



Half Year Report 2015

Half-Year Report 2015

Financial Highlights

Adjusted revenues¹ for the first six months amounted to USD 22.3 million compared with USD 20.9 million in the first six months of 2014, an increase of 6.7%. At constant exchange rates³ revenues were USD 26.2 million, up 25.4%; GPH's results are consolidated from April 1, 2015.

Adjusted EBITDA² amounted to USD 5.6 million and adjusted EBIT² to USD 3.2 million compared with adjusted EBITDA of USD 3.9 million and adjusted EBIT of USD 1.3 million in the first half-year 2014. Adjusted net income² for the half-year amounted to USD 2.3 million compared with USD 0.8 million in the respective period in 2014.

Cash provided by operating activities improved significantly in the first six months of 2015 and amounted to USD 4.4 million compared with cash used in operations of USD 3.3 million in the first half of 2014.

in USD million (except per share amounts)	H1 2015	H1 2014	% change	H1 2015 (constant currency ³)	% change (constant currency)
Revenues	21.1	20.9		24.7	
Additional revenues ¹	1.2	0.0		1.5	
Adjusted revenues	22.3	20.9	6.7%	26.2	25.4%
Adjusted EBIT²	3.2	1.3	146.2%	4.1	215.4%
%	14.3%	6.1%		15.6%	
Adjusted EBITDA²	5.6	3.9	43.6%	6.7	71.8%
%	25.2%	18.7%		25.6%	
Adjusted Net income²	2.3	0.8	187.5%	3.0	275.0%
	10.3%	3.7%		11.5%	
Basic Adjusted EPS	0.20	0.06		0.26	

Revenues by geographic distribution

	Israel		Germany		USA & ROW	
	USD m	% of total	USD m	% of total	USD m	% of total
H1 2015 Adjusted	10.9	48.9%	11.3	50.7%	0.1	0.4%
H1 2014	12.2	58.4%	8.7	41.6%	0.0	0.0%
H1 2015 Adjusted (constant currency ³)	12.2	46.6%	13.9	53.0%	0.1	0.4%
% change in constant currency	0.0%		59.8%			

	June 30, 2015	December 31, 2014
Cash, Cash equivalents and marketable securities	12.7	17.7
Total outstanding debt	22.2	23.2
Total assets	95.3	92.1
Shareholders equity	61.2	61.4
Employees	551	448

1 Additional revenues

These are revenues earned by GPH in the period after the acquisition date (Q2 2015), relating to the period prior to the acquisition date (2013, 2014 and Q1 2015) which IFRS 3 requires them to be recorded as an additional asset as of the acquisition date rather than revenues.

2 Reconciliation to Adjusted Financial Information:

	H1 2015	H1 2014	H1 2015 (constant currency ³)
EBIT	0.8	0.6	1.3
Amortization of acquisition intangibles and stock based compensation	0.7	0.7	0.8
Restructuring charges	0.5	0.0	0.5
Additional revenues ¹	1.2	0.0	1.5
Adjusted EBIT	3.2	1.3	4.1
Depreciation	2.4	2.6	2.6
Adjusted EBITDA	5.6	3.9	6.7

	H1 2015	H1 2014	H1 2015 (constant currency ³)
Net Income	0.2	0.1	0.6
Amortization of acquisition intangibles and stock based compensation	0.7	0.7	0.8
Restructuring charges	0.5	0.0	0.5
Additional revenues ¹	1.2	0.0	1.5
Taxes on the above items	(0.3)	0.0	(0.4)
Adjusted Net Income	2.3	0.8	3.0

3 Constant currency

In order to enable meaningful comparison between the results, they are also presented at constant currency exchange rates. These are calculated by translating the 2015 results using the average 2014 exchange rates.

Letter from the Chairman of the Board



SHL made further progress in the first six months of 2015. Financially, the company grew its top and bottom line. Operationally, it broadened its operations both in its core markets in Israel and Germany, as well as in additional markets.

