SHL Telemedicine

SHL Telemedicine Ltd.
1 January - 30 June

Half-Year Report 2011

Dear Shareholders,

I am pleased to be writing to you for the first time after being appointed as the new Chairman of the Board of SHL at the last annual meeting of shareholders. As the co-founder of SHL and a long time Board member, I hope to continue helping SHL realize its vision of becoming a world leader in telemedicine. I would like to take this opportunity to thank Mr. Yoram Alroy, the visionary behind SHL, who for many years has led the Company forward as CEO, President and Chairman of the Board. I am pleased that Yoram will continue to bring his knowledge and wide experience to SHL as President and Board member.

Our financial performance during the first half of 2011 has been as expected. We are continuing to invest great effort in negotiating major high value contracts with large Krankenkassen (Health Insurers) in Germany although this environment continues to be challenging due to their continuing aggressive consolidation. We are confident in our ability to secure such contracts which will lead SHL back to significant growth.

In Germany a new study published by the Westdeutsche Zentrum für Diabetes (West German Center for Diabetes) affiliated to Katholische Kliniken (catholic hospitals) in Dusseldorf further re-affirmed the benefits of the Diabetiva® service showing a significant improvement of HbA_{1c} (glycated hemoglobin) as well as cardiovascular risk factors, i.e. weight, body-mass-index, fasting blood glucose and blood pressure to patients receiving our service. In parallel, a significant decrease of diabetes specific impairment and increase in quality of life was observed with patients suffering from depression especially benefiting from the telemedical care program as the number of depressed patients decreased after three months from 64 to 35 and then to 29 at the end of the six months.

In Israel our business continued its good financial performance, showing improved operating margins with many new patients recruited, based on agreements signed with Israeli health insurers for the provision of telemedical services to their insured. While we have successfully "exported" the telemedical concept for acute heart attacks developed in Israel to Europe we have now successfully "re-imported" the refined B2B model developed in Germany for chronically ill patients.

A highlight in the first six months was the presentation and positive reception of SHL's innovative Smartheart cellular technology at the TechCrunch Disrupt Battlefield Conference in New York in May 2011. We were extremely proud that SHL was selected to present, as part of only 25 companies and startups from around the world, this new innovative telemedicine technology. The product generated much interest at the conference and we are currently examining several initiatives related to the launch of this Smartheart platform. Smartheart is a device that will transform smartphones such as iPhones, Androids and Blackberries into a Hospital-Grade ECG and within 30 seconds, any end user is able to record a Hospital-Grade ECG and transmit it to his Doctor, Cardiologist, upload it to his Personal Health Record or send it to a hospital and get a medical diagnosis in real time.

Financial Highlights

Revenues for the second quarter amounted to USD 11.6 million compared to USD 12.0 million in Q2 2010. Revenues for the first half of the year amounted to USD 23.1 million compared to USD 24.4 million in H1 2010. This represents a decline of 3.3% (at constant exchange rates 11.7%) for the quarter and a decline of 5.3% (at constant exchange rates 10.2%) for the first half of the year compared to the same period in 2011 stemming from the decline, as expected, in SHL Germany's revenues.

Although revenues declined during the period, gross and operating margins remained fairly steady thanks mainly to significantly lower investments in the consumer market initiatives and streamlining operations in Germany.

Gross profit for the quarter reached USD 7.6 million (65.5% of revenues) compared to USD 8.1 million (67.5% of revenues) in Q2 2010. In the first half of 2011 gross profit amounted to USD 15.1 million (65.4% of revenues) compared to USD 16.2 million (66.4% of revenues) in the first half of 2010.

EBITDA for the quarter amounted to USD 2.7 million (23.3% of revenues) compared to an EBITDA of

USD 2.8 million (also 23.3% of revenues) in Q2 2010. EBITDA for the first half of 2011 amounted to USD 5.3 million (22.9% of revenues) compared to an EBITDA of USD 5.9 million (24.2% of revenues) in the comparable period last year.

EBIT for the quarter amounted to USD 1.5 million (12.9 % of revenues) remaining unchanged to that of USD 1.5 million (12.5% of revenues) in Q2 2010. EBIT for the first half of 2011 amounted to USD 2.8 million (12.1% of revenues) compared to an EBIT of USD 3.2 million (13.1% of revenues) in H1 2010. **SHL's net income** for the quarter totaled USD 1.2 million (USD 0.11 per share) compared to USD 1.5 million (USD 0.14 per share) in the second quarter of 2010. For the first six months of 2011, SHL reports a net income of USD 2.2 million (USD 0.21 per share) compared to USD 3.1 million (USD 0.29 per share) in the comparable period last year.

