

Press Release

SHL TeleMedicine laid the foundations for future growth in its overseas markets in Germany and in the U.S. in 2004.

Tel Aviv / Zurich, March 31, 2005 – 2004 revenues grew by 4.3% to USD 103.1 million. Net loss to shareholders was USD 6.1 million compared to USD 10.2 million in 2003. SHL generated positive cash flow from operating activities of USD 7.6 million prior to inclusion of PHTS.

This is the first time that SHL's revenues have surpassed the USD 100 million mark. In 2004, revenues were USD 103.1 million, an increase of 4.3% compared to 2003 reflecting the continuing growth of the Company's activities. Revenues from the telemedicine services segment increased to USD 54.8 million (53% of total revenues), with revenues from the medical services segment amounting to USD 48.3 million (47% of total revenues). Revenues from abroad now comprise 75% of total revenues compared to 71% in the previous year.

The gross profit of the Company amounted to USD 44.7 million, a decrease of 4.3%, compared to USD 46.7 million in 2003 and together with a decrease in margins to 43% from 47% in 2003, caused EBITDA for the year to decrease to USD 2.7 million from USD 11.4 million in 2003. SHL's loss before interest and tax was USD 1.7 million, against earnings before interest and tax in 2003 of USD 3.1 million.

SHL recorded a net loss of USD 4.7 million while minority interest was USD 1.4 million. Net loss for 2003 was USD 8.3 million and minority interest was USD 1.9 million. Loss attributable to shareholders amounted to USD 6.1 million in 2004 compared to USD 10.2 million the year before. The loss per share in 2004 totaled USD 0.58 compared to a loss per share of USD 0.96 in 2003. 2004's losses were mainly due to a disappointing year experienced by the US medical services division due to a weakening in their market, and increased competition together with additional reorganisation costs.

Improvement in operating cash flow

During 2004 SHL generated positive cash flow from operations of USD 7.6 million, prior to the inclusion of PHTS' operations in Germany, which were funded by funds received from Philips, compared to USD 0.6 million in 2003. The operating cash flow generated in 2004 including PHTS's operations totaled USD 1.3 million. SHL's balance sheet remains strong. At year end SHL had USD 26.9 million in cash, cash equivalents, marketable securities and deposits compared to USD 30.3 million in 2003. Equity amounted to USD 81.5 million compared to USD 87.6 million a year earlier.

Key figures (in USD million)

	2004	2003	% Change
Revenues	103.1	98.8	4.3
Gross Profit	44.7	46.7	(4.3)
EBITDA	2.7	11.4	(76.3)
EBITDA-margin (%)	2.6	11.6	
(LBIT)/EBIT	(1.7)	3.1	
(LBIT)/EBIT-margin (%)	(1.6)	3.1	
Provision for European J.V start-up costs	-	5.6	
Net loss	(4.7)	(8.3)	43
Minority interest	1.4	1.9	(26)
Net loss – SHL shareholders	(6.1)	(10.2)	40
Cash flow from operating activities	1.3	0.6	117

Overseas Markets

In the US, SHL expanded its telemedicine monitoring activities with the acquisition of some 35,000 patients in the mid west of America. The Company also entered into new fields that included an exclusive marketing alliance with St. Jude Medical (the world's leading mechanical heart valve company) for the promotion of the INR@Home anticoagulation blood monitoring system.

In Germany, after the restructuring of the Company's activities, special emphasis was placed on completing a series of studies in cooperation with German healthcare insurers and research institutes on the benefits of utilizing SHL cardiac telemedicine monitoring programs. The results of the studies unequivocally confirmed considerable improvements in care and quality of life of chronic heart disease patients while significantly reducing the costs of treating these patients, including those with congestive heart failure (CHF). As a result SHL announced earlier this month on the signing of an important agreement with a German health insurer for the introduction of this telemedicine solution for their chronic heart disease patients. This development marks an important milestone in PHTS's activities in Germany.

Positive outlook for 2005

In 2004 SHL has sown the seeds for future growth in its core telemedicine activities as evidenced by the successful studies conducted in Germany and the exclusive marketing alliance signed in the US with St. Jude Medical for the promotion of the INR@Home service. SHL believes the foundations laid during 2004, the continued development of state of the art products and the greater worldwide acknowledgment of the benefits of telemedicine promise that SHL is poised for expansion and growth in 2005 and beyond.

