israel	20,913	21,179	-	42,092
USA	-	-	916	916
Total revenues	\$ 20,913	\$ 35,246	\$ 916	\$ 57,075

	Individuals and communities	Institutions and payers	Others	Total
	(in thousands)			
<b>Year ended December 31, 2022:</b>				
Europe	\$ —	13,374	—	13,374
Israel	\$ 22,161	22,975	2	45,138
USA	\$ —	—	486	486
Total revenues	\$ 22,161	\$ 36,349	\$ 488	\$ 58,998

**Revenues**

In 2023, our revenues decreased by approximately \$1.9 million, compared to 2022. In Israel revenues decreased by approximately \$3.0 million mainly due to a negative exchange rate of \$4.0 million between the NIS and the U.S. dollar. In Germany revenues slightly increased by approximately \$0.7 million and in the U.S. revenues increased by \$0.4 million.

## Cost of Revenues

Cost of revenues for each of 2023 and 2022 was \$31.8 million.

In fiscal year 2023, gross margin was 44% compared to 46% in fiscal year 2022. The decrease was mainly due to our B2B operation in Israel due to the decrease in revenues during the last quarter of 2023 as a result of armed conflict between Israel and Hamas that began during the last quarter of 2023.

The following table provides our operating costs and expenses in 2023 and 2022:

	Year ended December 31,	
	2023	2022
	(in thousands)	
Research and development costs, net	\$ 5,260	\$ 3,788
Selling and marketing expenses	10,581	11,403
General and administrative expenses	16,228	16,748
Other expenses	2,198	416
Total operating expenses	\$ 34,267	\$ 32,355

### Research and Development costs, net

Research and development costs increased by approximately \$1.5 million in 2023 compared to 2022. The increase was mainly due to the continued development of our SmartHeart™ technology platform and the development of our platform in Germany. R&D gross expenses in 2023 were \$6.7 million, of which \$4.2 million was capitalized, compared to \$7.2 million, of which \$5.2 million was capitalized, in 2022. Amortization of development costs was \$2.8 million in 2023 compared to \$1.8 million in 2022.

### Selling and Marketing Expenses

Selling and marketing expenses for fiscal year 2023 were \$10.6 million, compared to \$11.4 million in fiscal year 2022. The decrease was primarily related to a slight decrease in such expenses for our German and Israeli operations while in the U.S. our sales and marketing expenses increased by \$0.4 million mainly to the launch of our direct-to-consumer initiative.

### General and Administrative Expenses

General and administrative expenses for the 2023 fiscal year were \$16.2 million, compared to \$16.7 million in the 2022 fiscal year. The decrease was mainly related to a decrease in consulting expenses.

### Other Expenses

Other expenses for fiscal year 2023 were \$2.2 million, compared to \$0.4 million in fiscal year 2022. Other expenses mainly include restructuring expenses of USD \$1.3 million, other non-recurring expenses of \$0.3 million in Germany, and \$0.6 million related to NASDAQ listing expenses.

### Financial income (expenses), net

	Year ended December 31,	
	2023	2022
	(in thousands)	
Share options	\$ 1,712	\$ 7,504
Exchange rate differences	991	608
Gain (loss) from marketable securities, net	848	(769)
Interest, net	(241)	(604)
Others	(268)	(261)
Financial expenses, net	\$ 3,042	\$ 6,478

Financial income, net for the 2023 fiscal year was \$3.0 million compared to financial income, net of \$6.5 million in the 2022 fiscal year. The decrease was mainly related to the revaluation of options that had been issued to investors, which were exercised during the first quarter of 2023

Financial income relating to share options arise from changes in fair value based on the valuation of these options at the end of each reporting period. SHL uses the Black Scholes option pricing model when estimating the fair value of its share options. The factors that significantly affected the valuation of share options were (a) the market price of SHL's ordinary shares, (b) expected volatility and (c) the expected average life of the share options.

For the twelve months ended December 31, 2022, SHL's share price decreased and the expected volatility increased from CHF 19.10 to CHF 14.80 per share, and 34.81% - 35.16% to 32.59% - 38.24%, respectively, while the expected average life of share options decreased from 1.06 - 1.13 years to 0.06 - 0.13 years.

In 2023, income from exchange rate differences mainly related to strengthening of the U.S. dollar versus the NIS by 3.1%. This resulted in an exchange rate difference of \$1.0 million in respect of \$14.0 million held by the Company in U.S. dollar deposits, since the functional currency of our financial statements is the NIS.

The strengthening of the U.S. dollar versus the NIS by 3.1% resulted in other comprehensive loss/ of approximately \$2.1 million in the twelve months ended December 31, 2023 due mainly to the translation of the financial statements of entities of our consolidated group from their functional currency in NIS to the presentation currency in US dollar.

In 2022, income from exchange rate differences mainly related to the effect of the strengthening of the U.S. dollar versus the Israeli Shekel by 13.2%. This resulted in exchange rate income of \$0.6 million in respect of \$6.2 million held in U.S. dollar deposits (as the functional currency of the financial statements of SHL is the New Israeli Shekel).

#### **Taxes on Income**

For fiscal year 2023, tax expenses were \$0.9 million, compared to tax expenses of \$1.1 million in fiscal year 2022. The decrease was mainly related to a decrease in taxes from the B2B operation in Israel.

#### **Year Ended December 31, 2022 Compared to Year Ended December 31, 2021**

For a comparison of our results for the years ended December 31, 2022, and 2021, please refer to Item 5 in our Annual Report on Form 20-F/A for the year ended December 31, 2022, filed with the SEC on May 15, 2023.

#### *Impact of Inflation and Foreign Currency Fluctuations*

Our Israeli business is the most significant of our operations. As a result, the majority of our revenues and expenses are generated in NIS. Investment activities and financing activities (excluding capital raise) were made in NIS. Our business in Germany is the second largest component of our operations, the revenues and expenses of which are generated in Euros. We believe our U.S. business will be the main growth driver going forward, however, we consider the NIS to be our functional currency. Accordingly, future additional revenues may be denominated priority in currencies other than NIS and Euros.

Because exchange rates between the NIS, Euro and U.S. dollar fluctuate continuously, exchange rate fluctuations will have an impact on our profitability and period-to-period comparisons of our results. The effects of foreign currency re-measurements of financial assets and liabilities are reported in our financial statements as financial income or expense.

We currently do not have any mechanisms in place to hedge our exposure to foreign currency and interest rate fluctuations. However, we may in the future undertake hedging or other similar transactions or invest in market risk-sensitive instruments if our management determines that it is necessary to offset risks such as foreign currency and interest rate fluctuations.

### *Effective Corporate Tax Rate*

As of January 1, 2018, Israeli resident companies are generally subject to corporate tax at the rate of 23%. Israeli resident companies are generally subject to capital gains tax at the corporate tax rate. We have historically incurred operating losses resulting in carry forward losses for tax purposes totaling approximately \$109.8 million (\$62 million in Israel, \$32.5 million in Europe, and \$15.3 million in the U.S.) as of December 31, 2023, and \$101.5 million (\$67.1 million in Israel, \$23.7 million in Europe, and \$10.7 million in the U.S.) as of December 31, 2022. We will be able to carry forward these tax losses to future tax years. Except for our Mediton operation, we do not expect to pay taxes in Israel on our income from operations until we utilize our carry forward tax losses. We may, however, be required to pay taxes on our passive income, if any. For more information on taxation, see “Item 10.E.— Taxation.”

Our effective corporate tax rate may exceed the Israeli tax rate. Our German and U.S. subsidiaries will generally be subject to applicable federal, state, local and foreign taxation, and we may also be subject to taxation in the other foreign jurisdictions in which we own assets, have employees or conduct business activities.

### *B. LIQUIDITY AND CAPITAL RESOURCES*

We have financed our operations through cash generated from operations, and the proceeds from our private equity offerings, including the exercise of options issued in the private equity offerings. Cash and cash equivalents and short-term bank deposits on December 31, 2023, and December 31, 2022, were approximately USD \$26.0 million and USD \$18.7 million, respectively.

For our material cash requirements, including commitments for capital expenditures, as of December 31, 2023, please see “Item 4.A. – Principal Capital Expenditures and Divestitures.” In addition, we received cash in the amount of approximately \$20.3 million with respect to the exercise requests received from the exercise of the investors’ options in January and February of 2023. The sources of funds for such capital expenditure requirements have been cash generated from operations, the proceeds from our private equity offering, including the exercise of options issued in the private equity offerings, and in the case of the Mediton acquisition, our long-term credit facility.

We believe that our existing capital resources and cash flows from operations will be adequate to satisfy our expected capital expenditures and liquidity requirements through the next twelve months. Without derogating from the foregoing estimate regarding our existing capital resources and cash flows from operations, we may decide to raise additional funds in the future. We believe that, if required, we will be able to raise additional capital or reduce discretionary spending to provide the required liquidity beyond the next twelve months. There can be no guarantee that financing will be available on commercially acceptable terms or at all. Debt financing, if available, could impose additional cash payment obligations, additional covenants and operating restrictions. Future equity financings could result in the dilution of our existing shareholders. In addition, any of the items discussed in detail under "Risk Factors" elsewhere in this Annual Report may also significantly impact our liquidity.

#### Cash Flow Discussions

##### *Fiscal Year Ended December 31, 2023 Compared to Fiscal Year Ended December 31, 2022 and Fiscal Year Ended December 31, 2021*

The following tables reflect the changes in cash flows for the comparative periods:

	For fiscal year ended December 31,		
	2023	2022	Change
	US\$	US\$	US\$
(In millions)			
<b>Cash flow data</b>			
Net cash (used in) operating activities	(1.5)	(0.1)	(1.7)
Net cash (used in) investing activities	(9.3)	(6.4)	(2.9)
Net cash provided by (used in) financing activities	13.7	(2.3)	16.0
	For fiscal year ended December 31,		
	2022	2021	Change
	US\$	US\$	US\$
(In millions)			
<b>Cash flow data</b>			
Net cash provided by (used in) operating activities	(0.1)	0.2	(0.3)
Net cash (used in) investing activities	(6.4)	(41)	34.6
Net cash provided by (used in) financing activities	(2.3)	51.1	(53.4)

##### *Cash Flows Provided By/Used In Operating Activities*

Cash used in operating activities for the year ended December 31, 2023, was \$1.5 million, and primarily related to our operating loss in 2023.

Cash used in operating activities for the year ended December 31, 2022, was \$0.1 million, and primarily related to non-cash adjustments of \$3.5 million, including depreciation and amortization expenses of \$7.1 million, partially offset by financing income of \$6.7 million.

Cash provided by operating activities for the year ended December 31, 2021, was \$0.2 million and primarily related to net loss of \$13.0 million, partially offset by non-cash adjustments of \$20.3 million, including of financial expenses of \$13.0 million as a result of increase in investors options valuation and depreciation and amortization expenses of \$5.4 million and cost of share expenses of \$1.3 million while interest and tax payments were \$1.3 million and negative change of \$4.9 million in our operating assets and liabilities (including inventory increase of \$3.1 million).

#### *Cash Flows Used In Investing Activities*

Cash used in investing activities during the year ended December 31, 2023, was \$9.3 million, primarily related to the capitalization of development costs of \$4.2 million, \$1.3 million for the purchase of property and equipment and \$3.8 million from investment in short-term deposit.

Cash used in investing activities during year ended December 31, 2022, was \$6.4 million, primarily related to the capitalization of development cost of \$5.2 million, and \$5.7 million from investment in short-term deposit, \$5.6 million from investment in short-term investment and \$1.6 million for the purchase of property and equipment, offset in part by \$11.7 million from the net proceeds from short term investments.

Cash used in investing activities during year ended December 31, 2021, was \$41.0 million and primarily related to subsidiary acquisition of \$27.3 million, the purchase of short-term investments of \$13.6 million, and the capitalization of development cost of \$2.6 million.

#### *Cash Flows Provided By/Used In Financing Activities*

Cash provided by financing activities during the year ended December 31, 2023, was \$13.7 million, primarily related to the exercise of options by investors in a net amount of \$19.2 million, offset by lease payments of \$2.7 million and repayment of long-term loan of \$2.1 million.

Cash used in financing activities during the year ended December 31, 2022, was \$2.3 million and primarily related to lease payments of \$2.4 million, and repayment of long-term loan of \$1.7 million partially offset by exercise of options of \$2.0 million.

Cash provided from financing activities during the year ended December 31, 2021, was \$51.1 million and primarily related to the net proceeds from the issuance of share capital of \$36.9 million, \$0.5 million from the exercise of options, and \$18.3 million in proceeds from long-term loans, offset in part by lease payments of \$1.9 million and short-term bank credit repayment of \$2.7 million.

#### ***Financial Arrangements***

On January 7, 2021, a 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 two placements by selling 1,600,000 ordinary shares. In addition, the company issued options to purchase 800,000 ordinary shares at an exercise price of CHF 11.00 per share exercisable for a 24-month period.

On February 17, 2021, the company closed a second private placement by issuing 2,288,889 new ordinary shares. In addition, the company issued options to purchase 1,144,444 further ordinary shares at an exercise price of CHF 11.00, exercisable for a 24-month period.

The expiration dates for the options were January 20, 2023, and February 16, 2023. Upon expiration, the proceeds from the exercise of 1,914,478 options were recorded in equity.

The placement agents in these two private placements received a cash payment based on the amount of cash received in the private placements and from the exercise of the options issued in the placements. In addition, the placement agents were granted options for units at an exercise price of CHF 9.00 per unit. Each unit entitles the placement agents to receive one ordinary share together with an option to acquire 0.5 ordinary share at an exercise price of CHF 11.00 per share. The exercise period for these placement agents' units is until March 17, 2025. As of December 31, 2023, the number of units granted to the placement agents was 155,720. These units, if fully exercised, entitle the placement agent to 233,580 shares.

### *Long-term loan*

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 million) for a period of seven years and nine months. The loan is denominated in NIS and bears interest at prime plus 1.05% (2.65% as of the signing date). The loan is required to be repaid in 28 quarterly installments following an initial moratorium period of nine months.

The loan agreement includes certain financial covenants related to the company's Israeli operations, including with respect to minimum tangible equity, minimum tangible equity to total tangible assets, and net debt to EBITDA. As of December 31, 2023, the company was in compliance with these covenants.

### *Mediton Group Acquisition*

On August 31, 2021, the company consummated an agreement, dated August 25, 2021, to acquire 70% of the Mediton Group companies, a leading provider of healthcare services in Israel in the field of diagnostics, preventative healthcare, and medical opinions to institutional customers, including Israeli blue-chip companies, government institutions such as the Israeli Social Security and the Israeli Ministry of Defense, all four healthcare funds and insurance companies.

The purchase price for the acquisition of approximately NIS 84 million (approximately \$26 million) was financed from cash on hand and the NIS 59 million Israeli bank long-term loan referred to above. The transaction included the grant of a put and call option over the remaining 30% interest in the Mediton Group.

### *Sellers Put Option*

Pursuant to the Mediton SPA, the sellers have an option for one year from the day following the end of the third anniversary of the closing ("Put Option Period"), to obligate SHLR to purchase all (but not part) of the sellers' remaining 30% holdings in both Mediton and Medishur (but not one of them), at a price based on a multiple of EBITDA of Mediton Group as defined and set out in the Mediton SPA.

The put option price may be paid in SHL ordinary shares so long as the ordinary shares remain listed on the SIX or another major exchange, with each ordinary shares valued at 90% of SHL's share closing price on the date the put option is exercised.

As of December 31, 2023, and December 31, 2022, the estimated gross amount of cash outflow assuming the put option will be exercised at the earliest possible date was \$9.9 million and \$11.3 million, respectively. As discussed above, this amount may be settled in cash or through the issuance of SHL ordinary shares. The principal factor that could have a material impact on the gross amount would be a significant change in the EBITDA of the Mediton Group in the period prior to the Put Option Period.

For financial reporting purposes, SHL has selected as an accounting policy to record the sellers' remaining 30% holdings in both Mediton and Medishur as non-controlling interest in the equity of SHL. The put and call options, which are financial derivatives, are measured at fair value through profit or loss and are presented net in the consolidated balance sheet.

The fair value of the put option to sell the remaining 30% holdings in both Mediton and Medishur represents the difference between estimated fair value of the remaining 30% holdings in both Mediton and Medishur and the exercise price discounted to its present value. As the exercise price gets closer to the fair value of the remaining 30% holdings in both Mediton and Medishur, the effect is to reduce the fair value of the put option. The same would apply in the opposite direction to the fair value of the call option of SHL to acquire the remaining 30% holdings in both Mediton and Medishur, as described under the heading "Company Call Option" below.



As of December 31, 2023, and December 31, 2022, the net fair value of the put and call options were \$206 (liability) and \$245 (asset), respectively. See Note 17h to the consolidated balance sheet as of December 31, 2023, and December 31, 2022, respectively, included elsewhere in this Annual Report for an explanation of the methodology and significant inputs used in order to determine the fair value.

In order to provide information as to its liquidity position, SHL discloses in Note 17f to the consolidated balance sheet included elsewhere in this Annual Report as of December 31, 2023, the estimated gross cash outflow of \$8.2 million assuming the put option will be exercised at the earliest possible date.

#### *Company Call Option*

The Mediton SPA also provides SHLR the right for one year from the end of the Put Option Period to oblige the sellers to sell to SHLR all (but not part) of the sellers' remaining 30% holdings in both Mediton and Medishur (but not one of them) for the higher of the same price as the put option price, or a consideration that reflects a value of NIS 120 million for the companies as of the closing date with such amount being linked to the Israeli Consumer Price Index, minus all dividends paid from the August 31, 2021, closing date until the date the Call Option is exercised, all as set forth in the Mediton SPA.

#### *Long-Term Lease*

The Company has long-term lease liabilities repayable in monthly equal installments until March 2029. The total aggregate contractual undiscounted payments for these long-term lease liabilities, including interest, amounts to approximately \$10,775

#### *Off-Balance Sheet Arrangements*

We do not have any material off-balance sheet arrangements, that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

#### *C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.*

#### **Research & Development**

We are a leading developer of advanced telemedicine technologies that is highly focused on research and development, including predicting artificial intelligence technologies. Our research and development efforts are carried out with the Hadassah Medical Center and the Hebrew University of Jerusalem.

Our gross research and development costs (excluding amortization and capitalization) were \$6.7 million in 2023, \$7.2 million in 2022 and \$4.4 million in 2021.




#### **Intellectual Property**

We seek to protect our proprietary technology and intellectual property through a combination of patents, patent designs, and trademark applications, as well as trade secrets, know-how, and other contractual rights, (including confidentiality and invention assignment agreements). We hold a number of design patents and trademarks, including one of our key products and technologies, the SmartHeart®.

The following table sets forth certain information related to the primary patents and trademarks material to our business:

<u>Owned Patent</u>	<u>Jurisdiction</u>	<u>Expiration Date</u>
Patent #229482 – An Electrocardiographic Monitoring System and Method (Utility Patent)	Israel; China; Europe	In Israel, patent in force until May 21, 2026, and set to expire on May 21, 2032.
Device for Obtaining a Standard 12-Lead Electrocardiogram and a Rhythm Strip – Grant Number 09215998 (Utility Patent)	United States	June 1, 2032

#### **Status of Trademarks filed through WIPO in various countries**

<u>Trademark Number/Status</u>	<u>Trademark Name</u>	<u>Type of Trademark</u>	<u>Validity of Trademark (until the following dates)</u>	<u>Owner</u>	<u>Country of Registration</u>
7478308	 ramified heart symbol	10, 38, 44	12/18/2028	SHL Intern.	Europe (Community Trademark)
77638118	 ramified heart symbol	35, 38, 44	12/22/2028	SHL Intern.	U.S.A.
234343	CCM  (Logo CCM – Hebrew)	9, 10, 38, 44	12/13/2030	SHL Intern.	Israel
234810	HEART SMART	9, 10, 38, 44	01/02/2031	SHL Intern.	Israel
1096059	HEART SMART	9, 10, 38, 44	06/27/2031	SHL Intern.	WIPO

<u>Trademark Number</u>	<u>Trademark Name</u>	<u>Type of Trademark</u>	<u>Validity of Trademark (until the following dates)</u>	<u>Company</u>	<u>Country of Registration</u>
T1116147A Registered after rejection and appeal	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Singapore
4204156	SMART HEART	9, 10, 38, 44	09/11/2032	SHL Intern.	U.S.A.
8-8-2012-001246089 Registered after rejection and appeal	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	South Korea
2011-360491 Registered after rejection and appeal	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Japan
1459720 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Australia
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Norway
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Switzerland
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Island
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	China
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Turkey
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Croatia
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Russia
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Ukraine
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Moldova
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Serbia
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Georgia
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Montenegro
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Belarus
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Monaco
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	Lichtenstein
1096059 Registered	SMART HEART	9, 10, 38, 44	06/21/2031	SHL Intern.	European Union

Status of Trademarks filed in Germany

<u>Trademark Number*</u>	<u>Trademark Name</u>	<u>Type of Trademark</u>	<u>Validity of Trademark (until the following dates)</u>	<u>Company</u>	<u>Country of Registration</u>
302021116844	TELECOR	44	Pending final approval	SHL Telemedizin GmbH	Germany

\* Where an international registration number is listed, such number serves as the only registration number in the indicated country.

