



Press Release

SHL with continued growth in Germany in third quarter, improvement in financial results and operating cash flow

Tel Aviv / Zurich, November 22, 2006 – During the third quarter of 2006, SHL's telemedicine operations continued to progress. Revenues in Germany continued their double digit quarterly increase with revenues in 2006 expected to exceed those of 2005 by over 200%. The divestures and consolidation of the US medical imaging services operations continued resulting in a significant reduction in this division's losses. Full Year EBITDA guidance confirmed.

SHL's revenues for the third quarter increased to USD 21.6 million from USD 20.9 million in Q3 of 2005 with revenues for the quarter from the telemedicine segment showing an increase of 6% to USD 15.4 million from USD 14.5 million in Q3 of 2005.

Revenues for the nine months totaled USD 65.6 million against revenues of USD 70.4 million for the same period of 2005, which included USD 6.9 million from the Israeli medical services operation divested in the third quarter of 2005. Revenues from the telemedicine segment also increased by 6% to USD 46.5 million from USD 43.8 million in the nine months of 2005.

EBITDA for the quarter improved by 67% to USD 2.5 million up from USD 1.5 million in Q3 of 2005 due to the significant increase in EBITDA from the telemedicine segment which contributed USD 3.0 million against only USD 1.8 million in Q3 of 2005.

EBITDA for the nine months amounted to USD 7.6 million an increase of 21% from USD 6.3 million in the corresponding period of 2005 again due to the increase of 75% in EBITDA from the telemedicine segment which contributed USD 8.2 million compared to USD 4.7 million in the comparable period of 2005.

EBIT for the quarter amounted to USD 0.6 million compared to the LBIT of 0.3 million for the comparable period of 2005 with EBIT for the nine months increasing by 122% to reach USD 2.0 million against USD 0.9 million for the nine months ended September 30, 2005. This improvement was due to the increased EBIT from the telemedicine segment which grew significantly to USD 1.2 million up from USD 0.1 million in Q3 of 2005. This brought the EBIT from this segment for the nine months to USD 3.0 million compared to the LBIT of USD 0.3 million in the nine months of 2005.

Net loss for the quarter decreased significantly to USD 1.2 million from USD 2.4 million in the previous quarter, of which USD 1.1 million relates to continuing operations and USD 0.1 million to discontinued operations. For the nine months, net loss amounted to USD 5.0 million, of which USD 3.0 million relates to continuing operations and USD 2.0 million to discontinued operations.

Germany – Continued Expansion

The high rate of recruitment of subscribers has continued with the service being adopted by additional health insurers continuing the trend of double digit quarterly revenues growth with the company's revenue in 2006 expected to exceed that of 2005 by over 200%. In addition an agreement has been signed with St. Jude Medical, the world's leading mechanical heart valve company, following similar agreements signed by SHL's US telemedicine operation, to provide telemedicine services to their Implanted Cardioverter Defibrillator (ICD) patients in Germany.

This continuing growth in the German market is proceeding at a faster rate than anticipated although the company is not yet making a contribution to SHL's profit.

US telemedicine operations– Continued advancement in telemedicine operations

The US telemedicine operations showed improved results in Q3 as a result of the integration of new IT platforms and efficiency measures instituted during the year. EBIT for the quarter was more than double the EBIT in Q3 of 2005.

US medical services operation - divestures and closing of loss making medical imaging centers

The restructuring and geographic realignment of the medical imaging services operations is progressing with the closing or divestiture of 5 centers and the concentration of these activities around the mid Atlantic region bringing, already in Q3, to a significant reduction in this division's losses. During the quarter SHL received USD 1.65 million from the sale of these centers. As a result of this realignment, these imaging centers have been categorized as Discontinued Operations in the financial statements.

Israel

SHL's Israeli operations experienced a good third quarter with EBITDA growing by over 10 % compared to Q3 of 2005.

Cash Flow

Cash generated from SHL's operations in Q3 continued to improve and amounted to USD 1.9 million, up from USD 1.2 million in Q3 of 2005. This brought the cash generated from SHL's operations for the nine months to USD 1.7 million up from a negative USD (0.3) million in the corresponding period of 2005.

At September 30, 2006, SHL held USD 20.8 million in cash, cash equivalents, marketable securities and deposits up from USD 13.8 million at June 30, 2006. The increase is due to improved operating cash flow, cash received from the divestment of certain medical imaging centers and the receipt of additional long-term loans.

