Half-Year Report 2006

SHL TeleMedicine Ltd.

1 January - 30 June

Dear Shareholders,

SHL Telemedicine's Q2 results continue the positive operational trends. During the second quarter of 2006, SHL's telemedicine operations continued to make progress. Revenues in Germany for the first half of the year already surpassed total 2005 revenues. Divestures and consolidation of the US medical imaging services operations continued. SHL's first half 2006 operating and financial performance in line with expectations. Full year EBITDA guidance confirmed.

Focus on figures

SHL's revenues for the second quarter amounted to USD 22.1 million with EBITDA amounting to USD 2.4 million and EBIT to USD 0.5 million.

Revenues for the half year totalled USD 44.0 million against revenues of USD 49.5 million for the same period of 2005. In spite of the lower revenues SHL's EBITDA for the half year increased to USD 5.1 million from USD 4.8 million in H1 2005 and EBIT for the half year increased to USD 1.4 million from USD 1.2 million in H1 05. It should be recalled that the 2005 results included the results of the Israeli medical services operation that was divested in the third quarter 2005, and are therefore not directly comparable to the 2006 results.

The telemedicine segment revenues for the second quarter increased to USD 15.6 million against USD 14.7 million in Q2 of 2005 and for the half year to USD 31.1 million from USD 29.3 million for H1 of 2005.

EBITDA of the telemedicine segment for the second quarter continued to increase and amounted to USD 2.4 million compared to USD 1.5 million in Q2 2005. This resulted in an increased EBITDA of 82% for the half year of USD 5.3 million over the EBITDA of USD 2.9 million in 2005

EBIT of the telemedicine segment for the second quarter improved to USD 0.6 million bringing the EBIT for the half year to USD 1.8 million compared to a LBIT of 0.3 million and USD 0.4 million in the second quarter and half year of 2005, respectively.

Net loss from continuing operations for the quarter amounted to USD 1.3 million and for the half year to USD 1.9 million. The net loss from the discontinued operations from 5 medical imaging centers closed or divested in the US amounted to USD 1.1 million in Q2 and USD 2.0 million for the half year bringing the total loss of the Company for the quarter to USD 2.4 million and for the half year to USD 3.9 million.

Germany – Growth in Revenues

One of the key drivers for growing revenues were SHL's German operations which continued to expand during the first half of 2006. Revenues in the first half have already surpassed the revenues for the whole of 2005. The increase in this company's growth is being achieved through the increasing rate of recruitment of subscribers' and health insurers who are making the SHL telemedicine platform available to their insured. This continuing growth in the German market is proceeding at a faster rate than anticipated although the company is not yet making a positive contribution to SHL's profit.

US – Progress in telemedicine operations, divestures and closing of loss making medical imaging centers in progress.

The telemedicine operations in the US experienced a good first half year with EBITDA improving by over 20% compared with the first half of 2005. Revenues from new telemedicine services introduced, such as INR@home, more than doubled compared with the first half of 2005.

The restructuring and geographic realignment of the medical imaging services operations continued with the closing or divesture of 5 centers and the concentration of these activities around the mid Atlantic region. As a result of this realignment, these imaging centers are now categorized as Discontinued Operations in the financial statements.

Israel

SHL's Israel operations experienced a satisfactory half year. The outbreak of hostilities in Northern Israel at the beginning of July caused some disruption to operations which, at this stage, are not expected to have a material affect on the Company's results.

Cash Flow

The cash generated from SHL's continued operations in Q2 amounted to USD 1.2 million compared with USD 0.3 million in Q2 2005. Total cash generated from SHL's operations in the quarter amounted to USD 0.7 million compared with USD 0.3 million in Q2 2005. SHL's improvements in cash flow were recorded in both the US and Germany during the second quarter and this trend is expected to be maintained.

At June 30, 2006 SHL had USD 13.8 million in cash, cash equivalents, marketable securities and deposits compared to USD 25.3 million at December 31, 2005. The major reason for the decline in this amount was the repayment of loans to banks in the amount of USD 11.3 million.

