

**SOFWAVE MEDICAL LTD**

**Condensed Consolidated Interim financial statement**  
**As of June 30, 2025**

**(Unaudited)**

# **SOFWAVE MEDICAL LTD**

## **Condensed Consolidated Interim Financial Statements As of June 30, 2025**

**(Unaudited)**

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**Accountant Auditor's Review Report for the Shareholders of**  
**Sofwave Medical Ltd.**

**Introduction**

We have reviewed the accompanying financial information of **Sofwave Medical Ltd.** and consolidated companies (hereafter- "the Group") which includes the condensed consolidated statement of financial position as of June 30, 2025 and the related condensed consolidated statements of comprehensive income (loss), changes in equity and cash flows for the periods of six and three months ended on that date. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of Review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the statements in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

**Brightman Almagor Zohar & Co.**  
**Certified Public Accountants**  
**A Firm in the Deloitte Global Network**

**Nazareth, August 4, 2025.**

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**Sofwave Medical Ltd.**  
**Condensed Consolidated Interim Statement of Financial Position**

	As of June 30,		As of
	2025	2024	December 31,
	USD thousands		2024
	(Unaudited)		(Audited)
<b><u>Assets</u></b>			
<b>Current assets:</b>			
Cash and cash equivalents	23,495	21,081	21,616
Restricted deposit	520	-	-
Asset for financial instruments measured at fair value through profit and loss	334	-	-
Trade receivables	7,780	7,743	8,668
Other receivables	2,343	2,304	2,641
Inventory	5,914	4,616	5,880
<b>Total current assets</b>	<b>40,386</b>	<b>35,744</b>	<b>38,805</b>
<b>Non-current assets:</b>			
Long-term restricted deposits	76	69	71
Long-term deposits	331	211	331
Right-of-use assets, net	1,309	1,296	1,377
Fixed assets, net	2,773	2,665	2,445
<b>Total non-current assets</b>	<b>4,489</b>	<b>4,241</b>	<b>4,224</b>
	<b>44,875</b>	<b>39,985</b>	<b>43,029</b>

The annotations are an integral part of the concise financial statements.

**Sofwave Medical Ltd.**  
**Condensed Consolidated Interim Statement of Financial Position**  
(Cont.)

	As of June 30,		As of
	2025	2024	December 31,
	USD thousands		2024
	(Unaudited)		(Audited)
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>			
<b>Current liabilities:</b>			
Tax provision	115	11	-
Related Parties	120	56	137
Trade payables	7,170	5,662	7,151
Current maturities of lease liabilities	668	561	609
Other payables	9,313	7,970	9,605
<b>Total current liabilities</b>	<u>17,386</u>	<u>14,260</u>	<u>17,502</u>
<b>Non-current liabilities:</b>			
Deferred tax liability	161	7	215
Lease liabilities	778	673	786
<b>Total non-current liabilities</b>	<u>939</u>	<u>680</u>	<u>1,001</u>
<b><u>Equity</u></b>			
Share capital and premium	69,651	67,594	68,489
Capital reserve from translation differences to the presentation currency	100	100	100
Share-based payment capital reserve	14,419	13,343	13,962
Retained loss	(57,620)	(55,992)	(58,025)
<b>Total shareholders' equity</b>	<u>26,550</u>	<u>25,045</u>	<u>24,526</u>
<b>Total liabilities and shareholders' equity</b>	<u>44,875</u>	<u>39,985</u>	<u>43,029</u>

<b>August 4, 2025</b>			
<b>Date of approval of the Financial Statements</b>	<b>Shimon Eckhouse</b>	<b>Luis Scafuri</b>	<b>Assaf Korner</b>
	<b>Chairman of the Board</b>	<b>CEO</b>	<b>CFO</b>

The annotations are an integral part of the concise financial statements.