Cash used in operations for the second quarter and half year amounted to USD 1.9 million and USD 2.0 million, respectively compared to cash generated of USD 2.8 million and USD 3.4 million in Q2 and H1 of 2010, respectively. Cash, cash equivalents and marketable securities at June 30, 2011 amounted to USD 22.1 million.

Balance sheet. SHL's assets at 30 June 2011 totalled USD 101.7 million with shareholders' equity amounting to USD 80.1 million (79% of balance sheet) compared to assets of USD 95.1 million and shareholders' equity of USD 74.7 million at 31 December 2010.

Dividend and share repurchase. Following the receipt of a further payment from Philips relating to the Raytel transaction, SHL's Board of Directors has declared a dividend of USD 0.66 per share, totaling USD 7 million payable on September 23, 2011 to shareholders of record on September 22, 2011. The Board of Directors also approved to increase the aggregate share re-purchase amount by an additional USD 2 million.

Long-term loans. In order to benefit from the current availability of long term finance in the Israeli market at satisfactory interest rates, SHL negotiated long-term loans during July from financing institutions in the amount of USD 29.3 million (NIS 100 million). The loans are spread over an 8 year term, are denominated in NIS, bear an annual interest of 3.8%-3.9% and are linked to the Israeli CPI.

Although the environment in Germany continues to be challenging, we are convinced that the adoption of telemedicine by the large krankenkassen is just a matter of time. We look forward to updating you on the progress made during the course of 2011.

Yours sincerely.

Elon Shalev,

Chairman of the Board

* Constant currency - In order to enable meaningful comparison between the 2011 and 2010 results, 2011 results are also presented at constant currency exchange rates. These are calculated by translating the 2011 results using the average 2010 exchange rates instead of the current period exchange rates. Management believes that this presentation enables a more meaningful comparison between the periods due to the significant fluctuations in NIS/USD/EUR exchange rates.

INDEX

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, 2011, comprising the interim consolidated balance sheet as of June 30, 2011 and the related interim consolidated 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 Financial Reporting Standard IAS 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 23, 2011

Kost Forer Gabbay and Kasierer

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

Condensed Consolidated Balance Sheets U.S. dollars in thousands

	June 30,		December 31,
	2011	2010	2010
	Unaudited		Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4,554	3,000	2,609
Available-for-sale investments	17,536	16,560	17,603
Trade receivables	13,800	3,833	7,984
Prepaid expenses	1,938	2,013	1,864
Other accounts receivable	1,310	972	1,019
	39,138	26,378	31,079
LONG-TERM ASSETS:			
Trade receivables	7,378	10,010	11,324
Prepaid expenses	5,883	4,950	5,534
Long-term deposits	185	150	151
Income taxes receivable	1,873	1,087	1,620
Deferred taxes	5,594	8,299	5,963
	20,913	24,496	24,592
FIXED ASSETS:			
Cost	63,662	52,193	58,582
Less - accumulated depreciation	45,123	35,389	40,629
	18,539	16,804	17,953
INTANGIBLE ASSETS, NET	23,090	19,230	21,440
Total assets	**101,680**	**86,908**	**95,064**

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,
	2011	2010	2010
	Unaudited		Audited
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks	9,107	484	2,362
Deferred revenues	806	5,773	5,155
Trade payables	1,280	1,940	1,996
Income tax payable	1,149	2,741	1,059
Provisions	2,784	2,532	2,567
Other accounts payable	5,480	5,777	6,207
	20,606	19,247	19,346
LONG-TERM LIABILITIES:			
Accrued severance pay	862	673	796
Deferred taxes	76	391	226
	938	1,064	1,022
Total liabilities	21,544	20,311	20,368
EQUITY:			
Issued capital	31	31	31
Additional paid-in capital	93,693	93,125	93,406
Treasury shares	(1,637)	(1,567)	(1,573)
Foreign currency translation reserve	9,048	(165)	5,787
Capital reserve for available-for-sale investmenets	(197)	(20)	58
Accumulated deficit	(20,802)	(24,807)	(23,013)
Total equity	80,136	66,597	74,696
Total liabilities and equity	**101,680**	**86,908**	**95,064**

