

Press Release

SHL's first half of 2005 marked by signing of significant telemedicine contracts in Germany and US and divesture of Bikurofe in Israel, which will result in around USD 9 million capital gain in Q3. Financial results for the period in line with expectations.

Tel Aviv/Zurich, August 23, 2005 – SHL's revenues for the second quarter and half-year of 2005 amounted to USD 26.1 million and USD 52.3 million, respectively compared with USD 26.4 million and USD 53.0 million for the second quarter and half-year of 2004. Revenues from international operations for the half-year amounted to 73 % of total revenues.

Gross profit for Q2 and the first half of 2005 totaled USD 11.5 million and USD 23.3 million, respectively compared with USD 11.8 million and USD 23.9 million in Q2 and H1 of 2004, while EBITDA amounted to USD 1.7 million and USD 3.4 million, respectively compared with USD 2.1 million and USD 4.3 million in Q2 and H1 of 2004.

From January 2005, following the application of IFRS 3 "Business Combinations" SHL ceased amortizing its goodwill and negative goodwill. The major effect of this change is that the costs of the German operations that were previously netted against negative goodwill are now recorded directly in the income statement and have thus caused a significant decrease in SHL's operating profit (EBIT) which amounted for Q2 and H1 of 2005 to USD 0.1 million and USD 0.4 million, respectively compared with an EBIT for Q2 and H1 of 2004 of USD 1.0 million and USD 2.6 million, respectively.

As a result the net loss for Q2 and H1 of 2005 amounted to USD 0.3 million and USD 1.1 million, respectively compared to a net income in Q2 and H1 of 2004 of USD 0.7 million and USD 1.3 million, respectively. LPS in Q2 and H1 of 2005 amounted to USD 0.08 and USD 0.2, respectively compared with an EPS in Q2 and H1 of 2004 of USD 0.02 and USD 0.05, respectively.

International operations – significant milestones achieved

During this period SHL completed the signing of agreements with two major German health insurers – Taunus Betriebskrankenkasse and Deutsche Betriebskrankenkasse, with collectively over 1.9 million insured– for the procurement of the SHL telemedicine solution for their members with chronic heart diseases, including congestive heart failure (CHF). These cooperations mark an important milestone in the development of PHTS Germany and further underpin PHTS's position as the leading German telemedicine provider as well as potentially leading to additional contracts with other health insurers and bodies in the field.



In the US SHL's strong presence in the North American marketplace has been enhanced through an exclusive marketing alliance with St. Jude Medical, the world's leading mechanical heart valve company, for the promotion of an anticoagulation blood monitoring system - INR@Home.

These milestones are important steps in the development of telemedicine activities in the CHF market in Germany and the INR market in the US, which should contribute to significant growth in revenues and earnings in the coming years.

Israel – divesture of non-core business

In July, SHL completed the sale of Bikurofe Ltd., its Israeli outpatient clinics and doctor visit services company to IEL Israel Equity Ltd. for USD 14.7 million and also received USD 4.3 million in previously announced dividends and other debts. SHL will continue to render various services to Bikurofe for a total amount of USD 1.5 million. SHL will record in the third quarter of 2005 a capital gain of around USD 9 million from the divesture.

Cash flow

The Company's operating cash flow improved considerably this quarter resulting in a positive operating cash flow of USD 0.2 million compared with a negative operating cash flow of USD 1.9 million in Q1 2005 and negative USD 0.6 million in Q2 2004. For the half-year negative operating cash flow amounted to USD 1.7 million compared with a negative USD 2.0 million in H1 2004.

The Company's cash position will improve considerably in Q3 as a consequence of the divestment of Bikurofe.

Looking ahead

SHL continues to invest the necessary resources in developing its international telemedicine activities that should lead to significant growth in the coming years.

Key figures (in USD million)

	Q2 05	Q2 04	HY 05	HY 04
Revenues	26.1	26.4	52.3	53.0
Gross Profit	11.5	11.8	23.3	23.9
%	44.2%	44.6%	44.5%	45.1%
EBITDA	1.7	2.1	3.4	4.3
%	6.7%	8.1%	6.5%	8.1%
EBIT	0.1	1.0	0.4	2.6
%	0.4%	3.9%	0.7%	4.9%
Net Income (loss)	(0.3)	0.7	(1.1)	1.3

The full First Half-Year Report of 2005 is available on www.shl-telemedicine.com

Next publication:

22 November 2005 Results Q3

About SHL TeleMedicine

SHL TeleMedicine is a leading provider and developer of advanced personal telemedicine solutions as well 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. More information on SHL's activities is available on the Company's web site: www.shl-telemedicine.com.