Appointment of Mr. Haim Brosh, Executive Vice President Finance

During the quarter Mr. Haim Brosh joined the SHL management team as Executive Vice President of Finance. Prior to joining SHL, Mr. Brosh held several senior finance and operations positions with Amdocs (NYSE: DOX), both in Israel and in US. Mr. Brosh is a certified public accountant (CPA) in Israel and has a B.A. in accounting and economics from Tel Aviv University. Mr. Brosh will be replacing Mr. Erez Termechy, SHL's present CFO. Mr. Termechy will continue to work with SHL as an advisor to the company for the next coming months together with Mr. Brosh.

Looking ahead

SHL expects satisfactory results in Q4 which should result in EBITDA being within the previously announced range of USD 8 –10 million.

SHL Telemedicine – Consolidated key figures (in USD million)

	Q3 06	Q3 05	% change	9M 06	9M 05 (*)	% change
Revenues	21.6	20.9	3.3%	65.6	70.4	(6.8%)
Gross Profit	10.2	9.4	8.5%	30.9	31.5	(1.9%)
%	47.2%	44.9%		47.1%	44.7%	
EBITDA	2.5	1.5	66.7%	7.6	6.3	20.6%
%	11.6%	7.2%		11.6%	8.9%	
EBIT/(LBIT)	0.6	(0.3)	300%	2.0	0.9	122.2%
%	2.8%	(1.4)%		3.0%	1.3%	
Net income (loss) from continuing operations	(1.1)	4.3 (**)	n.a.	(3.0)	3.6 (**)	n.a.
Net income (loss)	(1.2)	3.7 (**)	n.a.	(5.0)	3.0 (**)	n.a.
Net income (loss) – excluding capital gain, net	(1.2)	(2.9)	58.6%	(5.0)	(3.6)	(38.9%)

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

(**) Including a capital gain, net of taxes in the amount of USD 6.6 million recorded from the sale of Bikurofe, the Israeli medical services operation.

Telemedicine Segment - Key figures (in USD million)

	Q3 06	Q3 05	% change	9M 06	9M 05	% change
Revenues	15.4	14.5	6.2%	46.5	43.8	6.2%
Gross Profit	8.1	7.2	12.5%	24.0	21.7	10.6%
%	52.6%	49.7%		51.6%	49.5%	
EBITDA	3.0	1.8	66.7%	8.2	4.7	74.5%
%	19.5%	12.4%		17.6%	10.7%	
EBIT/(LBIT)	1.2	0.1	1100%	3.0	(0.3)	1100%
%	7.8%	0.7%		6.5%	(0.7)%	

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), the Israeli medical services operation (Bikurofe) sold in Q3 2005 and unallocated expenses.

Next events

March 22, 2007 Full Year Results 2006

About SHL TeleMedicine

SHL TeleMedicine Ltd. is a leading provider and developer of advanced personal telemedicine solutions 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.

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Balance-Sheets (USD thousands)	30.09.2006	30.09.2005 (*)	31.12.2005
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Cash, cash equivalents and short term investments	16,424	26,260	20,962
Trade receivables	20,333	23,713	20,717
Inventory	605	654	642
Other current assets	3,501	3,898	3,508
Current Assets	40,863	54,525	45,829
Long-term Assets	18,823	26,450	19,739
Fixed Assets, net	24,950	25,002	24,799
Intangible Assets, net	47,298	46,993	47,009
Total Assets	131,934	152,970	137,376
Credit from banks and others	28,914	41,903	41,888
Trade payables	8,521	9,755	8,414
Income taxes payable	953	2,143	1,087
Other accounts payable	9,691	8,408	8,482
Current Liabilities	48,079	62,209	59,871
Long-term loans from banks and others	46,719	35,035	32,647
Accrued severance pay	81	166	241
Provisions	1,742	2,934	2,146
Deferred revenues	561	1,846	1,121
Deferred taxes	525	566	567
Long-term Liabilities	49,628	40,547	36,722
Total liabilities	97,707	102,756	96,593
Equity attributable to SHL shareholders:			
Share capital	31	31	31
Additional paid-in capital	91,947	91,757	91,762
Treasury shares at cost	(269)	(558)	(269)
Foreign currency translation reserve	(7,455)	(7,253)	(7,237)
Accumulated deficit	(50,799)	(35,181)	(44,656)
	33,455	48,796	39,631
Minority interest	772	1,418	1,152
Total Equity	34,227	50,214	40,783
Liabilities and Equity	131,934	152,970	137,376