Looking ahead

SHL expects the continuation of its 2006 operations in accordance with its plans with EBITDA expected to be in the range of USD 8–10 million.

Yours sincerely,

Yoram Alroy,
Chairman and President

Contents

The Board of Directors SHL Telemedicine Ltd.

Re: Review of unaudited interim consolidated financial statements for the six months and three months ended June 30, 2006

We have reviewed the accompanying interim consolidated balance sheet of SHL Telemedicine Ltd. ("the Company") and its subsidiaries as of June 30, 2006, and the related interim condensed consolidated statements of operations and cash flows for the six months and three months then ended and the statements of changes in equity for the six 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.

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.

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, 2006

Kost Forer Gabbay and Kasierer

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

Consolidated Balance Sheets U.S. dollars in thousands

	June 30, 2006	June 30, 2005*	December 31, 2005
	Unaudited	Unaudited	Audited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6,401	8,224	19,063
Short-term investments	3,066	5,287	1,899
Trade receivables	20,426	26,858	20,717
Prepaid expenses	2,969	3,122	2,728
Other accounts receivable	1,007	1,413	780
Inventory	642	654	642
	34,511	45,558	45,829
Assets of disposal group classified as held-for-sale (Note 4)	764	-	-
	35,275	45,558	45,829
LONG-TERM ASSETS:			
Trade receivables	3,092	3,920	3,313
Prepaid expenses	6,160	7,503	6,629
Investment in associate	14	16	32
Long-term deposits	4,341	4,310	4,308
Deferred taxes	5,554	15,024	5,457
	19,161	30,773	19,739
FIXED ASSETS:			
Cost	54,944	51,728	52,114
Less - accumulated depreciation	29,637	25,320	27,315
	25,307	26,408	24,799
INTANGIBLE ASSETS, NET	48,061	52,525	47,009
Total assets	127,804	155,264	137,376

*) Retrospectively adjusted - See Note 2b.

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

Consolidated Balance Sheets U.S. dollars in thousands

	June 30, 2006	June 30, 2005*	December 31, 2005
	Unaudited	Unaudited	Audited
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and current maturities of long-term loans	28,710	42,910	41,888
Trade payables	8,665	9,221	8,414
Income tax payable	959	2,137	1,087
Other accounts payable	9,399	10,461	8,482
	47,733	64,729	59,871
Liability directly associated with the assets classified as held-for-sale (Note 4)	205	-	-
	47,938	64,729	59,871
LONG-TERM LIABILITIES:			
Loans from banks, lease obligations and others	40,876	36,744	32,647
Provisions	1,829	3,074	2,146
Accrued severance pay	66	1,149	241
Deferred revenues	796	1,811	1,121
Deferred taxes	509	665	567
	44,076	43,443	36,722
Total liabilities	92,014	108,172	96,593
EQUITY:			
Equity attributable to equity holders of the parent:			
Issued capital	31	31	31
Additional paid-in capital	91,893	91,601	91,762
Treasury shares at cost	(269)	(558)	(269)
Foreign currency translation reserve	(7,381)	(7,243)	(7,237)
Accumulated deficit	(49,317)	(38,376)	(44,656)
	34,957	45,455	39,631
Minority interest	833	1,637	1,152
Total equity	35,790	47,092	40,783
Total liabilities and equity	127,804	155,264	137,376

*) Retrospectively adjusted - see Note 2b

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

August 23, 2006		
Date of approval of the financial statements	Yariv Alroy Director and Co-CEO	Yoram Alroy Chairman of the Board of Directors and President

Consolidated Statements of Operations U.S. dollars in thousands (except per share amounts)