**Sofwave Medical Ltd.**  
**Condensed Consolidated Interim Statement of Comprehensive Income (Loss)**

	For the Six-Month period ending on June 30		For the Three-Month period ending on June 30		For the Year ended December 31
	2025	2024	2025	2024	2024
	USD	USD	USD	USD	USD
	thousands	thousands	thousands	thousands	thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Sales	37,661	27,826	20,990	14,642	59,651
Cost of sales	9,085	6,764	5,136	3,494	14,315
<b>Gross profit</b>	<b>28,576</b>	<b>21,062</b>	<b>15,854</b>	<b>11,148</b>	<b>45,336</b>
Research and development costs	5,911	5,335	2,822	2,687	10,769
Sales and marketing costs	17,870	14,565	9,059	8,036	30,349
General and administrative expenses	3,572	3,332	1,794	1,638	7,798
<b>Profit (Loss) from ordinary activities</b>	<b>1,223</b>	<b>(2,170)</b>	<b>2,179</b>	<b>(1,213)</b>	<b>(3,580)</b>
Finance expenses	1,003	561	647	265	1,196
Finance income	(260)	(461)	(120)	(161)	(720)
Finance expenses, net	743	100	527	104	476
Pretax income (loss)	480	(2,270)	1,652	(1,317)	(4,056)
Tax expenses	75	243	135	213	490
<b>Total net income (loss) for the period</b>	<b>405</b>	<b>(2,513)</b>	<b>1,517</b>	<b>(1,530)</b>	<b>(4,546)</b>
Earnings (Loss) per share of common stock (in ILS) 0.000125 basic EPS	0.01	(0.07)	0.04	(0.04)	(0.13)
Earnings (Loss) per share of common stock (in ILS) 0.000125 diluted EPS	0.01	(0.07)	0.04	(0.04)	(0.13)
Weighted average of capital stock used in the basic earnings (loss) per share calculation	35,145,709	34,254,678	35,294,118	34,324,169	34,340,798
Weighted average of capital stock used in the diluted earnings (loss) per share calculation	39,833,056	34,254,678	39,455,302	34,324,169	34,340,798

(\*) The Group has no transactions that affect the other comprehensive loss.

**The annotations are an integral part of the concise financial statements.**

**SOFWAVE MEDICAL LTD**  
**Concise Reports on Changes in Capital**

	Ordinary share capital	Premium	Capital reserve for share- based payment transactions	Capital reserve for translation to presentation currency differences	Loss balance	Total
	USD thousands	USD thousands	USD thousands	USD thousands	USD thousands	USD thousands
<b><u>For a Six-Month Period Ending on</u></b>						
<b><u>June 30, 2025 (unaudited)</u></b>						
<b>Balance as of January 1st, 2025</b>	2	68,487	13,962	100	(58,025)	24,526
share-based payment	-	-	1,465	-	-	1,465
Expiration of warrants	-	31	(31)	-	-	-
Exercise of warrants into ordinary shares	-	1,131	(977)	-	-	154
Comprehensive income in period	-	-	-	-	405	405
<b>Total capital as of June 30, 2025</b>	<u>2</u>	<u>69,649</u>	<u>14,419</u>	<u>100</u>	<u>(57,620)</u>	<u>26,550</u>
<b><u>For a Six-Month Period Ending on</u></b>						
<b><u>June 30, 2024 (unaudited)</u></b>						
<b>Balance as of January 1st, 2024</b>	2	66,895	12,825	100	(53,479)	26,343
Share-based payment	-	-	1,170	-	-	1,170
Expiration of warrants	-	92	(92)	-	-	-
Exercise of warrants into ordinary shares	(*)	605	(560)	-	-	45
Comprehensive loss in period	-	-	-	-	(2,513)	(2,513)
<b>Total capital as of June 30, 2024</b>	<u>2</u>	<u>67,592</u>	<u>13,343</u>	<u>100</u>	<u>(55,992)</u>	<u>25,045</u>

(\*) Represents an amount lower than USD 1 thousand.

The annotations are an integral part of the concise financial statements.

