



Press Release

SHL Telemedicine reports revenues of USD 20.0 million for Q1 with EBITDA of USD 2.2 million.

Operations in Germany continued to progress with additional health insurers and an integrated telemedicine network in Cologne adopting PHTS's Telemedicine solutions.

Tel Aviv / Zurich, May 30, 2007. SHL's revenues for the first quarter of 2007 amounted to USD 20.0 million compared to USD 20.5 million in Q1 of 2006 with revenues from the telemedicine segment increasing to USD 15.6 million from USD 15.4 million in Q1 of 2006. The decrease in revenues from the non telemedicine segment is due to the divestment of centers in SHL's US medical services division.

Gross margin in the telemedicine segment improved to 52 % from 51 % in Q1 2006 although the overall gross margin remained steady at 48%. Gross profit from the telemedicine segment increased to USD 8.2 million from USD 7.9 million in Q1 of 2006 with total gross profit amounting to USD 9.6 million compared with USD 9.9 million in Q1 of 2006

EBIT from the telemedicine segment amounted to USD 1.0 million compared to USD 1.1 million in Q1 of 2006 with total EBIT amounting to USD 0.4 million against USD 1.4 million in the comparable period. EBITDA for the quarter from the telemedicine segment reached USD 2.7 million compared to USD 2.8 million in Q1 of 2006 with total EBITDA reaching USD 2.2 million compared to USD 3.1 million in Q1 2006. The decrease in the non telemedicine segment result is due to the divestment of centers in SHL's US medical services division.

SHL's net income from continuing operations amounted to USD 3.9 million compared to USD 0.2 million in Q1 2006. This figure includes the recording of a gross capital gain in the amount of USD 4.8 million resulting from the sale of a cardio vascular center in Texas. SHL's net gain from the sale for its 20% holding amounted to USD 0.3 million.

A further charge relating to the discontinued operations from the US imaging centers of USD 0.6 million reduced SHL's net income to USD 3.3 million compared to a net loss of USD 1.5 million in the first quarter of 2006. Net loss attributable to SHL shareholders' amounted to USD 1.0 million compared to USD 1.8 million in Q1 2006.

The Telemedicine operations

During the quarter the telemedicine operations in the US, Germany and Israel progressed well and are on track with their full year plan. In particular, PHTS, SHL's German operations, showed its strong growth potential, with more companies and organizations joining the list of German health insurers providing the PHTS Telemedicine service solution to their chronically ill heart patients. New contracts signed recently included BKK Essanelle, which insures the employees of well known organizations such as Henkel, Schering, MAN and Rhine Metal and BKK Merck, the public health insurance company of Merck. Additionally, PHTS has been appointed the exclusive provider of telemedicine services to a new integrated telemedicine net service being established in Cologne.

Cash Flow

Cash used in operating activities during the first quarter due to the seasonal delay this quarter in reimbursements in the US market amounted to USD 0.6 million compared to USD 0.5 million in Q1 2006.

As at March 31, 2007 SHL held USD 14.4 million in cash, cash equivalents, marketable securities and deposits.

Looking ahead

SHL expects continued improvement in its operations with EBITDA for 2007 expected to be in the previously announced range of USD 12-14 million.

SHL Telemedicine – Consolidated key figures (in USD million)

	Q1 2007	Q1 2006	% change
Revenues	20.0	20.5	(2.4)%
Gross Profit	9.6	9.9	(3.0)%
%	48.0%	48.3%	
EBITDA	2.2	3.1	(29.0)%
%	11.0%	15.1%	
EBIT	0.4	1.4	(71.4)%
%	2.0%	6.8%	
Other Income (expense)	4.8 (*)	(0.1)	n.a.
Net income from continuing operations	3.9	0.2	1,850%
Net income (loss)	3.3	(1.5)	n.a.

(*) Consists of the capital gain recorded from the sale of a cardiovascular center in the US.

Telemedicine Segment - Key figures (in USD million)

	Q1 2007	Q1 2006	% change
Revenues	15.6	15.4	1.3%
Gross Profit	8.2	7.9	3.8%
%	52.6%	51.3%	
EBITDA	2.7	2.8	(0.4)%
%	17.3%	18.2%	
EBIT	1.0	1.1	(0.9)%
%	6.4%	7.1%	

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 services operations in the US (Raytel Diagnostic Services) and unallocated expenses.

Next events

Annual general meeting	June 13, 2007
Q2 Results	August 23, 2007
Q3 Results	November 22, 2007

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.