In Germany, SHL continued to strengthen its position as the leading provider of telehealth services with the acquisition of GPH (Gesellschaft für Patientenhilfe), based in Munich, concluded at the end of March. GPH's nationwide German telemedicine programme Cordiva cares for about 10,000 chronic heart failure patients in daily regular care. GPH has AOK Bayern and AOK North East amongst its major clients. In addition SHL initiated the unification of its telemedicine monitoring centers in Germany so that the Dusseldorf monitoring center will be absorbed in

Munich with restructuring costs accrued during the period.

In Israel, SHL's loyal subscriber base continues to show high satisfaction rates from the personal consumer products bringing with it continued strong financial performance.

The international expansion of SHL is progressing, too. During the period SHL signed a distribution agreement for the smartheart™ device with USCI Holdings, Inc., of Japan. USCI's focus will be on the physicians and the professional market. In May, SHL signed an international distribution agreement for smartheart™ with FUJIFILM SonoSite, Inc. FUJIFILM SonoSite will distribute the smartheart™ to its professional healthcare customers in the US, Japan and Germany, using its point-of-care ultrasound solutions.

Shanghai Jiuchuan Acquisition

Late July, SHL and Shanghai Jiuchuan Investment (Group) Co., Ltd., a Shanghai based private investment firm, announced that Shanghai Jiuchuan will acquire the entire share capital of SHL by way of a reverse triangular merger following which SHL would become a wholly owned subsidiary of Shanghai Jiuchuan. Under the terms of the agreement, each Ordinary Share of SHL and each American Depositary Share of the Company outstanding immediately prior to the effective time of the merger and not owned by Shanghai Jiuchuan, its Israeli subsidiary or SHL shall be converted into the right to receive CHF 105 in cash (subject to applicable tax withholding) representing a premium of 12.9% to SHL's closing price on 24 July 2015 and a 0.9% premium to SHL's 60-day volume weighted average price before announcement.

Additionally, all options to purchase Ordinary Shares of the Company outstanding under the Company's option plan as of the effective time of the merger shall be cashed out and terminated, subject to approval of an amendment to the Company's Compensation Policy and receipt of applicable corporate approvals.

After consummation of the merger, expected to happen in October, a delisting of SHL from the SIX Swiss Exchange will take place. In accordance with the Israeli Companies Law and SHL's Articles of Association, SHL will hold an

extraordinary general meeting, on 10 September 2015. SHL's shareholders will be asked to approve the proposed merger transaction. For Shanghai Jiuchuan the acquisition of SHL, with its broad and deep competence in telemedicine, enables a direct approach to the Chinese market, relying on SHL's experienced management team.

Following its careful evaluation of the strategic alternatives, SHL is anticipated to become a truly worldwide telemedicine leader with this transaction. Based on the strong presence in Israel and Germany, and promising growth opportunities in the U.S. and other territories, it can tap into the vast Chinese market with a strong local partner. Board and Management are aligned in joining Shanghai Jiuchuan in a transaction which delivers significant value to SHL's shareholders and creates tremendous opportunities for its employees and clients. This transaction is the logical next step in SHL's global expansion strategy and will enable it, with the support of Shanghai Jiuchuan to expand into the growing Chinese market.

This is an exciting moment for SHL and we would like to thank all those who have been with us on this journey, over the years.

Sincerely,



Oren Most

Chairman of the Board

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The Shareholders and Board of Directors SHL Telemedicine Ltd.

Re: Report on review of interim condensed consolidated financial statements

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of SHL Telemedicine Ltd. ("the Company") and its subsidiaries as of June 30, 2015, comprising the interim consolidated balance sheet as of June 30, 2015 and the related interim statements of comprehensive income, changes in equity and cash flows for the six months and three months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons

responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Tel-Aviv, Israel

August 30, 2015

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KOST FORER GABBAY & KASIERER