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**Sofwave Medical Ltd.**  
**Condensed Consolidated Interim Statement of Changes in Equity**

	Ordinary share capital USD thousands	Premium USD thousands	Capital reserve for share-based payment transactions USD thousands	Capital reserve for translation to presentation currency differences USD thousands	Retained loss USD thousands	Total USD thousands
<b><u>For a Three-Month Period Ending on June 30, 2025 (unaudited)</u></b>						
Balance as of April 1st, 2025	2	69,106	14,220	100	(59,137)	24,291
Share-based payment	-	-	708	-	-	708
Expiration of warrants	-	11	(11)	-	-	-
Exercise of warrants into ordinary shares	(*)	532	(498)	-	-	34
Comprehensive income in period	-	-	-	-	1,517	1,517
<b>Total capital as of June 30, 2025</b>	<b>2</b>	<b>69,649</b>	<b>14,419</b>	<b>100</b>	<b>(57,620)</b>	<b>26,550</b>
<b><u>For a Three-Month Period Ending on June 30, 2024 (unaudited)</u></b>						
Balance as of April 1st, 2024	2	67,539	12,738	100	(54,462)	25,917
Share-based payment	-	-	658	-	-	658
Expiration of warrants	-	49	(49)	-	-	-
Exercise of warrants into ordinary shares	(*)	4	(4)	-	-	-
Comprehensive loss in period	-	-	-	-	(1,530)	(1,530)
<b>Total capital as of June 30, 2024</b>	<b>2</b>	<b>67,592</b>	<b>13,343</b>	<b>100</b>	<b>(55,992)</b>	<b>25,045</b>

(\*) Represents an amount lower than USD 1 thousand.

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**Sofwave Medical Ltd.**  
**Condensed Consolidated Interim Statement of Changes in Equity**

For the year ended December 31, 2024

	Ordinary Share Capital	Premium	Capital reserve for share-based payment transactions	Capital reserve for differences of translation into presentation currency	Retained loss	Total
	USD thousands	USD thousands	USD thousands	USD thousands	USD thousands	USD thousands
<b>Balance as of January 1st, 2024</b>	2	66,895	12,825	100	(53,479)	26,343
Share-based payment	-	-	2,403	-	-	2,403
Expiration of options	-	132	(132)	-	-	-
Exercise of options to ordinary shares	(*)	1,460	(1,134)	-	-	326
Comprehensive loss in the year	-	-	-	-	(4,546)	(4,546)
<b>Total shareholders' equity as of December 31, 2024</b>	<u>2</u>	<u>68,487</u>	<u>13,962</u>	<u>100</u>	<u>(58,025)</u>	<u>24,526</u>

(\*) Represents an amount lower than USD 1 thousand.

The annotations are an integral part of the concise financial statements.

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**Sofwave Medical Ltd.**  
**Condensed Consolidated Interim Statement of Cash Flows**

	For the Six-Month period ending on June 30		For the Three-Month period ending on June 30		For the Year ended December 31
	2 0 2 5	2 0 2 4	2 0 2 5	2 0 2 4	2 0 2 4
	USD	USD	USD	USD	USD
	thousands	thousands	thousands	thousands	thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(audited)
<b><u>Cash flows from operating activities</u></b>					
Net Income (Loss) for the period	405	(2,513)	1,517	(1,530)	(4,546)
Adjustments required to present cash flows for operating activities (Annex A)	1,926	(406)	2,120	(132)	2,150
<b>Net cash provided by (used in) operating activities</b>	2,331	(2,919)	3,637	(1,662)	(2,396)
<b><u>Cash flows from investing activities</u></b>					
Repayment of a long-term deposit	-	-	7	8	-
Deposit in a short-term deposit	(527)	(13)	(7)	(13)	(133)
Interest proceeds	207	325	67	173	664
Investment in fixed assets	(153)	(177)	(133)	(107)	(277)
<b>Net cash provided by (used in) investing activities</b>	(473)	135	(66)	61	254
<b><u>Cash flows from financing activities</u></b>					
Proceeds from exercising options	154	45	34	43	326
Repayment of lease liability	(378)	(315)	(193)	(157)	(664)
Payment of royalties for grants received from the Innovation Authority	-	(282)	-	(282)	(282)
<b>Net cash used in financing activities</b>	(224)	(552)	(159)	(396)	(620)
<b>Net Increase (Decrease) in cash and cash equivalents</b>	1,634	(3,336)	3,412	(1,997)	(2,762)
<b>Cash and cash equivalents at beginning of period</b>	21,616	24,422	19,879	23,109	24,422
Effect of changes in exchange rates on balances Cash held in foreign currency	245	(5)	204	(31)	(44)
<b>Cash and cash equivalents at end of period</b>	23,495	21,081	23,495	21,081	21,616