D. *TREND INFORMATION*

See Item 4. "Information on the company."

E. *CRITICAL ACCOUNTING ESTIMATES*

Not applicable.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information about our directors and executive officers as of the date of this Annual Report. Unless otherwise stated, the address of each of our executive officers and directors is Yigal Alon 90, Tel Aviv 67891, Israel.

Name		
Yariv Alroy	63	Chairman of the Board of Directors
Prof. Amir Lerman <sup>(1)(2)(3)</sup>	66	Director
Yehoshua (Shuky) Abramovich <sup>(1)(2)(3)</sup>	63	External Director
Dvorah Kimhi <sup>(1)(2)(3)</sup>	74	External Director
Ido Nouberger	59	Director
Nir Rotenberg	61	Director
Erez Nachtomy	63	Chief Executive Officer <sup>(4)</sup>
Amir Hai	58	Chief Financial Officer
Jason Bottiglieri	51	General Manager SHL USA
Bernd Altpeter	59	Managing Director, SHL Telemedizin, Germany

(1) Member of Audit Committee and Financial Statements Committee.

(2) Member of Compensation Committee.

(3) Independent director under Nasdaq and SEC independence standards.

(4) On March 14, 2024, Mr. Nachtomy announced that he would be resigning as Chief Executive Officer of the Company effective mid-June 2024.

*Yariv Alroy* joined our Board of Directors in December 2018, was elected as Chairman of the Board of Directors in December 2018, served as Co-Chairman from August 11, 2022, until February 2024, and has served as Chairman since February 2024. He served as our Co-CEO from 2000 to January 15, 2016. He previously served as managing director of SHL Telemedicine International Ltd. from 1997 to 2000 and as our Chief Operating Officer from 1993 to 1997. He also previously served as a member of the Board from 2001 to 2006 and 2010 to 2014. Before joining SHL, Mr. Alroy worked for a leading Israeli law firm from 1989 to 1993, with his last position as senior partner. Since 2016, he has been an investor and a businessman and serves as a Chairman of UAS Drone Corp. (OTCQB: USDR). He holds an LL.B. from Tel Aviv University, Israel.

*Prof. Amir Lerman* joined our Board of Directors in 2016. He has served as the Vice-Chair, Cardiovascular Department and the Director of the Cardiovascular Research Center at the Mayo Clinic in Rochester (USA) since 2010. He has also served as the Program Director for vascular and valve, Center for Regenerative Medicine at the Mayo Clinic since 2012. In addition, Prof. Lerman serves as the Director of the Mayo-Israeli startup company initiative as well as a faculty member at the Mirage Institute: US-Israel innovation bridge business leadership program, since 2009, in addition to various other positions held at the Mayo Clinic. Since 2001, he has also held an appointment as Professor of Medicine at the Mayo Medical School. Prof. Lerman graduated from the Technion School of Medicine in Haifa, Israel in 1985 and completed his training in internal medicine, cardiovascular diseases and invasive cardiology at the Mayo Clinic in 1994. Prof. Lerman has published more than 500 manuscripts, book chapters and reviews; the NIH, AHA and several foundations support his research.

*Yehoshua (Shuky) Abramovich* joined our Board of Directors in June 2017. Mr. Abramovich has held key positions in the Israeli capital market for over 25 years. He serves as the chairman of the board of Imed Infinity Medical, chairman of Atrade, member of the board of directors and chairman of the investment committee of I.D.I. Insurance Company, a member of the board of directors of each of the public companies Brimag Digital, Modiin Energy and GoTo and as a director in other high-tech, real estate and energy companies. Mr. Abramovich was the CEO of Clal Finance, one of Israel's largest financial institutions, which provided a broad array of financial services ranging from portfolio management to brokerage and underwriting services. Clal Finance owned and managed mutual funds, an in-house hedge fund, and offered individually tailored structured products to clients. Prior to that, he served in various positions in Clal Group, including Deputy CEO of Clal Insurance Enterprises Holdings. He served on the board of directors of the Tel Aviv Stock Exchange until September 2008, and he is a member of the board of trustees of the Academic Track of the College of Management. He has a B.A. in Economics & Business Management and an M.B.A. from Tel Aviv University.

*Dvorah Kimhi* joined our Board of Directors in December 2018, after previously serving on the Board from 2010 to 2014 and 2001 to 2007. Since 2002, she has served as Vice President for regulatory and legal affairs with Channel 10. She currently serves as Vice President for regulatory and legal affairs with Reshet Media Ltd. (Channel 13), one of the two existing Israeli commercial television channels. Prior to this, Ms. Kimhi served as Chief Legal Advisor to Ananey Communications Ltd., Noga Communications and the Israeli Educational Television. She also serves on the board of directors of Kol Hayyam Hadrom Ltd., an Israel radio station. Ms. Kimhi is a member of the Israeli Bar, holds an LL.B. from Tel Aviv University and has specialized in contract law, corporate law, communication law and regulation.

*Ido Nouberger* has served on our Board of Directors since February 2024. Mr. Nouberger has served as the CEO of Value Base since its inception in 2013. He also holds the position of chairman of the board or board member of Value Base's various subsidiaries. Prior to that, he served as CEO and a director of various Israeli companies. Mr. Nouberger holds a M.A. and B.A., both in economics, from Tel Aviv University.

*Nir Rotenberg* has served on our Board of Directors since February 2024. Mr. Rotenberg is the Chairman of the Board of Danbar Finance Ltd., a private investment group, and has served there as a director and partner since 2000. Prior to that, he served as a manager and director of certain public companies in the Danbar group of companies from 1994 until 2000 and from 1990-1993 served as chief investment officer in Migdal Insurance Company. Mr. Rotenberg holds a M.B.A. in business management and B.A. in economics from Tel Aviv University.

*Erez Nachtomy* has served as our Chief Executive Officer since May 2020 and served as a member of our Board of Directors from December 2018 until February 2024. On March 14, 2024, Mr. Nachtomy announced that he would be resigning as Chief Executive Officer of the Company effective mid-June 2024. From 1989 until 2001, Mr. Nachtomy practiced law at a leading Israeli law firm – Weksler, Bregman & Co., becoming a partner in the firm in 1994 and later on promoted to a senior partner. In March 2001, he joined our executive team as Vice President, and from January 2005 to December 2016 he served as our Executive Vice President. Since 2017, he is an investor and a businessman specializing in strategic planning, M&A transactions, and capital raising and business development. He serves as Vice Chairman and a member of the Board of UAS Drone Corp. (OTCQB:USDR). Mr. Nachtomy holds an LL.B. from Tel Aviv University and he is a member of the Israeli Bar.

*Amir Hai* has served as our Chief Financial Officer since January 2022. Mr. Hai. Prior to joining SHL, Mr. Hai was Chief Financial Officer of RADCOM (NASDAQ: RDCM) from 2018 to December 2021. Prior to that Mr. Hai served as Chief Financial Officer for several other companies including two publicly traded companies (Valor Computerized Systems and Shamir Optical Industry) and served as High-tech Senior Manager for Ernst & Young Israel. Since 2012 to 2021, Mr. Hai also served as external director and chairman of the audit committee of Matrix IT Ltd. Mr. Hai holds a B.A. in Economics from the College of Management Academic Studies in Israel and is certified in Israel as a CPA.

*Jason Bottiglieri* has served as our General Manager in the United States since June 2022. Mr. Jason Bottiglieri has over 25 years of commercial and executive-level management experience within the cardiovascular device field. He has extensive experience establishing and leading sales, marketing and operations teams, successfully commercializing innovative technologies in the global market. In his most recent position, Mr. Bottiglieri held the role of Chief Commercial Officer at Elucid Bioimaging, a developer of a non-invasive artificial intelligence medical software used for cardiovascular disease diagnosis. Prior to that he served as President and CEO of InnovHeart S.r.l., and as President and CEO of Infraredx, which was acquired by Nipro Corporation of Japan. Mr. Bottiglieri holds a B.A. in Chemistry from Florida Atlantic University and an M.B.A. from James Madison University.

*Bernd Altpeter* serves as Managing Director of SHL Telemedizin, Germany and served as Co-Managing Director from April 4, 2023, until September 2023. Mr. Altpeter has significant experience in the German healthcare and telemedicine market. Prior to joining SHL Telemedizin, Germany, Mr. Altpeter was Global Head of Digital Products and Projects with Boehringer Ingelheim Vetmedica GmbH from July 2021 to April 2023. Before that, Mr. Altpeter founded the Digital Health Group in 2013 serving as its Chief Executive Officer. The Digital Health Group consisted of several companies focusing on digital chronic care management programs and health contract management, providing solutions and services to health insurance companies, physicians and pharma companies. The group was acquired in 2020 by Fresenius SE. Previously, Mr. Altpeter held executive level positions in international organizations in the field of sales and marketing consulting. Mr. Altpeter is a Business Administration graduate from the Technische Universität Berlin, and management training from INSEAD and Duke University.

*B. COMPENSATION*

**Aggregate Compensation of Office Holders**

The aggregate compensation expenses to our directors and executive officers for the year ended December 31, 2023, was approximately \$2,184,028. This amount includes social benefits and car leasing costs. The amount does not include the expense of share-based compensation.

As of April 15, 2024, we have issued outstanding options to purchase 1,205,244 ordinary shares granted to our executive officers and directors under our 2021 Executive and Key Employee Israeli Share Incentive Plan (the "Share Option Plan") at a weighted average exercise price of CHF 12.22 per ordinary share.

## Individual Compensation of Office Holders

The table and summary below outline the compensation granted to our directors and executive officers with respect to the year ended December 31, 2023. Our Compensation Policy, Share Option Plan and the terms of the share options granted to our directors and executive officers are described below.

### Year-end December 31, 2023

Name and Offices Held	Base Compensation and Fringe Benefits	Cash Bonus	Share Options Granted or exercised (1)	Weighted Average exercise price of Options Granted	Total
Yariv Alroy					
<i>Active Co-Chairman of the Board of Directors</i>	\$ 255,362	—	—	—	\$ 255,362
Ehud Barak <sup>(2)</sup>					
<i>Active Co-Chairman of the Board of Directors</i>	167,377	—	—	—	167,377
David Salton <sup>(3)</sup>					
<i>Director</i>	\$ 34,195	—	—	—	34,195
Prof. Amir Lerman					
<i>Director</i>	\$ 44,854	—	—	—	44,854
Yehoshua (Shuky) Abramovich					
<i>External Director</i>	\$ 64,800	—	20,708	—	85,508
Dvorah Kimhi					
<i>External Director</i>	\$ 46,128	—	—	—	46,128
Erez Alroy <sup>(3)</sup>					
<i>Director</i>	\$ 46,666	—	—	—	46,666
Erez Nachtomy <sup>(3)</sup>					
<i>Chief Executive Officer and Director</i>	\$ 330,516	63,742	—	—	394,258
Other Senior Management	\$ 912,862	\$ 215,725	\$ 495,444	CHF 9.36 – CHF 9.88	\$ 1,625,831

(1) The options are exercisable on a net exercise basis method. The expiration dates of the options granted are as follows:

Weighted Average exercise price of Options Granted	Expiration date of the options	Number of Options
CHF 7.70	10/12/2024	18,000
CHF 6.51	21/02/2025	18,000
CHF 5.61	30/06/2026	50,000
CHF 5.73	10/12/2026	120,000
CHF 10.73	01/03/2027	250,000
CHF 17.02	08/12/2027	54,000
CHF 19.33	02/01/2028	80,000
CHF 17.39	20/06/2028	100,000
CHF 9.36	15/05/2029	100,000
CHF 9.88	18/06/2029	30,000

- (2) Mr. Barak served as the Co-Chairman of the Board during the year ended December 31, 2023, and ceased to serve in such capacity and as a member of our Board of Directors in February 2024.
- (3) Each of Messrs. David Salton, Erez Alroy and Erez Nachtomly served as a member of our Board of Directors during the year ended December 31, 2023, and ceased to serve in such capacities in February 2024. On March 14, 2024, Mr. Nachtomly announced that he would be resigning as Chief Executive Officer of the Company effective mid-June 2024.

#### Compensation Policy for Executive Officers and Directors

##### *Israeli Companies Law*

Pursuant to the Israeli Companies Law, an Israeli public company is required to adopt a compensation policy with respect to the terms of engagement of its office holders (as such term is defined under the Israeli Companies Law) (a "Compensation Policy"), including directors and controlling shareholders engaged as company officers, subject to limited exceptions which do not apply to us. The adoption of a Compensation Policy requires shareholder approval, further to approval by the Board of Directors, which must consider the recommendations of the Compensation Committee. The shareholder approval must consist of a simple majority of all votes cast, and either (i) the approval of a majority of the shareholders' voting power represented at the meeting in person or by proxy and voting thereon who are neither controlling shareholders nor have a personal interest in approving the Compensation Policy (disregarding abstentions), or (ii) the total vote against adoption of the Compensation Policy by shareholders who do not have a personal interest in approving the Compensation Policy does not represent more than 2% of the voting rights in the company.

Any shareholder participating in the vote on the adoption of the Compensation Policy must inform the company prior to the relevant vote as to whether the shareholder has a personal interest in the matter. Votes of shareholders who did not notify the company as to whether or not they have a personal interest are not counted.

As a general rule, pursuant to the Israeli Companies Law, remuneration to office holders which is inconsistent with the Compensation Policy requires, in addition to the approval of the Compensation Committee and of the Board of Directors, the approval of a special majority in the general meeting of shareholders, as described above.

The Board is required to examine from time to time whether any amendments to the Compensation Policy are necessary in light of changing circumstances or for any other reason. Similarly, the Compensation Committee issues recommendations to the Board in this respect from time to time. At least once every three years, the Compensation Policy must be submitted to shareholders for renewed approval, incorporating any amendments that the Compensation Committee and Board deem appropriate.

Our prior Compensation Policy was adopted by the Special General Meeting of the shareholders of the Company held in September 2020 following the recommendation and earlier approval of the Compensation Committee and of the Board. The Compensation Policy expired in 2023, and we are in the process of seeking approval of a new Compensation Policy.

#### Board of Directors Compensation

##### *Israeli Companies Law*

Pursuant to the Israeli Companies Law, except under limited circumstances, the compensation to be paid to the directors in their capacity as such, as well as the terms of employment (including the terms and conditions of the directors' and officers' insurance and indemnification) of any of the directors in any other position, require the approval of the Compensation Committee, the Board and the shareholders (by a simple majority), and the approvals of the Compensation Committee and the Board must be made in accordance with the Compensation Policy in effect (subject to a limited exception). Further, pursuant to the Israeli Companies Law, approval by the shareholders of the terms of engagement of a controlling shareholder, which for this purpose also includes any shareholder or group of shareholders that holds at least 25% of the company's voting power, provided that there is no other shareholder that holds more than 50% of the company's voting rights as an office holder (including as a director) or employee generally requires either (i) that the majority vote in favor of the resolution shall include the approval of a majority of the voting power represented at the shareholders meeting in person or by proxy and voting thereon of shareholders who have no personal interest in approving the resolution (disregarding abstentions), or (ii) that the total vote against the resolution by shareholders who have no personal interest in approving the resolution do not represent more than 2% of the voting rights in the company.



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

As noted above, our Compensation Policy stipulates that with respect to our directors, compensation shall be subject to the limitations set forth in the Compensation Policy and shall be in accordance with the Director Compensation Regulations. The Director Compensation Regulations specify the annual fee and the participation fee to be paid to external directors, depending on the company's shareholders' equity. The Director Compensation Regulations also allow for an alternative payment method, according to which the remuneration paid to external directors will be the same as the remuneration received by the other directors of the company who are not employed by the company and are not controlling shareholders thereof (proportionate remuneration). Further, we are also entitled to pay to our directors share-based compensation (subject to applicable law and the restrictions applicable thereto in general under our Compensation Policy), but in any event the aggregate fair value of the share-based compensation, measured at the time of a new grant, for all of our directors, as a group, shall not exceed a fair value of \$800,000 per year of vesting.

Currently, all Board members receive the same compensation per meeting, in the amount of NIS 3,600 (whether such meeting is held physically or by electronic means) as well as annual compensation in the amount of NIS 68,000. The Chairman of the Board, Mr. Yariv Alroy, is entitled to said participation fee and annual fee, in addition to his current compensation from the company. With the exception of Mr. Yariv, none of our directors have service contracts with the company relating to their service as a director, and none of the directors will receive benefits upon termination of their position as a director.

#### **Share Option Plan**

Our Share Option Plan will be in effect until terminated by the Board, pursuant to an amendment to the Share Option Plan which was approved by the Board on October 31, 2021. Pursuant to the Share Option Plan, options may be granted to executives, directors and key employees of SHL or its subsidiaries. The Board of Directors has full discretion to determine the specific grantees from time to time.

The maximum number of ordinary shares which may be issued under the Share Option Plan and under any other SHL share incentive option plan is 4,077,346, subject to adjustments as provided in the Share Option Plan. As of April 15, 2024, 1,920,500 share options remain available for grant.

Pursuant to the Share Option Plan, the exercise price shall be the closing price for an ordinary share on the last trading day prior to the grant, unless determined otherwise by our Board of Directors in its discretion. However, with respect to all option grants since May 2010, the Board of Directors determined in each case that the exercise price for such option grants shall be the average share price in the thirty (30) trading days preceding the date of grant. The foregoing has also been stipulated as the exercise price applicable to any grants of share-based compensation to our officers pursuant to our amended Compensation Policy adopted on September 21, 2020, which was in effect until September 21, 2023. Further, pursuant to a resolution of the Board as of November 7, 2010, all options issued under the Share Option Plan are exercised by way of the net exercise method.

Options granted under the Share Option Plan shall vest, unless determined otherwise by the Board, one-third (1/3) on each of the first, second and third anniversary of the date of grant, so that all options shall be fully vested and exercisable on the first business day following the lapse of thirty six (36) months from the date of grant, contingent upon the achievement of certain market and performance conditions which, unless determined otherwise by the Board, shall be based on the rate of the increase in the market price of the shares and of our earnings per share. The Board may in its discretion reduce the relevant performance targets to zero, and has done so in all instances since June 2011.

The options shall expire six (6) years from the date of grant (unless expired earlier under the terms of the Share Option Plan or the relevant award agreement). With respect to option grants to our officers, our Compensation Policy provides a minimum vesting period, as follows: (i) first cliff after one (1) year from the date of grant; and (ii) full vesting shall occur no earlier than 36 months from the date of such grant.

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

Option grant is done pursuant to the Board's full discretion pursuant to the general rules set forth under our Compensation Policy. Option grants to vice presidents are usually based on the CEO's recommendations, and to the CEO based on the Board's recommendations, and are sometimes the outcome of negotiations with the relevant employee.

Notwithstanding the aforesaid, pursuant to the provisions of the Israeli Companies Law, should such options be granted to the directors or a controlling shareholder as part of their compensation, such grant shall require the approval of the Compensation Committee, the Board and the shareholders, and with respect to office holders who are not directors, the CEO or our controlling shareholders or their relatives, such grant shall require approval by the Compensation Committee, followed by approval by the Board, all of the foregoing approvals of the Compensation Committee and the Board to be made in accordance with the Compensation Policy.

### *C. BOARD PRACTICES*

Our Articles of Association provide that our Board of Directors consists of not less than three (3) and not more than nine (9) directors, including two (2) external directors, until otherwise determined by ordinary resolution of our shareholders. Our Board currently consists of six directors, each of whom was elected at our annual general meeting of shareholders held on February 4, 2024, to serve until our next annual general meeting of shareholders, except that Yehoshua (Shuky) Abramovich, one of our external directors, was reelected for a second three-year term commencing on June 28, 2023, at our special general meeting of shareholders held on June 22, 2023, and Dvora Kimhi, our other external director, was reelected for a second three-year term at our annual general meeting of shareholders held on December 9, 2021. See Item 6.A, "Directors, Senior Management and Employees—Directors and Senior Management" for further details regarding the periods of service of each of our current directors.