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

August 23, 2011		
Date of approval of the financial statements	Elon Shalev Chairman of the Board of Directors	Yariv Alroy Co - CEO

Condensed Consolidated Statements Of Comprehensive Income

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

	Three months ended June 30,		Six months ended June 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	Unaudited				Audited
Revenues	11,602	11,988	23,094	24,362	50,252
Depreciation and amortization	629	464	1,269	1,032	2,287
Cost of revenues	3,385	3,456	6,685	7,130	14,692
Gross profit	7,588	8,068	15,140	16,200	33,273
Research and development costs, net	382	436	626	829	1,597
Selling and marketing expenses	2,637	3,714	5,474	7,508	14,747
General and administrative expenses	3,116	2,411	6,197	4,631	10,945
Operating income	1,453	1,507	2,843	3,232	5,984
Financial income	649	1,014	2,115	2,352	3,791
Financial expenses	(743)	(526)	(2,302)	(1,625)	(3,723)
Income before taxes on income	1,359	1,995	2,656	3,959	6,052
Taxes on income	194	521	445	892	1,191
Net income	**1,165**	**1,474**	**2,211**	**3,067**	**4,861**
Other comprehensive income:					
Exchange differences from foreign currency translation	1,554	(2,768)	3,261	(1,662)	4,290
Transfer to the statement of income in respect of available-for-sale investments	89	20	72	(345)	280
Net gain (loss) on available-for-sale investments	(28)	82	(327)	50	(497)
	1,615	(2,666)	3,006	(1,957)	4,073
Total comprehensive income (loss)	**2,780**	**(1,192)**	**5,217**	**1,110**	**8,934**
Earnings per share:					
Basic and diluted profit for the period	**0.11**	**0.14**	**0.21**	**0.29**	**0.46**

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 investment	Accumulated deficit	Equity
Balance as of January 1, 2010 (audited)	31	92,939	(1,567)	1,497	275	(27,874)	65,301
Purchase of treasury shares	-	-	(6)	-	-	-	(6)
Exercise of options	*) -	216	-	-	-	-	216
Share-based payments	-	251	-	-	-	-	251
Total comprehensive income	-	-	-	4,290	(217)	4,861	8,934
Balance as of December 31, 2010 (audited)	31	93,406	(1,573)	5,787	58	(23,013)	74,696
Purchase of Treasury shares	-	-	(64)	-	-	-	(64)
Exercise of options	*) -	21	-	-	-	-	21
Share-based payments	-	266	-	-	-	-	266
Total comprehensive income	-	-	-	3,261	(255)	2,211	5,217
Balance as of June 30, 2011 (unaudited)	**31**	**93,693**	**(1,637)**	**9,048**	**(197)**	**(20,802)**	**80,136**
Balance as of April 1, 2011 (unaudited)	31	93,535	(1,573)	7,494	(258)	(21,967)	77,262
Purchase of Treasury shares	-	-	(64)	-	-	-	(64)
Share-based payments	-	155	-	-	-	-	155
Exercise of options	*) -	3	-	-	-	-	3
Total comprehensive income	-	-	-	1,554	61	1,165	2,780
Balance at June 30, 2011 (unaudited)	**31**	**93,693**	**(1,637)**	**9,048**	**(197)**	**(20,802)**	**80,136**
Balance as of April 1, 2010 (unaudited)	31	92,969	(1,567)	2,603	(122)	(26,281)	67,633
Share-based payments	-	23	-	-	-	-	23
Exercise of options	*) -	133	-	-	-	-	133
Total comprehensive loss	-	-	-	(2,768)	102	1,474	(1,192)
Balance at June 30, 2010 (unaudited)	31	93,125	(1,567)	(165)	(20)	(24,807)	66,597
Balance as of January 1, 2010 (audited)	31	92,939	(1,567)	1,497	275	(27,874)	65,301
Share-based payments	-	53	-	-	-	-	53
Exercise of options	*) -	133	-	-	-	-	133
Total comprehensive income	-	-	-	(1,662)	(295)	3,067	1,110
Balance at June 30, 2010 (unaudited)	**31**	**93,125**	**(1,567)**	**(165)**	**(20)**	**(24,807)**	**66,597**