	Three months ended June 30, 2006	Three months ended June 30, 2005*)	Six months ended June 30, 2006	Six months ended June 30, 2005*)	Year ended December 31, 2005
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenues	22,142	24,790	44,033	49,485	91,554
Cost of revenues	11,750	13,703	23,344	27,431	50,476
Gross profit	10,392	11,087	20,689	22,054	41,078
Research and development costs, net	213	239	403	489	915
Selling and marketing expenses	2,856	3,285	5,726	6,801	13,519
General and administrative expenses	6,810	6,922	13,152	13,584	27,698
Operating income (loss)	513	641	1,408	1,180	(1,054)
Financial expenses, net	(1,206)	(1,259)	(2,743)	(2,209)	(4,566)
Other income (expenses), net	(90)	2	(168)	(11)	8,740
Profit (loss) before taxes on income (tax benefit)	(783)	(616)	(1,503)	(1,040)	3,120
Taxes on income (tax benefit)	494	(505)	376	(396)	7,421
Loss for the period from continuing operations	(1,277)	(111)	(1,879)	(644)	(4,301)
Loss associated with discontinued operations (Note 4)	(1,077)	(110)	(1,990)	(12)	(3,247)
Loss	(2,354)	(221)	(3,869)	(656)	(7,548)
Attributable to:					
Equity holders of the parent	(2,812)	(725)	(4,661)	(1,642)	(9,187)
Minority interest	458	504	792	986	1,639
Loss	(2,354)	(221)	(3,869)	(656)	(7,548)
Basic and diluted loss per share from continuing operations attributable to ordinary equity holders of the parent	(0.17)	(0.06)	(0.25)	(0.15)	(0.56)
Basic and diluted loss per share from discontinued operations	(0.10)	(0.01)	(0.19)	-	(0.31)
Basic and diluted loss per share for the period attributable to ordinary equity holders of the parent	(0.27)	(0.07)	(0.44)	(0.15)	(0.87)

*) Retrospectively adjusted - see Note 2b.

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

Statements of Changes in Equity US dollars in thousands

	Attributable to Equity Holders of the Parent								Total recognized income (expenses)	
	Issued capital	Additional paid-in capital	Treasury shares at cost	Foreign currency translation reserve	Accumulated deficit	Total	Minority interest	Total equity	Parent	Minority
Balance at January 1, 2005 (audited)	31	91,594	(558)	(5,950)	(37,357)	47,760	1,318	49,078	-	-
Exercise of options	*) -	52	-	-	-	52	-	52	-	-
Adjustment of negative goodwill	-	-	-	-	623	623	-	623	-	-
Adjustment of fair value	-	-	-	-	1,265	1,265	-	1,265	-	-
Share-based payments	-	155	-	-	-	155	-	155	-	-
Treasury shares issued in payment of liability	-	(39)	289	-	-	250	-	250	-	-
Currency translation differences	-	-	-	(1,287)	-	(1,287)	-	(1,287)	(1,287)	-
Distribution to minority interest	-	-	-	-	-	-	(1,856)	(1,856)	-	-
Change in equity of minority interest	-	-	-	-	-	-	51	51	-	-
Net loss	-	-	-	-	(9,187)	(9,187)	1,639	(7,548)	(9,187)	1,639
Balance at December 31, 2005 (audited)	31	91,762	(269)	(7,237)	(44,656)	39,631	1,152	40,783	(10,474)	1,639
Share based payments	-	131	-	-	-	131	-	131	-	-
Currency translation differences	-	-	-	(144)	-	(144)	-	(144)	(144)	-
Distribution to minority interest	-	-	-	-	-	-	(1,184)	(1,184)	-	-
Change in equity of minority interest	-	-	-	-	-	-	73	73	-	-
Net loss	-	-	-	-	(4,661)	(4,661)	792	(3,869)	(4,661)	792
Balance at June 30, 2006 (unaudited)	31	91,893	(269)	(7,381)	(49,317)	34,957	833	35,790	(4,805)	792

