Half-Year Report 2010

SHL Telemedicine Ltd.
1 January - 30 June

Dear Shareholders,

Overall, we are pleased with the continued development and growth of our businesses in the different territories. It seems that the longer sales cycles experienced in the last year resulting from the healthcare reform, which led to aggresive consolidation between health insurers, are starting to thaw. As a consequence we are seeing the first signs of normalization and back to regular business practices take place with already two additional co-operations entered into in the last month.

In the first half of 2010 we have invested around USD 2 million in implementing our expansion strategy by leveraging the SHL brand recognition and reputation in Germany and introducing into this consumer market the SHL cardiac emergency service using our personal cellular 12 lead ECG monitoring device, the CardioSen'C, based on our monitor center in Dusseldorf. First signs received are promising and are in line with our expectations. In addition, preparation for market entry into the UK with the SHL cardiac service is going as planned with launch expected in the second half of the year. We expect our investment in our consumer services in Germany and the UK to be around the same amount for the second half of the year.

The German activities along with steady, single digit revenue growth coming from the Israeli business caused revenues for the half year to grow to USD 24.4 million, some 7.2% over 2009's half yearly revenues in constant currency terms. Net profit for the 6 months increased to USD 3.1 million - 10.7% over 2009 and that after the planned increased expenditure in sales and marketing activities relating to the introduction of the SHL cardiac service into concumer markets.

We are reaffirming our financial guidance for 2010. Management is expecting consolidated revenues for the year to reach USD 53-55 million, assuming constant exchange rates*. Given the investments in sales and marketing for the launch of the cardiac emergency service in Germany and the UK, net profit is still expected to be in the range of USD 4-6 million, assuming constant exchange rates*.

Financial Highlights

Revenues for the second quarter amounted to USD 12.0 million compared to USD 11.3 million in Q2 2009. At constant exchange rates* revenues for the quarter amounted to USD 13.5 million compared to USD 12.8 in Q2 2009 million reflecting a growth of 5.5%.

Revenues for the first half of the year amounted to USD 24.4 million compared to USD 22.0 million in H1 2009. Revenues on the basis of constant exchange rates* amounted to USD 26.7 million compared to USD 24.9 million in the first half of 2009, which reflects a growth of 7.2%. Growth is mainly due to the growth in SHL's German operation.

Gross profit for the quarter reached USD 8.1 million (67.5% of revenues) compared to USD 7.5 million (66.4% of revenues) in Q2 2009. In the first half of 2010 gross profit amounted to USD 16.2 million (66.4% of revenues) compared to USD 14.6 (66.4% of revenues) in the first half of 2009.

EBITDA for the quarter amounted to USD 2.8 million (23.3% of revenues) compared to an EBITDA of USD 2.9 million (25.7% of revenues) in Q2 2009. EBITDA for the first half of 2010 amounted to USD 5.9 million (24.2% of revenues) - an increase of 7.3 % over the EBITDA of USD 5.5 million (25.0% of revenues) in the comparable period.

EBIT for the quarter amounted to USD 1.5 million (12.5% of revenues) compared to USD 1.7 million (15.0% of revenues) in Q2 2009. EBIT for the first half of 2010 amounted to USD 3.2 million (13.1% of revenues) compared to an EBIT of USD 3.2 million (14.5% of revenues) in H1 09.

SHL's net income for the quarter totaled USD 1.5 million compared to USD 1.6 million in the second quarter of 2009. For the first six months of 2010 SHL reports a net income of USD 3.1 million, an increase of 10.7% from USD 2.8 million H1 2009.

Cash provided by operations for the second quarter and half year 2010 improved and amounted to USD 2.8 million and USD 3.4 million, respectively compared to USD 1.6 million and USD 1.8 million in Q2 and H1 of 2009, respectively. Cash, cash equivalents and marketable securities at June 30, 2010 amounted to USD 19.6 million.

Balance sheet. SHL's assets at 30 June 2010 totalled USD 86.9 million with shareholders' equity amounting to USD 66.6 million (76.6% of balance sheet) compared to assets of USD 84.6 million and shareholders' equity of USD 60.4 million at 30 June 2009.

Confirmed outlook 2010. Management is still expecting consolidated revenues reaching USD 53-55 million, assuming constant exchange rates*. Given the investments in sales and marketing for the launch of the cardiac emergency service in Germany and the UK, net profit is expected to be in the range of USD 4-6 million, assuming constant exchange rates*.

We are confident that both our service lines, institutional and consumer, will continue to develop and grow and we look forward to updating you on the progress made in the course of 2010.

Yours sincerely.

Yoram Alroy,
Chairman and President

* Constant currency - In order to enable meaningful comparison between the 2010 and 2009 results, 2010 and 2009 results are also presented at constant currency exchange rates. These are calculated by translating the 2010 results using the average exchange rates used for calculating the 2009 constant currency results (Q2 and HY 08) 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.

