SHL Telemedicine

Press release

2007- A momentous year for SHL Telemedicine

- **Transaction with Philips brings net capital gain of USD 39.3 million and significant cash resources to support future growth**
- **Over 85% top line growth in Germany**
- **Net income for the year of USD 27.6 million**
- **Special dividend of USD 4 million (USD 0.37 per share)**
- **Share buy back plan for up to USD 2 million approved**
- **Poised for organic growth and strong profitability in 2008 and beyond**

Tel Aviv/Zurich, 26 March 2008 - SHL Telemedicine Ltd. (SWX: SHLTN, ISIN: IL0010855885, Security No.: 1128957), a leading provider and developer of advanced personal telemedicine solutions, today announced its results for the financial year 2007.

2007 was a momentous year for SHL in which the groundwork was laid for solid expansion of the company's activities in the coming years by expanding the service bases and telemedicine applications in all markets. This position has been reached after much preparation and effort and gives SHL a tremendous opportunity to realize these benefits as we move forward

Highlights for the year:

- Philips, an 18.6% shareholder, within the framework of its development of consumer healthcare medical services in the US, acquired Raytel, SHL's US cardiac monitoring services company, for USD110 million and entered into a long term agreement with SHL for SHL's participation in future revenues from current and future products expected to be introduced into the North American market in the coming years.
- SHL's German operations continued to develop very well with a top line growth of more than 85% as a result of the expansion of PHTS's client base and increased recruitment rates from existing customers and the signing of new contracts with several new health insurers covering over a further 1.5 million insured members.
- The Israeli business continued its steady progress to provide sustained profitability and cash flow.
- SHL introduced a next generation of personal ECG devices and, in addition, received FDA clearance for a new proprietary cardiac looping recorder and transmitter, first in a new family of wireless, cellular-based devices developed by SHL.

Erez Alroy, Co-CEO of SHL Telemedicine, commenting on the results stated: "2007 was a very exciting year for SHL with the sale of Raytel to Philips for USD 110 million, and the significant growth of the German telemedicine operation, PHTS Telemedizin. These events position SHL for growth and profitability in 2008 and beyond."

Mr. Alroy continued: "We are glad to announce, for the first time, a special dividend of USD 4.0 million. We believe this is the way to show our appreciation to our shareholders and enable them to enjoy SHL's successful sale of Raytel."

Financial results:
Results for the year include those of Raytel up to its divesture at November 30, 2007.
SHL's continuing operations do not include the medical services business segment which is presented in discontinued operations.

Revenues for the year amounted to USD 62.1 million compared to revenues of USD 62.8 million in 2006 with gross margins remaining steady at 52% bringing gross profit to USD 32.6 million in 2007 compared with USD 32.7 million in 2006. Revenues and gross profit from SHL's German operation increased significantly compared to the previous year offsetting the decrease in Raytel's contribution to SHL's financial results.

LBITDA for the year amounted to USD 1.6 million compared to an **EBITDA** of USD 7.6 million in 2006 with operating loss amounting to USD 10.1 million compared to an operating profit of USD 0.3 million. The decrease in SHL's results of operations is due to significant one time costs and the write-offs of old trade receivables at Raytel connected with the sale, as well as impairment of development costs and inventory.

Capital gain, net of taxes, from the sale of Raytel amounted to USD 39.3 million bringing net income from continuing operations to USD 23.6 million compared to a net loss from continuing operations of USD 3.4 million in 2006.

Net income for the year amounted to USD 27.6 million after the inclusion of the positive contribution of the discontinued medical services business segment operations in the US of USD 4.0 million, compared to a net loss of USD 7.1 million in 2006,

As a result of the divesture of Raytel, SHL's balance sheet has improved considerably.
Total balance sheet as of December 31, 2007 was USD 144.2 million, compared with USD 128.3 million as of December 31, 2006. **Shareholders' equity** as of December 31, 2007 has doubled to over USD 60 million compared to around USD 30 million at December 31, 2006. **Current assets** as of December 31, 2007, reflecting the cash received from the Raytel transaction, improved by approximately USD 54 million while the **total liabilities** declined by USD 14 million compared with December 31, 2006.

Cash flow used in operations amounted to USD 1.8 million compared to a positive cash flow from operations of USD 1.8 million in 2006. The decrease in operating cash flow results from one time payments related to the Raytel sale.

Special dividend and share buyback:
The Board of Directors is pleased to announce that it approved on March 25, 2008 the distribution of a special cash dividend in the amount of USD 0.37 per share, totalling approximately USD 4 million payable on April 15, 2008 to shareholders of record on April 14, 2008. The Board of Directors also approved to re-purchase ordinary shares of SHL for an amount of up to an equivalent of USD 2 million, from time to time, until June 30, 2008 whereby SHL has no obligation to buy ordinary shares. Any re-purchases made thereafter up to said amount are subject to the prior confirmation of the Board of Directors that the relevant legal requirements are still met.

Outlook for 2008:
Proceeds from the US transaction will mainly be used to finance growth in SHL's German and Israeli businesses. SHL expects that in 2008 PHTS will, for the first time contribute to SHL's overall financial results by reaching profitability and generating positive operating cash flow. The Israeli business is expected to show steady growth with high profitability. Further revenues are expected to be generated by the agreement with Philips in the US.

Based on the continued operations (excluding the operations of Raytel and the medical services business segment), management expects a significant improvement in overall financial performance:

- Organic top line growth for 2008 to be between 35% and 45%, generating revenues of USD 38 to USD 41 million.
- EBITDA is expected at USD 7 - 8 million with margins in the range of 17% -20%.
- Operating cash flow is expected to be positive.