	Attributable to Equity Holders of the Parent								Total recognized income (expenses)	
	Issued capital	Additional paid-in capital	Treasury shares at cost	Foreign currency translation reserve	Accumulated deficit	Total	Minority interest	Total equity	Parent	Minority
Balance at January 1, 2005 (audited)	31	91,594	(558)	(5,950)	(37,357)	47,760	1,318	49,078	-	-
Exercise of options	*) -	7	-	-	-	7	-	7	-	-
Adjustment of negative goodwill	-	-	-	-	623	623	-	623	-	-
Currency translation differences	-	-	-	(1,293)	-	(1,293)	-	(1,293)	(1,293)	-
Distribution to minority interest	-	-	-	-	-	-	(717)	(717)	-	-
Change in equity of minority interests	-	-	-	-	-	-	50	50	-	-
Net loss **)	-	-	-	-	(1,642)	(1,642)	986	(656)	(1,642)	986
Balance at June 30, 2005 (unaudited)	31	91,601	(558)	(7,243)	(38,376)	45,455	1,637	47,092	(2,935)	986

*) Represents an amount lower than $ 1.
**) Retrospectively adjusted - see Note 2b.

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

Consolidated Statements of Cash Flows US dollars in thousands

	Three months ended June 30, 2006	Three months ended June 30, 2005*)	Six months ended June 30, 2006	Six months ended June 30, 2005*)	Year ended December 31, 2005
	Unaudited		Unaudited		Audited
Cash flows from operating activities:					
Loss	(2,354)	(221)	(3,869)	(656)	(7,548)
Adjustments required to reconcile loss to net cash provided by (used in) operating activities (a)	3,067	542	4,154	(895)	7,340
Net cash provided by (used in) operating activities	713	321	285	(1,551)	(208)
Cash flows from investing activities:					
Purchase of fixed assets	(1,134)	(1,184)	(2,985)	(2,663)	(5,400)
Cash received upon sale of subsidiary (b)	-	-	-	-	16,715
Investment in intangible assets	(397)	(317)	(1,021)	(662)	(1,482)
Proceeds from sale of fixed assets	19	6	19	6	6
Short-term deposits, net	-	-	-	-	3,460
Long-term deposits	-	6	-	44	42
Marketable securities, net	3,203	-	(1,526)	-	-
Net cash provided by (used in) investing activities	1,691	(1,489)	(5,513)	(3,275)	13,341
Cash flows from financing activities:					
Proceeds from long-term loans from banks and others, net	339	4,359	4,781	7,015	9,134
Repayment of long-term loans from banks and others	(5,260)	(8,026)	(11,264)	(11,393)	(18,614)
Short-term bank credit, net	(482)	2,113	(74)	1,884	1,250
Distributions to minority interest	(589)	(373)	(1,184)	(717)	(1,856)
Capital contribution from minority interest	1	31	73	31	31
Proceeds from exercise of options	-	7	-	7	52
Payment of liability regarding the acquisition of Raytel and acquisition of business activities	-	(58)	-	(114)	(139)
Net cash used in financing activities	(5,991)	(1,947)	(7,668)	(3,287)	(10,142)
Effect of exchange rate changes on cash and cash equivalents	484	(379)	234	(547)	(812)
Increase (decrease) in cash and cash equivalents	(3,103)	(3,494)	(12,662)	(8,660)	2,179
Cash and cash equivalents at beginning of period	9,504	11,718	19,063	16,884	16,884
Cash and cash equivalents at end of period	6,401	8,224	6,401	8,224	19,063

*) Retrospectively adjusted - see Note 2b.