Under the Israeli Companies Law and the company's Articles of Association, directors are elected by the general meeting of shareholders. Pursuant to our articles of association, our directors, except the two (2) external directors, who are elected as described below under "—Director Service Contracts – Board Independence – External Directors", pursuant to the provisions of the Israeli Companies Law, are elected individually at the annual general meeting by the vote of the holders of a simple majority of the voting power represented at such meeting in person or by proxy and voting on the election of directors. The directors so elected hold office until the next annual general meeting. The holders of a simple majority of the voting power represented at a general meeting and voting thereon are entitled to remove any director(s) from office, to elect directors in place of director(s) so removed or to fill any vacancy, however created, on the board of directors. A shareholder desiring to propose a candidate for election to the board of directors or to remove a director from his position, as a condition to such proposal being considered, is required to advise the company of the identity of such candidate or serving director at least two (2) weeks prior to the date of the general meeting at which such resolution is to be considered (or such shorter period as may be determined by the board of directors). Prior to his or her election, each nominee is required to provide the Company with an executed declaration that he or she possesses the requisite skills and has the availability to carry out his or her duties. Additionally, the nominee must provide details of such skills, and demonstrate an absence of any limitation under the Israeli Companies Law that may prevent his or her election and affirm that all of the required election-information is provided to us.

#### **Terms of Office**

Our current Board of Directors is comprised of Mr. Yariv Alroy (Chairman), Prof. Amir Lerman, Mr. Ido Nouberger, Mr. Nir Rotenberg, Mr. Yehoshua (Shuky) Abramovich (external director) and Ms. Dvora Kimhi (external director). The terms of office of Yariv Alroy, Prof. Amir Lerman, Ido Nouberger and Nir Rotenberg will expire at our 2024 annual general meeting. The term of office of Dvora Kimhi will expire on December 9, 2024, and the term of office of Mr. Yehoshua (Shuky) Abramovich will expire on June 27, 2026. None of our directors have service contracts with the company relating to their service as a director, and none of the directors will receive benefits upon termination of their position as a director. For a description of our compensation of directors see Item 6.B, "Directors, Senior Management and Employees—Compensation."

## Board Independence

### *External Directors*

Israeli companies that have offered securities to the public in or outside of Israel are required to elect at least two external directors under the provisions of the Israeli Companies Law, who must meet rigid standards of independence to ensure that they are unaffiliated with us and our controlling shareholder. An external director must also have either financial and accounting expertise or professional qualifications, as defined in the regulations promulgated under the Israeli Companies Law, and at least one of the external directors is required to have financial and accounting expertise. An external director is entitled to reimbursement of expenses and compensation as provided in the regulations promulgated under the Israeli Companies Law but is otherwise prohibited from receiving any other compensation from us, directly or indirectly, during his or her term and for two years thereafter.

Under the Israeli Companies Law, external directors must be elected at a shareholders' meeting by a simple majority of all votes cast, and either (i) the approval of a majority of the shareholders' voting power represented at the meeting in person or by proxy and voting thereon who are neither controlling shareholders nor have a personal interest in the election of the director (other than a personal interest that does not result from the voting shareholder's relationship with the controlling shareholder, and disregarding abstentions), or (ii) the total vote against the election of the director by shareholders who are neither controlling shareholders nor have a personal interest in the election of the director (other than a personal interest that does not result from the voting shareholder's relationship with the controlling shareholder) does not represent more than 2% of the voting rights in the company.

External directors serve for up to three terms of three years each, and our shareholders may nominate them for additional terms. A term of an external director may be terminated prior to expiration only by a shareholder vote, by the same threshold required for election, or by a court, but in each case only if the external director ceases to meet the statutory qualifications for election or if the external director violates his or her duty of loyalty to us. If at the time of election of an external director all of the members of the board of directors (excluding controlling shareholders or relatives of controlling shareholders) are of the same gender, the external director to be elected must be of the other gender.

Under the Israeli Companies Law, each committee of a company's board of directors that is authorized to exercise powers of the board of directors is required to include at least one external director, and all external directors must be members of the company's audit committee and compensation committee.

Pursuant to regulations promulgated under the Israeli Companies Law, a company whose shares are traded on specified stock exchanges (including Nasdaq) and which satisfies certain conditions – principally that it does not have a controlling shareholder as defined for this purpose in the Israeli Companies Law – can elect not to comply with the above external director rules, and to comply instead with the requirements of the SEC and Nasdaq applicable to U.S. domestic public companies with respect to the independence of board members and with respect to the composition of the audit committee and the compensation committee. We have not elected to opt out of the external director rules, although we may do so in the future. The relevant regulations provide transition rules for directors elected as external directors if the company opts out of the external director rules.

### *Independence under Nasdaq and SEC Standards*

Each of our two external directors, Mr. Yehoshua (Shuky) Abramovich and Ms. Dvorah Kimhi, is considered "independent" under Nasdaq and SEC independence standards in addition to the Israeli Companies Law. Prof. Amir Lerman is also considered "independent" under Nasdaq and SEC independence standards.

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under Nasdaq's rules for domestic U.S. issuers, *provided* that we disclose which requirements we are not following and describe the equivalent home country requirement. Because three of the six directors on our Board are independent under Nasdaq's independence standard, we do not currently comply with Nasdaq's requirement that an issuer maintain a majority of independent directors.

## Board Committees and Internal Auditor

Under the Israeli Companies Law, with respect to Companies that have offered securities to the public in or outside of Israel, each committee of the Board of Directors authorized to exercise the powers of the Board of Directors is required to include at least one external independent director, and the Board of Directors of a public company is required to appoint an Audit Committee and a Compensation Committee, which must be comprised of at least three (3) directors, including all of the external directors.

Our Board of Directors has established an Audit Committee, Compensation Committee, Investment Committee, M&A Committee, Cyber Committee, and Executive Committee.

We previously also had a Financial Statements Committee under Israeli law from March 18, 2015, until its functions were transferred to our Audit Committee and it was dissolved in January 2023. The task of the Financial Statements Committee was to examine our financial statements prior to their approval by the Board of Directors.

### *Audit Committee*

Pursuant to the Israeli Companies Law, the Audit Committee must be comprised of at least three (3) directors, including all of the external directors, and a majority of its members must be independent directors within the meaning of the Israeli Companies Law (i.e., including the external directors).

The following persons may not be members of the Audit Committee:

- the Chairman of the Board;
- any director employed by us;
- any director employed by a controlling shareholder of us or an entity under the control of such controlling shareholder;
- any director who provides services, on a regular basis, to us, a controlling shareholder or an entity under the control of a controlling shareholder;
- a director whose main livelihood is based on a controlling shareholder; and
- a controlling shareholder or any of its relatives.

Subject to limited exceptions, any person who could not be a member of the Audit Committee may not be present at its meetings. The Chairman of the Audit Committee shall be an independent (external) director not serving for more than nine (9) years.

The legal quorum for any meeting of the Audit Committee shall be a majority of its members, provided that the majority of those present shall be independent directors, and *provided further* that at least one (1) independent (external) director shall be present.

The Audit Committee currently consists of Mr. Yehoshua (Shuky) Abramovich, Ms. Dvora Kimhi and Prof. Amir Lerman. The Audit Committee consists exclusively of members of our board of directors who are financially literate. Our Board of Directors has determined that Mr. Abramovich is the financial expert under the SEC definition and all members of the Audit Committee satisfy the “independence” requirements set forth in Rule 10A-3 under the Exchange Act and under Nasdaq’s corporate governance standards. The members of the Audit Committee are appointed by our Board of Directors.

The role of the Audit Committee is, among other things, to:

- examine flaws in our business management, in consultation with our internal auditor and the external auditors, and to propose remedial measures to the Board;
- determine whether an interested party transaction is an ordinary or extraordinary transaction (where extraordinary transactions are subject to special approval requirements);
- approve interested party transactions, where so required under the Israeli Companies Law; and

- examine our existing internal control measures and the functioning of our internal auditor.

The Audit Committee is also charged with:

- prescribing with respect to transactions with controlling shareholders or another person in which a controlling shareholder has a personal interest (even if they are determined by the Audit Committee not to be extraordinary transactions), as well as with respect to the engagement terms of controlling shareholders and their relatives, the obligation to conduct either (i) a competitive process under the supervision of either the Audit Committee or who else the Audit Committee may determine in respect thereof pursuant to the criteria set by it; or (ii) other processes as determined by the Audit Committee, prior to the relevant transaction, and all in accordance with the type of transaction in question, and the Audit Committee may set the relevant criteria therefore once a year in advance;
- determining the manner of approval of transactions with controlling shareholders or another person in which a controlling shareholder has a personal interest and to determine kinds of such transactions which require the approval of the Audit Committee, all with respect to such transactions which pursuant to the determination of the Audit Committee are not extraordinary transactions but also not negligible – the Audit Committee may so determine with respect to types of transactions according to criteria it may set one a year in advance; and
- determining whether a director or candidate for director fulfills the requirements for being classified as an independent director within the meaning of the Israeli Companies Law.

Neither the Israeli Companies Law nor our Articles of Association prescribe a certain frequency at which meetings of the Audit Committee are to take place. Accordingly, the Audit Committee meets from time to time when deemed necessary. Pursuant to the Israeli Companies Law, our internal auditor may request the chairperson of the Audit Committee to convene a meeting and the chairperson shall then convene such meeting if it deems it fit. In addition, should the Audit Committee find that there is a material flaw in our business management, it shall hold at least one meeting with respect to such material flaw in the presence of the internal or external auditor, as the case may be, without any office holders that are not members of the committee present; provided that an office holder may be present for the purpose of presenting an opinion with respect to a matter which is in his/her field of responsibility. The duration of the meetings varies in accordance with the topics discussed.

#### ***Compensation Committee***

Pursuant to the Israeli Companies Law, an Israeli public company is obligated to appoint a Compensation Committee, which shall be comprised of at least three (3) members, including all of the external directors, and a majority of its members must be external directors. The remaining members of the Compensation Committee shall be such whose engagement terms correspond to the rules of compensation set forth under applicable regulations under the Israeli Companies Law with respect to external directors.

Persons who may not be members of the Audit Committee (as described above) may also not be members of the Compensation Committee. The Chairman of the Compensation Committee shall be an external director not serving for more than nine (9) years. The Audit Committee and the Compensation Committee may have identical members and an Audit Committee fulfilling the above requirements may at the same time also serve as the Compensation Committee.

The Compensation Committee currently consists of Mr. Yehoshua (Shuky) Abramovich, Ms. Dvora Kimhi and Prof. Amir Lerman. Our Board of Directors has determined that all members of the Compensation Committee satisfy the “independence” requirements under Nasdaq’s corporate governance standards and SEC’s standards. The members of the Compensation Committee are appointed by our Board of Directors.

The role and authority of the Compensation Committee shall include:

- the issuance of a recommendation to the Board of Directors regarding the Compensation Policy;
- issuance of a recommendation to the Board of Directors once every three (3) years regarding the extension of the Compensation Policy;
- recommendation to the Board of Directors from time to time regarding any amendments to the Compensation Policy, as well as examination regarding its implementation;

- approval of transactions with office holders (including controlling shareholders) regarding the terms of their engagement with the company as required under the Israeli Companies Law; and
- exemption of certain transactions from the shareholder approval requirement which may otherwise apply pursuant to the Israeli Companies Law.

Neither the Israeli Companies Law nor our Articles of Association prescribe a certain frequency at which meetings of the Compensation Committee are to take place. Accordingly, the Compensation Committee meets from time to time when deemed necessary. The duration of the meetings varies in accordance with the topics discussed.

#### ***Investment Committee***

Although not mandatory under the provisions of the Israeli Companies Law, the Board of Directors has voluntarily appointed an investment committee as of February 21, 2019 (the "Investment Committee"). The task of the Investment Committee is to determine the investment policy of the company's cash proceeds that are not required for its ongoing operations as will be from time to time. The members of the Investment Committee as of the date of this Annual Report are Mr. Yehoshua (Shuky) Abramovich (chairman), Mr. Nouberger and Mr. Rotenberg.

#### ***M&A Committee***

Although not mandatory under the provisions of the Israeli Companies Law, the Board of Directors voluntarily appointed a mergers and acquisitions committee as of June 16, 2019 (the "M&A Committee"). The task of the M&A Committee is to facilitate the execution, performance and delivery of prospective M&A transactions. The members of the M&A Committee as of the date of this Annual Report are Mr. Yariv Alroy (chairman), Mr. Yehoshua (Shuky) Abramovich, Mr. Nouberger and Mr. Rotenberg.

#### ***Cyber Committee***

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

#### ***Executive Committee***

Although not mandatory under the provisions of the Israeli Companies Law, the Board voluntarily appointed an advisory executive committee as of May 17, 2020 ("Executive Committee"). The task of the Executive Committee is to assist the CEO and the company in operating its ongoing business. The members of the Executive Committee as of the date of this Annual Report are Mr. Yariv Alroy, Mr. Yehoshua (Shuky) Abramovich, Mr. Nouberger and Mr. Rotenberg.

#### ***Internal Auditor***

Pursuant to the Israeli Companies Law, the Board of a public company shall appoint an internal auditor. Such appointment is made upon recommendation of the Audit Committee. Neither an interested party nor an officer of the company, any relatives of the foregoing or the external auditor or anyone on its behalf may serve in such position.

The role of the internal auditor is to examine, among other things, whether our activities comply with the law and orderly business procedure. Pursuant to the Israeli Internal Audit Law, 5752-1992, together with the Israeli Companies Law, the internal auditor is authorized to demand and receive any kind of document and/or information that is in our or our employees' possession, which he deems necessary for the performance of his role, and he is to have access to all of our databases or data processing programs. Pursuant to the Israeli Companies Law, the Chairman of the Board or the Chairman of the Audit Committee may order the internal auditor to conduct an internal audit on matters where an urgent need for examination arose. In addition, the internal auditor shall receive notices of the meetings of the Audit Committee and may participate in such meetings.

The internal auditor has no decision-making powers. Pursuant to the Israeli Companies Law and our Articles of Association, the internal auditor has to submit a work program to the Audit Committee for approval. Mr. Michael Gilinsky was appointed as our internal auditor in May 2021.

#### Board Diversity Matrix

Board Diversity Matrix (As of April 15, 2024)				
Country of Principal Executive Offices:	Israel			
Foreign Private Issuer	Yes			
Disclosure Prohibited under Home Country Law	No			
Total Number of Directors	6			
	Female	Male	Non-Binary	Did Not Disclose Gender
<b>Part I: Gender Identity</b>				
Directors	1	3	0	2
<b>Part II: Demographic Background</b>				
Underrepresented Individual in Home Country Jurisdiction	0			
LGBTQ+	0			
Did not disclose demographic background	0			
Directors who are Jewish people	6			
Directors with disabilities	0			

#### D. EMPLOYEES

As of December 31, 2023, we had approximately 583 full-time employees. The total number of full-time employees as of the end of financial years 2022 and 2021 was approximately 402 and 419. A breakdown of such employees by country and division as of December 31, 2023, is below

	Israel	Germany	U.S.A.	Total
Operation	335	86	0	421
Research & Development	15	22	0	37
Sales & Marketing	51	7	2	60
General & Administrative	46	17	2	65

In addition to the applicable laws and regulations, including jurisdiction-specific labor legislation, our employees in Germany are members of a “work council” that regulates different employment aspects, including operational, compensation, and benefit structure, while some of our employees in Israel are parties to collective bargaining agreements and are represented by a union.

In addition to the above, we engage, from time to time, with independent contractors and external professional consultants for certain services to perform our operations and business. Such contractors and consultants are subject to confidentiality and non-compete undertakings towards us.

E. *SHARE OWNERSHIP*

The following table sets forth the share ownership of our directors and officers as of April 15, 2024 (except as indicated):

Name	Total Shares Beneficially Total Shares Owned	Number of Options	Percentage of Ordinary Shares
	Yariv Alroy	801,456	250,000
Ido Nouburger	1,406,236**		8.6%
Nir Rotenberg	802,426***		4.0%
Prof. Amir Lerman	5,694	18,000	*
Yehoshua (Shuky) Abramovich	16,961	18,000	*
Dvora Kimhi	—	36,000	*
Erez Nachomy	—	188,000	*
Amir Hai	—	110,000	*
Jason Bottiglieri	—	100,000	*
Bernd Altpeter	—	100,000	*

\* Represents less than one percent.

\*\* Represents ownership of our ordinary shares by Value Base Ltd., a private investment group located in Israel (“Value Base”), together with its subsidiaries and its controlling shareholders Ido Nouburger and Victor Shamrich. Mr. Nouburger has served as the CEO of Value Base since its inception in 2013, and he also holds the position of chairman of the board or board member of Value Base’s various subsidiaries. Mr. Nouburger disclaims beneficial ownership of the securities beneficially owned by Value Base except to the extent of his pecuniary interest therein.

\*\*\* Represents ownership of our ordinary shares by Danbar Finance Ltd., a private investment group located in Israel (“Danbar”), of which Mr. Rotenberg is the Chairman of the Board and has served there as a director and partner since 2000. Mr. Rotenberg disclaims beneficial ownership of the securities beneficially owned by Danbar except to the extent of his pecuniary interest therein.

The options in the above table are exercisable according to the “Net Exercise” method to our ordinary shares. The aggregate number of ordinary shares underlying such options is up to 820,000. The exercise price of the options range from CHF 5.61 to CHF 19.33 and the weighted average exercise price of the options are CHF 11.35. The expiration dates of the options range from February 21, 2025 to June 18, 2029.

Our officers and directors have the same voting rights with respect to their shares as our other shareholders.

F. *DISCLOSURE OF A REGISTRANT’S ACTION TO ERRONEOUSLY AWARDED COMPENSATION*

Not applicable.



**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A. MAJOR SHAREHOLDERS**

The following table sets forth certain information regarding the beneficial ownership of our outstanding ordinary shares as of April 15, 2024 by each person or entity who we know beneficially owns 3% or more of our outstanding ordinary shares (including ordinary shares represented by ADSs), in line with Article 120 of the Swiss Financial Market Infrastructure Act (the “FMIA”), or otherwise known to us to beneficially own more than 5% of the outstanding ordinary shares. The FMIA requires us and other persons who directly, indirectly (as beneficial owners) or in concert with other parties, acquire or dispose of our ordinary shares or purchase or sale rights or obligations relating to our ordinary shares, and thereby exceed or fall below a threshold of 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of our voting rights (whether exercisable or not), to notify us and the Disclosure Office of the SIX of such acquisition or disposal using appropriate forms available on the website of the SIX Disclosure Office. The table below has been prepared based on the disclosure notices published on the platform of the SIX Disclosure Office pursuant to the FMIA. Market transactions of shareholders which have not triggered a disclosure notification are not reflected in the numbers.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and include shares issuable upon the exercise of options that are immediately exercisable or exercisable within 60 days. Accordingly, for purposes of the table below, we deem ordinary shares issuable pursuant to share options that are currently exercisable or exercisable within 60 days of April 15, 2024 to be outstanding and to be beneficially owned by the person holding the share options for the purposes of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. Percentage ownership calculations are based on 16,392,754 ordinary shares issued and outstanding as of April 15, 2024. Unlike the disclosure notices published on the platform of the SIX Disclosure Office pursuant to the FMIA, the table below does not separately indicate other purchase or sale positions (in terms of derivatives such as call or put options).