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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, 2010, comprising the interim consolidated balance sheet as of June 30, 2010 and the related interim consolidated statements of income, 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 3, 2010

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, 2010	June 30, 2009	December 31, 2009
	Unaudited	Unaudited	Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3,000	7,144	1,839
Available-for-sale investments	16,560	14,000	18,251
Trade receivables	3,833	4,990	*) 5,159
Prepaid expenses	2,013	1,430	2,020
Income tax receivable	1,087	1,593	1,375
Other accounts receivable	972	678	931
Inventory	-	601	600
	27,465	30,436	30,175
LONG-TERM ASSETS:			
Trade receivables	10,010	*) 5,143	*) 8,197
Prepaid expenses	4,950	5,616	5,082
Long-term deposits	150	100	104
Deferred taxes	8,299	9,284	8,901
	23,409	20,143	22,284
FIXED ASSETS:			
Cost	52,193	47,925	51,889
Less - accumulated depreciation	35,389	31,727	34,548
	16,804	16,198	17,341
INTANGIBLE ASSETS, NET	19,230	17,744	19,628
Total assets	**86,908**	**84,521**	**89,428**

*) Reclassified.

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, 2010	June 30, 2009	December 31, 2009
	Unaudited	Unaudited	Audited
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of long-term loans	484	528	483
Deferred revenues	5,773	*) 8,429	*) 7,558
Trade payables	1,940	2,245	2,209
Income tax payable	2,741	3,470	2,951
Provisions	2,532	3,056	*) 4,006
Other accounts payable	5,777	4,770	*) 5,950
	19,247	22,498	23,157
LONG-TERM LIABILITIES:			
Provisions	-	930	-
Accrued severance pay	673	731	617
Deferred revenues	-	*) -	-
Deferred taxes	391	-	353
	1,064	1,661	970
Total liabilities	20,311	24,159	24,127
EQUITY:			
Issued capital	31	31	31
Additional paid-in capital	93,125	92,830	92,939
Treasury shares	(1,567)	(1,544)	(1,567)
Foreign currency translation reserve	(165)	(720)	1,497
Net unrealized gain (loss) reserve	(20)	250	275
Accumulated deficit	(24,807)	(30,485)	(27,874)
Total equity	66,597	60,362	65,301
Total liabilities and equity	**86,908**	**84,521**	**89,428**

*) Reclassified.

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

August 3, 2010	Yoram Alroy	Yariv Alroy
Date of approval of the financial statements	Chairman of the Board of Directors and President	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,
	2010	2009	2010	2009	2009
	Unaudited				Audited
Revenues	11,988	11,337	24,362	22,035	47,890
Depreciation and amortization	464	589	1,032	1,167	2,317
Cost of revenues	3,456	3,238	7,130	6,299	13,521
Gross profit	8,068	7,510	16,200	14,569	32,052
Research and development costs, net	436	262	829	495	1,223
Selling and marketing expenses	3,714	3,115	7,508	6,166	14,036
General and administrative expenses	2,411	2,423	4,631	4,713	10,142
Operating income	1,507	1,710	3,232	3,195	6,651
Financial income	920	1,063	1,319	1,674	1,848
Financial expenses	(432)	(942)	(592)	(1,159)	(1,107)
Other expenses, net	-	-	-	-	(333)
Income before taxes on income	1,995	1,831	3,959	3,710	7,059
Taxes on income	521	278	892	944	1,682
Net income	**1,474**	**1,553**	**3,067**	**2,766**	**5,377**
Other comprehensive income:					
Exchange differences from foreign currency translation	(2,768)	3,806	(1,662)	(1,746)	471
Trasnfer to the statement of income of available-for-sale financial assets	20	(180)	(345)	(644)	(835)
Net gain on available-for-sale financial assets	82	236	50	960	1,176
Total comprehensive income (loss)	**(1,192)**	**5,415**	**1,110**	**1,336**	**6,189**
Earnings per share:					
Basic and diluted profit for the period	**0.14**	**0.14**	**0.29**	**0.26**	**0.51**

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	Net unrealized gain (loss) reserve	Accumulated deficit	Total equity
Balance as of January 1, 2009 (audited)	31	92,738	(1,405)	1,026	(66)	(33,251)	59,073
Purchase of treasury shares	-	-	(162)	-	-	-	(162)
Exercise of options	*) -	22	-	-	-	-	22
Share-based payments	-	179	-	-	-	-	179
Total comprehensive income	-	-	-	471	341	5,377	6,189
Balance as of December 31, 2009 (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 (loss)	-	-	-	(1,662)	(295)	3,067	1,110
Balance at June 30, 2010 (unaudited)	**31**	**93,125**	**(1,567)**	**(165)**	**(20)**	**(24,807)**	**66,597**