A Member of Ernst & Young Global

CONDENSED CONSOLIDATED BALANCE SHEETS U.S. dollars in thousands

	June 30,		December 31,
	2015	2014	2014
	Unaudited		Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	8,047	8,154	3,351
Restricted cash	-	1,365	-
Short-term investments	4,689	12,301	14,316
Trade receivables	15,490	14,764	15,263
Prepaid expenses	1,371	1,845	1,268
Inventory	2,861	1,628	2,483
Other accounts receivable	3,454	6,348	3,458
	35,912	46,405	40,139
NON-CURRENT ASSETS:			
Prepaid expenses	5,917	5,494	5,558
Long-term deposits	364	201	292
Deferred taxes	4,591	5,708	4,768
	10,872	11,403	10,618
PROPERTY AND EQUIPMENT:			
Cost	65,676	71,639	61,240
Less - accumulated depreciation	(51,573)	(55,939)	(48,587)
	14,103	15,700	12,653
GOODWILL	15,037	14,160	12,487
INTANGIBLE ASSETS, NET	19,332	18,633	16,230
Total assets	95,256	106,301	92,127

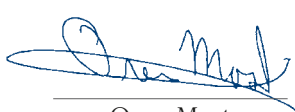
The accompanying notes are an integral part of the interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS U.S. dollars in thousands

	June 30,		December 31,
	2015	2014	2014
	Unaudited		Audited
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities	10,619	10,643	10,244
Deferred revenues	1,870	521	66
Trade payables	1,319	1,969	983
Other accounts payable	5,971	4,236	4,701
Other liabilities	-	1,526	375
	19,779	18,895	16,369
NON-CURRENT LIABILITIES:			
Long-term loans	11,532	16,496	12,931
Deferred revenues	585	1,218	673
Employee benefit liabilities	862	875	758
Deferred taxes	1,259	-	-
	14,238	18,589	14,362
Total liabilities	34,017	37,484	30,731
EQUITY:			
Issued capital	31	31	31
Additional paid-in capital	95,229	95,037	95,189
Treasury shares	(2,440)	(2,579)	(2,619)
Foreign currency translation reserve	(2,016)	6,213	(1,532)
Capital reserve for available-for sale investments and actuarial gains	568	1,175	640
Accumulated deficit	(30,133)	(31,060)	(30,313)
Total equity	61,239	68,817	61,396
Total liabilities and equity	95,256	106,301	92,127

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

August 30, 2015
Date of approval of the
financial statements


Oren Most
Chairman of the Board of Directors


Yariv Alroy
Co - CEO

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

	Three months ended		Six months ended		Year ended
	June 30,		June 30,		December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
Revenues	11,569	10,274	21,085	20,917	39,976
Depreciation and amortization	770	562	1,255	1,166	2,344
Cost of revenues	5,179	3,947	8,590	8,007	15,368
Gross profit	5,620	5,765	11,240	11,744	22,264
Research and development costs	515	645	1,120	1,242	2,492
Selling and marketing expenses	2,823	2,987	5,405	5,719	11,430
General and administrative expenses	2,733	2,063	3,402	4,347	7,193
Gain from almeda acquisition	-	(137)	-	(137)	(137)
Restructuring costs	84	-	522	-	-
Operating income (loss)	(535)	207	791	573	1,286
Financial income	215	511	859	704	2,376
Financial expenses	(804)	(370)	(971)	(614)	(1,809)
Income before taxes on income (loss)	(1,124)	348	679	663	1,853
Taxes on income	124	269	499	581	1,024
Net income (loss)	(1,248)	79	180	82	829
Other comprehensive income (loss) (net of tax effect):					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Remeasurement gains on defined benefit plans	-	-	-	-	33
	-	-	-	-	33
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Transfer to the profit or loss in respect of					
available-for-sale investments	9	(489)	(100)	(545)	(1,075)
Gain (loss) on available-for-sale investments	6	(87)	28	87	49
Foreign currency translation reserve	3,074	301	(484)	65	(7,680)
Total other comprehensive income (loss)	3,089	(275)	(556)	(393)	(8,673)
Total comprehensive income (loss)	1,841	(196)	(376)	(311)	(7,844)
Earnings (loss) per share:					
Basic and diluted earnings	(0.12)	0.01	0.02	0.01	0.08