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

Consolidated Statements of Cash Flows US dollars in thousands

	Three months ended June 30, 2006	Three months ended June 30, 2005*)	Six months ended June 30, 2006	Six months ended June 30, 2005*)	Year ended December 31, 2005
	Unaudited		Unaudited		Audited
(a) Adjustments required to reconcile net loss to net cash provided by (used in) operating activities:					
Income and expenses not involving operating cash flows:					
Gain on sale of subsidiary	-	-	-	-	(8,776)
Depreciation and amortization	1,884	1,938	3,718	3,655	7,535
Deferred taxes, net	302	(716)	98	(1,080)	7,918
Loss (gain) on sale of fixed assets	16	(1)	17	(1)	34
Accrued severance pay	(165)	(25)	(177)	163	302
Exchange rate and linkage differences on principal of long-term liabilities, net	(853)	498	(496)	394	831
Losses (gains) on marketable securities and derivative financial instruments	176	(248)	131	(161)	(89)
Exchange rate appreciation from short and long-term deposits, net	181	(201)	123	(246)	(267)
Share-based payments	74	-	131	-	155
Others	22	18	14	9	(5)
	1,637	1,263	3,559	2,733	7,638
Changes in operating assets and liabilities:					
Decrease (increase) in short and long-term trade receivables, net	1,869	109	65	(3,047)	1,123
Decrease in prepaid expenses	82	326	443	741	1,895
Increase in other accounts receivable	(111)	(355)	(208)	(447)	(511)
Decrease in inventory	32	182	23	93	390
Increase (decrease) in trade payables	(1,353)	(398)	315	659	458
Increase (decrease) in deferred revenues	(32)	45	(381)	24	(349)
Increase (decrease) in other accounts payable	943	(630)	338	(1,651)	(3,304)
	1,430	(721)	595	(3,628)	(298)
	3,067	542	4,154	(895)	7,340

*) Retrospectively adjusted - see Note 2b.

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

Consolidated Statements of Cash Flows US dollars in thousands

	Year ended December 31, 2005 Audited
(b) Cash received upon sale of subsidiary:	
Working capital (excluding cash and cash equivalents)	1,884
Fixed assets, net	1,059
Intangible assets	5,772
Deferred taxes	422
Long-term liabilities	(1,198)
Gain on sale of subsidiary	8,776
	16,715
(c) Significant non-cash transaction:	
Issuance of treasury shares in payment of liability	250

	Three months ended June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005	Year ended December 31, 2005
	Unaudited		Unaudited		Audited
(d) Supplemental disclosure of cash flows activities:					
Interest received	250	151	614	274	1,339
Interest paid	1,335	1,546	2,449	2,668	5,299
Income taxes paid	246	379	362	630	786

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

NOTE 1 | GENERAL

a. These financial statements have been prepared as of June 30, 2006, and for the six months and three months then ended. These financial statements are to be read in conjunction with the audited annual financial statements and accompanying notes of SHL Telemedicine Ltd. ("the Company") as of December 31, 2005 ("the annual financial statements").

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

As of	Israeli CPI Points *)	Exchange rate of € 1 NIS	Exchange rate of U.S. $ 1 NIS
June 30, 2006	187.9	5.6435	4.44
June 30, 2005	181.6	5.527	4.574
December 31, 2005	185.1	5.447	4.603
Change during the period	%	%	%
June 2006 (six months)	1.5	3.6	(3.5)
June 2006 (three months)	1	(0.3)	(4.8)
June 2005 (six months)	0.6	(6.0)	6.2
June 2005 (three months)	1.1	(2.1)	4.9
December 2005 (12 months)	2.4	(7.3)	6.8

*)The index on an average basis of 1993 = 100.

NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES

a. The interim consolidated financial statements are prepared in accordance with the principles set forth in IAS 34. The significant accounting policies and methods of measurement applied in the annual consolidated financial statements of the Company as of December 31, 2005, are applied consistently in these financial statements.

b. Changes in accounting policy:

As described in the annual financial statements, the Company changed its accounting policy as follows:

1. Medical devices for the transmission of medical data are sold to customers, together with service agreements. In 2005, the Company implemented a voluntary change in its accounting policy for revenue recognition for sales of these medical devices. Until the change, revenues were recognized at the time of the sale of devices while revenues from services provided were recognized ratably over the estimated term of the subscribers' contracts. The change in policy was based on the premise that the sale and service components of SHL's service offerings are inseparable and should be accounted for as a single transaction.
Accordingly, revenues from the sale of devices are now recognized over the estimated term of the subscribers' contracts (as adjusted for cancellations) together with the revenues derived from services. The Company believes that this method of accounting for revenues better reflects the economic consequences of the sales transactions. Direct costs that are related to these sales are deferred and are also now recognized over the estimated term of the subscribers' contracts (as adjusted for cancellations).

