



Press Release

**SHL Telemedicine's Q1 2006 operating and financial performance in line with expectations with revenues reaching USD 23.0 million and EBITDA of USD 1.8 million.**

**Tel Aviv / Zurich, May 29, 2006 – During the first quarter of 2006 SHL Telemedicine achieved further progress in Germany, indicating that revenues for the first half of 2006 will already surpass total 2005 revenues. The US medical imaging services operations are still adversely affecting overall performance but the divestures being implemented are expected to reduce this effect in the second half of 2006.**

SHL revenues for the first quarter of 2006 amounted to USD 23.0 million with revenues from international markets now comprising 81 % of the Company's total revenues. Gross profit for the quarter amounted to USD 10.6 million resulting in a gross margin of 46.1%. Revenues for the first quarter of 2005 which included the results of the Israeli medical services operation that was divested in the third quarter of 2005, and are therefore not comparable to the 2006 results, amounted to USD 27.0 million giving a gross profit for the quarter of USD 12.2 million. Of the 2006 revenues, USD 15.5 million is related to SHL's telemedicine activities compared to USD 14.6 million for the same period in 2005.

EBITDA for the period amounted to USD 1.8 million – 8.0% of revenues against USD 2.4 million and 8.9 % of revenues in the first quarter of 2005. Results of operations for the quarter were breakeven compared to an EBIT of USD 0.6 million in the first quarter of 2005. The EBITDA for the quarter relating to telemedicine activities totaled USD 2.0 million, some 82% above the EBITDA of USD 1.1 million for the comparable quarter of 2005 with EBIT from the telemedicine activities amounting to USD 0.4 million compared to a LBIT of USD 0.4 million in 2005.

The net loss for the quarter totaled USD 1.5 million compared to USD 0.4 million in the first quarter of 2005. Loss per share attributable to the shareholders' of SHL amounted to USD 0.17 compared to USD 0.09 in 2005.

#### **Germany – Growth in Revenues**

During the first quarter of the year SHL's German operations continued to expand and it is now anticipated that revenues in the first half of 2006 will already surpass the revenues for the whole of 2005. The growth in this market 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.

Two prominent figures in the German marketplace have joined SHL's German Operations Advisory Board - Dr. Roland Delbos, previously a Board member at Deutsche Krankenversicherung AG as active Chairman of the Board of Advisors and Dr. Carl Herman Schleifer, a former State Secretary of the Ministry of Finance of Schleswig-Holstein, and Chief Executive of Damp Group in Germany for several years as an Advisory Board member.

### **US – Progress in telemedicine operations, divestiture of loss making medical imaging centers in progress.**

The cardiac telemedicine operations in the US experienced a good quarter and reported results in accordance with expectations. However, the U.S. medical imaging services operations continued to produce disappointing results. The restructuring program adopted at the beginning of the year is being implemented, and it is now expected that those medical centers forming the bulk of the division's losses will be divested by the end of the second quarter. As a result SHL expects that the negative impact of the medical services operations will be significantly reduced in the second half of 2006.

### **Cash Resources**

The cash flow for the three months used in operations amounted to USD 0.5 million compared with USD 1.9 million in the first quarter of 2005. Although SHL's activities in the US and Israel are generating positive operating cash flow, the German operations require and will continue to require funding as this business activity expands.

At March 31, 2006 SHL had USD 20.3 million in cash, cash equivalents, marketable securities and deposits compared to USD 21.4 million at March 31, 2005.

The Company is presently exploring the possibilities of strengthening its financial resources through a placement of debentures with institutions in the Israeli market.

### **Proposed election to SHL's Board of Directors**

At SHL's Annual General Meeting on June 29, 2006, Mr. Monty Hilkwitz will be nominated to be elected as a non-executive member of the Board of Directors. Monty Hilkwitz is an Israeli citizen and has 46 years of actuarial experience. Since 2002 he has been a non-executive director of Discovery Health and Discovery Life in South Africa and is also a founding member of Dublin Network, a financial services company.

### **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.

**SHL Telemedicine – Consolidated Key figures** (in USD million, except per share amount)

	<b>Q1 06</b>	<b>Q1 05 (*)</b>
Revenues	23.0	27.0
Gross Profit	10.6	12.2
%	46.1%	45.2%
EBITDA	1.8	2.4
%	8.0%	8.9%
EBIT	0.0	0.6
%	0%	2.2%
Net loss	1.5	0.4
Loss per share	0.17	0.09

(\*) Including the results of Bikurofe, the Israeli medical services operation that was divested in Q3 2005

**Telemedicine Segment - Key figures** (in USD million)

	<b>Q1 06</b>	<b>Q1 05</b>
Revenues	15.5	14.6
Gross Profit	8.0	7.3
%	51.6%	50%
EBITDA	2.0	1.1
%	12.9%	7.5%
EBIT/(LBIT)	0.4	(0.4)
%	2.6%	(2.7)%

The Telemedicine Segment includes all of SHL's current operations in Israel and Germany as well as the telemedicine services business in the US (Raytel Cardiac Services). Excluded are the medical imaging services operation in the US (Raytel Diagnostic Services) and the Israeli medical services operation (Bikurofe) sold in Q3 2005.

**Next events**

29 June 2006	AGM
23 August 2006	Results Q2 06
22 November 2006	Results Q3 06



**About SHL TeleMedicine**

SHL TeleMedicine Ltd. is a leading provider and developer of advanced personal telemedicine solutions as well as medical call center and diagnostic services 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 the US, Europe and Israel. SHL is listed on the SWX Swiss Exchange, symbol SHLTN. For more information please visit our web site on [www.shl-telemedicine.com](http://www.shl-telemedicine.com).

