



Press Release

SHL Telemedicine's Q2 results continue the positive operational trends

Tel Aviv / Zurich, August 23, 2006 – During the second quarter of 2006, SHL's telemedicine operations continued to make progress. Revenues in Germany for the first half of the year already surpassed total 2005 revenues. Divestures and consolidation of the US medical imaging services operations continued. SHL's first half 2006 operating and financial performance in line with expectations. Full year EBITDA guidance confirmed.

SHL's revenues for the second quarter amounted to USD 22.1 million with EBITDA amounting to USD 2.4 million and EBIT to USD 0.5 million.

Revenues for the half year totaled USD 44.0 million against revenues of USD 49.5 million for the same period of 2005. In spite of the lower revenues SHL's EBITDA for the half year increased to USD 5.1 million from USD 4.8 million in H1 2005 and EBIT for the half year increased to USD 1.4 million from USD 1.2 million in H1 05. It should be recalled that the 2005 results included the results of the Israeli medical services operation that was divested in the third quarter 2005, and are therefore not directly comparable to the 2006 results.

The telemedicine segment revenues for the second quarter increased to USD 15.6 million against USD 14.7 million in Q2 of 2005 and for the half year to USD 31.1 million from USD 29.3 million for H1 of 2005.

EBITDA of the telemedicine segment for the second quarter continued to increase and amounted to USD 2.4 million compared to USD 1.5 million in Q2 2005. This resulted in an increased EBITDA of 82% for the half year of USD 5.3 million over the EBITDA of USD 2.9 million in 2005.

EBIT of the telemedicine segment for the second quarter improved to USD 0.6 million bringing the EBIT for the half year to USD 1.8 million compared to a LBIT of USD 0.3 million and USD 0.4 million in the second quarter and half year of 2005, respectively.

Net loss from continuing operations for the quarter amounted to USD 1.3 million and for the half year to USD 1.9 million. The net loss from the discontinued operations from 5 medical imaging centers closed or divested in the US amounted to USD 1.1 million in Q2 and USD 2.0 million for the half year bringing the total loss of the Company for the quarter to USD 2.4 million and for the half year to USD 3.9 million.

Germany – Growth in Revenues

One of the key drivers for growing revenues were SHL's German operations which continued to expand during the first half of 2006. Revenues in the first half have already surpassed the revenues for the whole of 2005. The increase in this company's growth is being achieved through the increasing rate of recruitment of subscribers' and health insurers who are making the SHL telemedicine platform available to their insured. This continuing growth in the German market is proceeding at a faster rate than anticipated although the company is not yet making a positive contribution to SHL's profit.

US – Progress in telemedicine operations, divestures and closing of loss making medical imaging centers in progress.

The telemedicine operations in the US experienced a good first half year with EBITDA improving by over 20% compared with the first half of 2005. Revenues from new telemedicine services introduced, such as [INR@home](#), more than doubled compared with the first half of 2005.

The restructuring and geographic realignment of the medical imaging services operations continued with the closing or divestiture of 5 centers and the concentration of these activities around the mid Atlantic region. As a result of this realignment, these imaging centers are now categorized as Discontinued Operations in the financial statements.

Israel

SHL's Israel operations experienced a satisfactory half year. The outbreak of hostilities in Northern Israel at the beginning of July caused some disruption to operations which, at this stage, are not expected to have a material affect on the Company's results.

Cash Flow

The cash generated from SHL's continued operations in Q2 amounted to USD 1.2 million compared with USD 0.3 million in Q2 2005. Total cash generated from SHL's operations in the quarter amounted to USD 0.7 million compared with USD 0.3 million in Q2 2005. SHL's improvements in cash flow were recorded in both the US and Germany during the second quarter and this trend is expected to be maintained.

At June 30, 2006 SHL had USD 13.8 million in cash, cash equivalents, marketable securities and deposits compared to USD 25.3 million at December 31, 2005. The major reason for the decline in this amount was the repayment of loans to banks in the amount of USD 11.3 million.

Looking ahead

SHL expects the continuation of its 2006 operations in accordance with its plans with EBITDA expected to be in the range of USD 8 –10 million.

SHL Telemedicine – Consolidated key figures (in USD million)

	Q2 06	Q2 05 (*)	HY 06	HY 05 (*)
Revenues	22.1	24.8	44.0	49.5
Gross Profit	10.4	11.1	20.7	22.1
%	47.1%	44.8%	47.0%	44.6%
EBITDA	2.4	2.6	5.1	4.8
%	10.9%	10.5%	11.6%	9.7%
EBIT	0.5	0.6	1.4	1.2
%	2.3%	2.4%	3.2%	2.4%
Net loss from continuing operations	(1.3)	(0.2)	(1.9)	(0.6)
Net loss	(2.4)	(0.2)	(3.9)	(0.7)

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

Telemedicine Segment - Key figures (in USD million)

	Q2 06	Q2 05	HY 06	HY 05
Revenues	15.6	14.7	31.1	29.3
Gross Profit	7.9	7.1	15.9	14.5
%	50.6%	48.3%	51.1%	49.5%
EBITDA	2.4	1.5	5.3	2.9
%	15.4%	10.2%	17.0%	9.9%
EBIT/(LBIT)	0.6	(0.3)	1.8	(0.4)
%	3.9%	(2.0)%	5.8%	(1.4)%

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.