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

CONDENSED 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 available-for-sale investments and cumulative gains on defined benefit plans**	Accumulated deficit	Total
Balance as of January 1, 2014 (audited)	31	95,014	(2,774)	6,148	1,633	(31,142)	68,910
Exercise of options	* -	(147)	155	-	-	-	8
Share-based payments	-	322	-	-	-	-	322
Net Income	-	-	-	-	-	829	829
Total other comprehensive loss	-	-	-	(7,680)	(993)	-	(8,673)
Balance as of December 31, 2014 (audited)	31	95,189	(2,619)	(1,532)	640	(30,313)	61,396
Exercise of options	* -	(170)	179	-	-	-	9
Share-based payments	-	210	-	-	-	-	210
Net Income	-	-	-	-	-	180	180
Total other comprehensive loss	-	-	-	(484)	(72)	-	(556)
Balance as of June 30, 2015 (unaudited)	31	95,229	(2,440)	(2,016)	568	(30,133)	61,239

	Issued capital	Additional paid-in capital	Treasury shares	Foreign currency translation reserve	Capital reserve for available-for-sale investments and cumulative gains on defined benefit plans	Accumulated deficit	Total
Balance as of January 1, 2014 (audited)	31	95,014	(2,774)	6,148	1,633	(31,142)	68,910
Exercise of options	* -	(130)	195	-	-	-	65
Share-based payments	-	153	-	-	-	-	153
Net Income	-	-	-	-	-	82	82
Total comprehensive income (loss)	-	-	-	65	(458)	-	(393)
Balance as of June 30, 2014 (unaudited)	31	95,037	(2,579)	6,213	1,175	(31,060)	68,817

* Represents an amount lower than \$ 1.

** As of June 30, 2015 the capital reserve for available for sale investments is in the amount of \$ 186 and the capital reserve on actuarial gains is in the amount of \$ 382. As of December 31, 2014 the capital reserve for available for sale investments is in the amount of \$ 258 and the capital reserve on actuarial gains is in the amount of \$ 382.

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

CONDENSED 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 available-for-sale investments and cumulative gains on defined benefit plans	Accumulated deficit	Total
	Unaudited						
Balance as of April 1, 2015	31	95,295	(2,617)	(5,090)	553	(28,885)	59,287
Exercise of options	* -	(168)	177	-	-	-	9
Share-based payments	-	102	-	-	-	-	102
Net loss	-	-	-	-	-	(1,248)	(1,248)
Total other comprehensive income	-	-	-	3,074	15	-	3,089
Balance as of June 30, 2015	31	95,229	(2,440)	(2,016)	568	(30,133)	61,239

	Issued capital	Additional paid-in capital	Treasury shares	Foreign currency translation reserve	Capital reserve for available-for-sale investments and cumulative gains on defined benefit plans	Accumulated deficit	Total
	Unaudited						
Balance as of April 1, 2014	31	95,069	(2,753)	5,912	1,751	(31,139)	68,871
Exercise of options	* -	(114)	174	-	-	-	60
Share-based payments	-	82	-	-	-	-	82
Net Income	-	-	-	-	-	79	79
Total comprehensive income (loss)	-	-	-	301	(576)	-	(275)
Balance as of June 30, 2014	31	95,037	(2,579)	6,213	1,175	(31,060)	68,817

* Represents an amount lower than \$ 1.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Three months ended		Six months ended		Year ended
	June 30,		June 30,		December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
Cash flows from operating activities:					
Net income (loss)	(1,248)	79	180	82	829
Adjustments required to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Income and expenses not involving operating cash flows:					
Depreciation and amortization	1,659	1,407	3,015	3,046	6,076
Capital gain from sale of property and equipment	(6)	-	(6)	-	(59)
Change in employee benefit liabilities, net	67	29	77	63	43
Financial expenses (income), net	589	(141)	112	(90)	(567)
Cost of share-based payments	102	82	210	153	322
Taxes on income	124	269	499	581	1,024
	2,535	1,646	3,907	3,753	6,839
Changes in operating assets and liabilities:					
Decrease (increase) in trade receivables, net	3,964	(691)	1,305	(4,327)	(6,533)
Increase in inventory	(518)	(395)	(641)	(750)	(1,119)
Increase in prepaid expenses	(174)	(128)	(236)	(202)	(563)
Decrease (increase) in other accounts receivable	85	(530)	76	(334)	206
Increase (decrease) in trade payables	670	281	280	(15)	(696)
Increase (decrease) in deferred revenues	(80)	(114)	(38)	111	(42)
Decrease in short and long-term other accounts payable	(8)	(922)	(140)	(1,475)	(1,662)
	3,939	(2,499)	606	(6,992)	(10,409)
Cash paid and received:					
Interest received	12	144	163	457	677
Interest paid	(193)	(242)	(394)	(526)	(975)
Income taxes paid	(9)	(13)	(45)	(32)	(78)
	(190)	(111)	(276)	(101)	(376)
Net cash provided by (used in) operating activities	5,036	(885)	4,417	(3,258)	(3,117)