The annotations are an integral part of the concise financial statements.

**Sofwave Medical Ltd.**  
**Condensed Consolidated Interim Statement of Cash Flows**

**Annex A - Adjustments Required for the Presentation of Cash Flows from Operating Activities:**

	For the Six-Month period ending on June 30		For the Three-Month period ending on June 30		For the Year ended December 31
	2 0 2 5	2 0 2 4	2 0 2 5	2 0 2 4	2 0 2 4
	USD	USD	USD	USD	USD
	thousands	thousands	thousands	thousands	thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(audited)
<b>Income and expenses not entailing cash flows:</b>					
Depreciation and amortization	789	803	396	397	1,787
Interest income	(260)	(325)	(120)	(173)	(664)
Finance expenses for liabilities to the Innovation Authority	-	21	-	-	21
Tax expenses recognized	75	37	135	7	490
Financing expenses (income) for lease liabilities	139	(11)	151	(11)	57
Exchange rate differences on cash balances held in foreign currency	(245)	5	(204)	31	44
Increase in value of financial instruments measured at fair value through profit or loss	(334)	-	(458)	-	-
Expenses for share-based payment	1,465	1,170	708	658	2,403
	<u>1,629</u>	<u>1,700</u>	<u>608</u>	<u>909</u>	<u>4,138</u>
<b>Changes in assets and liabilities items:</b>					
Decrease (increase) in trade receivables	888	81	969	(817)	(844)
Decrease (increase) in other receivables	351	284	91	71	(53)
Increase in inventory	(638)	(540)	(102)	(74)	(2,106)
Increase (decrease) in other accounts payable	19	(639)	435	121	850
Increase (decrease) in payables and related parties	(188)	(1,292)	254	(342)	407
	<u>432</u>	<u>(2,106)</u>	<u>1,647</u>	<u>(1,041)</u>	<u>(1,746)</u>
Taxes paid	(135)	-	(135)	-	(242)
	<u>1,926</u>	<u>(406)</u>	<u>2,120</u>	<u>(132)</u>	<u>2,150</u>

**Annex B – Non-cash transactions**

	For the Six-Month period ending on June 30,		For the Three-Month period ending on June 30,		For the year ended December 31,
	2 0 2 5	2 0 2 4	2 0 2 5	2 0 2 4	2 0 2 4
	USD thousands				
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Reclassification from Inventory to Fixed Assets	772	893	578	404	1,278
Reclassification from Fixed Assets to Inventory	168	34	83	17	118

The annotations are an integral part of the concise financial statements.

**SOFWAVE MEDICAL LTD**  
**Annotations to the Concise Financial Statements**

**Note 1 - General**

**A. Description of the Group:**

Sofwave Medical Ltd. was incorporated and registered in Israel on January 27, 2015, in accordance with the Companies Law, as a private Company limited by shares under the name Archimedes Medical Ltd. The Company operated until May 2017 as an incubator Company under Alon MedTech Ventures Ltd., in the framework of benefit track no. 3 of the Innovation Authority. The Company operates in the field of development, manufacturing, marketing, and distribution of safe and non-invasive medical technology for skin rejuvenation and tightening treatments.