Identity of Person or Group	Amount Owned	Share Options		Percent of Class
		Current		
Mrs. Mengke Cai (Zhuhai, China) and Kun Shen (Hong Kong, China) <sup>(1)</sup>	5,969,413			36.4%
More Provident Funds (Ramat Gan, Israel)	1,812,525			11.1%
Value Base Group (Tel Aviv, Israel) <sup>(2)</sup>	1,406,236 <sup>(3)</sup>			8.6%
Yariv Alroy (Herzliya, Israel)	801,456	250,000		6.3%
Danbar Finance Ltd. (Tel Aviv, Israel) <sup>(4)</sup>	791,405 <sup>(5)</sup>			4.8%
Sphera Funds Management (Tel Aviv, Israel)	632,456 <sup>(6)</sup>			3.9%

- (1) Shareholder group consisting of Mrs. Mengke Cai and Mrs. Kun Shen. Pursuant to a decision of the Swiss Takeover Board, Mengke Cai, Kun Shen and their related entities have been prohibited from acquiring further shares or acquisition or disposal rights relating to SHL, including suspension of the voting rights attached to their current shares.
- (2) Shareholder group consisting of the following beneficial owners (as defined by the FMIA): Value Base (23 Yehuda Halevy St., Tel Aviv, Israel), Harmony Base LP (23 Yehuda Halevy St., Tel Aviv, Israel), Ido Nouberger (Tel Aviv, Israel), one of our directors, and Victor Shamrich (Tel Aviv, Israel). Messrs. Nouberger and Shamrich serve as the controlling shareholders of Value Base. Mr. Nouberger has served as the CEO of Value Base since its inception in 2013, and he also holds the position of chairman of the board or board member of Value Base’s various subsidiaries. Each of Messrs. Nouberger and Shamrich disclaims beneficial ownership of the securities beneficially owned by Value Base except to the extent of his respective pecuniary interest therein
- (3) Based on the Schedule 13D/A filed by Value Base with the SEC on February 12, 2024.
- (4) Shareholder group consisting of the following beneficial owners (as defined by the FMIA): Danbar (94 Yigal Alon Street, Tel Aviv, Israel), Matan Wulkan (94 Yigal Alon Street, Tel Aviv, Israel) and Nir Rotenberg (94 Yigal Alon Street, Tel Aviv, Israel), one of our directors. Mr. Rotenberg is the Chairman of the Board of Danbar and has served there as a director and partner since 2000. Mr. Rotenberg disclaims beneficial ownership of the securities beneficially owned by Danbar except to the extent of his pecuniary interest therein
- (5) Based on the Schedule 13D/A filed by Danbar with the SEC on February 14, 2024.
- (6) Based on the Form 13F-HR filed by Sphera Funds Management with the SEC on February 14, 2024.

There have been no significant changes in the percentage ownership held by any major shareholder during the past three years other than those resulting from our capital raises described in Section 5.B. “Liquidity and Capital Resources – Financial Arrangement.”

Except for Mrs. Mengke Cai and Kun Shen, as disclosed in footnote (1) to the table above, none of our shareholders have different voting rights from other shareholders.

As of April 15, 2024, ADRs evidencing 4,179,748 ADSs were outstanding. The 4,179,748 ordinary shares represented by those ADRs (approximately 25.5% of SHL's outstanding ordinary shares) were registered in the name of UBS Switzerland AG, the custodian for the Depository. We believe that most or all of these ADRs were held of record by persons outside the United States. As of April 15, 2024, based on the list of the registered holders of our ordinary shares, there were no registered holders of our ordinary shares showing as residing in the United States. Since certain of SHL's ADRs and ordinary shares are held by brokers or other nominees, the number of ADRs and ordinary shares held of record may not be representative of the number of beneficial holders resident in the United States.

Under an agreement between us and SIX SIS AG ("SIS"), SIS acts as a nominee on behalf of any person registered in the share register maintained by Computershare Schweiz AG, and SIS is registered as the shareholder of record of the issued and outstanding ordinary shares. As a result, the number of record holders is not representative of the number of beneficial holders of our ordinary shares.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of SHL.

#### B. RELATED PARTY TRANSACTIONS

In June 2022, our shareholders, following the approval of the Compensation Committee and the Board, approved Mr. Erez Nachtomy's amended terms of office as Acting Chief Executive Officer. Pursuant to the amended employment terms, Mr. Nachtomy is entitled, *inter alia*, to a service fee in the sum of NIS 93,600 commencing on June 29, 2022, and upon meeting the terms set forth in Section 9 to the company's Compensation Policy (Special Cash Bonus) shall be entitled to a bonus equivalent to three monthly fees, provided, however, that said bonus shall be received only once in one given year and further provided that the accumulated amount of the annual cash bonus for the CEO and the special cash bonus will not exceed twelve (12) times the CEO monthly fee in one given year.

In June 2020, our shareholders, following the approval of the Compensation Committee and the Board, approved Mr. Erez Nachtomy's terms of office as Acting Chief Executive Officer. Pursuant to such terms, Mr. Nachtomy was granted options to purchase 50,000 ordinary shares, in accordance with our Share Option Plan and Compensation Policy, which vested over a period of three years (25% vested after a year of employment, and the remainder vested in equal quarterly installments thereafter). Either Mr. Nachtomy or the Company may terminate the engagement subject to a prior notice of three months. In December 2020, our shareholders, following the approval of the Compensation Committee and the Board, approved the grant of options to Mr. Erez Nachtomy to purchase 120,000 ordinary shares, in accordance with our Share Option Plan and Compensation Policy, which vested over a period of three years (25% vested after one year, and the remainder vested in equal quarterly installments thereafter).

On March 1, 2021, a special general meeting of our shareholders approved the grant of 250,000 options to Mr. Yariv Alroy, and an amendment to the company's Compensation Policy with respect to the terms of office of the Active Co-Chairman of the Board – who shall be entitled to a monthly compensation of NIS 65,000 plus VAT (employer's cost) instead of the directors' annual and participation compensation, effective as of January 1, 2021, as approved by the Compensation Committee and the Board. Pursuant to the amendment, the Chairman of the Board shall receive this compensation in recognition of his increased duties in lieu of the remuneration to which directors are entitled as long as he is an active chairman and provided that such compensation shall not exceed the sum of NIS 780,000 per annum (employer's cost). Said compensation shall be paid to the chairman either as an employee of the company or against an invoice, at the chairman's sole discretion. For additional details about the approved terms of the compensation, please see Item 6.B., "Compensation – Compensation Policy for Executive Officers and Directors – SHL Compensation Policy."

On December 9, 2021, our shareholders, following the approval of the Compensation Committee and the Board, approved (i) the grant of indemnification letters to the company's current and future directors and officers, including the CEO and officers and directors who may be deemed controlling shareholders; (ii) the grant of options to purchase 18,000 ordinary shares of the company at an exercise price of CHF 17.02 per share and with vesting over a three-year period, to each of Mr. Yehoshua (Shuky) Abramovich, Ms. Dvorah Kimhi, Prof. Amir Lerman, Mr. Erez Alroy and Mr. David Salton, who then served as members of the Board; and (iii) an amendment to the company's directors' compensation, as further described above under Item 6(B).

On August 11, 2022, our shareholders, following the approval of the Compensation Committee and the Board, approved (i) a consulting agreement with Mr. Ehud Barak, the Company's then-Active Co-Chairman of the Board of Directors, pursuant to which Mr. Barak could be actively involved in a strategic agreement on behalf of the company outside of Israel, and would be entitled to a monthly management fee of \$13,800. In the event of Mr. Barak's involvement, he would be entitled, subject to the closing of said transaction, to a transaction bonus in an amount equal to twice the monthly management fee (*i.e.*, \$27,600), which special bonus would not exceed in any calendar year a sum equal to eight times the monthly management fee; (ii) exculpation agreements with the company's current and future directors and officers, including the CEO and other officers and directors who may be deemed controlling shareholders; and (iii) amendments to the CEO terms of office, as described above.

As noted above, the office space leased by our Mediton business in Israel is owned by an affiliate of a shareholder in Mediton. The monthly rent amount under the lease is approximately \$43,000. The term of the lease runs until 2035.

C. *INTERESTS OF EXPERTS AND COUNSEL*

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

A. *CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION*

*Consolidated Financial Statements*

See Item 18, “Financial Statements” for a list of the financial statements filed as part of this Annual Report.

*Legal Proceedings*

We are, from time to time, party to various claims and disputes associated with our ongoing business operations. We are not currently involved in pending or contemplated claims or disputes that we expect, either individually or in the aggregate, to have significant effects on our financial position or profitability. We may become involved in material legal proceedings in the future. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

*Dividend Policy*

We declared a dividend of \$1.00 per ordinary share on March 18, 2019, which was paid on April 16, 2019. The aggregate amount paid was approximately \$10.5 million. We did not pay a dividend in 2020, 2021, 2022 or 2023.

We do not have a dividend policy. All decisions related to dividend distribution (including specific dividend total aggregate amount and dividend amount per share) are made by the Board in accordance with applicable law and are based on a number of findings, including, among others, our fiscal condition, results of operations, capital instrument needs and plans and prospects. Please see Item 10.B., “Additional Information—Memorandum and Articles of Association—Liquidation and Dividend Rights.”

B. *SIGNIFICANT CHANGES*

No significant change has occurred since December 31, 2023, except as otherwise disclosed in this Annual Report.

**ITEM 9. THE OFFER AND LISTING**

A. *OFFER AND LISTING DETAILS*

Our ordinary shares have been traded on the SIX under the symbol “SHLTN” since November 15, 2000. Our ADSs have been listed for trading on the Nasdaq Capital Market under the symbol “SHLT” since April 3, 2023.

B. *PLAN OF DISTRIBUTION*

Not applicable.

C. *MARKETS*

See Item 9.A. above.

D. *SELLING SHAREHOLDERS*

Not applicable.

E. *DILUTION*

Not applicable.

F. *EXPENSES OF THE ISSUE*

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

A. *SHARE CAPITAL*

Not applicable.

B. *MEMORANDUM AND ARTICLES OF ASSOCIATION*

The information set forth under Item 10.B “Additional Information – Memorandum and Articles of Association” contained in Amendment No. 2 to our Registration Statement on Form 20-F (File No. 001-41641), as amended, filed with the SEC on March 8, 2023, is incorporated herein by this reference.

C. *MATERIAL CONTRACTS*

Not applicable.

D. *EXCHANGE CONTROLS*

Non-residents of Israel who purchase our ordinary shares outside of Israel with U.S. dollars or other foreign currency will be able to convert dividends (if any) thereon, and any amounts payable upon the dissolution, liquidation or winding up of our affairs, into freely repatriable dollars, at a rate of exchange prevailing at the time of conversion, *provided* that Israeli income tax has been withheld by us with respect to such amounts. In addition, the statutory framework for the potential imposition of currency exchange controls has not been eliminated, and these controls may be restored at any time by administrative action.

The following is a summary of the material Israeli and United States federal tax consequences, Israeli foreign exchange regulations and certain Israeli government programs affecting us. To the extent that the discussion is based on new tax or other legislation that has not been subject to judicial or administrative interpretation, there can be no assurance that the views expressed in the discussion will be accepted by the tax or other authorities in question. The discussion is not intended, and should not be construed, as legal or professional tax advice, is not exhaustive of all possible tax considerations and should not be relied upon for tax planning purposes. POTENTIAL INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE ISRAELI TAX, UNITED STATES FEDERAL INCOME TAX AND OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR ADS OR ORDINARY SHARES, INCLUDING, IN PARTICULAR, THE EFFECT OF ANY FOREIGN, STATE OR LOCAL TAXES.

#### **Israeli Tax Considerations and Government Programs**

The following is a brief summary of the material Israeli income tax laws applicable to us. This section also contains a discussion of material Israeli income tax consequences concerning the ownership and disposition of our ADSs and ordinary shares. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of such investors include residents of Israel or traders in securities who are subject to special tax regimes not covered in this discussion.

##### ***General corporate tax structure in Israel***

Israeli resident companies are generally subject to corporate tax on both ordinary income and capital gains, currently at the rate of 23% of a company's taxable income.

##### ***Taxation of our shareholders***

Israeli law generally imposes a capital gains tax on the sale of any capital asset by Israeli residents, as defined for Israeli tax purposes. Israeli law also generally imposes a capital gains tax on the sale of capital assets located in Israel, including shares in Israeli companies, by both Israeli residents and non-residents of Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder's country of residence provides otherwise. The Israeli Income Tax Ordinance (New Version), 5721-1961 (the "Ordinance") distinguishes between real gain and inflationary surplus. The inflationary surplus is a portion of the total capital gain equivalent to the increase of the relevant asset's purchase price attributable to an increase in the Israeli consumer price index, or, under certain conditions, a foreign currency exchange rate, between the date of purchase and the date of sale. Inflationary surplus is currently not subject to tax in Israel. The real gain is the excess of the total capital gain over the inflationary surplus.

*Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders.* A non-Israeli resident who derives capital gains from the sale of shares in an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel will be exempt from Israeli tax if, among other conditions, the shares were not held through a permanent establishment that the non-resident maintains in Israel. However, non-Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) alone, or together with such Israeli residents' related party or another person who collaborates with such Israeli resident on a permanent basis, hold, directly or indirectly, more than 25% of the means of control in such non-Israeli corporation, or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. Additionally, such exemption is not applicable to a person whose gains from selling or otherwise disposing of the shares are deemed to be business income.

Additionally, a sale of securities by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, under the United States-Israel Tax Treaty, the sale, exchange or other disposition of shares by a shareholder who is a United States resident (for purposes of the treaty) holding the shares as a capital asset and who is entitled to claim the benefits afforded to such a resident by the United States-Israel Tax Treaty (a "U.S. Resident") is generally exempt from Israeli capital gains tax unless, among other things, (i) the capital gain arising from such sale, exchange or disposition is attributed to real estate located in Israel; (ii) the capital gain arising from such sale, exchange or other disposition is attributed to royalties; (iii) the capital gain arising from such sale, exchange or disposition is attributed to a permanent establishment in Israel, under certain conditions; (iv) such U.S. Resident holds, directly or indirectly, shares representing 10% or more of the voting capital during any part of the 12-month period preceding the disposition, subject to certain conditions; or (v) such U.S. Resident is an individual and was present in Israel for 183 days or more in the aggregate during the relevant taxable year. In any such case, the sale, exchange or disposition by the U.S. Resident would be subject to Israeli tax, unless exempt under Israeli domestic law as described above. However, under the United States-Israel Tax Treaty, such U.S. Resident should be permitted to claim a credit for such taxes against U.S. federal income tax imposed on any gain from such sale, exchange or disposition, under the circumstances and subject to the limitations specified in the United States-Israel Tax Treaty or in the United States federal income tax laws applicable to foreign credits.

In some instances where our shareholders may be liable for Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at source. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale (i.e., provide resident certificate and other documentation).

A detailed return, including a computation of the tax due, must be filed and an advance payment must be paid by January 31 and July 31 of each tax year for sales of securities traded on a stock exchange made during the last six months of the preceding year or during the first six months of the current year, respectively. However, if all tax due was withheld at source according to applicable provisions of the Ordinance and the regulations promulgated thereunder, the return does not need to be filed provided that (i) such income was not generated from business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed and an advance payment does not need to be made, and (iii) the taxpayer is not obligated to pay surtax (as further explained below). Capital gains are also reportable on an annual income tax return.

*Taxation of Non-Israeli Shareholders on Receipt of Dividends.* Non-Israeli residents (whether individuals or corporations) generally will be subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25%, or 30% if the recipient of the dividends is a "substantial shareholder" at the time of distribution or at any time during the preceding 12-month period, which tax will be withheld at source, unless relief is provided in a treaty between Israel and the shareholder's country of residence (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). Such dividends are generally subject to Israeli withholding tax at a rate of 25% if the shares are registered with a nominee company (whether or not the recipient is a substantial shareholder).

A different rate may be provided in a treaty between Israel and the shareholder's country of residence. In this regard, under the United States-Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our ADSs or ordinary shares who is a United States resident (for purposes of the United States-Israel Tax Treaty) is 25%. However, generally, the maximum rate of withholding tax on dividends that are paid to a United States corporation holding 10% or more of the outstanding voting capital throughout the tax year in which the dividend is distributed as well as during the previous tax year, is 12.5%, *provided* that not more than 25% of the gross income for such preceding year consists of certain types of dividends and interest. We cannot assure you that we will designate the profits that we may distribute in a way that will reduce shareholders' tax liability.

A foreign resident who had income from a dividend that was accrued from Israeli source, from which the full tax was deducted, will generally be exempt from filing a tax return in Israel, provided that (i) such income was not generated from business conducted in Israel by the foreign resident, (ii) the foreign resident has no other taxable sources of income in Israel with respect to which a tax return is required to be filed and (iii) the foreign resident is not liable to surtax (see below) in accordance with Section 121B of the Ordinance.

*Capital Gains Taxes Applicable to Israeli Resident Shareholders.* An Israeli resident corporation that derives capital gains from the sale of shares in an Israeli resident company will generally be subject to tax on the real capital gains generated on such sale at the corporate tax rate of 23% (in 2024). An Israeli resident individual will generally be subject to capital gains tax at the rate of 25%. However, if the individual shareholder claims deduction of interest expense and linkage differences in connection with the purchase and holding of such shares or is a "substantial shareholder" at the time of the sale or at any time during the preceding 12-month period, such gain will be taxed at the rate of 30%. A "substantial shareholder" is generally a person who alone, or together with such person's related party or another person who collaborates with such person on a permanent basis, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to exercise these rights, regardless of the source of such right. Individual holders dealing in securities in Israel for whom the income from the sale of securities is considered "business income" as defined in Section 2(1) of the Ordinance are taxed at the marginal tax rates applicable to business income (up to 47% in 2023) plus an additional surtax of 3% as described below. Certain Israeli institutions that are exempt from tax under Section 9(2) or Section 129C(a)(1) of the Ordinance (such as exempt trust funds and pension funds) may be exempt from capital gains tax from the sale of the shares.

*Taxation of Israeli Shareholders on Receipt of Dividends.* An Israeli resident individual is generally subject to Israeli income tax on the receipt of dividends that may be paid on our ordinary shares at the rate of 25%. With respect to a person who is a “substantial shareholder” at the time of receiving the dividend or at any time during the preceding 12-month period, the applicable tax rate is 30%. Individuals may also be required to pay surtax with respect to dividends received, as further explained below. Such dividends are generally subject to Israeli withholding tax at a rate of 25% if the shares are registered with a nominee company (whether the recipient is a substantial shareholder or not). If the recipient of the dividend is an Israeli resident corporation, such dividend income will be exempt from tax provided the income from which such dividend is distributed was derived or accrued within Israel and was received directly or indirectly from another corporation that is subject to Israeli corporate tax. An exempt trust fund, pension fund or other entity that is exempt from tax under Section 9(2) or Section 129(C)(a)(1) of the Ordinance is exempt from tax on dividends.

*Surtax.* Subject to the provisions of an applicable tax treaty, individuals who are subject to tax in Israel (whether or not Israeli residents) are subject to a surtax at a rate of 3% of annual taxable income (including, but not limited to, dividends, interest and capital gain) in excess of NIS 721,560 (for the 2024 tax year, which amount is linked to the annual change in the Israeli consumer price index).

*Estate and Gift Tax*

Israeli law presently does not impose estate or gift taxes.

**Material United States Federal Income Tax Considerations**

The following summary describes the material U.S. federal income tax consequences to “U.S. Holders” (as defined below) relating to the acquisition, ownership and disposition of our ADSs or ordinary shares. This discussion applies to U.S. Holders who acquire and hold the ordinary shares or ADSs as “capital assets” (generally, assets held for investment purposes).

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and rulings of the United States Internal Revenue Service (the “IRS”) and judicial decisions, all as of May 5, 2023, and all of which are subject to change (possibly with retroactive effect) or different interpretations. Except as specifically set forth below, this summary does not discuss applicable income tax reporting requirements. This summary does not describe any state, local or foreign tax law considerations, or any aspect of U.S. federal tax law other than income taxation (e.g., estate or gift tax). U.S. Holders should consult their own tax advisers regarding such matters.

As used herein, the term “U.S. Holder” means a beneficial owner of ADSs or ordinary shares that is for U.S. federal income tax purposes:

- an individual who is either a U.S. citizen or a resident of the United States for U.S. federal income tax purposes;
- a corporation or other entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income tax regardless of the source of its income; and
- a trust, if (a) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

This summary does not consider all aspects of U.S. federal income taxation that may be relevant to particular U.S. Holders by reason of their particular circumstances. In addition, this summary does not address the considerations that may be applicable to U.S. Holders that may be subject to special tax rules including, without limitation, the following:

- U.S. expatriates;
- banks, thrifts and other financial institutions;
- regulated investment companies and real estate investment trusts;
- pension funds and retirement plans;
- insurance companies;
- broker-dealers or traders in securities, commodities or currencies;
- tax-exempt entities or organizations;
- grantor trusts;
- partnerships (including entities classified as partnerships for U.S. federal income tax purposes) or other pass-through entities, and holders that will hold our ADSs or ordinary shares in partnerships or other pass-through entities;
- holders whose functional currency is not the dollar;
- persons that generally mark their securities to market for U.S. federal income tax purposes;
- persons liable for alternative minimum tax;
- holders who hold our ADSs or ordinary shares as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security” or integrated investment;
- holders selling our ADSs or ordinary shares short;
- holders deemed to have sold our ADSs or ordinary shares in a “constructive sale;”
- holders required to accelerate the recognition of any item of gross income with respect to our ADSs or ordinary shares as a result of such income being recognized on an applicable financial statement;
- corporations that accumulate earnings to avoid U.S. federal income tax;
- holders that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States or hold our shares in connection with a trade or business conducted outside the United States; and
- holders, directly, indirectly or through attribution, of 10% or more (by vote or value) of our outstanding stock.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds our ADSs or ordinary shares, the U.S. federal income tax consequences relating to an investment in our ADSs or ordinary shares will depend in part upon the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor regarding the U.S. federal income tax consequences of acquiring, owning and disposing of our ADSs or ordinary shares in its particular circumstances.