	Issued capital	Additional paid-in capital	Treasury shares	Foreign currency translation reserve	Net unrealized gain (loss) reserve	Accumulated deficit	Total equity
Balance as of March 31, 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 income (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**

	Issued capital	Additional paid-in capital	Treasury shares	Foreign currency translation reserve	Net unrealized gain(loss) reserve	Accumulated deficit	Total equity
Balance at January 1, 2009 (audited)	31	92,738	(1,405)	1,026	(66)	(33,251)	59,073
Purchase of Treasury shares	-	-	(139)	-	-	-	(139)
Share-based payments	-	92	-	-	-	-	92
Total comprehensive income (loss)	-	-	-	(1,746)	316	2,766	1,336
Balance at June 30, 2009 (unaudited)	**31**	**92,830**	**(1,544)**	**(720)**	**250**	**(30,485)**	**60,362**

*) 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,		Six months ended June 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	Unaudited				Audited
Cash flows from operating activities:					
Net income	1,474	1,553	3,067	2,766	5,377
Adjustments required to reconcile net income to net cash provided by operating activities:					
Income and expenses not involving operating cash flows:					
Depreciation and amortization	1,387	1,111	2,660	2,170	4,783
Loss (gain) on disposal of fixed assets	(16)	(128)	(26)	138	-
Accrued severance pay	50	(28)	74	(22)	(160)
Financial income, net	(488)	(121)	(727)	(515)	(741)
Cost of share-based payments	23	49	53	92	179
Taxes on income	521	278	892	944	1,682
Others	58	5	112	-	8
	1,535	1,166	3,038	2,807	5,751
Changes in operating assets and liabilities:					
Increase in short and long-term trade receivables, net	(101)	(659)	(872)	(972)	(6,408)
Decrease (increase) in prepaid expenses	(8)	253	(46)	324	538
Increase in other accounts receivable	(98)	(356)	(143)	(1,264)	(380)
Decrease (increase) in inventory	93	43	104	(18)	4
Increase (decrease) in trade payables	811	770	(134)	760	664
Decrease in deferred revenues	(241)	(1,226)	(1,023)	(2,836)	(1,408)
Increase (decrease) in short and long-term other accounts payable	(790)	(142)	(874)	834	1,597
	(334)	(1,317)	(2,988)	(3,172)	(5,393)
Cash paid and received:					
Interest received	174	224	383	446	680
Interest paid	(12)	(5)	(22)	(10)	(20)
Income taxes paid	(31)	(4)	(48)	(1,030)	(1,135)
	131	215	313	(594)	(475)
Net cash provided by operating activities	2,806	1,617	3,430	1,807	5,260

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,
	2010	2009	2010	2009	2009
	Unaudited				Audited
Cash flows from investing activities:					
Purchase of fixed assets	(1,413)	(1,667)	(2,318)	(2,830)	(5,356)
Proceeds from sale of fixed assets	16	-	26	-	-
Acquisition of business activities	(109)	-	(222)	-	(1,228)
Investment in intangible assets	(409)	(453)	(960)	(821)	(1,602)
Purchase of available-for-sale investments	(1,619)	(2,486)	(10,699)	(5,672)	(14,776)
Proceeds from sale of available-for-sale investments	3,237	3,844	12,063	11,666	16,612
Net cash provided by (used in) investing activities	(297)	(762)	(2,110)	2,343	(6,350)
Cash flows from financing activities:					
Proceeds from exercise of options	133	-	133	-	22
Short-term bank credit, net	(1,765)	(396)	(218)	(37)	(216)
Treasury shares purchased	-	(36)	-	(139)	(162)
Net cash used in financing activities	(1,632)	(432)	(85)	(176)	(356)
Effect of exchange rate changes on cash and cash equivalents	(24)	488	(74)	(95)	20
Increase (decrease) in cash and cash equivalents	853	911	1,161	3,879	(1,426)
Cash and cash equivalents at the beginning of the period	2,147	6,233	1,839	3,265	3,265
Cash and cash equivalents at the end of the period	**3,000**	**7,144**	**3,000**	**7,144**	**1,839**
Non-cash transactions:					
Acquisition of business activities	**-**	**568**	**-**	**568**	**576**
Transfer form 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, 2010, 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, 2009 ("the annual financial statements").

b. Following are data regarding the Israeli CPI and the exchange rates of the Euro, U.S. dollar and the Swiss Franc:

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, 2010	207.6	4.994	3.875	1.228
June 30, 2009	202.7	5.535	3.919	1.412
December 31, 2009	206.2	5.441	3.775	1.442
Change during the period	%	%	%	%
June 2010 (6 months)	0.67	2.6	(12.6)	(14.8)
June 2009 (6 months)	2.14	4.4	3.0	1.4
June 2010 (3 months)	1.53	4.4	(4.7)	3.0
June 2009 (3 months)	2.28	(0.6)	(6.4)	(3.7)
December 2009 (12 months)	3.91	(6.4)	(1.1)	3.5