In 2019, the Company established a (wholly-owned) subsidiary in the United States, which is engaged in the marketing of the Company's systems in North America.

In December 2022, the Company established another (wholly-owned) subsidiary in the United Kingdom. The Company began its operations as a marketing and distribution company for the Company's systems in the United Kingdom in 2023.

These consolidated concise statements should be reviewed in connection with the Group's annual financial statements as of December 31, 2024, and for the year ending on that date, and the accompanying annotations.

**B. Business position of the Group:**

Since its establishment, the Group has incurred continuous losses from its business operations. As of June 30, 2025, and December 31, 2024, the Group has a loss balance of \$57,620 thousand and \$58,025 thousand, respectively.

On May 12, 2021, the Company raised, through a public offering, a total of \$46,925 thousand net of issuance expenses. As of June 30, 2025, the Group has cash balances of \$23,495 thousand. The group had a positive cash flow from operating activities of \$2,331 thousand and \$3,637 thousand for the periods of six and three months ended June 30, 2025, respectively.

The group had a comprehensive income of \$405 thousand and \$1,517 thousand for the periods of six and three months ended June 30, 2025, respectively.

The Group faces several risk factors, including uncertainty regarding the continued development and marketing of its new products, uncertainty related to obtaining the regulatory approvals required to market these products, the impact of technological changes, competition facing the Company's existing products, and difficulties related to market penetration, in addition to other factors beyond the Group's control.

In the estimation of the Group's board of directors and management, in light of the financing sources outlined above, the Group has sufficient resources, including a reasonable forecast of future cash flows, to continue its operations as a going concern and to meet its future obligations for the foreseeable future.

**C. In these financial statements:**

The company	- Sofwave Medical Ltd.
Subsidiaries	- Sofwave Medical Inc. and Sofwave Medical UK.
The Group	- The Company and its subsidiaries.
Consolidated Companies	- Companies controlled by the company (as defined in IFRS 10) and whose statements are consolidated with the company's statements.
Interested parties and controlling shareholder	- As defined in the Securities Regulations (Annual Financial Statements), 5770 - 2010.
Associated parties	- As defined in IAS 24 (amended).

**The annotations are an integral part of the concise financial statements.**

**SOFWAVE MEDICAL LTD**  
**Annotations to the Concise Financial Statements**

**Note 2 - Primary Accounting Policy**

**The basis for the financial statements' preparation:**

The Group's concise consolidated financial statements (hereinafter "The Interim Financial Statements") have been prepared in accordance with the international accounting standard IAS 34, "Interim Financial Reporting" (hereinafter "IAS 34").

For the preparation of these interim financial statements, the Group implemented the same accounting policies, presentation rules, and calculation methods as those implemented for the financial statements of December 31, 2024, and for the year ending on that date.

The consolidated concise financial statements were prepared in accordance with the disclosure provisions in Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

**Interim period income tax expense**

Income tax expenses for the periods presented include the total current taxes as well as the total change in deferred tax balances, excluding deferred taxes arising from transactions recorded directly to equity and from business combinations.

Current tax expenses in interim periods are accrued using the average annual effective income tax rate. For the purpose of calculating the effective income tax rate, tax losses for which no deferred tax assets were recognized yet are expected to reduce the tax liability in the reporting year, are deducted.

**Note 3 - Amendments to Accounting and Financial Reporting Regulations**

**International Financial Reporting Standard 18 – Presentation and Disclosure in Financial Statements ("IFRS 18"):**

On April 9, 2024, the IASB published IFRS 18, which replaces IAS 1 "Presentation of Financial Statements" (IAS 1). IFRS 18 aims to improve how information is communicated by entities in their financial statements.

IFRS 18 focuses on the following topics:

1. Statement of Profit or Loss structure - presentation of new defined subtotals and classification of income and expenses into specified categories.
2. Improvements to the aggregation and disaggregation of information in both the primary financial statements and the accompanying notes.
3. Disclosing information on management-defined performance measures (MPMs) which are non-GAAP measures in the notes to the financial statements.