No ruling from the IRS has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the ownership or disposition of our ADSs or ordinary shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to different interpretations, the IRS and U.S. courts could disagree with one or more of the positions taken in this summary.



In general, for U.S. federal income tax purposes, U.S. Holders of our ADSs will be treated as owning the underlying ordinary shares represented by those ADSs. Accordingly, exchanges of ordinary shares for ADSs, and ADSs for ordinary shares will not be subject to U.S. federal income tax.

*This summary is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our ADSs or ordinary shares and should not be considered as income tax advice or relied upon for tax planning purposes. Each prospective U.S. Holder should consult with its own tax advisor as to the particular tax consequences to it of the ownership and disposition of our ADSs, including the effects of applicable tax treaties, state, local, foreign or other tax laws and possible changes in the tax laws.*

#### **Distributions With Respect to Our ADSs**

Subject to the discussion below under “*Passive Foreign Investment Company Status*,” a U.S. Holder that receives a distribution with respect to ADSs or ordinary shares generally will be required to include the gross amount, including the amount of any Israeli taxes withheld on such distribution, in gross income as a dividend when actually or constructively received to the extent of the U.S. Holder’s pro rata share of our current and/or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent a distribution received by a U.S. Holder is not a dividend because it exceeds the U.S. Holder’s pro rata share of our current and accumulated earnings and profits, it will be treated first as a tax-free return of capital and reduce (but not below zero) the adjusted tax basis of the U.S. Holder’s ADSs or ordinary shares. To the extent the distribution exceeds the adjusted tax basis of the U.S. Holder’s ADSs or ordinary shares, the remainder will be taxed as capital gain recognized on a sale or exchange of the ADSs or ordinary shares (as discussed below under “*Sale, Exchange or Other Taxable Disposition of ADSs or ordinary shares*”). However, because we do not account for our earnings and profits in accordance with U.S. federal income tax principles, U.S. Holders should expect all distributions to be reported to them as dividends. Dividends on our ADSs or ordinary shares will not be eligible for the “dividends received” deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations. U.S. Holders are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of their receipt of any distributions with respect to our ADSs or ordinary shares.

Dividends paid by a “qualified foreign corporation” to individuals and certain non-corporate U.S. Holders are treated as “qualified dividend income” and are eligible for taxation at a reduced capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that certain requirements are met. A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information provision, or (b) with respect to any dividend it pays on ADSs or ordinary shares that are readily tradable on an established securities market in the United States. We believe that we qualify as a resident of Israel for purposes of, and are eligible for the benefits of, the income tax treaty between the United States and Israel, which the IRS has determined is satisfactory for purposes of the qualified dividend rules. Further, our ADSs will generally be considered to be readily tradable on an established securities market in the United States if they are listed on Nasdaq Capital Market. Therefore, subject to the discussion below under “*Passive Foreign Investment Company Status*,” we expect that dividends paid on ADSs or ordinary shares will generally be “qualified dividend income” in the hands of individuals and certain other non-corporate U.S. Holders, *provided* that certain conditions are met, including conditions relating to holding period and the absence of certain risk reduction transactions.

Each U.S. Holder is advised to consult its tax advisors regarding the availability of the reduced tax rate on dividends with regard to its particular circumstances.

The amount of a distribution paid to a U.S. Holder in a foreign currency will be the dollar value of the foreign currency calculated by reference to the spot exchange rate on the day the U.S. Holder receives the distribution, regardless of whether the foreign currency is converted into U.S. dollars at that time. Any foreign currency gain or loss a U.S. Holder realizes on a subsequent conversion of foreign currency into U.S. dollars will be U.S. source ordinary income or loss. If dividends received in foreign currency are converted into U.S. dollars on the day they are received, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend.

Distributions on ADSs or ordinary shares that are treated as dividends generally will constitute income from sources outside the United States for foreign tax credit purposes and generally will constitute passive category income. Subject to certain conditions and limitations, Israeli tax withheld on dividends may be credited against the U.S. Holder’s U.S. federal income tax liability, or deducted from taxable income, but only if the U.S. Holder elects to deduct all foreign income taxes in such year. However, Israeli income taxes that are withheld in excess of the rate applicable under the Israel-U.S. income tax treaty or that are refundable under Israeli law will not be eligible for credit against a U.S. Holder’s federal income tax liability (and will not be eligible for the deduction against U.S. federal taxable income). In addition, special rules may apply to the computation of foreign tax credits relating to qualified dividend income.

The rules governing the treatment of foreign taxes imposed on a U.S. Holder and foreign tax credits are complex, and U.S. Holders should consult their tax advisors about the impact of these rules in their particular situations.

#### ***Sale, Exchange or Other Taxable Disposition of ADSs or ordinary shares***

Subject to the discussion below under “*Passive Foreign Investment Company Status*,” a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of ADSs or ordinary shares in an amount equal to the difference, if any, between the amount realized (i.e., the amount of cash plus the fair market value of any property received) on the sale, exchange or other disposition (without reduction for any Israeli taxes withheld) and such U.S. Holder’s adjusted tax basis in the ADSs or ordinary shares. A U.S. Holder’s initial tax basis in shares generally will equal the cost of such shares. Such capital gain or loss generally will be long-term capital gain taxable at a reduced rate for non-corporate U.S. Holders or long-term capital loss if, on the date of sale, exchange or other disposition, the ADSs or ordinary shares were held by the U.S. Holder for more than one year. Any capital gain of a non-corporate U.S. Holder that is not long-term capital gain is taxed at ordinary income rates. The deductibility of capital losses is subject to limitations. Any gain or loss recognized from the sale or other disposition of ADSs or ordinary shares will generally be gain or loss from sources within the United States for U.S. foreign tax credit purposes. Because gain on the sale or other disposition of our ADSs or ordinary shares generally will be treated as United States source income, and U.S. Holders may use foreign tax credits against only the portion of United States federal income tax liability that is attributed to foreign source income in the same category, a U.S. Holder’s ability to utilize a foreign tax credit with respect to the Israeli tax imposed on any such sale or other disposition, if any, may be significantly limited. In addition, if a U.S. Holder is eligible for the benefit of the income tax convention between the United States and the State of Israel (the “U.S. – Israel Income Tax Treaty”) and the U.S. Holder pays Israeli tax in excess of the amount applicable to such U.S. Holder under such convention or if the Israeli tax paid is refundable, the U.S. Holder will not be able to claim any foreign tax credit or deduction with respect to such Israeli tax. U.S. Holders should consult their tax advisors as to whether the Israeli tax on gains may be creditable or deductible in light of their particular circumstances, including the new “attribution requirement” under final Treasury Regulations issued on January 4, 2022, and their ability to apply the provisions of the U.S. – Israel Income Tax Treaty to treat any gain recognized from the sale or other disposition of ADSs or ordinary shares as foreign source income for foreign tax credit purposes.

If the consideration (or a distribution) received by a U.S. Holder is not paid in U.S. dollars, the amount realized generally will be the U.S. dollar value of the payment received. If the ADSs or ordinary shares are considered to be traded on an established securities market when the U.S. Holder sells or otherwise disposes of the ADSs or ordinary shares, the amount realized will be, in the case of cash basis and electing accrual basis taxpayers, determined by reference to the spot rate of exchange on the settlement date. An accrual basis U.S. Holder that is not eligible to or does not elect to determine the amount realized using the spot rate on the settlement date will recognize U.S. source foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realized on the date of sale or disposition and the U.S. dollar value of the currency received at the spot rate on the settlement date. A U.S. Holder will have a tax basis in the currency received equal to the U.S. dollar value of the currency received at the spot rate on the settlement date. Any currency gain or loss realized on the settlement date or the subsequent sale, conversion, or other disposition of the non-U.S. currency received for a different U.S. dollar amount generally will be U.S.-source ordinary income or loss, and will not be eligible for the reduced tax rate applicable to long-term capital gains. If an accrual basis U.S. Holder makes the election described in the second sentence of this paragraph, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS. A U.S. Holder should consult its own tax advisors regarding the treatment of any foreign currency gain or loss realized with respect to any currency received in a sale or other disposition of the Offered Shares.

#### ***Medicare Tax***

Certain U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally are subject to a 3.8% tax on all or a portion of their net investment income, which may include their gross dividend income and net gains from the disposition of ADSs or ordinary shares. If you are a United States person that is an individual, estate or trust, you are encouraged to consult your tax advisors regarding the applicability of this Medicare tax to your income and gains in respect of your investment in our ADSs or ordinary shares.

### *Passive Foreign Investment Company Status*

In general, a corporation organized outside the United States will be treated as a passive foreign investment company (a "PFIC") for any taxable year in which either (1) at least 75% of its gross income is "passive income" (the "income test") or (2) on average at least 50% of the value of its assets, determined on a quarterly basis, are assets that produce passive income or are held for the production of passive income (the "asset test"). Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents, and gains from the sale or exchange of property that gives rise to passive income. Generally, in determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

We do not believe we were a PFIC for our 2023 taxable year. While we also do not believe we will be a PFIC for the current taxable year, because PFIC status is determined on an annual basis and generally cannot be determined until the end of the taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or in future taxable years. Because we may hold a substantial amount of cash and cash equivalents, and because the calculation of the value of our assets may be based in part on the value of ordinary shares and ADSs, which may fluctuate considerably, we may be a PFIC in the current or future taxable years under the PFIC asset test. Even if we determine that we are not a PFIC for a taxable year, there can be no assurance that the IRS will agree with our conclusion and that the IRS would not successfully challenge our position. Our status as a PFIC is a fact-intensive determination made on an annual basis, and our status in future years will depend on our income, assets, market capitalization and activities in those years. There can be no assurance that we will not be considered a PFIC for any taxable year.

If we are a PFIC in any taxable year during which a U.S. Holder owns ADSs or ordinary shares, the U.S. Holder could be liable for additional taxes and interest charges under the PFIC rules upon (1) a distribution paid during a taxable year that is greater than 125% of the average annual distributions paid in the three preceding taxable years, or, if shorter, the U.S. Holder's holding period for the ADSs or ordinary shares, and (2) any gain recognized on a sale, exchange or other disposition, including a pledge, of the ADSs or ordinary shares, whether or not we continue to be a PFIC. Under the PFIC rules, the tax on such excess distribution or gain would be determined by allocating the excess distribution or gain ratably over the U.S. Holder's holding period for ADSs or ordinary shares. The amount allocated to the current taxable year (i.e., the year in which the distribution occurs or the gain is recognized) and any year prior to the first taxable year in which we are a PFIC will be taxed as ordinary income earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates in effect for individuals or corporations, as applicable, to ordinary income for each such taxable year, and an interest charge, generally applicable to underpayments of tax, will be added to the tax. In addition, our dividends on ADSs or ordinary shares will not be treated as qualified dividend income subject to preferential tax rates for non-corporate U.S. Holders, as described above, if we are classified as a PFIC in the last year prior to the year in which such dividend is paid or the year in which such dividend is paid.

If we are a PFIC for any year during which a U.S. Holder holds ADSs or ordinary shares, we must generally continue to be treated as a PFIC by that holder for all succeeding years during which the U.S. Holder holds the ADSs or ordinary shares, unless we cease to meet the requirements for PFIC status and the U.S. Holder makes a "deemed sale" election with respect to the ADSs or ordinary shares. If the election is made, the U.S. Holder will be deemed to sell the ADSs or ordinary shares it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain recognized from such deemed sale would be taxed under the PFIC rules described above. After the deemed sale election, the U.S. Holder's ADSs or ordinary shares would not be treated as shares of a PFIC unless we subsequently become a PFIC.

If we are a PFIC for any taxable year during which a U.S. Holder holds ADSs or ordinary shares and any of the non-U.S. corporate entities in which we own equity is also a PFIC (i.e., a lower-tier PFIC), such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be taxed under the PFIC excess distribution regime on distributions by the lower-tier PFIC and on gain from the disposition of shares of the lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. Each U.S. Holder is advised to consult its tax advisors regarding the application of the PFIC rules to our non-U.S. subsidiaries.

If we are a PFIC, a U.S. Holder will not be subject to tax under the PFIC rules on distributions or gain recognized on ADSs or ordinary shares if such U.S. Holder makes a valid "mark-to-market" election for our ADSs or ordinary shares. A mark-to-market election is available to a U.S. Holder only for "marketable stock." Our ADSs or ordinary shares will be marketable stock if our ADSs or ordinary shares are "regularly traded" on a "qualified exchange." The Nasdaq Capital Market is a qualified exchange for this purpose. Our ADSs or ordinary shares will be treated as regularly traded if they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. There can be no assurance that trading volumes will be sufficient to permit a mark-to-market election.

If a mark-to-market election is in effect, a U.S. Holder generally would take into account, as ordinary income each year, the excess of the fair market value of ADSs or ordinary shares held at the end of such taxable year over the adjusted tax basis of such ADSs or ordinary shares. The U.S. Holder would also take into account, as an ordinary loss each year, the excess of the adjusted tax basis of such ADSs or ordinary shares over their fair market value at the end of the taxable year, but only to the extent of the excess of amounts previously included in income over ordinary losses deducted as a result of the mark-to-market election. The U.S. Holder's tax basis in ADSs or ordinary shares would be adjusted to reflect any income or loss recognized as a result of the mark-to-market election. Any gain from a sale, exchange or other disposition of ADSs or ordinary shares in any taxable year in which we are a PFIC would be treated as ordinary income and any loss from such sale, exchange or other disposition would be treated first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss.

A mark-to-market election will not apply to ADSs or ordinary shares for any taxable year during which we are not a PFIC, but will remain in effect with respect to any subsequent taxable year in which we become a PFIC. Such election, however, will not apply to any non-U.S. subsidiaries that we currently own, may organize or acquire in the future. Accordingly, a U.S. Holder may continue to be subject to tax under the PFIC rules with respect to any lower-tier PFICs that we currently own, may organize or acquire in the future notwithstanding the U.S. Holder's mark-to-market election for the ADSs or ordinary shares.

In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC consequences described above by making a "qualified electing fund" ("QEF") election to be taxed currently on its share of the PFIC's undistributed income. In order for a U.S. Holder to be able to make a QEF election, the company would be required to provide the U.S. Holder with certain information. However, the company has no current plans to provide to U.S. Holders the required information. Therefore, prospective investors should assume that a QEF election will not be available.

U.S. Holders should consult their tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

Each U.S. person that is an investor of a PFIC is generally required to file an annual information return on IRS Form 8621 containing such information as the U.S. Treasury Department may require. The failure to file IRS Form 8621 could result in the imposition of penalties and the extension of the statute of limitations with respect to U.S. federal income tax.

The U.S. federal income tax rules relating to PFICs are very complex. Prospective U.S. Holders are strongly urged to consult their own tax advisors with respect to the impact of PFIC status on the purchase, ownership and disposition of ADSs or ordinary shares, the consequences to them of an investment in a PFIC, any elections available with respect to the ADSs or ordinary shares and the IRS information reporting obligations with respect to the purchase, ownership and disposition of ADSs or ordinary shares of a PFIC.

#### ***Information Reporting and Backup Withholding***

U.S. backup withholding tax and information reporting requirements may apply to certain payments to certain U.S. Holders of ADSs or ordinary shares. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, our ADSs or ordinary shares made within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder of our ADSs or ordinary shares, other than an exempt recipient. A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, ADSs or ordinary shares within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against the beneficial owner's U.S. federal income tax liability, if any, and any excess amounts withheld under the backup withholding rules may be refunded, *provided* that the required information is timely furnished to the IRS.

U.S. Holders should consult their own tax advisors regarding the backup withholding tax and information reporting rules.

#### ***Foreign Asset Reporting***

U.S. Holders may be required to file certain U.S. information reporting returns with the IRS with respect to an investment in ADSs or ordinary shares, including, among others, IRS Form 8938 (Statement of Specified Foreign Financial Assets). As described above under "*Passive Foreign Investment Company Status*," each U.S. Holder who is a shareholder of a PFIC must file an Annual Report containing certain information. In addition, U.S. Holders paying more than \$100,000 for ADSs or ordinary shares may be required to file IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) reporting this payment. Substantial penalties may be imposed upon a U.S. Holder that fails to comply with the required information reporting.

**EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO THE INVESTOR OF AN INVESTMENT IN OUR ADS OR ORDINARY SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.**

*F. DIVIDENDS AND PAYING AGENTS*

Not applicable.

*G. STATEMENT BY EXPERTS*

Not applicable.

*H. DOCUMENTS ON DISPLAY*

Our website is <http://www.shl-telemedicine.com>. We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within 120 days of the end of each fiscal year. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. We will make available, free of charge, on our website (under the heading "Investor Relations") our Annual Reports on Form 20-F, Reports on Form 6-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. No information contained on our website is intended to be included as part of, or incorporated by reference into, this Annual Report.

*I. SUBSIDIARY INFORMATION*

Not applicable.

*J. ANNUAL REPORT TO SECURITY HOLDERS*

We will submit our Annual Report to our security holders when required in response to the requirements of Form 6-K, in electronic format in accordance with the EDGAR Filer Manual.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The main risks arising from our 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 us to concentrations of credit risk consist principally of cash, cash equivalents, and trade receivables. Cash and cash equivalents are deposited with major banks. We believe that the financial institutions that hold the company's investments are financially sound, and, accordingly, minimal credit risk exists with respect to these investments.

Our trade receivables are mainly derived from sales to customers in Germany and Israel. We have adopted credit policies and standards intended to accommodate industry growth and inherent risk. We believe that credit risks are moderated by the diversity of our end customers. We perform ongoing credit evaluations of our customers' financial condition and require 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:

We are subject to foreign exchange risk as we hold cash and cash equivalents and short-term investments in foreign currency as we purchase our devices in foreign currency. We regularly monitor our foreign exchange risk and attempt 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 U.S. Dollars and EUR exchange rates, with all other variables held constant. The impact on our profit before tax is due to changes in the fair value of monetary assets discussed above. Our exposure to foreign currency changes related to all other currencies is not material to the company's financial results.

	<b>Change in U.S. Dollars rate</b>	<b>Effect on profit tax</b>
2023	+5%	(721)
	-5%	721
2022	+5%	(320)
	-5%	320
2021	+5%	(347)
	-5%	347

	<b>Change in EUR rate</b>	<b>Effect on profit before tax</b>
2023	+5%	(66)
	-5%	66
2022	+5%	(38)
	-5%	38
2021	+5%	(252)
	-5%	252

As of December 31, 2023, we had bank deposits of \$14 million and \$1.5 million in U.S. Dollars and EUR, respectively. As of December 31, 2022, we had bank deposits of \$6.2 million and \$0.8 million in U.S. Dollars and EUR, respectively. As of December 31, 2021, we had bank deposits of \$6.9 million and \$2.4 million in U.S. Dollars and EUR, respectively. The amounts presented in the above table represent the effect on profit before tax of a potential increase/decrease of 5% in the exchange rates between NIS and U.S. Dollars and EUR.

We closely monitor our foreign currency risk. Pursuant to the tables above, the Company does not believe that our foreign currency risk could have a material impact on the results of our business at this time. However, to the extent we believe that our foreign currency risk would materially impact our business, the company would consider entering into foreign currency hedging transactions, such as currency swaps or forwards, in order to mitigate that risk.

c. Market risk:

We have investments in marketable financial instruments that are classified as financial assets at fair value through profit or loss in respect of which we are 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, 2023, 2022 and 2021, the balance of these investments is USD 8,978, USD 8,517 and USD 17,217, respectively).

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

	<b>Increase/ decrease in price</b>	<b>Effect on profit before tax</b>
2023	+5%	449
	-5%	(449)
2022	+5%	426
	-5%	(426)
2021	+5%	861
	-5%	(861)

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.

We believe that the carrying amount of long-term deposits approximate their fair value.

e. Interest rate risk:

Our exposure to the risk of changes in market interest rates relates primarily to our floating rate debt obligation. Specifically, during August 2021, we signed an agreement with a bank in Israel to obtain a long-term loan in the amount of approximately \$18.3 million for a period of seven years and nine 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 is being repaid in 28 quarterly installments following an initial moratorium period of nine months.