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<b>Balance-Sheets</b> (USD thousands)	<b>31.03.2006</b>	<b>31.03.2005 (*)</b>	<b>31.12.2005</b>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Cash, cash equivalents and short term investments	15,989	16,764	20,962
Trade receivables	22,686	28,080	20,717
Inventory	642	654	642
Other current assets	3,555	4,580	3,508
<b>Current Assets</b>	<b>42,872</b>	<b>50,078</b>	<b>45,829</b>
<b>Long-term Assets</b>	<b>19,121</b>	<b>31,053</b>	<b>19,739</b>
<b>Fixed Assets, net</b>	<b>25,275</b>	<b>27,954</b>	<b>24,799</b>
<b>Intangible Assets, net</b>	<b>47,223</b>	<b>53,426</b>	<b>47,009</b>
<b>Total Assets</b>	<b>134,491</b>	<b>162,511</b>	<b>137,376</b>
Credit from banks and others	29,940	45,692	41,888
Trade payables	10,072	9,683	8,414
Income taxes payable	1,062	2,051	1,087
Other accounts payable	8,273	11,817	8,482
<b>Current Liabilities</b>	<b>49,347</b>	<b>69,243</b>	<b>59,871</b>
Long-term loans from banks and others	43,452	37,757	32,647
Accrued severance pay	20	1,375	241
Provisions	1,836	3,343	2,146
Deferred revenues	806	1,417	1,121
Deferred taxes	515	724	567
<b>Long-term Liabilities</b>	<b>46,629</b>	<b>44,616</b>	<b>36,722</b>
<b>Total liabilities</b>	<b>95,976</b>	<b>113,859</b>	<b>96,593</b>
Equity attributable to SHL shareholders:			
Share capital	31	31	31
Additional paid-in capital	91,819	91,594	91,762
Treasury shares at cost	(269)	(558)	(269)
Foreign currency translation reserve	(7,524)	(6,220)	(7,237)
Accumulated deficit	(46,505)	(37,651)	(44,656)
	<b>37,552</b>	<b>47,196</b>	<b>39,631</b>
Minority interest	963	1,456	1,152
<b>Total Equity</b>	<b>38,515</b>	<b>48,652</b>	<b>40,783</b>
<b>Liabilities and Equity</b>	<b>134,491</b>	<b>162,511</b>	<b>137,376</b>

(\*) – Retrospectively adjusted

<b>Statements of Operations</b> (USD thousands)	<b>Q1 06</b>	<b>Q1 05 (*)</b>	<b>Y 2005</b>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Revenues	22,983	26,975	99,048
Cost of sales	12,409	14,735	54,401
<b>Gross Profit</b>	<b>10,574</b>	<b>12,240</b>	<b>44,647</b>
Research and development costs, net	190	250	915
Selling and marketing expenses	2,932	3,614	13,882
General and administrative expenses	7,438	7,733	33,965
<b>Operating Income (Loss) (LBIT/EBIT)</b>	<b>14</b>	<b>643</b>	<b>(4,115)</b>
Financial expenses	(1,537)	(956)	(4,584)
Other income (expenses), net	(110)	(13)	8,572
<b>Loss before taxes on income</b>	<b>(1,633)</b>	<b>(326)</b>	<b>(127)</b>
Taxes on income (tax benefit)	(118)	109	7,421
<b>Net Loss</b>	<b>(1,515)</b>	<b>(435)</b>	<b>(7,548)</b>
<b>Attributable to SHL shareholders'</b>	<b>(1,849)</b>	<b>(917)</b>	<b>(9,187)</b>
<b>Minority interest</b>	<b>334</b>	<b>482</b>	<b>1,639</b>
	<b>(1,515)</b>	<b>(435)</b>	<b>(7,548)</b>

(\*) – Retrospectively adjusted

<b>Statements of Cash Flows (USD thousands)</b>	<b>Q1 06</b>	<b>Q1 05 (*)</b>	<b>Y 2005</b>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Net loss	(1,515)	(435)	(7,548)
Adjustment required to reconcile net loss to net cash	1,003	(1,437)	7,340
<b>Net Cash used in Operating Activities</b>	<b>(512)</b>	<b>(1,872)</b>	<b>(208)</b>
Purchase of fixed assets	(1,851)	(1,479)	(5,400)
Cash received from sale of subsidiary	-	-	16,715
Investment in intangible assets	(624)	(345)	(1,482)
Proceeds from sale of fixed assets	84	-	6
Short term investments, net	-	-	3,460
Long-term deposits, net	-	38	42
Investment in marketable securities	(4,729)	-	-
<b>Net Cash provided by (used in) Investing Activities</b>	<b>(7,120)</b>	<b>(1,786)</b>	<b>13,341</b>
Proceeds from exercise of options	-	-	52
Proceeds from long-term loans from banks and others, net	4,442	2,656	9,134
Repayment of long-term loans from banks and others, net	(6,004)	(3,367)	(18,614)
Short-term bank credit, net	408	(229)	1,250
Distributions to minority interest	(595)	(344)	(1,856)
Capital contribution from minority interest	72	-	31
Payment of liability regarding the acquisition of Raytel and business activities	-	(56)	(139)
<b>Net Cash used in Financing Activities</b>	<b>(1,677)</b>	<b>(1,340)</b>	<b>(10,142)</b>
Effect of exchange rate changes on cash and cash equivalents	(250)	(168)	(812)
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>(9,559)</b>	<b>(5,166)</b>	<b>2,179</b>
Cash and cash equivalents at the beginning of the period	19,063	16,884	16,884
<b>Cash and Cash equivalents at the end of the period</b>	<b>9,504</b>	<b>11,718</b>	<b>19,063</b>

(\*) – Retrospectively adjusted