Furthermore, amendments to other IFRS standards become effective when an applying IFRS 18, including changes to IAS 7 "Statement of Cash Flows", which will enhance comparability between entities. The amendments mainly include: using the operating profit subtotal as the starting point for the indirect method of reporting cash flows from operating activities, and removing the presentation alternatives for cash flows related to interest and dividends paid and received. Consequently, except in specific cases, interest and dividends received will be classified as cash flows from investing activities, while interest and dividends paid will be classified as cash flows from financing activities.

The standard will be applied for annual reporting periods beginning on or after January 1, 2027 and will be applied retrospectively with specific transition requirements. Earlier application is permitted.

The Company is currently assessing the impact of adopting IFRS 18, including the impact of amendments to additional IFRS standards impacted by the adoption of IFRS 18, on the financial statements.

**The annotations are an integral part of the concise financial statements.**

**SOFWAVE MEDICAL LTD**  
**Annotations to the Concise Financial Statements**

**Note 4 - Financial instruments**

**a. Financial instruments that are not measured at fair value**

The Group believes that the carrying value of the financial assets and liabilities presented at amortized cost in the financial statements is approximately the same as the fair value.

**b. Financial instruments measured at fair value**

**(1) Fair value measurement based on net exposure**

The Group holds certain financial assets and liabilities that are exposed in opposite directions to market risks and counterparty credit risk. For these holdings, the Group measures the fair value of those financial assets and liabilities based on the price that would be received to sell a net long position (i.e. an asset) for exposure to a particular risk or to transfer a net long position (i.e. a liability) for exposure to a particular risk in an orderly transaction between market participants.

**(2) Fair value levels**

Below is a breakdown of the Group's financial assets and liabilities, which are measured in the Company's statement of financial position at their fair values, according to their measurement levels.

	<b>Level 3</b>	<b>Total</b>
	<b>USD</b>	<b>USD</b>
	<b>thousands</b>	<b>thousands</b>
<b>Financial assets at fair value through profit and loss</b>		
Derivatives:		
Foreign currency exchange contracts:	334	334
Total financial assets	334	334

**(3) Financial assets and liabilities measured in the consolidated statement of financial position at fair value according to Level 3**

	<b>Investment in</b>	<b>Total</b>
	<b>derivatives</b>	<b>USD</b>
	<b>USD</b>	<b>thousands</b>
	<b>thousands</b>	
<b>Balance as of January 1, 2025</b>	-	-
Profits or losses recognized through profit and loss	334	334
<b>Balance as of June 30, 2025</b>	334	334

The annotations are an integral part of the concise financial statements.

**SOFWAVE MEDICAL LTD**  
**Annotations to the Concise Financial Statements**

**Note 5 - Sales**

**Composition:**

	For the Six-Month Period Ending on June 30		For the Three-Month Period Ending on June 30		For the Year Ending on December 31
	2 0 2 5	2 0 2 4	2 0 2 5	2 0 2 4	2 0 2 5
	USD	USD	USD	USD	USD
	thousands	thousands	thousands	thousands	thousands
	(Unaudited)		(Unaudited)		(Audited)
System sales	21,474	17,119	11,838	8,671	36,325
Pulses sales	16,187	10,707	9,152	5,971	23,326
	<u>37,661</u>	<u>27,826</u>	<u>20,990</u>	<u>14,642</u>	<u>59,651</u>

**The following is a geographic breakdown of the Group's revenue:**

	For the Six-month Period Ending on June 30		For the Three-Month Period Ending on June 30		For the Year Ending on December 31
	2 0 2 5	2 0 2 4	2 0 2 5	2 0 2 4	2 0 2 4
	USD	USD	USD	USD	USD
	thousands	thousands	thousands	thousands	thousands
	(Unaudited)		(Unaudited)		(Audited)
North America	19,871	15,370	10,797	8,071	33,592
Europe and Middle East	4,311	3,282	2,413	1,710	6,399
East Asia	12,097	7,683	7,054	4,147	16,877
Others	1,382	1,491	726	714	2,783
	<u>37,661</u>	<u>27,826</u>	<u>20,990</u>	<u>14,642</u>	<u>59,651</u>