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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.

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Balance-Sheets (USD thousands)	31.12.2004	31.12.2003
Cash, cash equivalents and short term deposits	22'080	26'098
Trade receivables	23'867	23'206
Inventory	6'238	6'192
Other current assets	12'040	13'397
Current Assets	64'225	68'893
Long-term Assets	62'198	63'216
Fixed Assets, net	16'316	12'438
Intangible Assets, net	53'004	51'880
Total Assets	195'743	196'427
Credit from banks and others	42'074	46'865
Trade payables	8'647	7'589
Income taxes payable	2'201	3'207
Other accounts payable	12'150	10'125
Current Liabilities	65'072	67'786
Long-term loans from banks and others	43'219	38'779
Accrued severance pay	1'531	1'446
Provisions	3'613	-
Deferred taxes	793	859
Long-term Liabilities	49'156	41'084
Total liabilities	114'228	108'870
Equity attributable to SHL shareholders:		
Share capital	31	31
Additional paid-in capital	91'594	91'594
Treasury shares at cost	(558)	(432)
Foreign currency translation reserve	(5'162)	(5'446)
Retained earnings (accumulated deficit)	(5'708)	383
	80'197	86'130
Minority interest	1'318	1'427
Total Equity	81'515	87'557
Liabilities and Equity	195'743	196'427

Statements of Operations (USD thousands)	2004	2003	%- Change
Revenues from sales of services and devices	103'052	98'784	4.3%
Cost of sales of services and devices	58'402	52'125	12.0%
Gross Profit	44'650	46'659	4.3%
Research and development costs, net	712	672	6.0%
Selling and marketing expenses	12'811	9'809	30.6%
General and administrative expenses	32'835	33'108	(0.8)%
Expenses	46'358	43'589	6.4%
Operating Income (Loss) (LBIT/EBIT)	(1'708)	3'070	155%
Financial expenses, net	(3'534)	(4'705)	(24.9)%
Other income (expenses)	207	(24)	
Share in losses and provision against shareholder's loan to associate	-	(5'601)	(100)%
Loss before taxes on income	(5'035)	(7'260)	30.6%
Taxes on income (tax benefit)	(318)	1'022	
Net Loss	(4'717)	(8'282)	43%
Attributable to SHL shareholders'	(6'091)	(10'195)	40.3%
Minority interest	1'374	1'913	(28.2)%

Statements of Cash Flows (USD thousands)	2004	2003
Net loss	(4'717)	(8'282)
Adjustment required to reconcile net loss to net cash	6'022	8'927
Net Cash Provided by Operating Activities	1'305	645
Shareholders loan to associate	-	(3'062)
Purchase of fixed assets	(5'155)	(4'396)
Net cash received in the acquisition of PHTS	11'035	-
Payment for acquisitions of business activities, net of cash acquired	(4'734)	(968)
Investment in intangible assets	(1'118)	(1'143)
Proceeds from sale of fixed assets	1'283	53
Short term deposits, net	2'824	12'109
Long-term deposits, net	37	(4'200)
Investment in marketable securities	27	(5'317)
Net Cash Provided by (Used in) Investing Activities	4'199	(6'924)
Proceeds from long-term loans from banks and others, net	13'723	2'191
Repayment of long-term loans from banks and others, net	(11'108)	(26'043)
Short-term bank credit, net	(6'983)	15'941
Distributions to minority interest	(1'435)	(2'087)
Purchase of minority interest	(48)	-
Payment of liability regarding the acquisition of Raytel	(89)	(4'148)
Payment of liability regarding the acquisition of business activities	(521)	-
Treasury shares acquired	(126)	(237)
Net Cash Used in Financing Activities	(6'587)	(14'383)
Effect of exchange rate changes on cash and cash equivalents	160	1'860
Decrease in cash and cash equivalents	(923)	(18'802)
Cash and cash equivalents at the beginning of the year	17'807	36'609
Cash and Cash equivalents at the end of the year	16'884	17'807