The full First Half-Year Report of 2006 is available on www.shl-telemedicine.com

Next events

22 November 2006 Results Q3 06



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)	30.06.2006	30.06.2005 (*)	31.12.2005
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Cash, cash equivalents and short term investments	9,467	13,511	20,962
Trade receivables	20,426	26,858	20,717
Inventory	642	654	642
Other current assets	3,976	4,535	3,508
	34,511	45,558	45,829
Assets held-for-sale	764	-	-
Current Assets	35,275	45,558	45,829
Long-term Assets	19,161	30,773	19,739
Fixed Assets, net	25,307	26,408	24,799
Intangible Assets, net	48,061	52,525	47,009
Total Assets	127,804	155,264	137,376
Credit from banks and others	28,710	42,910	41,888
Trade payables	8,665	9,221	8,414
Income taxes payable	959	2,137	1,087
Other accounts payable	9,339	10,461	8,482
	47,733	64,729	59,871
Liabilities held-for-sale	205	-	-
Current Liabilities	47,938	64,729	59,871
Long-term loans from banks and others	40,876	36,744	32,647
Accrued severance pay	66	1,149	241
Provisions	1,829	3,074	2,146
Deferred revenues	796	1,811	1,121
Deferred taxes	509	665	567
Long-term Liabilities	44,076	43,443	36,722
Total liabilities	92,014	108,172	96,593
Equity attributable to SHL shareholders:			
Share capital	31	31	31
Additional paid-in capital	91,893	91,601	91,762
Treasury shares at cost	(269)	(558)	(269)
Foreign currency translation reserve	(7,381)	(7,243)	(7,237)
Accumulated deficit	(49,317)	(38,376)	(44,656)
	34,957	45,455	39,631
Minority interest	833	1,637	1,152
Total Equity	35,790	47,092	40,783
Liabilities and Equity	127,804	155,264	137,376

(*) – Retrospectively adjusted

Statements of Operations (USD thousands, except per share data)	Q2 06	Q2 05 (*)	H1 06	H1 05 (*)	Y 2005
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Revenues	22,142	24,790	44,033	49,485	91,554
Cost of sales	11,750	13,703	23,344	27,431	50,476
Gross Profit	10,392	11,087	20,689	22,054	41,078
Research and development costs, net	213	239	403	489	915
Selling and marketing expenses	2,856	3,285	5,726	6,801	13,519
General and administrative expenses	6,810	6,922	13,152	13,584	27,698
Operating Income (Loss)	513	641	1,408	1,180	(1,054)
Financial expenses	(1,206)	(1,259)	(2,743)	(2,209)	(4,566)
Other income (expenses), net	(90)	2	(168)	(11)	8,740
Profit (Loss) before taxes on income	(783)	(616)	(1,503)	(1,040)	3,120
Taxes on income (tax benefit)	494	(505)	376	(396)	7,421
Net Loss from continuing operations	(1,277)	(111)	(1,879)	(644)	(4,301)
Net Loss from discontinued operations	(1,077)	(110)	(1,990)	(12)	(3,247)
Loss	(2,354)	(221)	(3,869)	(656)	(7,548)
Attributable to SHL shareholders'	(2,812)	(725)	(4,661)	(1,642)	(9,187)
Minority interest	458	504	792	986	1,639
	(2,354)	(221)	(3,869)	(656)	(7,548)
Basic and diluted loss per share from continued operations	(0.17)	(0.06)	(0.25)	(0.15)	(0.56)
Basic and diluted loss per share from discontinued operations	(0.10)	(0.01)	(0.19)	-	(0.31)
Basic and diluted loss per share	(0.29)	(0.07)	(0.44)	(0.15)	(0.87)

(*) – Retrospectively adjusted

Statements of Cash Flows (USD thousands)	Q2 06	Q2 05 (*)	H1 06	H1 05 (*)	Y 2005
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Net Loss	(2,354)	(221)	(3,869)	(656)	(7,548)
Adjustment required to reconcile net loss to net cash	3,067	542	4,154	(895)	7,340
Net Cash provided by (used in) Operating Activities	713	321	285	(1,551)	(208)
Purchase of fixed assets	(1,134)	(1,184)	(2,985)	(2,663)	(5,400)
Cash received from sale of subsidiary	-	-	-	-	16,715
Investment in intangible assets	(397)	(317)	(1,021)	(662)	(1,482)
Proceeds from sale of fixed assets	19	6	19	6	6
Short term investments, net	-	-	-	-	3,460
Long-term deposits, net	-	6	-	44	42
Marketable securities, net	3,203	-	(1,526)	-	-
Net Cash provided by (used in) Investing Activities	1,691	(1,489)	(5,513)	(3,275)	13,341
Proceeds from exercise of options	-	7	-	7	52
Proceeds from long-term loans from banks and others, net	339	4,359	4,781	7,015	9,134
Repayment of long-term loans from banks and others, net	(5,260)	(8,026)	(11,264)	(11,393)	(18,614)
Short-term bank credit, net	(482)	2,113	(74)	1,884	1,250
Distributions to minority interest	(589)	(373)	(1,184)	(717)	(1,856)
Capital contribution from minority interest	1	31	73	31	31
Payment of liability regarding the acquisition of Raytel and business activities	-	(58)	-	(114)	(139)
Net Cash used in Financing Activities	(5,991)	(1,947)	(7,668)	(3,287)	(10,142)
Effect of exchange rate changes on cash and cash equivalents	484	(379)	234	(547)	(812)
Increase (Decrease) in cash and cash equivalents	(3,103)	(3,494)	(12,662)	(8,660)	2,179
Cash and cash equivalents at the beginning of the period	9,504	11,718	19,063	16,884	16,884
Cash and Cash equivalents at the end of the period	6,401	8,224	6,401	8,224	19,063

(*) – Retrospectively adjusted