**The annotations are an integral part of the concise financial statements.**

**Sofwave Medical Ltd.**  
**Notes to the Condensed Consolidated Interim Financial Statements**

**Note 6 - Stock-Based Payment**

- A.** On March 4<sup>th</sup>, 2025, the Group's Board of Directors approved granting stock options to employees and service providers. The grants' primary terms are listed below:

<u>Grant date</u>	<u>Number of stock option warrants</u>	<u>Exercise price Dollar</u>	<u>Vesting conditions</u>	<u>Expiration date</u>	<u>Fair value of option on the granting date Dollar</u>	<u>The grossed-up cost of the benefit in the grant <sup>(1)</sup> USD thousands</u>
March 4th, 2025	160,000	5.13	Vesting over 4 years	10 years after the grant date	2.73	437

- (1) The cost of the benefit the granted stock option warrants grosses up, based on the fair value on the date of their granting, is charged to profit and loss over the vesting period.

The model's parameters in implementing allocations detailed in the section above, in the three-month period ending on March 31, 2025, are as follows:

Company stock price (USD): 5.13  
Volatility forecast: 50.61%  
Risk-free interest rate: 4.25%  
Forecasted life expectancy (in years): 6

- B.** During the reporting period, 519,684 options and 64,050 RSUs were exercised by employees, of which 31,539 were exercised on a net basis. As a result, 652,108 shares were issued.
- C.** During the reporting period, the Group recorded share-based payment expenses in the amount of \$1,465 thousand (\$13 thousand in cost of sales expenses, \$301 thousand in research and development expenses, \$403 thousand in general and administrative expenses, and \$748 thousand in sales and marketing expenses).



**Sofwave Medical Ltd.**  
**Notes to the Condensed Consolidated Interim Financial Statements**

**Note 6 - Stock-Based Payment (Cont.)**

D. On January 22, 2024, the Company's Board approved a private allocation of 256,203 restricted stock units (RSUs) that are exercisable into 256,203 ordinary shares of par value of ILS 0.000125 each of the Company, to the CFO of the Company. The RSUs are non-transferable and are subject to a graded vesting period over 3 years. The RSUs will be exercisable starting from their vesting date and for a period of 10 years from the allocation date. The graded vesting schedule for the RSUs over 3 years is as follows: 50% will be vested on June 15, 2025, 16.67% will vest on December 15, 2025, 16.67% will vest on June 15, 2026, and 16.6% will vest on December 15, 2026. Additionally, all RSUs will immediately vest upon the occurrence of any of the following events: (a) a change of control event as defined in the option plan; (b) an event in which the Company's shares are registered for trading on a foreign stock exchange; (c) termination of the employment by the Company and at its initiative. The RSUs are presented at their fair value on the grant date, based on a price of \$4.40 per share. The cost of the benefit embedded at the grant amounted to approx. \$1,128 thousand, which is spread over the vesting period in tranches. The total write-down recorded in the reporting period amounted to \$302 thousand. On March 4, 2025, the Company's Board and Compensation Committee approved the change of the vesting period for half of the RSUs that were originally planned to vest on June 15, 2025 to vest 3 months later, on September 15, 2025. During the reporting period, 64,050 RSU's were exercised as part of this grant.

**Note 7 - Transactions with related parties**

In May 2021, an agreement was signed between the Company and the Chairman of the Board for the provision of active Chairman of the Board services. In return for these services, the Chairman of the Board is entitled to a monthly compensation of \$13,300 for a 50% position. The term of the agreement is five years. On April 18, 2024, the Company's Compensation Committee and Board of Directors approved increasing the Chairman of the Board's position to 70%, with a proportional increase in the monthly management fees to approx. 19 thousand, effective from March 1, 2024. During the report period, the Company recognized expenses of approx. \$112 thousand for this agreement. Approx. \$112 thousand were paid during the report period.