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Three months ended		Six months ended		Year ended
	June 30,		June 30,		December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
Cash flows from investing activities:					
Purchase of property and equipment	(610)	(480)	(909)	(863)	(2,268)
Investment in intangible assets	(490)	(380)	(882)	(778)	(2,011)
Acquisition of Almeda ⁽¹⁾	-	-	-	-	1,149
Acquisition of GPH ^(a)	-	-	(6,140)	-	-
Restricted cash	-	(1,367)	-	(1,367)	-
Proceeds from sale of property and equipment	7	-	7	-	65
Purchase of financial assets	(140)	(3,130)	(989)	(5,056)	(13,943)
Proceeds from sale of financial assets	161	10,085	10,667	12,529	17,731
Net cash provided by (used in) investing activities	(1,072)	4,728	1,754	4,465	723
Cash flows from financing activities:					
Proceeds from exercise of options	9	60	9	65	8
Short-term bank credit, net	-	(714)	-	-	840
Repayment of long-term loans	(816)	(998)	(1,613)	(1,867)	(3,451)
Net cash used in financing activities	(807)	(1,652)	(1,604)	(1,802)	(2,603)
Effect of exchange rate changes on cash and cash equivalents	233	24	129	17	(384)
Increase (decrease) in cash and cash equivalents	3,390	2,215	4,696	(578)	(5,381)
Cash and cash equivalents at the beginning of the period	4,657	5,939	3,351	8,732	8,732
Cash and cash equivalents at the end of the period	8,047	8,154	8,047	8,154	3,351

1 During 2014 the Company collected a receivable from the former owner of Almeda in the amount of \$ 1,149.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Three months ended		Six months ended		Year ended
	June 30,		June 30,		December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
(a) Acquisition of GPH:					
Working capital (excluding cash)	-	-	1,331	-	-
Property and equipment	-	-	(1,953)	-	-
Intangible assets	-	-	(6,834)	-	-
Deferred taxes	-	-	1,316	-	-
	-	-	(6,140)	-	-
(b) Non-cash transactions:					
Purchase of property and equipment on credit	-	443	53	541	-

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 1 | GENERAL

These financial statements have been prepared in a condensed format as of June 30, 2015, and for the three months and six months then ended. These financial statements are to be read in conjunction with the annual financial statements and accompanying notes of SHL Telemedicine Ltd. (“the Company”) as of December 31, 2014 and for the year then ended (“the annual financial statements”). Following are data regarding the Israeli CPI and the exchange rates of the Euro, U.S. dollar and the Swiss Franc in relation to the New Israeli Shekel (NIS):

	Israeli CPI Points	Exchange rate of € 1 NIS	Exchange rate of U.S. \$ 1 NIS	Exchange rate of 1 CHF NIS
For the period ended				
June 30, 2015	222.9	4.22	3.77	4.05
June 30, 2014	223.8	4.69	3.44	3.86
December 31, 2014	223.4	4.72	3.89	3.93
Change during the period	%	%	%	%
June 2015 (6 months)	(0.2)	(10.7)	(3.1)	3.2
June 2014 (6 months)	-	(1.8)	(0.9)	(0.7)
June 2015 (3 months)	1.1	(1.3)	(5.3)	(0.9)
June 2014 (3 months)	0.5	(2.5)	(1.4)	(2.1)
December 2014 (12 months)	(0.2)	(1.2)	12.0	0.8

NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES

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

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

b. Restructuring:

A provision for restructuring is only recognized when the Company has approved a detailed formal plan identifying the business or the part of the business that is concerned, the location and the number of employees affected by the restructuring and there is a detailed reliable estimate of the associated costs and the timing of the plan. Also, there must be a valid expectation by the parties affected by the restructuring that the restructuring will be implemented or it has already commenced.