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.

b. Standards issued but no yet applied:

IFRS 7 - Financial instruments: Disclosure:
The amendment to IFRS 7 clarifies the disclosure requirements prescribed by the Standard. The Standard highlights the connection between the quantitative and qualitative disclosures and the nature and scope of the risks arising from financial instruments. The disclosures requirements regarding securities held by the company

have been minimized and the disclosure requirements regarding credit risk have been revised. The amendment will be adopted retrospectively in the financial statements for periods starting from January 1, 2011. Early adoption is possible.

The Company estimates that the amendment is will not have a material effect on financial instruments presented in these financial statements.

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, changes in the classification of financial assets and changes in contingent liabilities and contingent assets. The amendment will be adopted retrospectively in the financial statements for periods starting from January 1, 2011. Early adoption is possible.

The required disclosures will be included in the Company's financial statements from January 1, 2011.

IAS 1-Presentation of Financial Statements:

According to the amendment to ISA 1, the changes between the opening and closing balances of each other comprehensive income componet may be presented in the statement of changes in equity or in the notes accompanying the annual financial statements. The amendment will be adopted retrospectively in the financial statements for periods starting from January 1, 2011. Early adoption is possible.

NOTE 3 | SHARE OPTION PLANS

On June 24, 2010, the Board of Directors approved the grant of 220,000 options to certain employees, under the 2005 Share Option Plan. The weighted average fair value of options granted is CHF 2.563 (USD 2.371). The weighted average fair value was estimated based on the binomial model using the following data and assumptions: share price - CHF 6.75; exercise price - CHF 6.70; expected volatility - 51.88%; risk-free interest rate - 1.01%; expected dividend - 0%; and expected average life of options - 6 years.

NOTE 4 | SEGMENT INFORMATION

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

Segments results:

a. Revenues:

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009	Year ended December 31, 2009
	Unaudited				Audited
	U.S. dollars in thousands				
Sales to external customers:					
Europe	5,200	5,109	10,566	9,375	21,152
United States *)	1,478	1,384	3,026	2,982	5,826
Israel	5,310	4,844	10,770	9,678	20,912
	11,988	11,337	24,362	22,035	47,890
Intersegment sales:					
Europe	-	632	32	1,352	2,419
Israel	(935)	1,553	3,034	2,851	4,526
	(935)	2,185	3,066	4,203	6,945
Total revenues	11,053	13,522	27,428	26,238	54,835
Adjustments	935	(2,185)	(3,066)	(4,203)	(6,945)
Total revenues in financial statements	**11,988**	**11,337**	**24,362**	**22,035**	**47,890**

*) From delivery of IT platform and related services.

b. Segment profit:

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009	Year ended December 31, 2009
	Unaudited				Audited
	U.S. dollars in thousands				
Sales less directly attributable and allocable expenses:					
Europe	592	901	1,542	1,512	3,729
United States	1,373	1,350	2,801	2,833	5,584
Israel	825	833	1,656	1,526	3,253
	2,790	3,084	5,999	5,871	12,566
Corporate and R&D expense	(1,283)	(1,374)	(2,767)	(2,676)	(5,915)
Operating income	1,507	1,710	3,232	3,195	6,651
Financial income, net	488	121	727	515	741
Other expenses, net	-	-	-	-	(333)
Profit before taxes on income	**1,995**	**1,831**	**3,959**	**3,710**	**7,059**

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 Telemdizin 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 10,764,429 registered shares with a par value of NIS 0.01 each

Significant shareholders'

Alroy Group	32.09%
Tower Holdings B.V.	14.38%
G.Z. Asset and Management Ltd.	8.77%
Eli Alroy	5.63%
Public	39.13%

The above table of Significant Shareholders reflects actual holdings in accordance with the SAG Register as of June 30, 2010, after deducting from the total number of shares outstanding 252,836 Ordinary Shares held by SHL, and does not reflect holdings on a fully diluted basis.

Statistics on SHL Telemedicine as at June 30, 2010

Registered shares with a par value of NIS 0.01 each

Securities number	1128957
Number of shares	10,764,429
Market price high/low (CHF)	7.80/6.25
Market capitalization high/low (CHF million)	84.0/67.3
Market capitalization 30/6/2010 (CHF million)	74.1
Share capital – nominal value (NIS)	107,644
Majority interests	55.24%

Listing

All SHL shares are listed on SIX Swiss Exchange

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

Investor relations

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Next publications

Q3 Results: November 10, 2010

SHL Telemedicine: share-price development