In addition, there is a liability to pay royalties to an affiliate, Excita Medical Ltd., in the amount of \$64 thousand for sales of the Pure Impact product, according to the terms of the agreement between the companies.

**Note 8 - Significant Events in the Reporting Period**

A. As of October 7, 2023, the State of Israel, along with the broader international community, has been affected by a significant geopolitical event with potential macroeconomic ramifications—the outbreak of the "Iron Swords War" between Israel and Hamas. This conflict has since escalated to involve additional fronts, including Syria, Lebanon, Iran, and Yemen. In response, the Government of Israel, like many governments worldwide, has undertaken substantial measures to safeguard the security and well-being of its citizens. These measures include, among others, the mobilization of reserve forces, enhanced military preparedness, civil defense initiatives, restrictions on civilian movement, and the closure of certain border crossings. As of the date of approval of these financial statements, the ongoing conflict has not had a material impact on the Company's operations. However, given the inherent uncertainty regarding the duration of the conflict and its potential future developments, management acknowledges the possibility of future impacts on the Company's performance or financial position. At this stage, the scope and nature of such potential impacts cannot be reasonably estimated.

On June 13, 2025, the State of Israel launched Operation "Am Kalavi" with the aim of neutralizing Iranian threats to the State of Israel and its residents. As part of the Operation, a state of emergency was declared in the Israeli home front, and in accordance with Home Front Command guidelines, restrictions were imposed on gatherings and the operation of workplaces. The operation had no material impact on the company's operations.

**Sofwave Medical Ltd.**  
**Notes to the Condensed Consolidated Interim Financial Statements**

**Note 8 - Significant Events in the Reporting Period (Cont.)**

- B.** In July 2024, a complaint was filed by SOFTWARE TISSUE REGENERATION TECHNOLOGIES, LLC (the "Plaintiff") with the Federal Court in Atlanta, Georgia, against the Company and other defendants (the "Claim"). The Plaintiff claims that the use of the registered trademark Sofwave™ infringes upon registered trademark rights owned thereby. Additionally, the Plaintiff alleges that the use of a website address containing the word Sofwave™ is misleading the website users and constitutes an infringement of the Plaintiff's domain name. The Plaintiff filed a motion to cancel the Company's trademark and asked the court for a series of remedies, some declaratory and some monetary. On August 30, 2024, the Plaintiff filed a motion for a preliminary injunction with the Federal Court in Atlanta, Georgia, ordering the Company to cease using the trademark in the United States. On November 26, 2024, a settlement agreement was signed between the Company and the Plaintiff (the "Settlement Agreement"), which results in the final and complete dismissal of all mutual claims between the parties, with no admission of liability by either party. Under the Settlement Agreement, both the Company and the Plaintiff may continue to use their respective registered trademarks, subject to a one-time payment of \$750 thousand, which the Company paid to the Plaintiff in January 2025. A corresponding provision was recorded in the Company's financial statements as of December 31, 2024.
- C.** In April 2025, the Company received the PMDA (Pharmaceuticals and Medical Devices Agency) approval, to sell its product for skin firming and skin rejuvenation developed by the Company, in Japan.
- D.** In April 2025, the Federal Government of the United States announced new tariff policies for products imported from different countries in the world, including Israel, impacting the worldwide economy and the Israeli economy. On August 1, 2025, the tariff rate on goods imported from Israel to the US was updated to 15%. The Company is monitoring the effects of the tariff, and estimates, as of the date of approval of the financial report, that an impact of approximately 1% is expected on the Company's gross profit in 2025.

**Note 9 - Subsequent Events**

In July 2025, the Company received FDA clearance to market its Impact Pure VIP as a stand-alone product with comprehensive treatment options for strengthening multiple muscle groups, in multiple body areas, simultaneously.