2. In 2005, the Company changed the method of calculating the liability for severance pay for Israeli employees pursuant to the requirements of IAS 19 ("defined benefit"). According to IAS 19, the liability is calculated according to actuarial valuation while in previous years, the liability was calculated pursuant to Israel's Severance Pay Law.

The financial statements as of June 30, 2005, and for the six months and three months periods then ended have been retrospectively adjusted to reflect these changes in accounting policy.

The effects of the changes on the financial statements are as follows:

Balance sheet:

	June 30, 2005 (Unaudited)		
	As previously reported	The change	As presented in these financial statements
Long-term trade receivables, (post dated notes) *)	36,515	(31,669)	4,846
Prepaid expenses *)	17,163	(6,538)	10,625
Inventory	5,308	(4,654)	654
Fixed assets, net	16,319	10,089	26,408
Deferred taxes	10,380	4,644	15,024
Deferred revenues *)	-	2,318	2,318
Accrued severance pay	1,459	(310)	1,149
Foreign currency translation reserve	(8,324)	1,081	(7,243)
Accumulated deficit	(7,161)	(31,215)	(38,376)

*) Including current portion.

Statements of operations:

	Three months ended June 30, 2005 (unaudited)			Six months ended June 30, 2005 (unaudited)		
	As previously reported	The change	As presented in these financial statements *)	As previously reported	The change	As presented in these financial statements *)
Revenues	26,111	691	26,802	52,268	1,509	53,777
Cost of revenues	14,566	129	14,695	29,004	426	29,430
Selling and marketing expenses	3,246	138	3,384	6,737	261	6,998
Financial expenses	86	395	1,262	1,775	443	2,218
Tax benefit	459	46	505	341	55	396
Loss	296	(75)	221	1,090	(434)	656
Equity holders of the parent	800	(75)	725	2,076	(434)	1,642
Basic and diluted loss for the period attributable to ordinary equity holders of the parent	0.08	(0.02)	0.06	0.20	(0.05)	0.15

*)Before allocation between continuing and discontinued operations.

NOTE 3 | TRANSACTIONS WITH RELATED PARTIES

	Three months ended June 30,		Six months ended June 30,		Year ended December 31,
	2006	2005	2006	2005	2005
	Unaudited		Unaudited		Audited
Rent expense to shareholders	30	30	60	60	120
Compensation of key management personnel:					
Short-term employee benefits	297	284	706	578	1,160
Share-based compensation	33	-	57	-	37
	330	284	763	578	1,197

NOTE 4 | DISCONTINUED OPERATIONS

During the first half of 2006, a wholly-owned subsidiary of the Company, SHL Telemedicine North America ("NA") sold the operations of two of its imaging centers and closed two other imaging centers. Currently, NA is in final negotiations for sale of its one remaining imaging center in California. This sale is expected to be consummated during the third quarter of 2006, and will be the final step in the geographic realignment of the Medical Imaging business that now focuses on the mid-Atlantic region. As a result of this realignment, the imaging centers outside of the mid-Atlantic region are now categorized as Discontinued Operations on the financial statements, in accordance with IFRS 5. The results of operations have been separated between discontinued and continuing operations, and the assets and liabilities of the California imaging center are now categorized on the balance sheet as "held for sale" and presented at their carrying amounts which does not exceed their estimated fair value.

The results of the discontinued operations are presented below:

	Three months ended June 30,		Six months ended June 30,		Year ended December 31,
	2006	2005	2006	2005	2005
Revenue	$ 997	$ 2,012	$ 2,089	$ 4,292	$ 7,494
Cost of revenues	(614)	(992)	(1,429)	(1,999)	(3,925)
Selling, general and administrative	(1,224)	(1,132)	(2,382)	(2,301)	(6,630)
Other income (expenses)	(236)	2	(268)	(4)	(186)
Loss	$ (1,077)	$ (110)	$ (1,990)	$ (12)	$ (3,247)

During the three and six month periods ended June 30, 2006, the Company recognized loss on sales of discontinued operations of $232 and $282, respectively, which is included in other expenses.