*) 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 June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010	Year ended December 31, 2010
	Unaudited				Audited
Cash flows from operating activities:					
Net income	1,165	1,474	2,211	3,067	4,861
Adjustments required to reconcile net income to net cash provided by (used in) operating activities :					
Income and expenses not involving operating cash flows:					
Depreciation and amortization	1,235	1,387	2,370	2,660	5,399
Gain on disposal of fixed assets	-	(16)	-	(26)	(27)
Accrued severance pay	30	50	34	74	133
Financial expenses (income), net	94	(488)	187	(727)	(68)
Cost of share-based payments	155	23	266	53	251
Taxes on income	194	521	445	892	1,191
Others	-	151	-	216	(3)
	1,708	1,628	3,302	3,142	6,876
Changes in operating assets and liabilities:					
Increase in short and long-term trade receivables, net	(1,386)	(101)	(2,579)	(872)	(5,530)
Decrease (increase) in prepaid expenses	(143)	(8)	(128)	(46)	148
Increase in other accounts receivable	(137)	(98)	(244)	(143)	(511)
Increase (decrease) in trade payables	(552)	811	(962)	(134)	(240)
Decrease in deferred revenues	(2,534)	(241)	(2,683)	(1,023)	(2,069)
Decrease in short and long-term other accounts payable	(90)	(790)	(1,216)	(874)	(1,075)
	(4,842)	(427)	(7,812)	(3,092)	(9,277)
Cash paid and received:					
Interest received	137	174	460	383	720
Interest paid	(97)	(12)	(151)	(22)	(39)
Income taxes paid	(8)	(31)	(27)	(48)	(133)
	32	131	282	313	548
Net cash provided by (used in) operating activities	**(1,937)**	**2,806**	**(2,017)**	**3,430**	**3,008**

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 June 30,		Six months ended June 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	Unaudited				Audited
Cash flows from investing activities:					
Purchase of fixed assets	(1,015)	(1,413)	(1,593)	(2,318)	(3,469)
Proceeds from sale of fixed assets	-	16	-	26	27
Acquisition of business activities	-	(109)	(278)	(222)	(435)
Capitalization of development costs	(620)	(409)	(1,203)	(960)	(2,240)
Purchase of available-for-sale investments	(4,078)	(1,619)	(4,758)	(10,699)	(16,139)
Proceeds from sale of available-for-sale investments	4,417	3,237	5,269	12,063	18,012
Net cash used in investing activities	**(1,296)**	**(297)**	**(2,563)**	**(2,110)**	**(4,244)**
Cash flows from financing activities:					
Proceeds from exercise of options	3	133	21	133	216
Short-term bank credit, net	1,393	(1,765)	6,418	(218)	1,793
Treasury shares purchased	(64)	-	(64)	-	(6)
Net cash provided by (used in) financing activities	**1,332**	**(1,632)**	**6,375**	**(85)**	**2,003**
Effect of exchange rate changes on cash and cash equivalents	334	(24)	150	(74)	3
Increase (decrease) in cash and cash equivalents	(1,567)	853	1,945	1,161	770
Cash and cash equivalents at the beginning of the period	6,121	2,147	2,609	1,839	1,839
Cash and cash equivalents at the end of the period	**4,554**	**3,000**	**4,554**	**3,000**	**2,609**
Non-cash transactions:					
Transfer from inventory to fixed assets	**-**	**499**	**-**	**499**	**-**

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

NOTE 1 | GENERAL

a. These financial statements have been prepared in a condensed format as of June 30, 2011, and for the six and three 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, 2010 ("the annual financial statements").

b. At the end of 2010 an agreement with a major customer in Germany was terminated, leading to a decline in revenues in the six and three months ended June 30, 2011.

c. Following are data regarding the Israeli CPI and the exchange rates of the Euro and U.S. dollar:

For the period ended	Israeli CPI Points	Exchange rate of € 1 NIS	Exchange rate of U.S. $ 1 NIS	Exchange rate of € 1 $
June 30, 2011	216.3	4.944	3.415	1.448
June 30, 2010	207.6	4.757	3.875	1.228
December 31, 2010	211.7	4.738	3.549	1.335
Change during the period	%	%	%	%
June 2011 (6 months)	2.2	4.4	(3.8)	8.5
June 2010 (6 months)	0.7	(12.6)	2.6	(14.8)
June 2011 (3 months)	1.5	(0.1)	(1.9)	1.9
June 2010 (3 months)	1.5	(4.7)	4.4	3.0
December 2010 (12 months)	2.6	(12.9)	(6.0)	3.3

NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES

a. The interim consolidated financial statements are prepared in accordance with the principles set forth in IAS 34, "Interim Financial Reporting". The significant accounting policies and methods of measurement applied in the annual financial statements are applied consistently in these interim financial statements.