As it relates to the loan, we do not believe that the effect of a reasonably possible increase of 5% on the interest rate would have a material impact on our profit before tax. While we do not currently have any type of hedging instrument in place related to the loan, the company would consider entering into an interest rate swap in order to mitigate the interest rate risk related to the floating rate debt obligation if it believed an increase in interest rates would materially impact its business. Furthermore, in accordance with the terms of the loan, the company has the right to prepay the loan (without penalty) if needed.

In addition to our floating rate debt obligation, we also had cash and cash equivalents and short-term investments of approximately \$26.0 million and \$18.7 million as of December 31, 2023, and December 31, 2022, respectively. Our cash and cash equivalents and short-term investments are held primarily for short term operating capital purposes. Further, our cash and cash equivalents are held primarily in bank deposits and marketable securities. Due to the short-term nature of these instruments, we do not believe that the effect of a reasonably possible increase of 5% of the interest rate would have a material impact on our profit before tax.

f. Liquidity risk:

We monitor our 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.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

*A. DEBT SECURITIES*

Not applicable.

*B. WARRANTS AND RIGHTS*

Not applicable.

*C. OTHER SECURITIES*

Not applicable.

*D. AMERICAN DEPOSITARY SHARES*

*Below we provide the information required by Item 12.D.3 and Item 12.D.4 Form 20-F. The remainder of the information required by this Item is incorporated by reference as Exhibit 2.3 to this Annual Report on Form 20-F and is incorporated hereunder by reference. The form of the deposit agreement and the Form of the ADR are incorporated by reference as Exhibits 2.1 and 2.2 to this Annual Report on Form 20-F and are incorporated herein by reference*



**Fees and Expenses**

<i>Persons depositing or withdrawing shares or ADS holders must pay:</i>	<i>For:</i>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
\$.05 (or less) per ADS	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depository to ADS holders
\$.05 (or less) per ADS per calendar year	Depository services
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares
Expenses of the depository	Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement) Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depository or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depository or its agents for servicing the deposited securities	As necessary

The depository collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depository may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depository may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depository may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depository or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depository may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depository and that may earn or share fees, spreads or commissions.

The depository may convert currency itself or through any of its affiliates, or the custodian or we may convert currency and pay U.S. dollars to the depository. Where the depository converts currency itself or through any of its affiliates, the depository acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depository or its affiliate receives when buying or selling foreign currency for its own account. The depository makes no representation that the exchange rate used or obtained by it or its affiliate in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depository's obligation to act without negligence or bad faith. The methodology used to determine exchange rates used in currency conversions made by the depository is available upon request. Where the custodian converts currency, the custodian has no obligation to obtain the most favorable rate that could be obtained at the time or to ensure that the method by which that rate will be determined will be the most favorable to ADS holders, and the depository makes no representation that the rate is the most favorable rate and will not be liable for any direct or indirect losses associated with the rate. In certain instances, the depository may receive dividends or other distributions from us in U.S. dollars that represent the proceeds of a conversion of foreign currency or translation from foreign currency at a rate that was obtained or determined by us and, in such cases, the depository will not engage in, or be responsible for, any foreign currency transactions and neither it nor we make any representation that the rate obtained or determined by us is the most favorable rate and neither it nor we will be liable for any direct or indirect losses associated with the rate.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

#### Material modifications to the rights of the security holders.

There have been no material modifications to the rights of securities holders.

#### Use of Proceeds.

Not applicable.

### ITEM 15. CONTROLS AND PROCEDURES

#### (a) Disclosure Controls and Procedures.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, management, including our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding our required disclosure.

Based on the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2023, our disclosure controls and procedures were effective.

#### (b) Management's annual report on internal control over financial reporting.

This Annual Report does not include a report of management's assessment regarding internal control over financial reporting because the Company is in a transition period permitted by the SEC for newly public companies.

#### (c) Attestation report of the registered public accounting firm.

This Annual Report does not include an attestation report of our Registered Public Accounting firm because we are an emerging growth company under the JOBS Act and accordingly are exempt from the requirement to provide such report.

**(d) Changes in internal control over financial reporting.**

During the period covered by this Annual Report, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16. [RESERVED]**

**ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board has determined that Mr. Yehoshua (Shuky) Abramovich is an “audit committee financial expert” serving on our audit committee, as such term is defined in Item 16A(b) of Form 20-F by the Securities and Exchange Commission’s rules and “independent” as that term is defined in the Nasdaq listing standards.

**ITEM 16.B. CODE OF ETHICS**

On March 6, 2023, we adopted a Code of Ethics for all directors, officers and employees that complies with the Nasdaq rules and the definition of a “code of ethics” set forth in Section 406(c) of the Sarbanes-Oxley Act of 2002, as amended. Our Code of Ethics is incorporated by reference as Exhibit 11.1 to this Annual Report. A copy of our Code of Ethics is posted on the “Corporate Governance” page of our website at <https://www.shl-telemedicine.com/corporate-governance/>. We expect that any amendment to our Code of Ethics, or any waivers of its requirements, will be disclosed on our website. We will also provide to any person a copy of our Code of Ethics without charge, upon request. Such request can be submitted to SHL Telemedicine, 90 Yigal Alon Street, Tel Aviv 67891, Israel, Attention: Amir Hai, Chief Financial Officer.

**ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Ernst and Young Or Kost Forer Gabbay & Kasierer, a Member of Ernst & Young Global has served as our independent registered public accountant for each of last two fiscal years for which audited statements appear in this Annual Report.

The following table shows the aggregate fees for professional services and other services rendered by Ernst and Young and the various member firms of Ernst and Young to us, including some of our subsidiaries, in fiscal years 2023 and 2022.

<b>Particulars</b>	<b>2023 (US\$)</b>	<b>2022 (US\$)</b>
Audit fees (audit and review of financial statements and offerings)	460	419
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
<b>Total</b>	<b>460</b>	<b>419</b>

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Ernst and Young, including audit services, audit-related services and tax services. We have a written policy on the engagement of an external auditor.

**ITEM 16.D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Not applicable.

**ITEM 16.F. CHANGE IN REGISTRANT'S CERTIFIED ACCOUNTANT**

Not applicable.

**ITEM 16.G. CORPORATE GOVERNANCE**

We are a "foreign private issuer" (as such term is defined in Rule 3b-4 under the Exchange Act) and our equity shares are listed on the Nasdaq Capital Market. Under Nasdaq rules, Nasdaq listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the Nasdaq, with limited exceptions. As required by the Nasdaq rules, we note the following significant differences between our corporate governance practices and the corporate governance practices required to be followed by U.S. domestic companies.

Under the Nasdaq rules, the board of directors of U.S. domestic listed companies are required to have a majority of independent directors. We are not subject to this requirement under the Israeli law and have decided to follow home country practice on this matter. Because three of the six directors on our Board are independent under Nasdaq's independence standard, we do not currently comply with Nasdaq's requirement that an issuer maintain a majority of independent directors.

The Nasdaq rule also requires U.S. domestic listed companies to have a nominations committee comprised solely of independent directors along with a nominations committee charter. We do not have a nomination committee or a nominations committee charter and have decided to follow home country practice on this matter.

**ITEM 16.H. MINE SAFETY DISCLOSURE**

Not applicable.

**ITEM 16.I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

**ITEM 16.J. INSIDER TRADING POLICIES**

Not applicable.

**ITEM 16.K. CYBERSECURITY**

As a global leader in telemedicine technologies and services, cyber security is a top priority in all our business activities. Our solutions are designed to protect patient data from unauthorized access, use, or disclosure. We have appointed an external dedicated Chief Information Security Officer reporting to our Chief Information Officer. We also developed and implemented policies, procedures and infrastructures that support our data security for sensitive information, disaster recovery and business continuity for different systems and system durability. Our information security policy is based on the standards and regulations in the healthcare industry (ISO 27001, ISO 27799, and HIPAA compliance).

We follow and implement the Israel Cyber Defense Doctrine 2.0 (ICDM 2.0), a methodology for managing cyber risks in organizations. In accordance with these guidelines, we have adopted several ISO standards, including the above-mentioned ISO 27001 and ISO 27799, to provide a foundation for our cybersecurity governance and risk management strategy. We also have a comprehensive privacy policy that addresses the protection of personal data that includes general guidelines for data protection, a policy for customers regarding personal data collection, retention and sharing information with third parties, and an approval form for usage of medical devices using or transmitting customer data.

In 2023, we conducted a comprehensive risk assessment to identify the cybersecurity risks that are most relevant to our organization. All risks are managed in the cybersecurity workplan for 2024. In general, we use a variety of tools and techniques to identify, assess, and analyze our cybersecurity risks on a constant basis. These tools and techniques include technical assessments, formal risk assessments, and threat modeling. We have also a comprehensive cybersecurity strategy and action plan in place that fully addresses the risks identified in our risk assessment. This plan is regularly reviewed and updated to ensure it remains effective.

Finally, we have implemented a continuous monitoring and review program to ensure that our cybersecurity program is effective and up to date, managed by our Chief Information Security Officer and his team. This program includes regular penetration tests, vulnerability assessments and incident response drills, weekly reporting to the CIO and annual reporting to the CEO. No cyber incidents and/or data breaches occurred in 2023 and 2022.

Although not required under the Israeli Companies Law, on February 10, 2020, our Board established a cyber committee (the “Cyber Committee”). The task of the Cyber Committee is to recommend to the Board actions and measures to be taken in connection with the Company’s information technology, including, among other things, developing, maintaining and promoting the security of the Company’s systems, networks and data, as well as supervising and monitoring the implementations of all such actions and measures. The Cyber Committee meets from time to time when necessary.

### **PART III**

#### **ITEM 17. FINANCIAL STATEMENTS**

We have furnished the financial statements and related information specified in Item 18.

#### **ITEM 18. FINANCIAL STATEMENTS**

The consolidated financial statements and related notes required by this Item 18 are included in this Annual Report beginning on page F-1.

**ITEM 19. EXHIBITS**

The following exhibits are filed as part of this Annual Report:

Exhibit No.	Document
<a href="#">1.1*</a>	<a href="#">Articles of Association of the Registrant.</a>
<a href="#">2.1*</a>	<a href="#">Form of Deposit Agreement among the Registrant, The Bank of New York Mellon, as Depository, and all Owners and Holders from time to time of American Depositary Shares issued thereunder.</a>
<a href="#">2.2*</a>	<a href="#">Form of Registrant's American Depositary Receipt (included as Exhibit A to Exhibit 2.1).</a>
<a href="#">2.3†</a>	<a href="#">Description of the Registrant's securities registered under Section 12 of the Exchange Act.</a>
<a href="#">4.1*</a>	<a href="#">2021 Executive and Key Employee Israeli Share Incentive Plan.</a>
<a href="#">4.2*</a>	<a href="#">Share Purchase Agreement, dated August 25, 2021, among the Registrant, Mediton Medical Centers Chain Ltd. and Medishur Ltd.**</a>
<a href="#">4.3*</a>	<a href="#">Amendment No. 1 to Share Purchase Agreement, dated December 20, 2021, among the Registrant, Mediton Medical Centers Chain Ltd. and Medishur Ltd.**</a>
<a href="#">4.4*</a>	<a href="#">Consulting (Services) Agreement, dated August 2, 2020, by and between the Registrant and Mr. Erez Nachtomy.</a>
<a href="#">4.5*</a>	<a href="#">First Amendment to the Consulting (Services) Agreement, dated June 29, 2022, by and between the Registrant and Mr. Erez Nachtomy.</a>
<a href="#">4.7*</a>	<a href="#">Consulting Agreement dated July 1, 2020, by and between the Registrant and Irit Alroy.</a>
<a href="#">8.1*</a>	<a href="#">Subsidiaries of the Registrant.</a>
<a href="#">11.1†</a>	<a href="#">Code of Ethics of the Registrant.</a>
<a href="#">12.1#</a>	<a href="#">CEO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
<a href="#">12.2#</a>	<a href="#">CFO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
<a href="#">13.1#</a>	<a href="#">CEO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002</a>
<a href="#">13.2#</a>	<a href="#">CFO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002</a>
<a href="#">15.1#</a>	<a href="#">Consent of Kost Forer Gabbay &amp; Kasierer, a member of Ernst &amp; Young Global.</a>
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 (File No. 0001-41641).

\*\* English translation from the original Hebrew language. Certain identified information has been excluded from this exhibit because the Company does not believe it is material and is the type that the Company customarily treats as private and confidential. Redacted information is indicated by [\*\*\*].

† Incorporated by reference to the Company's Registration Statement on Form 20-F filed with the SEC on May 11, 2023.

# Furnished with this Annual Report on Form 20-F.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

SHL TELEMEDICINE LTD.

By: /s/ Erez Nachtomy  
Name: Erez Nachtomy  
Title: Chief Executive Officer

Date: April 18, 2024

SHL TELEMEDICINE LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2023  
U.S. DOLLARS IN THOUSANDS  
INDEX

	<u>Page</u>
<a href="#">Independent Auditors' Report</a> (Kost Forer Gabbay & Kasierer - Tel-Aviv, Israel) (PCAOB 1281)	F-2
<a href="#">Consolidated Balance Sheets</a>	F-3 - F-4
<a href="#">Consolidated Statements of Comprehensive Income</a>	F-5
<a href="#">Consolidated Statements of Changes in Equity</a>	F-6
<a href="#">Consolidated Statements of Cash Flows</a>	F-7 - F-8
<a href="#">Notes to Consolidated Financial Statements</a>	F-9 - F-68

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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. (the Company) as of December 31, 2023 and 2022, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

**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 EY Global  
We have served as the Company's auditor since 1997  
Tel-Aviv, Israel  
April 17, 2024

U.S. dollars in thousands

	Note	December 31,	
		2023	2022
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	5	6,693	4,483
Short-term investments	6	19,557	14,217
Trade receivables	7	8,557	7,797
Inventory	2e	3,459	3,879
Other accounts receivable	9	1,792	1,912
		<u>40,058</u>	<u>32,288</u>
<b>NON-CURRENT ASSETS:</b>			
Inventory	2e	1,913	1,731
Prepaid expenses	8	3,220	3,364
Call option to non-controlling interests, net	17	147	245
Long-term deposits		328	423
Right-of-use assets	12	7,214	11,038
Deferred taxes	19d	2,055	2,872
		<u>14,877</u>	<u>19,673</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	10	<u>4,892</u>	<u>4,652</u>
<b>GOODWILL</b>	11	<u>32,965</u>	<u>33,745</u>
<b>INTANGIBLE ASSETS, NET</b>	11	<u>20,257</u>	<u>20,425</u>
<b>Total assets</b>		<u><u>113,049</u></u>	<u><u>110,783</u></u>

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

## CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Note	December 31,	
		2023	2022
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Credit from banks and others	13	2,160	2,169
Current maturities of lease liabilities	12	2,435	2,263
Deferred revenues	15	304	260
Income taxes payable	19	119	138
Trade payables		3,884	3,757
Other payables	16	8,536	9,238
		<u>17,438</u>	<u>17,825</u>
<b>NON-CURRENT LIABILITIES:</b>			
Liability for share options	17	-	7,164
Loans from banks	14	10,460	13,008
Deferred taxes	19d	2,313	2,700
Lease liabilities	12	4,804	9,302
Employee benefit liabilities	18	1,573	1,495
		<u>19,150</u>	<u>33,669</u>
<b>Total liabilities</b>		<u>36,588</u>	<u>51,494</u>
<b>EQUITY:</b>			
Attributable to equity holders of the Company:			
Issued capital	22	48	43
Additional paid-in capital		156,334	130,009
Treasury shares		(2)	(2)
Foreign currency translation reserve		(5,294)	(3,291)
Capital reserve for options		1,514	1,002
Capital reserve for remeasurement gains on defined benefit plans		1,058	1,000
Accumulated deficit		(80,130)	(73,074)
		<u>73,528</u>	<u>55,687</u>
Non-controlling interests		2,933	3,602
<b>Total equity</b>		<u>76,461</u>	<u>59,289</u>
<b>Total liabilities and equity</b>		<u>113,049</u>	<u>110,783</u>

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

April 17, 2024  
Date of approval of the  
financial statements

/s/ Yariv Alroy  
Yariv Alroy  
Chairman of the Board

/s/ Erez Nachtomiy  
Erez Nachtomiy  
CEO

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Note	Year ended December 31,		
		2023	2022	2021
Revenues	23a	57,075	58,998	49,582
Cost of revenues	23b	31,814	31,809	24,989
Gross profit		25,261	27,189	24,593
Research and development costs	23c	5,260	3,788	2,985
Selling and marketing expenses	23d	10,581	11,403	9,454
General and administrative expenses	23e	16,228	16,748	12,103
Other expenses	23g	2,198	416	548
Operating loss		(9,006)	(5,166)	(497)
Financial income	23f(1)	4,833	8,833	381
Financial expenses	23f(2)	(1,791)	(2,355)	(13,353)
Profit (loss) before taxes on income		(5,964)	1,312	(13,469)
Tax expenses	19b	891	1,097	455
Net profit (loss)		(6,855)	215	(13,924)
Other comprehensive income:				
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gain on defined benefit plans	18	52	581	280
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation reserve		(2,119)	(6,699)	859
Total other comprehensive income		(2,067)	(6,118)	1,139
Total comprehensive loss		(8,922)	(5,903)	(12,785)
Net profit (loss) attributable to:				
Equity holders of the Company		(7,056)	(76)	(14,110)
Non-controlling interests		201	291	186
		(6,855)	215	(13,924)
Comprehensive income (loss) attributable to:				
Equity holders of the Company		(9,001)	(5,775)	(12,971)
Non-controlling interests		79	(128)	186
		(8,922)	(5,903)	(12,785)
Earnings per share:				
Basic loss	24	(0.43)	(0.01)	(1.00)
Diluted loss	24	(0.54)	(0.49)	(1.00)

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 rereasurement gains on defined benefit plans	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance as of January 1, 2022	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 (loss)	-	-	-	-	-	-	(76)	(76)	291	215
Total other comprehensive income (loss)	-	-	-	(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
Exercise of share options	5	25,114	-	-	512	-	-	25,631	-	25,631
Exercise of Employee options	*)	*)	-	-	-	-	-	-	-	-
Share-based payments	-	1,116	-	-	-	-	-	1,116	136	1,252
Equity component of transaction with non-controlling interest	-	95	-	-	-	-	-	95	(95)	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(789)	(789)
Net profit (loss)	-	-	-	-	-	-	(7,056)	(7,056)	201	(6,855)
Total other comprehensive income (loss)	-	-	-	(2,003)	-	58	-	(1,945)	(122)	(2,067)
Balance as of December 31, 2023	48	156,334	(2)	(5,294)	1,514	1,058	(80,130)	73,528	2,933	76,461

\*) 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,		
	2023	2022	2021
<b>Cash flows from operating activities:</b>			
Net profit (loss)	(6,855)	215	(13,924)
<b>Adjustments required to reconcile net profit (loss) to net cash provided by (used) in operating activities:</b>			
<b>Income and expenses not involving operating cash flows:</b>			
Depreciation and amortization	7,692	7,134	5,382
Capital loss from disposals of property and equipment	278	51	63
Impairment of property, and equipment	-	-	118
Capital gain from amendment of lease liabilities	(399)	-	-
Change in employee benefit liabilities, net	180	90	21
Financial Expenses (income), net	(2,446)	(7,443)	12,857
Valuation loss (gain) from short-term investments	(848)	769	114
Cost of share-based payments	1,252	1,757	1,291
Tax expenses	891	1,097	455
	<u>6,600</u>	<u>3,455</u>	<u>20,301</u>
<b>Changes in operating assets and liabilities:</b>			
Decrease (increase) in trade receivables, net	(975)	(641)	611
Increase in inventory	(156)	(2,544)	(3,097)
Decrease (increase) in prepaid expenses	44	(21)	202
Decrease (increase) in other accounts receivable	62	(471)	289
Increase in trade payables	235	1,264	494
Increase (decrease) in deferred revenues	51	(246)	(970)
Increase (decrease) in other accounts payable	965	845	(2,459)
	<u>226</u>	<u>(1,814)</u>	<u>(4,930)</u>
<b>Cash paid and received:</b>			
Interest received	621	429	318
Interest paid	(1,296)	(1,010)	(440)
Income tax received	8	87	7
Income taxes paid	(800)	(1,435)	(1,147)
	<u>(1,467)</u>	<u>(1,929)</u>	<u>(1,262)</u>
Net cash provided by (used) in operating activities	<u>(1,496)</u>	<u>(73)</u>	<u>185</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,		
	2023	2022	2021
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(1,289)	(1,661)	(625)
Acquisition of subsidiaries (a)	-	-	(27,323)
Investment in intangible assets	(4,203)	(5,243)	(2,633)
Investment in short-term deposits	(9,840)	(5,705)	(4,860)
Proceeds from short-term deposits	5,855	-	4,733
Purchase of short-term investments	(2,291)	(5,588)	(13,622)
Proceeds from sale of short-term investments	2,422	11,764	3,356
Net cash used in investing activities	<u>(9,346)</u>	<u>(6,433)</u>	<u>(40,974)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of share options liability	-	-	6,859
Dividend paid to non-controlling interests	(789)	(130)	-
Payment of lease liabilities	(2,648)	(2,447)	(1,933)
Proceeds from issue of share capital, net	-	-	30,140
Exercise of share options	20,298	1,961	463
Payment of long-term loans	(2,070)	(1,665)	18,265
Payment of liability to underwriters	(1,124)	-	(2,716)
Net cash provided by (used in) financing activities	<u>13,667</u>	<u>(2,281)</u>	<u>51,078</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(615)</u>	<u>(1,575)</u>	<u>414</u>
Increase (decrease) in cash and cash equivalents	2,210	(10,362)	10,703
Cash and cash equivalents at the beginning of the year	4,483	14,845	4,142
Cash and cash equivalents at the end of the year	<u>6,693</u>	<u>4,483</u>	<u>14,845</u>
<b>Non-cash transactions:</b>			
Right-of-use asset recognized with corresponding lease liability	<u>(1,265)</u>	<u>1,658</u>	<u>131</u>
Liability derecognized and recorded in equity upon exercise of share options	<u>5,333</u>	<u>1,015</u>	<u>319</u>

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

U.S. dollars in thousands

	Year ended December 31,		
	2023	2022	2021
(a) Acquisition of subsidiaries			
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>-</u>	<u>27,323</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".