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Balance Sheets (USD thousands)	June 30, 2005	June 30, 2004	Dec 31, 2004
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Cash, cash equivalents and short term deposits	13'511	24'948	22'080
Trade receivables	25'932	26'776	23'867
Inventory	5'308	6'244	6'238
Other current assets	12'056	13'469	12'040
Current Assets	56'807	71'437	64'225
Long-term Assets	57'741	60'352	62'198
Fixed Assets, net	16'319	16'391	16'316
Intangible Assets, net	52'525	50'593	53'004
Total Assets	183'392	198'773	195'743
Credit from banks and others	42'910	38'680	42'074
Trade payables	9'221	7'875	8'647
Income taxes payable	2'137	1'712	2'201
Other accounts payable	9'956	14'354	12'150
Current Liabilities	64'224	62'621	65'072
Long-term loans from banks and others	36'744	47'585	43'219
Provisions	3'074	369	3'613
Accrued severance pay	1'459	1'178	1'531
Deferred taxes	665	742	793
Long-term Liabilities	41'942	49'874	49'156
Total liabilities	106'166	112'495	114'228
Equity attributable to SHL shareholders:			
Share capital	31	31	31
Additional paid-in capital	91'601	91'594	91'594
Treasury shares at cost	(558)	(446)	(558)
Foreign currency translation reserve	(8'324)	(7'487)	(5'162)
Retained earnings (accumulated deficit)	(7'161)	927	(5'708)
	75'589	84'619	80'197
Minority interest	1'637	1'659	1'318
Total Equity	77'226	86'278	81'515
Total Liabilities and Equity	183'392	198'773	195'743

Statements of Operations (USD thousands, except per share data)	Q2 05	Q2 04	H1 05	H1 04	Y 2004
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Revenues from sales of devices and services	26'111	26'404	52'268	53'008	103'052
Cost of sales of devices and services	14'566	14'620	29'004	29'094	58'402
Gross Profit	11'545	11'784	23'264	23'914	44'650
Research and development costs, net	239	183	489	377	712
Selling and marketing expenses	3'246	2'602	6'737	5'672	12'811
General and administrative expenses	7'955	7'976	15'688	15'289	32'835
Operating Income (Loss) (EBIT/LBIT)	105	1'023	350	2'576	(1'708)
Financial expenses, net	867	675	1'775	1'283	3'534
Other expenses (income), net	(7)	48	6	48	(207)
Income (Loss) before taxes on Income	(755)	300	(1'431)	1'245	(5'035)
Tax benefit	(459)	(383)	(341)	(66)	(318)
Net Income (Loss)	(296)	683	(1'090)	1'311	(4'717)
Attributable to SHL shareholders'	(800)	226	(2'076)	544	(6'091)
Minority Interest	504	457	986	767	1'374
Earnings (Loss) Per Share	(0.08)	0.02	(0.2)	0.05	(0.58)

Statements of Cash Flows (USD thousands)	Q2 05	Q2 04	Y 2004
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Net income (loss) for the period	(296)	683	(4'717)
Adjustments required to reconcile net income (loss) to net cash	467	(1'303)	6'022
Net Cash Provided by (Used in) Operating Activities	171	(620)	1'305
Purchase of fixed assets	(1'019)	(1'641)	(5'155)
Net cash received in the acquisition of PHTS	-	-	11'035
Payment for acquisition of business activities, net of cash acquired	-	-	(4'734)
Investment in intangible assets	(317)	(239)	(1'118)
Proceeds from sale of fixed assets	6	14	1'283
Short term deposits, net	-	2'807	2'824
Long term deposits, net	6	-	37
Investment in marketable securities	-	26	27
Net Cash Provided by (Used in) Investing Activities	(1'324)	967	4'199
Proceeds from exercise of options	7	-	-
Proceeds from long-term loans from banks and others	4'064	3'274	13'723
Repayment of long-term loans from banks and others	(7'816)	(3'619)	(11'108)
Short-term bank credit, net	2'183	(3'340)	(6'983)
Distributions to minority interest	(373)	(458)	(1'435)
Purchase of minority interest	-	-	(48)
Capital contribution from minority interest	31	-	-
Payment of liability regarding the acquisition of Raytel	-	-	(89)
Payment of liability regarding the acquisition of business activities	(58)	(307)	(521)
Treasury shares acquired	-	(14)	(126)
Net Cash Used in Financing Activities	(1'962)	(4'464)	(6'587)
Effect of exchange rate changes on cash and cash equivalents	(379)	190	160
Decrease in cash and cash equivalents	(3'494)	(3'927)	(923)
Cash and cash equivalents at the beginning of the period	11'718	23'652	17'807
Cash and cash equivalents at the end of the period	8'224	19'725	16'884