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, except as noted below:

IAS 24 - Related Party Disclosures:
The amendment to IAS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application.
The amendment is applied retrospectively from January 1, 2011.

IAS 34 - Interim Financial Reporting:
Pursuant to the amendment to IAS 34, new disclosure requirements were introduced to interim financial reporting regarding the circumstances that are likely to affect the fair value of financial instruments and their classification, the transfers of financial instruments between different fair value levels and changes in the classification of financial assets.
The amendment is applied retrospectively from January 1, 2011.

b. Standards issued but no yet applied:
IFRS 13 - Fair Value Measurement
IFRS 13 ("the Standard") establishes guidelines for the measurement of fair value, to the extent that such measurement is required according to IFRS. The Standard defines fair value as 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. The Standard also specifies the characteristics of market participants and determines that fair value is based on the assumptions that would have been used by market participants. According to the Standard, fair value measurement is based on the assumption that the transaction will be conducted in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The Standard aims to maximize the use of relevant observable inputs and minimize the use of unobservable inputs and also categorizes fair value into three levels based on the source of the data used to determine the fair value as follows:
- *Level 1* - quoted (unadjusted) prices in active markets for identical assets or liabilities.
- *Level 2* - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3* - unobservable inputs (valuation techniques that do not make use of observable inputs).

The Standard also prescribes certain specific disclosure requirements.
The new disclosures, and the measurement of assets and liabilities pursuant to IFRS 13, are applied prospectively only for periods commencing after the Standard's effective date, starting from the financial statements for annual periods commencing on January 1, 2013 or thereafter. Earlier adoption is permitted. These new disclosures will not apply to comparative figures.
The appropriate disclosures will be included in the Company's financial statements upon the initial adoption of the Standard.
As for the effect on the financial statements, the Company estimates that IFRS 13 is not expected to have a material impact on the financial statements.

IAS 19R - Employee Benefits:
In June 2011, the IASB issued IAS 19R. The principal amendments included in IAS 19R are:
- Actuarial gains and losses will only be recognized in other comprehensive income and not carried to profit or loss.
- The "corridor" approach which allowed the deferral of actuarial gains or losses has been eliminated.
- The return on the plan assets is recognized in profit or loss based on a discount rate used to measure the employee benefit liabilities, regardless of the actual composition of the investment portfolio.
- The distinction between short-term employee benefits and long-term employee benefits will be based on the expected settlement date and not on the date on which the employee first becomes entitled to the benefits.
- The cost of past services arising from changes in the plan will be recognized immediately.

IAS 19R is to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013, or thereafter. Earlier application is permitted.
The Company is evaluating the possible impact of the adoption of IAS 19R but is presently unable to assess the effects, if any, on its financial statements.

NOTE 3 | INTANGIBLE ASSETS

The Company reviewed the amortization period of its development costs and beginning on January 1, 2011, the Company changed the amortization period of certain development costs from five years to ten years, since it believes that it better reflects the assets' expected useful lives and the cash flow streams associated with the asset. The change is recognized prospectively as a change in accounting estimate.

The effect on the current and future years is as follows:

	2011	2012	2013	2014	2015	2016
Decrease (increase) in depreciation	870	404	180	(70)	(296)	(342)

NOTE 4 | SEGMENT INFORMATION

The following tables present revenue and profit information regarding geographic segments:

Segments results:

a. Revenues:

	Three months ended June 30,		Six months ended June 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	Unaudited				Audited
Sales to external customers:					
Europe	4,299	5,200	8,604	10,566	21,605
United States *)	1,372	1,478	2,909	3,026	6,433
Israel	5,931	5,310	11,581	10,770	22,214
	11,602	11,988	23,094	24,362	50,252
Intersegment sales:					
Europe	-	-	-	32	-
Israel	110	1,687	133	3,034	513
	110	1,687	133	3,066	513
Total revenues	11,712	13,675	23,227	27,428	50,765
Adjustments	(110)	(1,687)	(133)	(3,066)	(513)
Total revenues in financial statements	**11,602**	**11,988**	**23,094**	**24,362**	**50,252**

*) From delivery of IT Platform and related services.

b. Segment profit:

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010	Year ended December 31, 2010
	Unaudited				Audited
Europe	668	592	1,047	1,542	2,663
United States	1,339	1,373	2,830	2,801	5,988
Israel	1,156	825	2,052	1,656	3,600
	3,163	2,790	5,929	5,999	12,251
Corporate and R&D expense	(1,710)	(1,283)	(3,086)	(2,767)	(6,267)
Operating income	1,453	1,507	2,843	3,232	5,984
Financial income (expenses), net	(94)	488	(187)	727	68
Profit before taxes on income	**1,359**	**1,995**	**2,656**	**3,959**	**6,052**

NOTE 5 | SHARE OPTIONS

On March 27, 2011, the Board of Directors approved the grant of 50,000 options to an employee, under the 2005 Share Option Plan. The weighted average fair value of options granted is CHF 1.887 (USD 2.07). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 6.46; exercise price - CHF 6.46; expected volatility - 45.98%; risk-free interest rate - 1.32%; expected dividend – 9.26% for 2011 (0% for 2012 and hereafter); and expected average life of options – 2.3 years.

On June 21, 2011, the Board of Directors approved the grant of 34,790 options to certain employees, under the 2005 Share Option Plan. The weighted average fair value of options granted is CHF 1.782 (USD 2.113). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 5.82; exercise price - CHF 5.81; expected volatility – 47.80%; risk-free interest rate - 1.05%; expected dividend – 9.97% for 2011 (0% for 2012 and hereafter); and expected average life of options – 2.3 years.

NOTE 6 | SUBSEQUENT EVENTS

a. On July 2011, the Company received long-term loans from financing institutions in the aggregate amount of USD 29,300 thousand (NIS 100,000 thousand) to be repaid in 96 monthly installments. The loans are denominated in NIS, bear an annual interest of 3.8%-3.9% and are linked to the Israeli CPI.
The loans contain certain financial covenants related to the Company's Israeli operations and general default covenants.

b. On August 23, 2011 the Board of Directors of the Company has approved a distribution of dividend in the amount of USD 0.66 per share totaling approximately USD 7 million, payable on September 23, 2011 to shareholders of record on September 22, 2011. The Board of Directors also approved to increase the aggregate shre re-purchase amount by an additional USD 2 million.

Information for investors

SHL TeleMedicine: profile

SHL Telemedicine Ltd. specializes in developing and marketing advanced personal telemedicine systems as well as providing comprehensive telemedicine solutions including medical call centers, to individuals and to the healthcare community. As a leading provider of remote health services in cardiology and in other medical areas, SHL maintains business operations in Europe, mainly through SHL Telemedizin in Germany, its wholly owned subsidiary, and at its home market in Israel. In the US, SHL's telemedicine products are distributed by Philips Healthcare. SHL is listed on the SIX Swiss Exchange (SHLTN, ISIN: IL0010855885, Security No.: 1128957). More information available at: www.shl-telemedicine.com.

Capital structure

The issued share capital is divided into 10,784,257 registered shares with a par value of NIS 0.01 each

Significant shareholders'

Alroy Group	27.31%
Tower Holdings B.V.	10.78%
G.Z. Asset and Management Ltd.	8.76%
Eli Alroy	5.63%
Public	47.52%

The above table of Significant Shareholders reflects actual holdings in accordance with the SAG Register as of June 30, 2011, after deducting from the total number of shares outstanding 263,369 Ordinary Shares held by SHL, and does not reflect holdings on a fully diluted basis.

Statistics on SHL Telemedicine as at June 30, 2011

Registered shares with a par value of NIS 0.01 each

Securities number	1128957
Number of shares	10,784,257
Market price high/low (CHF)	7.55/4.5
Market capitalization high/low (CHF million)	81.4/48.5
Market capitalization 30/6/2011 (CHF million)	58.1
Share capital – nominal value (NIS)	107,843
Majority interests	46.85%

Listing

All SHL shares are listed on SIX Swiss Exchange

Ticker symbol:	SHLTN
Currency:	CHF
Listing date:	November 15, 2000

Investor relations

SHL Telemedicine Ltd.
Erez Alroy, Co-CEO
Eran Antebi, CFO
90 Igal Alon St., Tel Aviv 67891, Israel
Tel. ++972 3 561 2212
Fax: ++972 3 624 2414
Email: ereza@shl-telemedicine.com
Email: erana@shl-telemedicine.com

Next publications

Q3 Results: November 16, 2011

SHL Telemedicine: share-price development