NOTE 3 | ACQUISITION OF GPH (Gesellschaft für Patientenhilfe)

On March 20, 2015, the Company, through its wholly owned German subsidiary (SHL Telemedizin GmbH), signed a definitive agreement to acquire 100% of GPH (Gesellschaft für Patientenhilfe) shares, a company based in Munich, providing telemedicine services to German health insurers. The cash consideration for GPH was Euro 7,600 (\$ 8,160). Closing occurred on March 31, 2015 and GPH's assets and liabilities are consolidated from that date.

The fair values of the assets and liabilities acquired as of the date of acquisition (March 31, 2015) are as follows:

	Fair value
Cash and cash equivalents	2,020
Trade and other receivables	2,366
Property and equipment	1,953
Customers contracts	3,598
Accounts and other payables	(803)
Deferred revenues	(1,742)
Deferred tax liability, net	(1,316)
Total identifiable assets at fair value	6,076
Goodwill arising on acquisition	2,084
Total purchase price	8,160

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a valuation conducted by an independent valuation specialist. In the three months ended June 30, 2015, the fair value of trade and other receivables was increased by \$ 1,152 to reflect information received regarding additional revenues earned by GPH prior to its acquisition by the Company. A corresponding increase of \$ 276 was recorded for the deferred tax liability, and goodwill arising on the acquisition decreased by \$ 876.

The intangible assets (customer contract) are amortized over their estimated useful life (1.75-6.75 years) using the straight-line method.

The excess of the purchase price over the net tangible and identifiable intangible assets paid was recorded as goodwill.

A deferred tax liability of \$ 872 was recorded for the difference between the fair value and the tax

base of the net intangible assets acquired.

Acquisition costs that are directly attributable to the transaction of approximately \$ 75 were carried as an expense to general and administrative expenses.

If the business combination had taken place at the beginning of the year, the consolidated net income would have been \$ 424 and the consolidated revenue would have been \$ 23,809 for the six months ended June 30th, 2015.

NOTE 4 | RESTRUCTURING PLAN

During the period, the Company implemented an efficiency plan regarding its operations in Germany. The first phase of the restructuring plan was drawn up and announced to the employees on March 2015, and expenses in the amount of \$ 522 and \$ 84 were recognized in profit or loss in the six months and three months ended June 30, 2015, respectively. The restructuring is expected to be completed by October 2015.

NOTE 5 | FINANCIAL ASSETS

The following table shows the composition of the financial assets in the balance sheet:

	June 30, 2015	2014	December 31, 2014
	Unaudited (Level 1)		Audited (Level 1)
Available for sale investments	1,742	10,118	4,608
Financial assets at fair value			
through profit or loss	2,947	2,183	9,708
	4,689	12,301	14,316

NOTE 6 | SEGMENT INFORMATION

As presented in the annual financial statements, the Group operates in three geographic segments: Israel, Europe and Rest of World. Revenues are allocated based on the location of the end customer.

Segments results:

a. Revenues:

	Three months ended		Six months ended		Year ended
	June 30,		June 30,		December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
Sales to external customers:					
Europe	6,160	4,116	10,098	8,704	16,259
Israel	5,346	6,146	10,913	12,201	23,662
Rest of world	63	12	74	12	55
Total revenues in financial statements	11,569	10,274	21,085	20,917	39,976

b. Segment profit:

	Three months ended		Six months ended		Year ended
	June 30,		June 30,		December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
Europe	285	595	2,082	1,456	3,406
Israel	786	1,280	1,902	2,401	4,740
Rest of world	(801)	(937)	(1,699)	(1,874)	(4,026)
	270	938	2,285	1,983	4,120
Corporate and R&D expenses	(805)	(731)	(1,494)	(1,410)	(2,834)
Operating income (loss)	(535)	207	791	573	1,286
Financial income (expenses), net	(589)	141	(112)	90	567
Income before taxes on income (loss)	(1,124)	348	679	663	1,853