Next events

Annual general meeting	May 14, 2008
Q1 Results	May 15, 2008
Q2 Results	August 13, 2008
Q3 Results	November 11, 2008

SHL Telemedicine – consolidated key figures

in USD million	**2007**	**2006**
Revenues	62.1	62.8
Gross profit	32.6	32.7
%	52.5%	52.0%
LBITDA/EBITDA	(1.6)	7.6
%	n.a.	12.1%
Capital gain from sale of Raytel, net	39.3	-
Net income (Loss) – continuing operations	23.6	(3.4)
Net income (Loss) – discontinued operations	4.0	(3.7)
Net income (Loss)	27.6	(7.1)
Minority interest	4.3	1.4
Net income (Loss) - SHL shareholders	23.3	(8.5)

About SHL Telemedicine
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 PHTS in Germany, its fully owned subsidiary, and at its home market in Israel. In the US, SHL's telemedicine products are distributed by Philips Medical. SHL is listed on the SWX Swiss Exchange (SHLTN, ISIN: IL0010855885, Security No.: 1128957). More information available at: www.shl-telemedicine.com.

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Some of the information contained in this press release contains forward-looking statements. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors. SHL Telemedicine undertakes no obligation to publicly update or revise any forward-looking statements.

Balance-Sheets (USD thousands)	**31.12.2007**	**31.12.2006**
	Audited	*Audited*
Cash, cash equivalents and short term investments	84,546	12,482
Trade receivables	2,641	18,810
Inventory	601	604
Other current assets	3,857	5,316
Current Assets	**91,645**	**37,212**
Long-term Assets	**20,440**	**20,452**
Fixed Assets, net	**15,627**	**23,661**
Intangible Assets, net	**16,451**	**46,994**
Total Assets	**144,163**	**128,319**
Credit from banks and others	42,422	29,519
Deferred revenues	10,548	*2,247
Trade payables	1,998	7,988
Income taxes payable	2,826	535
Other accounts payable	9,797	*7,220
Current Liabilities	**67,591**	**47,509**
Long-term loans from banks and others	7,649	44,421
Accrued severance pay	452	752
Provisions	2,194	2,459
Deferred revenues	5,435	2,828
Deferred taxes	346	544
Long-term Liabilities	**16,076**	**51,004**
Total liabilities	**83,667**	**98,513**
Equity attributable to SHL shareholders:		
Share capital	31	31
Additional paid-in capital	92,295	92,006
Treasury shares at cost	(269)	(269)
Foreign currency translation reserve	(120)	(7,773)
Accumulated deficit	(31,529)	(54,904)
	60,408	**29,091**
Minority interest	88	715
Total Equity	**60,496**	**29,806**
Liabilities and Equity	**144,163**	**128,319**

* Reclassified

Statements of Operations (USD thousands, except per share data)	2007	2006
	Audited	*Audited*
Revenues	62,124	62,848
Cost of sales	29,574	30,144
Gross Profit	**32,550**	**32,704**
Research and development costs, net	2,550	911
Selling and marketing expenses	12,610	10,910
General and administrative expenses	*27,534	20,578
Operating Income (loss)	**(10,144)**	**305**
Financial expenses	3,230	3,569
Other income (expenses), net	43,524	(530)
Income (loss) before taxes on income	**30,150**	**(3,794)**
Taxes on income	6,497	(412)
Income (loss) from continuing operations	**23,653**	**(1,737)**
Gain (loss) from discontinued operations	**3,981**	**(5,357)**
Income (loss)	**27,634**	**(7,094)**
Attributable to SHL shareholders'	**23,375**	**(8,464)**
Minority interest	**4,259**	**1,370**
	27,634	**(7,094)**
Basic profit (loss) per share	**2.20**	**(0.80)**
Diluted profit (loss) per share	**2.16**	**(0.80)**
Basic profit (loss) per share from continuing operations	**1.83**	**(0.45)**
Diluted profit (loss) per share from continuing operations	**1.79**	**(0.45)**

* Including one time expenses related to the sale of Raytel

Statements of Cash Flows (USD thousands)	**2007**	**2006**
	Audited	*Audited*
Income (loss)	27,634	(7,094)
Adjustment required to reconcile net income (loss) to net cash	(29,435)	8,894
Net Cash provided by (used in) Operating Activities	**(1,801)**	**1,800**
Purchase of fixed assets	(4,524)	(5,015)
Cash received from sale of subsidiaries	107,283	2,150
Investment in intangible assets	(1,388)	(1,558)
Proceeds from sale of fixed assets	199	37
Marketable securities, net	2,884	(1,133)
Net Cash provided by (used in) Investing Activities	**104,454**	**(5,519)**
Proceeds from exercise of options	52	-
Proceeds from long-term loans from banks and others, net	14,833	18,355
Repayment of long-term loans from banks and others, net	(37,239)	(23,515)
Short-term bank credit, net	(519)	548
Distributions to minority interest	(4,886)	(1,867)
Capital contribution from minority interest	-	60
Net Cash used in Financing Activities	**(27,759)**	**(6,419)**
Effect of exchange rate changes on cash and cash equivalents	(25)	753
Increase (Decrease) in cash and cash equivalents	**74,869**	**(9,385)**
Cash and cash equivalents at the beginning of the period	**9,678**	**19,063**
Cash and Cash equivalents at the end of the period	**84,546**	**9,678**