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. The effects of the Swords of Iron War:

In October 2023, the Swords of Iron war broke out in Israel ("the war"). The ongoing war has led to a slowdown in business activity throughout the Israeli economy, as a result, among others, of the shutdown of enterprises in the south and north of Israel, the damage to local infrastructures, the nationwide military reserve draft for an indefinite period and the disruption of economic activity in the entire country. The prolongation of the war is likely to have extensive nationwide effects on numerous business and geographic segments.

The potential fluctuations in commodity prices, foreign currency exchange rates, availability of materials and manpower, local services and access to local resources are all liable to affect entities whose main operations are conducted in or with Israel.

Mediton's operations which provide services that are based on a fee-for-service model were affected by the war in Gaza during the last quarter of 2023. In the beginning of 2024 Mediton's activity is back on track.

## NOTE 2:- 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") as issued by the International Accounting Standards Board ("IASB").

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.

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**U.S. dollars in thousands****NOTE 2:- ACCOUNTING POLICIES (Cont.)**

## 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.

The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group.

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.

---

U.S. dollars in thousands

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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

- a) Assets and liabilities of foreign operations, including goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of said foreign operation, are translated at the closing rate at the end of the reporting period.
- b) Income and expenses for each period presented in the statement of income are translated at average exchange rates for the presented periods.
- c) Share capital, capital reserves and other changes in capital are translated at the exchange rate prevailing at the date of incurrence.
- d) Retained earnings are translated based on the opening balance translated at the exchange rate at that date and other relevant transactions (such as dividend) during the period are translated as described in b) and c) above.
- e) All resulting translation differences are recognized as a separate component of other comprehensive income (loss) in equity "foreign currency translation reserve".

2. 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.

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**U.S. dollars in thousands****NOTE 2:- ACCOUNTING POLICIES (Cont.)**

## d. 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.

## e. Inventory:

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

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

## f. Financial instruments:

## 1. Financial assets:

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

---

**U.S. dollars in thousands****NOTE 2:- ACCOUNTING POLICIES (Cont.)**

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.

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.

3. 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.

## U.S. dollars in thousands

## NOTE 2:- ACCOUNTING POLICIES (Cont.)

- 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.

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.

4. 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.

- g. 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.

## U.S. dollars in thousands

## NOTE 2:- ACCOUNTING POLICIES (Cont.)

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.

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	4 - 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).

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U.S. dollars in thousands

NOTE 2:- ACCOUNTING POLICIES (Cont.)

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.

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.

h. 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.



## U.S. dollars in thousands

## NOTE 2:- ACCOUNTING POLICIES (Cont.)

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.

## i. Property and equipment:

Property and equipment are measured at cost, including directly attributable costs, less accumulated depreciation and accumulated impairment losses.

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

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

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

## j. 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.

## U.S. dollars in thousands

## NOTE 2:- ACCOUNTING POLICIES (Cont.)

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 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.

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.

## U.S. dollars in thousands

## NOTE 2:- ACCOUNTING POLICIES (Cont.)

## k. 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.

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**U.S. dollars in thousands****NOTE 2:- ACCOUNTING POLICIES (Cont.)**

## 1. 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.

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**U.S. dollars in thousands****NOTE 2:- ACCOUNTING POLICIES (Cont.)**

## m. 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 22).

*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 22d

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.

## U.S. dollars in thousands

## NOTE 2:- ACCOUNTING POLICIES (Cont.)

## n. 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.

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**U.S. dollars in thousands****NOTE 2:- ACCOUNTING POLICIES (Cont.)**

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

The liability for employee benefits presented in the balance sheet reflects the present value of the defined benefit obligation less the fair value of the plan assets (see details in Note 18).

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

o. 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).

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U.S. dollars in thousands

NOTE 2:- ACCOUNTING POLICIES (Cont.)

*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.

*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.

p. Interest income:

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

q. 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.



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U.S. dollars in thousands

NOTE 2:- ACCOUNTING POLICIES (Cont.)

r. 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.

## U.S. dollars in thousands

## NOTE 2:- ACCOUNTING POLICIES (Cont.)

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).

## s. 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:

<u>For the year ended</u>	<u>Israeli CPI Points *)</u>	<u>Exchange rate of</u>		
		<u>€</u>	<u>U.S. \$</u>	<u>CHF</u>
		<u>NIS</u>		
December 31, 2023	248.6	4.01	3.63	4.31
December 31, 2022	241.4	3.75	3.52	3.82
December 31, 2021	229.4	3.52	3.11	3.40
<u>Change during the year</u>		<u>%</u>		
2023	3	6.9	3.1	12.8
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.

## U.S. dollars in thousands

## NOTE 2:- ACCOUNTING POLICIES (Cont.)

t. 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 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 applied prospectively for annual reporting periods beginning on 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.

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

2. Amendment to IAS 12, "Income Taxes":

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

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that 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.

The Amendment applies for annual reporting periods beginning on January 1, 2023. In relation to leases and decommissioning obligations, the Amendment is 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 is recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

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

## U.S. dollars in thousands

## NOTE 2:- ACCOUNTING POLICIES (Cont.)

## 3. Amendment to IAS 1, "Disclosure of Accounting Policies":

In February 2021, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment"), which replaces the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. One of the main reasons for the Amendment is the absence of a definition of the term 'significant' in IFRS whereas the term 'material' is defined in several standards and particularly in IAS 1.

The Amendment is applicable for annual periods beginning on January 1, 2023.

The application of the above Amendment had an effect on the disclosures of the Company's accounting policies, but did not affect the measurement, recognition or presentation of any items in the Company's consolidated financial statements.

## 4. Amendment to IAS 12, "Income Taxes":

In May 2023, the IASB issued "International Tax Reform—Pillar Two Model Rules – Amendment to IAS 12" ("the Amendment") to clarify the application of IAS 12, "Income Taxes", to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes).

The Amendment introduces:

- (a) A mandatory temporary exception from the application of IAS 12 regarding recognition and disclosure of deferred tax assets and liabilities arising from the implementation of the Pillar Two model rules; and
- (b) Disclosure requirements for international entities affected by the international tax reform.

The mandatory temporary exception in (a) above – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on January 1, 2023.

The application of the Amendment did not have any impact on the Company's consolidated financial statements since the International Tax Reform does not apply to the Group whose annual revenues are less than € 750 million.

## 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.

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**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 Note 11.

## - Deferred tax assets:

Deferred tax assets are recognized for unused carry forward tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in Notes 2m and 19c.

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**U.S. dollars in thousands****NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION**

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 financial covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.
- In respect of a liability for which compliance with financial covenants is to be evaluated within twelve months from the reporting date, disclosure is required to enable users of the financial statements to assess the risks related to that liability. The Subsequent Amendment requires disclosure of the carrying amount of the liability, information about the financial covenants, and the facts and circumstances at the end of the reporting period that could result in the conclusion that the entity may have difficulty in complying with the financial covenants.

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 adoption is permitted.

The above Amendments are not expected to have a material impact on the Company's consolidated financial statements.

## U.S. dollars in thousands

## NOTE 5:- CASH AND CASH EQUIVALENTS

	December 31,	
	2023	2022
Cash in banks (mainly in USD, 2022 – in NIS)	6,271	4,377
Short-term deposits (in NIS)	422	106
	<u>6,693</u>	<u>4,483</u>

## NOTE 6:- SHORT-TERM INVESTMENTS

	December 31,	
	2023	2022
Marketable securities:		
Financial assets at fair value through profit or loss (mainly in USD)		
Corporate bonds	4,181	4,033
Government bonds and loans	784	392
Shares	638	784
Exchange Traded Funds	3,375	3,308
	<u>8,978</u>	<u>8,517</u>
Short-term deposits	10,579	5,700
	<u>19,557</u>	<u>14,217</u>

U.S. dollars in thousands

**NOTE 7:- TRADE RECEIVABLES**

	December 31,	
	2023	2022
Accounts receivable (1)	8,419	7,596
Other	138	201
Allowance for doubtful accounts	-	-
	<u>8,557</u>	<u>7,797</u>

(1) The terms of billed accounts receivable are generally 30-60 days. As of December 31, 2023 and 2022, there were no material billed receivables that were past due.

**NOTE 8:- PREPAID EXPENSES**

Amortization of prepaid expenses (costs of obtaining contracts – see Note 2o) amounted to \$731 in the year ended December 31, 2023 (2022- \$788).

**NOTE 9:- OTHER ACCOUNTS RECEIVABLE**

	December 31,	
	2023	2022
Interest receivable	53	190
Government authorities	298	616
Advances to supplies	328	54
Prepaid expenses	552	469
Others	561	583
	<u>1,792</u>	<u>1,912</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 10:- PROPERTY AND EQUIPMENT

	Computers and peripheral equipment	Medical equipment	Office furniture and equipment	Motor vehicles and ambulances	Leasehold improvements	Devices on loan	Total
Cost:							
Balance as of January 1, 2022	18,334	6,150	2,350	2,498	3,777	46,570	79,679
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	16,856	5,466	2,198	2,210	3,930	41,191	71,851
Additions during the year	699	7	66	181	127	209	1,289
Disposals during the year	(3,275)	-	(366)	(46)	-	(4,497)	(8,184)
Transfer from inventory, net	-	-	-	-	-	226	226
Currency translation differences	(348)	(165)	(33)	(60)	(106)	(1,126)	(1,838)
Balance as of December 31, 2023	13,932	5,308	1,865	2,285	3,951	36,003	63,344
Accumulated depreciation:							
Balance as of January 1, 2022	17,292	6,018	1,756	2,139	3,152	45,297	75,654
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	15,821	5,359	1,611	1,923	2,946	39,539	67,199
Additions during the year	329	26	104	60	139	300	958
Disposals during the year	(3,113)	-	(325)	(46)	-	(4,422)	(7,906)
Currency translation differences	(344)	(160)	(27)	(59)	(84)	(1,125)	(1,799)
Balance as of December 31, 2023	12,693	5,225	1,363	1,878	3,001	34,292	58,452
Depreciated cost as of December 31, 2023	1,239	83	502	407	950	1,711	4,892
Depreciated cost as of December 31, 2022	1,035	107	587	287	984	1,652	4,652

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

## NOTE 11:- GOODWILL AND INTANGIBLE ASSETS, NET

	Development costs	Contracts and others	Customer relations	Information Technology	Total other intangible assets	Goodwill (1)
As of January 1, 2023, net of accumulated amortization	8,274	-	11,737	414	20,425	33,745
Additions during the year	4,203	-	-	-	4,203	-
Amortization during the year	(2,770)	-	(1,309)	(104)	(4,183)	-
Currency translation differences	171	-	(372)	13	(188)	(780)
As of December 31, 2023, net of accumulated amortization	<u>9,878</u>	<u>-</u>	<u>10,056</u>	<u>323</u>	<u>20,257</u>	<u>32,965</u>
As of December 31, 2023:						
Cost	44,131	7,766	16,215	644	68,756	32,965
Accumulated amortization	(34,253)	(7,766)	(6,159)	(321)	(48,499)	-
Net carrying amount	<u>9,878</u>	<u>-</u>	<u>10,056</u>	<u>323</u>	<u>20,257</u>	<u>32,965</u>
	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>

- (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.

U.S. dollars in thousands

## NOTE 11:- GOODWILL AND INTANGIBLE ASSETS, NET (Cont.)

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

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Israel - Telemedicine	2,954	3,044
Israel – Mediton	16,111	16,606
Germany	13,900	14,095
	<u>32,965</u>	<u>33,745</u>

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:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Israel - Telemedicine	20.7%	19.1%
Israel – Mediton	19.4%	18.3%
Germany	20.5%	16.8%

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

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Israel - Telemedicine	3.2%	4%
Israel – Mediton	4.9%	5.4%
Germany	11.3%	13.8%

## U.S. dollars in thousands

## NOTE 11:- GOODWILL AND INTANGIBLE ASSETS, NET (Cont.)

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

	December 31,	
	2023	2022
Israel - Telemedicine	3.2%	3.2%
Israel – Mediton	3.2%	3.2%
Germany	3%	3%

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

As of December 31, 2023,, management of the Group believes that no reasonably possible changes in any of the above key assumptions would cause the carrying amount of the CGU Telemedicine to materially exceed its recoverable amount.

As of December 31, 2023, the estimated recoverable amount of the CGU Germany exceeds its carrying amount by \$0.8 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 21.0%.
- Long term growth rate of 2.2 % or lower
- Reduction in the annual growth rate in fiscal years 2025-2028 of -1.9%.

As of December 31, 2023, the estimated recoverable amount of the CGU Mediton exceeds its carrying amount by \$3.0 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 20.9%.
- Long term growth rate of 1.4 % or lower

## U.S. dollars in thousands

## NOTE 12:- LEASES

*Disclosures for leases in which the Company acts as lessee:*

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

Leases of buildings have lease terms of between 4 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.

During 2023, the Group reduced the scope of the lease in Germany. In addition modified the term of the lease in Germany such that the contract will end in 2027 instead of 2029 and the monthly rent decreased. As a result of this the Group recognized a capital gain of \$399.

a. Information on leases:

	Year ended December 31,		
	2023	2022	2021
Interest expense on lease liabilities	343	361	378
Expenses relating to short-term leases	-	25	25
Total cash outflow for leases	2,992	2,808	2,546

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.

## U.S. dollars in thousands

## NOTE 12:- LEASES (Cont.)

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:

	<b>More than 5 years</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Lease payments applicable in extension option periods which as of the end of the reporting period are not reasonably certain to be exercised	2,479	2,472

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

	<b>Buildings</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Cost:</b>			
Balance as of January 1, 2023	15,844	1,449	17,293
Additions during the year:			
New leases	663	634	1,297
Adjustments for indexation	145	23	168
Disposals	(6,198)	(52)	(6,250)
Currency translation differences	(22)	(18)	(40)
Balance as of December 31, 2023	10,432	2,036	12,468
<b>Accumulated depreciation:</b>			
Balance as of January 1, 2023	5,258	997	6,255
Additions during the year:			
Depreciation and amortization	2,214	337	2,551
Disposals	(3,520)	-	(3,520)
Currency translation differences	(19)	(13)	(32)
Balance as of December 31, 2023	3,933	1,321	5,254
Depreciated cost at December 31, 2023	6,499	715	7,214

## U.S. dollars in thousands

## NOTE 12:- LEASES (Cont.)

	<u>Buildings</u>	<u>Motor vehicles</u>	<u>Total</u>
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>

## NOTE 13:- CREDIT FROM BANKS

	<u>Interest rate (1)</u>	<u>December 31,</u>	
	<u>%</u>	<u>2023</u>	<u>2022</u>
Current maturities of long-term loans (see Note 14)	Prime (1)+1.05	2,160	2,169
		<u>2,160</u>	<u>2,169</u>

(1) The Prime rate as of December 31, 2023 – 6.25% (December 31, 2022 – 4.75%).

## U.S. dollars in thousands

## NOTE 14:- 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, 2023 the Company is in compliance with these covenants.

- b. Composition:

	December 31,	
	2023	2022
Long-term loan	12,620	15,177
Less – current maturities	2,160	2,169
Balance	<u>10,460</u>	<u>13,008</u>

## NOTE 15:- 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.

## NOTE 16:- OTHER PAYABLES

	December 31,	
	2023	2022
Employees and payroll accruals	4,376	4,562
Accrued expenses	2,304	2,090
Liability for underwriter – see Note 17	-	1,131
VAT to customers and suppliers	-	399
Government authorities	754	640
Accruals restructuring	686	-
Other	416	416
	<u>8,536</u>	<u>9,238</u>



U.S. dollars in thousands

## NOTE 17:- FINANCIAL INSTRUMENTS

Financial assets and liabilities:

	Carrying amount	
	December 31,	
	2023	2022
Financial assets at amortized cost:		
Cash and cash equivalents	6,693	4,483
Short term deposits	10,579	5,700
Trade receivables	8,557	7,797
Other accounts receivable	1,792	1,912
Long term deposits	328	423
<b>Total</b>	<b>27,949</b>	<b>20,315</b>
Financial assets at fair value through profit or loss:		
Call option from non-controlling interests	147	245
Short term investments	8,978	8,517
<b>Total</b>	<b>9,125</b>	<b>8,762</b>
Financial liabilities at amortized cost:		
Credit from banks and others	2,160	2,169
Trade payables	3,884	3,757
Other payables	8,536	8,110
Loans from banks	10,460	13,008
Lease liabilities	7,239	11,565
<b>Total</b>	<b>32,279</b>	<b>38,609</b>
Financial liabilities at fair value through profit or loss:		
Liability for share options	-	7,164
Other payables - liability to underwriters	-	1,131
<b>Total</b>	<b>-</b>	<b>8,295</b>

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.

## U.S. dollars in thousands

## NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

## 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>
2023	+5%	(721)
	-5%	721
2022	+5%	(320)
	-5%	320
	<u>Change in EUR rate</u>	<u>Effect on profit tax</u>
2023	+5%	(66)
	-5%	66
2022	+5%	(38)
	-5%	38

## U.S. dollars in thousands

## NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

## 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, 2023, the balance of these investments is \$8,978.

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).

	<u>Increase/ decrease in price</u>	<u>Effect on profit before tax</u>
2023	+5%	449
	-5%	(449)
2022	+5%	426
	-5%	(426)

## 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 approximates their fair value.

## 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.

## U.S. dollars in thousands

## NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

## 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 June 2032.

Total aggregate contractual undiscounted payments including interest amounts to approximately \$10,776.

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

**December 31, 2023:**

	<u>Less than one year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
Trade payables	3,884	-	-	-	-	-	3,884
Accrued expenses	2,990	-	-	-	-	-	2,990
PUT option (*)	-	8,225	-	-	-	-	8,225
Lease liabilities	2,542	2,280	1,814	1,615	1,571	953	10,775
Loans from bank	<u>3,023</u>	<u>2,920</u>	<u>2,816</u>	<u>2,710</u>	<u>2,600</u>	<u>1,258</u>	<u>15,327</u>
	<u>12,439</u>	<u>13,425</u>	<u>4,630</u>	<u>4,325</u>	<u>4,171</u>	<u>2,211</u>	<u>41,201</u>

**December 31, 2022:**

	<u>Less than one year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
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	<u>3,002</u>	<u>2,933</u>	<u>2,861</u>	<u>2,788</u>	<u>2,714</u>	<u>3,927</u>	<u>18,225</u>
	<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>

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

## U.S. dollars in thousands

## NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

g. Changes in liabilities arising from financing activities:

	January 1, 2023	Cash flows	Foreign exchange movement	Other	December 31, 2023
Lease liabilities (including current maturities)	11,564	(3,048)	(12)	(1,265)	7,239
Liability for underwriters	1,131	(1,124)	(22)	15	-
Long term bank loan	15,176	(2,070)	(486)	-	12,620
<b>Total liabilities from financing activities</b>	<b>27,871</b>	<b>(6,241)</b>	<b>(520)</b>	<b>(1,250)</b>	<b>19,859</b>

	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
<b>Total liabilities from financing activities</b>	<b>33,522</b>	<b>(4,112)</b>	<b>(3,435)</b>	<b>1,896</b>	<b>27,871</b>

U.S. dollars in thousands

## NOTE 17:- FINANCIAL INSTRUMENTS (Cont.)

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):

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, 2023	(7,164)	(1,131)	245	(8,050)
Issuance of Share Options				
Remeasurement recognized in:				
Profit (loss)	1,801	(15)	(89)	1,697
Other comprehensive income (loss)	30	22	(9)	43
Exercise of Share Options into shares	5,333	-	-	5,333
Payment	-	1,124	-	1,124
As of December 31, 2023	-	-	147	147
Presented in balance sheet:				
Put option	-	-	147	147
	Financial instruments			
	Liability for share options (*)	Liability to underwriters	Call (Put) option to non-controlling interests, net	Total
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	(7,164)	(1,131)	245	(8,050)
Presented in balance sheet:				
Call option	-	-	245	245
Other payables (short-term)	-	(1,131)	-	(1,131)
Liability for share options	(7,164)	-	-	(7,164)

(\*) See Note 22b for information on fair value measurement.