(*) – Retrospectively adjusted

Statements of Operations (USD thousands, except per share data)	Q3 06	Q3 05 (*)	9M 06	9M 05 (*)	Y 2005
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Revenues	21,558	20,948	65,591	70,433	91,554
Cost of sales	11,368	11,539	34,712	38,970	50,476
Gross Profit	10,190	9,409	30,879	31,463	41,078
Research and development costs, net	232	234	635	723	915
Selling and marketing expenses	3,178	3,372	8,904	10,173	13,519
General and administrative expenses	6,209	6,121	19,361	19,705	27,698
Operating Income (Loss)	571	(318)	1,979	862	(1,054)
Financial expenses	(965)	(965)	(3,708)	(3,174)	(4,566)
Gain on sale of subsidiary	-	8,842	-	8,842	8,776
Other income (expenses), net	(116)	29	(284)	18	(36)
Profit (Loss) before taxes on income	(510)	7,588	(2,013)	6,548	3,120
Taxes on income	590	3,308	966	2,912	7,421
Profit (Loss) from continuing operations	(1,100)	4,280	(2,979)	3,636	(4,301)
Net Loss from discontinued operations	(69)	(599)	(2,059)	(611)	(3,247)
Net Income (Loss)	(1,169)	3,681	(5,038)	3,025	(7,548)
Attributable to SHL shareholders'	(1,482)	3,195	(6,143)	1,553	(9,187)
Minority interest	313	486	1,105	1,472	1,639
	(1,169)	3,681	(5,308)	3,025	(7,548)
Basic and diluted profit (loss) per share from continued operations	(0.14)	0.36	(0.39)	0.21	(0.56)
Basic and diluted loss per share from discontinued operations	(0.01)	(0.06)	(0.19)	(0.06)	(0.31)
Basic and diluted profit (loss) per share	(0.15)	0.30	(0.58)	0.15	(0.87)

(*) – Retrospectively adjusted

Statements of Cash Flows (USD thousands)	Q3 06	Q3 05 (*)	9M 06	9M 05 (*)	Y 2005
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Net Income (Loss)	(1,169)	3,681	(5,038)	3,025	(7,548)
Adjustment required to reconcile net income (loss) to net cash	3,044	(2,475)	6,698	(3,370)	7,340
Net Cash provided by (used in) Operating Activities	1,875	1,206	1,660	(345)	(208)
Purchase of fixed assets	(894)	(1,146)	(3,879)	(3,809)	(5,400)
Cash received from sale of subsidiaries	1,650	16,781	2,150	16,781	16,715
Investment in intangible assets	(393)	(550)	(1,414)	(1,212)	(1,482)
Proceeds from sale of fixed assets	-	-	20	6	6
Short term investments, net	-	-	-	-	3,460
Long-term deposits, net	-	(1)	-	43	42
Marketable securities, net	(11)	3,509	(1,537)	3,509	-
Net Cash provided by (used in) Investing Activities	353	18,593	(4,660)	15,318	13,341
Proceeds from long-term loans from banks and others, net	12,716	122	17,497	7,137	9,134
Repayment of long-term loans from banks and others, net	(8,994)	(2,125)	(20,258)	(13,518)	(18,614)
Short-term bank credit, net	663	(675)	589	1,209	1,250
Distributions to minority interest	(372)	(705)	(1,556)	(1,422)	(1,856)
Capital contribution from minority interest	-	-	73	31	31
Proceeds from exercise of options	-	45	-	52	52
Payment of liability regarding the acquisition of Raytel and business activities	-	-	-	(114)	(139)
Net Cash provided by (used in) Financing Activities	4,013	(3,338)	(3,655)	(6,625)	(10,142)
Effect of exchange rate changes on cash and cash equivalents	690	(288)	924	(835)	(812)
Increase (Decrease) in cash and cash equivalents	6,931	16,173	(5,731)	7,513	2,179
Cash and cash equivalents at the beginning of the period	6,401	8,224	19,063	16,884	16,884
Cash and Cash equivalents at the end of the period	13,332	24,397	13,332	24,397	19,063

(*) – Retrospectively adjusted