The major classes of assets and liabilities classified as held for sale at June 30, 2006 are as follows:

Assets	
Cash	$ 1
Trade receivables	636
Prepaid and other assets	71
Fixed assets	56
Assets classified as held for sale	$ 764

Liabilities	
Trade payables	$ 105
Dues to creditors	32
Accrued expenses	68
Liabilities directly associated with assets classified as held for sale	$ 205

The net cash flows of discontinued operations are as follows:

	Three months ended June 30,		Six months ended June 30,		Year ended December 31,
	2006	2005	2006	2005	2005
Operating cash flow	$ (435)	$ 55	$ (422)	$ 120	$ 95
Investing cash flow	-	(4)	-	(4)	(31)
Financing cash flow	-	(4)	(23)	(80)	(86)
Net cash inflow/ (outflow)	$ (435)	$ 47	$ (445)	$ 36	$ (22)

NOTE 5 | SEGMENT INFORMATION

a. The Company and its subsidiaries operate in two business segments:

Telemedicine services - providing telemedicine services and devices to subscribers utilizing telephonic and Internet communication technology. SHL's telemedicine solution offers centralized remote diagnostic and monitoring services to end-users, making use of computer systems, hi-tech devices, and specially designed medical data protocols. SHL's platform offers solutions to subscribing patients, health insurance companies, hospitals, clinics, physicians and other health care providers.

Medical services - operating a network of imaging centers and cardiac facilities that provide diagnostic, therapeutic and patient management services primarily associated with cardiovascular diseases. Until June 30, 2005 (the date of sale of Bikurofe Ltd. - see Note 3a in the annual financial statements) SHL operated medical call centers, which provided 24/7 doctor "house calls".

b. The following tables present revenue and profit information regarding business segments:

	Three months ended June 30, (unaudited)							
	Telemedicine services		Medical services		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
Segment revenues	15,563	14,682	6,579	10,172	-	(64)	22,142	24,790
Segment results	639	*) (329)	725	1,754	-	-	1,364	*) 1,425
Unallocated expenses							(851)	*) (784)
Operating income							513	641

	Six months ended June 30, (unaudited)							
	Telemedicine services		Medical services		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
Segment revenues	31,059	29,281	12,974	20,330	-	(126)	44,033	49,485
Segment results	1,818	*) (418)	1,357	3,246	-	-	3,175	*) 2,828
Unallocated expenses							(1,767)	*) (1,648)
Operating income							1,408	1,180

	Year ended December 31, 2005 (audited)		
	Telemedicine services	Medical services	Consolidated
Segment revenues	58,356	33,198	91,554
Segment results	*) (1,775)	4,861	*) 3,086
Unallocated expenses			*) (4,140)
Operating loss			(1,054)

*) Reclassified.

SHL TeleMedicine: profile

SHL TeleMedicine Ltd. develops and markets advanced personal telemedicine systems and diagnostic services to subscribers. As a leading provider of remote monitoring services in cardiology and in other medical areas, SHL maintains business operations in the US, Europe and Israel.

SHL TeleMedicine has 865 employees as of June 30, 2006 compared to 1,339 as of June 30, 2005

Shareholder structure as of June 30, 2006

Royal Philips Electronics	18.65%
Alroy Group	18.60%
Tower Holdings B.V.	14.24%
G.Z. Asset and Management Ltd.	8.68%
Public	39.83%

The above table reflects actual holdings as of June 30, 2006, after deducting 61,159 Ordinary Shares held by SHL.

Total number of outstanding shares: 10,677,337 (including 61,159 Ordinary shares held by SHL)

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22 November 2006 Results Q3 06

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