U.S. dollars in thousands

NOTE 17:- 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 – in 2021.

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Underlying asset value	35,732	35,541
Expected volatility of the share price	34.7%	36.7%-39.2%
Discount rate	14.9%	15%
Risk-free interest rate	3.64%	3.68%
Term of option	2.67 years	3.67 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:

2023:

	<u>Increase/ decrease in underlying asset value</u>	<u>Effect on Fair value, net</u>
	+5%	433
	-5%	(430)

2022:

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

U.S. dollars in thousands

NOTE 18:- EMPLOYEE BENEFIT LIABILITIES

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

2023:

	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, 2023
	Balance at January 1, 2023	Current service cost	Net interest expense	Past service cost and effect of settlements	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	(8,153)	(340)	(409)	(35)	(784)	148	81	(7)	74	223	-	(8,492)
Fair value of plan assets	6,658	-	351	-	351	(134)	-	(4)	(4)	(191)	239	6,919
Net defined benefit liability (asset)	(1,495)	(340)	(58)	(35)	(433)	14	81	(11)	70	32	239	(1,573)

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)	(2,382)	(405)	(47)	(452)	25	775	(36)	739	239	336	(1,495)	



U.S. dollars in thousands

NOTE 18:- EMPLOYEE BENEFIT LIABILITIES (Cont.)

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

	Year ended December 31,	
	2023	2022
Insurance contracts	6,919	6,658

c. The principal assumptions underlying the defined benefit plan:

	2023	2022
	%	
Discount rate	5.55	5.57
Expected rate of salary increase	2.0-5.48	2.0-5.92

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	
	Year ended December 31,	
	2023	2022
Sensitivity test for changes in the expected rate of salary increase:		
The change as a result of:		
Salary increase of 6.1% (instead of 5.5%) (2022- 6.51% instead of 5.9%)	(45)	(49)
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)
Decrease of 1% in discount rate	45	45

## U.S. dollars in thousands

## NOTE 19:- 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 2023 and 2022.

The deferred taxes are computed at the average tax rate of 23% (2022 – 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,		
	2023	2022	2021
Current taxes	552	749	236
Deferred taxes	409	341	259
Taxes in respect of prior years <sup>a</sup>	(70)	7	(40)
	<u>891</u>	<u>1,097</u>	<u>455</u>

## U.S. dollars in thousands

## NOTE 19:- 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	Short term investments	Carry- forward tax losses	Total
Balance at January 1, 2022	(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	(3,065)	612	-	2,625	172
Amount included in statement of comprehensive income	55	39	(192)	(320)	(418)
Currency translation differences	91	(19)	(3)	(81)	(12)
Balance at December 31, 2023	(2,919)	632	(195)	2,224	(258)

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

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

	December 31,	
	2023	2022
Non-current assets	2,055	2,872
Non-current liabilities	2,313	2,700
	(258)	172

## U.S. dollars in thousands

## NOTE 19:- 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,		
	2023	2022	2021
Income (loss) before taxes on income	(5,964)	1,312	(13,469)
Statutory tax rate in Israel	23%	23%	23%
Tax computed at the statutory tax rate	(1,372)	302	(3,098)
Increase (decrease) in taxes resulting from:			
Taxes in respect of previous years	(70)	7	(40)
Tax adjustment in respect of inflation in Israel	-	-	(2)
Non-deductible expenses (non-taxable income)	406	(1,699)	2,613
Different tax rates	63	60	24
Loss for which deferred taxes were not recognized	1,864	2,234	926
Utilization of previously unrecognized capital gain	-	-	32
Capital losses for which deferred taxes were not recognized	-	193	-
Total tax expenses reported in the consolidated statements of comprehensive income	891	1,097	455

- f. Carry forward tax losses:

The carry forward losses for tax purposes as of December 31, 2023 amount to NIS 227,833,000 (\$62,816) (2022 – NIS 236,130,000 (\$67,102), 2021 – NIS 249,552,000 (\$80,242)) in Israel (which may be carried forward indefinitely) and EUR 29,387,000 (\$32,503) (2022 – EUR 22,212,000 (\$23,689), 2021 – EUR 17,026,000 (\$19,270)) in Europe. In the U.S., SHL USA has federal and state net operating losses and credits of \$15,337 (2022 - \$10,716, 2021 - \$8,866), which expire at various times.

Deferred tax assets in the amount of \$23,938 (2022 - \$21,113) 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.

## U.S. dollars in thousands

## NOTE 19:- TAXES ON INCOME (Cont.)

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

	Year ended December 31,	
	2023	2022
First year	37	24
Second year	762	229
Third year	413	126
Fourth year	153	52
Fifth year	959	281
Sixth - Fifteen	4,891	1,280
Unlimited	93,771	87,278
	<u>100,986</u>	<u>89,270</u>

## NOTE 20:- COMPENSATION OF KEY MANAGEMENT PERSONNEL (INCLUDING DIRECTORS)

	December 31,		
	2023	2022	2021
a. Balances:			
Other accounts payable	<u>182</u>	<u>181</u>	<u>170</u>
	Year ended December 31,		
	2023	2022	2021
b. Transactions:			
Short-term employee benefits	2,639	2,531	2,108
Share-based payment benefits	<u>638</u>	<u>1,179</u>	<u>883</u>
Total	<u>3,277</u>	<u>3,710</u>	<u>2,991</u>

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U.S. dollars in thousands

**NOTE 21:- 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.

U.S. dollars in thousands

## NOTE 22:- EQUITY

- a. Composition of share capital:

	December 31, 2023		December 31, 2022	
	Authorized	Issued and outstanding*)	Authorized	Issued and outstanding*)
	Number of shares			
Ordinary shares of NIS 0.01 par value each	25,000,000	16,391,382	25,000,000	14,682,272

\*) 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.

## U.S. dollars in thousands

## NOTE 22:- EQUITY (Cont.)

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 :

	<b><u>December 31, 2022</u></b>
Expected dividend	0%
Expected volatility of the share price	32.59%-38.24%
Risk-free interest rate	0.82%
Expected average life of options	0.06-0.13 years
Share price	CHF 14.80 (\$16.05)



## U.S. dollars in thousands

## NOTE 22:- EQUITY (Cont.)

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 at December 31, 2022. During the reporting period \$1,801 (2022 - \$7,423) was recorded in financial income in respect of the revaluation of the liability (this amount is a non cash income). The fair value measurement of the liability is categorized in Level 3 of the fair value hierarchy.

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 not exercised and expired

The following table lists the movements in Share Options:

Balance on January 1, 2022	1,905,820
Exercise of share options	<u>(171,945)</u>
Balance on December 31, 2022	1,733,875
Exercise of share options	<u>(1,703,908)</u>
Expiration of share options	<u>(29,967)</u>
Balance on December 31, 2023	<u><u>-</u></u>

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. See below for details of the changes made to the terms of these options in March 2023.

The underwriters were also entitled to receive a cash payment derived from future cash received by the Company from the exercise of the Share Options in 2023. 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. See below for the terms of these Units.

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.

## U.S. dollars in thousands

## NOTE 22:- EQUITY (Cont.)

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

	<b>December 31, 2022</b>
Expected volatility of the share price	43.15%
Risk-free interest rate	0.82%
Expected average life of options	0.21 years
Share price	CHF 14.80 (\$16.05)

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. The increase in fair value of the liability during 2022 in the amount of \$239 was recorded in financial expenses (this amount is a non cash expense).

In 2023, 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. The cash payment was offset from the liability to the underwriters recorded in the balance sheet. In addition, the underwriters received options to acquire 58,498 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)

In March, 2023, in connection with services provided in respect of the exercise of options described above, the Company signed an agreement with the underwriter for the extension of the exercise period of the 97,222 Units of securities previously granted in 2021 for an additional 2 years until 2025 and for change of the exercise price to NIS 35.64 (\$ 9.83) for each Unit of securities (which comprises 1 Ordinary share and 0.5 option to acquire 1 Ordinary share of the Company) and NIS 43.56 (\$ 12.01) for each option included in the Unit.

The Company used the Black and Scholes option pricing model when estimating the incremental fair value of the options to acquire Units after the modifications described above.

The following table lists the significant inputs to the Black and Scholes model used for the fair value measurement of the options to acquire Units:

Expected dividend	0%
Expected volatility of the share price	41.18%
Risk-free interest rate	4.11%
Expected average life of options	2.01 years
Share price	CHF 11.55 (\$12.53)

Based on the above inputs, the total incremental fair value of the options to acquire Units as of the date of the modifications was \$ 512 and was recorded as a deduction from Additional paid-in capital arising from the exercise of the share options in January and February 2023, as described above with a corresponding increase in the Capital reserve for options.

## U.S. dollars in thousands

## NOTE 22:- EQUITY (Cont.)

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

	<b>Number of shares</b>
Balance at January 1, 2022	14,491,171
Exercise of share options	171,945
Exercise of employees share options	5,694
Treasury shares sold upon exercise of employee options	<u>13,462</u>
Balance at December 31, 2022	14,682,272
Exercise of share options	1,703,908
Exercise of employees share options	<u>5,202</u>
Balance at December 31, 2023	<u><u>16,391,382</u></u>

## c. Treasury shares:

The Company holds 1,372 shares at a total cost of \$2 as of December 31, 2023 and 2022.

## d. Share option plans:

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.

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U.S. dollars in thousands

NOTE 22:- EQUITY (Cont.)

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.

On January 2, 2023, the Company's Board of Directors approved the grant of 248,500 options to Managers and employees, under the Executive and Key Employee Israeli Share Incentive Plan. The options shall vest over a period of 3 years after appointment (25% after 1 year, and 9.375% each quarter thereafter). The weighted average fair value of options granted is CHF 4.655 (\$5.047). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 14.80; exercise price - CHF 15.56; expected volatility - 43.87%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.49 years.

On May 15, 2023, the Company's Board of Directors approved the grant of 145,000 options to Managers, under the Executive and Key Employee Israeli Share Incentive 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 3.374 (\$3.76). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 9.70; exercise price - CHF 9.36; expected volatility - 46.03%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.43 years.

On June 18, 2023, the Company's Board of Directors approved the grant of 30,000 options to a Senior Managers, under the Executive and Key Employee Israeli Share Incentive 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 3.663 (\$4.113). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 10.30; exercise price - CHF 9.88; expected volatility - 46.57%; risk free interest rate - 0%; expected dividend - 0%; and expected average life of options - 3.43 years.

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

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.

## U.S. dollars in thousands

## NOTE 22:- EQUITY (Cont.)

In the years ended December 31, 2023, 2022 and 2021, the Group recorded share-based compensation in the statements of comprehensive income in the amount of \$1,252, \$1,757 and \$1,116, respectively.

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

	2023		2022	
	No. of options	WAEP (CHF)	No. of options	WAEP (CHF)
Outstanding at the beginning of the year	1,001,430	11.85	835,055	10.12
Granted during the year	423,500	13.03	210,000	18.31
Forfeited during the year	(165,881)	12.89	(7,500)	19.33
Exercised during the year *)	(38,808)	7.04	(36,125)	7.94
Outstanding at the end of the year	<u>1,220,241</u>	12.27	<u>1,001,430</u>	11.85
Exercisable at the end of the year	<u>720,758</u>	11.02	<u>454,480</u>	9.42

\*) The weighted average share price at the date of exercise of these options was CHF 8.13 (2022 – CHF 16.85). Exercise was cashless.

The weighted average remaining contractual life for the share options outstanding as of December 31, 2023 was 3.83 years (as of December 31, 2022 – 4.18 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 in 2021. 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.

U.S. dollars in thousands

## NOTE 23:- SUPPLEMENTARY INFORMATION TO STATEMENTS OF COMPREHENSIVE INCOME

## a. Revenues:

	Year ended December 31,		
	2023	2022	2021
Revenues for services performed during the period	55,678	57,869	48,343
Revenues from sale of devices	1,397	1,129	1,239
	<u>57,075</u>	<u>58,998</u>	<u>49,582</u>

## b. Cost of revenues:

	Year ended December 31,		
	2023	2022	2021
Salaries and related benefits	16,212	16,480	14,955
Medical services	8,355	8,712	4,682
Rental fees and maintenance	1,246	1,013	1,072
Depreciation and amortization	1,978	1,789	1,736
Cost of devices	1,025	1,013	1,249
Others	2,998	2,802	1,295
	<u>31,814</u>	<u>31,809</u>	<u>24,989</u>

## c. Research and development costs:

Salaries and related benefits	3,917	3,468	2,173
Amortization of development costs	2,772	1,829	1,243
Others	2,774	3,734	2,202
	<u>9,463</u>	<u>9,031</u>	<u>5,618</u>
Less - capitalization of development costs	4,203	5,243	2,633
	<u>5,260</u>	<u>3,788</u>	<u>2,985</u>

U.S. dollars in thousands

## NOTE 23:- SUPPLEMENTARY INFORMATION TO STATEMENTS OF COMPREHENSIVE INCOME (Cont.)

## d. Selling and marketing expenses:

	Year ended December 31,		
	2023	2022	2021
Salaries and related benefits	5,285	5,409	4,803
Marketing and related expenses	1,943	2,190	1,802
Depreciation and amortization	1,633	1,918	1,453
Rental fees and maintenance	160	271	205
Maintenance of vehicles	313	240	182
Others	1,247	1,375	1,009
	<u>10,581</u>	<u>11,403</u>	<u>9,454</u>

## e. General and administrative expenses:

Salaries and related benefits	8,881	8,492	5,837
Office expenses	2,634	2,349	1,366
Professional fees	3,156	3,897	3,245
Depreciation and amortization	1,309	1,599	950
Others	248	411	705
	<u>16,228</u>	<u>16,748</u>	<u>12,103</u>

## f. Financial income (expenses):

## 1. Financial income:

Exchange rate differences	1,129	661	5
Gain on marketable securities, net	848	-	-
Share options	1,801	7,423	-
Call+Put options	-	320	-
Interest	1,055	429	376
	<u>4,833</u>	<u>8,833</u>	<u>381</u>

## 2. Financial expenses:

Share options	-	(239)	(10,126)
Exchange rate differences	(138)	(53)	(1,595)
Loss from marketable securities, net	-	(769)	(114)
Interest	(1,296)	(1,033)	(529)
Call+Put options	(89)	-	(677)
Others	(268)	(261)	(312)
	<u>(1,791)</u>	<u>(2,355)</u>	<u>(13,353)</u>

U.S. dollars in thousands

## NOTE 23:- SUPPLEMENTARY INFORMATION TO STATEMENTS OF COMPREHENSIVE INCOME (Cont.)

g. Other expenses:

	Year ended December 31,		
	2023	2022	2021
Impairment of property and equipment – see Note 10	-	-	118
Expenses related to acquisitions	-	-	590
Restructuring expenses*	1,235	-	-
Other expenses	963	416	(160)
	<u>2,198</u>	<u>416</u>	<u>548</u>

- Including expenses related to employee benefits and other direct expenditures arising from the restructuring.

## NOTE 24:- NET EARNINGS PER SHARE

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

	Year ended December 31,			
	2023		2022	
	Weighted average number of shares	Net loss	Weighted average number of shares	Net loss
	In thousands		In thousands	
For the computation of basic net earnings	16,269	(7,055)	14,542	(76)
Effect of dilution - share options	26	(1,801)	656	(7,423)
For the computation of diluted net earnings	<u>16,295</u>	<u>(8,856)</u>	<u>15,198</u>	<u>(7,499)</u>

- 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: 1,453,824 (2022 – 1,236,824) options to employees under share-based payment plans and options to investors and others.



## U.S. dollars in thousands

## NOTE 25:- 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.

## a. Segment revenues:

	Individuals and communities	Institutions and payers	Others	Total
<b>Year ended December 31, 2023:</b>				
Europe	-	14,067	-	14,067
Israel	20,913	21,179	-	42,092
ROW	-	-	916	916
<u>Total revenues</u>	<u>20,913</u>	<u>35,246</u>	<u>916</u>	<u>57,075</u>
<b>Year ended December 31, 2022:</b>				
Europe	-	13,374	-	13,374
Israel	22,161	22,975	2	45,138
ROW	-	-	486	486
<u>Total revenues</u>	<u>22,161</u>	<u>36,349</u>	<u>488</u>	<u>58,998</u>
<b>Year ended December 31, 2021:</b>				
Europe	-	17,942	-	17,942
Israel	22,331	8,832	27	31,190
ROW	-	-	450	450
<u>Total revenues</u>	<u>22,331</u>	<u>26,774</u>	<u>477</u>	<u>49,582</u>

U.S. dollars in thousands

## NOTE 25:- SEGMENT INFORMATION (cont.)

b. Reporting on geographic segments:

	Year ended December 31,		
	2023	2022	2021
Segment profit (loss):			
Europe	(5,347)	(3,044)	(477)
Israel	8,424	8,641	8,266
ROW	(3,622)	(2,972)	(1,132)
	<u>(545)</u>	<u>2,625</u>	<u>6,617</u>
Unallocated income and expenses:			
Corporate, R&D and other expenses	(6,263)	(7,375)	(6,798)
Other expenses	(2,198)	(416)	(316)
Operating loss	(9,006)	(5,166)	(497)
Financial income, net	3,042	6,478	(12,972)
Profit (loss) before taxes on income	<u>(5,964)</u>	<u>1,312</u>	<u>(13,469)</u>

c. Additional information:

	Europe	Israel	Others	Total
<b>Year ended December 31, 2023</b>				
Depreciation and amortization	3,637	4,049	6	7,692
	Europe	Israel	ROW	Unallocated assets
Non-current assets	23,588	36,803	1,940	4,910
	Europe	Israel	Others	Total
<b>Year ended December 31, 2022</b>				
Depreciation and amortization	2,654	4,470	10	7,134
	Europe	Israel	ROW	Unallocated assets
Non-current assets	27,132	40,056	1,767	2,636
	Europe	Israel	Others	Total
<b>Year ended December 31, 2021</b>				
Depreciation and amortization	2,765	2,735	-	5,500
	Europe	Israel	ROW	Unallocated assets
Non-current assets	11,539	61,534	-	2,260
	Europe	Israel	Others	Total

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U.S. dollars in thousands

NOTE 26:- SUBSEQUENT EVENTS

- a. On March 14, 2024 the Company announced that Mr. Erez Nachtomy, the Company's CEO, will be stepping down as CEO in mid June 2024.

**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 Annual Report on Form 20-F 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;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a – 15(e) and 15d – 15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [Reserved];
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 18, 2024

/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 Annual Report on Form 20-F 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;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedure (as defined in Exchange Act Rules 13a-15(e) and 15d – 15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [Reserved];
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 18, 2024

/s/ Amir Hai

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 the Annual Report of SHL Telemedicine, Ltd. (the "Company") on Form 20-F 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: April 18, 2024

/s/ Erez Nachtomy

Name: Erez Nachtomy

Title: Chief Executive Officer  
(Principal Executive Officer)

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**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 the Annual Report of SHL Telemedicine, Ltd. (the "Company") on Form 20-F 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: April 18, 2024

/s/ Amir Hai

Name: Amir Hai

Title: Chief Financial Officer  
(Principal Financial Officer)

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-272546) of SHL Telemedicine Ltd. of our report dated April 17, 2024, with respect to the consolidated financial statements of SHL Telemedicine Ltd. and its subsidiaries included in this Annual Report on Form 20-F for the year ended December 31, 2023, filed with the Securities and Exchange Commission.

/s/ Kost Forer Gabbay & Kasierer  
KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

Tel Aviv, Israel  
April 17, 2024

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