NOTE 7 | FAIR VALUE MEASUREMENT

The following table presents the fair value measurement hierarchy for the Group's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy of the Group's assets and liabilities as of June 30, 2015:

	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
	USD in thousands			
Assets measured at fair value:				
Short-term investments	4,689	-	-	4,689

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

NOTE 8 | COLLECTION OF PAST DUE RECEIVABLE

During the period the Company collected a payment of Euro 4,200 from a past customer in Germany in respect of a debt for services rendered in the past that were not paid. The Company reversed an accrual for doubtful accounts in the amount of Euro 1,000 (\$ 1,127) and recognized additional revenues in the amount of Euro 600 (\$ 676).

NOTE 9 | SUBSEQUENT EVENTS

On July 27, 2015 the Company announced that Shanghai Jiuchuan Investment (Group) Co., Ltd., a Shanghai based private investment firm, will acquire the entire share capital of SHL by way of a reverse triangular merger following which SHL would become a wholly owned subsidiary of Shanghai Jiuchuan.

Under the terms of the agreement, each Ordinary Share of SHL and each American Depositary Share of the Company outstanding immediately prior to the effective date of the merger and not owned by Shanghai Jiuchuan, its Israeli subsidiary or SHL shall be converted into the right to receive CHF 10.5 in cash (subject to applicable tax withholding) representing a premium of 12.9% to SHL's closing price on 24 July 2015 and a 0.9% premium to SHL's 60-day volume weighted average price before announcement.

Additionally, all options to purchase Ordinary Shares of the Company outstanding under the Company's option plan as of the effective date of the merger shall be cashed out and terminated, subject to approval of an amendment to the Company's Compensation Policy and receipt of applicable corporate approvals.

After consummation of the merger, expected to occur in October, a delisting of SHL from the SIX Swiss Exchange will take place.

Information For Investors

Capital structure

The issued share capital is divided into 10,490,356 registered shares with a par value of NIS 0.01 each (excluding 389,158 ordinary shares of NIS 0.01 par value each held by SHL)

Significant shareholders'

As of June 30, 2015, SHL was aware of the following shareholders with more than 3% of all voting rights in the company.

	Number of Ordinary Shares Held	% Including Treasury shares	% Excluding Treasury shares
Alroy Group	2,782,608	25.58%	26.53%
G.Z.Assets and Management Ltd.	921,533	8.47%	8.78%
Prime Finance Corporation	736,722	6.77%	7.02%
Copper Valley Finance Ltd.	736,722	6.77%	7.02%
Eli Alroy	749,299	6.89%	7.14%
S. W. Mitchell Capital LLP	331,356	3.05%	3.16%
SHL Treasury shares	389,158	3.58%	-

The above table of Significant Shareholders reflects both actual holdings as of June 30, 2015, after deducting from the total number of shares outstanding 389,158 Ordinary Shares held by SHL, and actual holding as of June 30, 2015 calculated including ordinary shares held by SHL, all as indicated above, but does not reflect holding on a fully diluted basis. All in accordance with notifications received by the Company from shareholders and the SAG registrar as of June 30, 2015.

Statistics on SHL Telemedicine as at June 30, 2015

Registered shares with a par value of NIS 0.01 each	
Securities number	1128957
Number of shares*	10,490,356
Market price high/low (CHF)	11.25/7.40
Market capitalization high/low (CHF million)	118.0/77.6
Market capitalization 30/06/15 (CHF million)	102.8
Share capital – nominal value (NIS)	104,904
Majority interests	26.61%

* Excluding 389,158 ordinary shares held by SHL.

Share price development



Listing

All SHL shares are listed on SIX Swiss Exchange

Ticker symbol: SHLTN

Currency: CHF

Listing date: November 15, 2000

Company has an ADR program

on the OTCBB Ticker symbol: SMDCY

Investor relations

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