For further information please contact:

- Erez Alroy, Co-CEO, Phone: +972 3561 22 12, ereza@shl-telemedicine.com
- Assistant: Pauline Shavit, Phone: +972 3561 22 12, pauline@shl-telemedicine.com
- Martin Meier-Pfister, The Investor Relations Firm AG, Phone: +41 43 244 81 40, shl@ifirm.biz

Balance-Sheets (USD thousands)	31.03.2007	31.03.2006 (*)	31.12.2006
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Cash, cash equivalents and short term investments	10,017	15,989	12,482
Trade receivables	19,765	22,686	18,810
Inventory	604	642	604
Other current assets	3,414	3,685	4,779
Current Assets	33,800	43,002	36,675
Long-term Assets	20,929	20,850	20,989
Fixed Assets, net	23,208	25,473	23,661
Intangible Assets, net	47,613	47,841	46,994
Total Assets	125,550	137,166	128,319
Credit from banks and others	41,421	29,940	29,519
Trade payables	8,378	10,072	7,988
Income taxes payable	471	1,062	535
Other accounts payable	9,223	9,102	9,467
Current Liabilities	59,493	50,176	47,509
Long-term loans from banks and others	31,437	43,452	44,421
Accrued severance pay	779	804	752
Provisions	2,422	1,836	2,459
Deferred revenues	2,447	3,560	2,828
Deferred taxes	542	515	544
Long-term Liabilities	37,627	50,167	51,004
Total liabilities	97,120	100,343	98,513
Equity attributable to SHL shareholders:			
Share capital	31	31	31
Additional paid-in capital	92,076	91,819	92,006
Treasury shares at cost	(269)	(269)	(269)
Foreign currency translation reserve	(7,995)	(7,439)	(7,773)
Accumulated deficit	(55,908)	(48,282)	(54,904)
	27,935	35,860	29,091
Minority interest	495	963	715
Total Equity	28,430	36,823	29,806
Liabilities and Equity	125,550	137,166	128,319

(*) – Retrospectively restated

Statements of Operations (USD thousands, except per share data)	Q1 07	Q1 06 (*)	2006
Revenues	19,966	20,544	83,218
Cost of sales	10,382	10,648	42,663
Gross Profit	9,584	9,896	40,555
Research and development costs, net	202	190	911
Selling and marketing expenses	3,091	2,747	11,422
General and administrative expenses	5,859	5,609	23,251
Operating Income	432	1,350	4,971
Financial expenses	793	1,314	3,844
Other income (expenses), net	4,753	(68)	(602)
Income (loss) before taxes on income	4,392	(32)	525
Taxes on income (tax benefit)	452	(185)	429
Income from continuing operations	3,940	153	96
Net Loss from discontinued operations	(601)	(1,661)	(7,190)
Net Income (Loss)	3,339	(1,508)	(7,094)
Attributable to SHL shareholders'	(1,004)	(1,842)	(8,464)
Minority interest	4,343	334	1,370
	(3,339)	(1,508)	(7,094)
Basic and diluted loss per share from continuing operations	(0.04)	(0.01)	(0.12)
Basic and diluted loss per share from discontinued operations	(0.06)	(0.16)	(0.68)
Basic and diluted loss per share	(0.10)	(0.17)	(0.80)

(*) – Retrospectively restated

Statements of Cash Flows (USD thousands)	Q1 07	Q1 06 (*)	2006
Net Income (Loss)	3,339	(1,508)	(7,094)
Adjustment required to reconcile net income (loss) to net cash provided by (used in) operating activities	(3,908)	996	8,894
Net Cash provided by (used in) Operating Activities	(569)	(512)	1,800
Purchase of fixed assets	(1,076)	(1,851)	(5,015)
Cash received from sale of subsidiary	5,649	-	2,150
Investment in intangible assets	(510)	(624)	(1,558)
Proceeds from sale of fixed assets	148	84	37
Marketable securities, net	-	(4,729)	(1,133)
Net Cash provided by (used in) Investing Activities	4,211	(7,120)	(5,519)
Proceeds from long-term loans from banks and others, net	767	4,442	18,355
Repayment of long-term loans from banks and others, net	(2,482)	(6,004)	(23,515)
Short-term bank credit, net	(45)	408	548
Distributions to minority interest	(4,563)	(595)	(1,867)
Capital contribution from minority interest	-	72	60
Net Cash used in Financing Activities	(6,323)	(1,677)	(6,419)
Effect of exchange rate changes on cash and cash equivalents	100	(250)	753
Decrease in cash and cash equivalents	(2,581)	(9,559)	(9,385)
Cash and cash equivalents at the beginning of the period	9,678	19,063	19,063
Cash and Cash equivalents at the end of the period	7,097	9,504	9,678

(*) – Retrospectively restated