

Press Release

**SHL's first quarter 2005 marked by significant contracts in Germany and US.
Financial performance in line with its expectations.**

Tel Aviv/Zurich, May 26, 2005 – During the first quarter of 2005 SHL entered into significant contracts in both Germany and the US that reflect the positive direction that the Company's international telemedicine activities are taking.

In Germany, Taunus Betriebskrankenkasse, a Frankfurt based health insurance company, has entered into an agreement for the utilization of the SHL telemedicine solution for their members with chronic heart diseases while in the US SHL entered into 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. Both of these contracts are expected to generate significant revenues in the coming years as well as leading to the signing of further contracts with other bodies in these fields.

SHL's financial performance during the quarter was in line with its expectations. Revenues amounted to USD 26.2 million, compared with USD 26.6 million in Q1 2004. Revenues from international operations amount to 73% of the total revenues both in Q1 2005 and 2004 but are expected to increase in the coming periods with the implementation of the overseas contracts. Gross profit amounted to USD 11.7 million compared with USD 12.1 million in Q1 2004, while EBITDA for the quarter amounted to USD 1.7 million compared with an EBITDA of USD 2.1 million in Q1 2004.

From January 2005, following the application of new accounting principles regarding the treatment of goodwill (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 created at the time of the acquisition of these operations are now recorded directly in the income statement and have thus caused a significant decrease in SHL's operating profit (EBIT) which amounted to USD 245,000 compared to an EBIT of USD 1.6 million in Q1 2004.

As a result the loss for the quarter attributable to shareholders amounted to USD 1.3 million which after the effect of the minority interest profit of USD 0.5 million resulted in a net loss for the Company of USD 0.8 million. The net income attributable to shareholders for the comparable period of 2004 amounted to USD 0.3 million which after the addition of the minority interest profit of USD 0.3 million resulted in a net income to the Company of USD 0.6 million. Loss per share amounted to USD 0.12 compared with earnings per share of USD 0.03 in Q1 2004.

Key figures (in USD million)

	Q1 05	Q1 04
Revenues	26.2	26.6
Gross profit	11.7	12.1
%	44.8%	45.6%
EBITDA	1.7	2.1
%	6.4%	8.1%
EBIT	0.25	1.6
%	1%	5.8%
Net income (loss)	(0.8)	0.6
Minority interest	0.5	0.3
Net income (loss) – SHL shareholders'	(1.3)	0.3

Cash position

During the quarter SHL had a negative operating cash flow of USD 1.9 million compared to a negative operating cash flow of USD 1.4 million in Q1 2004. The major reasons for the negative operating cash flow are the ongoing expenses of the German operations that are still being financed by the cash received from Philips at the time of the acquisition and the seasonal delays in the first quarter of the year in the receipt of reimbursements in the US.

As at 31 March 2005, SHL had some USD 21.4 million in cash, cash equivalents, marketable securities and deposits compared with USD 26.9 million at December 31, 2004. Equity totalled USD 80.3 million compared to USD 81.5 million at December 31, 2004.

Next publications

23 August 2005 Results Q2 05
22 November 2005 Results Q3 05

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.

For further information please contact:

- Erez Aloy, Co-CEO, Phone: +972 3561 22 12, erez@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@irfirm.biz

Balance Sheets (USD thousands)	March 31, 2005	March 31, 2004	Dec 31, 2004
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Cash, cash equivalents and short term deposits	16'764	31'745	22'080
Trade receivables	27'148	26'392	23'867
Inventory	6'101	5'830	6'238
Other current assets	12'217	14'472	12'040
Current Assets	62'230	78'439	64'225
Long-term Assets	60'337	60'847	62'198
Fixed Assets, net	16'675	15'784	16'316
Intangible Assets, net	53'426	50'991	53'004
Total Assets	192'668	206'061	195'743
Credit from banks and others	45'692	43'132	42'072
Trade payables	9'683	7'600	8'647
Income taxes payable	2'051	2'814	2'201
Other accounts payable	11'380	18'470	12'150
Current Liabilities	68'806	72'016	65'072
Long-term loans from banks and others	37'757	45'962	43'219
Provisions	3'343	422	3'613
Accrued severance pay	1'700	1'250	1'531
Deferred taxes	724	833	793
Long-term Liabilities	43'524	48'467	49'156
Total liabilities	112'330	120'483	114'228
Equity attributable to SHL shareholders:			
Share capital	31	31	31
Additional paid-in capital	91'594	91'594	91'594
Treasury shares at cost	(558)	(432)	(558)
Foreign currency translation reserve	(5'824)	(7'978)	(5'162)
Retained earnings (accumulated deficit)	(6'361)	701	(5'708)
	78'882	83'916	80'197
Minority interest	1'456	1'662	1'318
Total Equity	80'338	85'578	81'515
Total Liabilities and Equity	192'668	206'061	195'743

Statements of Operations (USD thousands, except per share data)	Q1 05	Q1 04	Y 2004
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Revenues from sales of devices and services	26'157	26'604	103'052
Cost of sales of devices and services	14'438	14'474	58'402
Gross Profit	11'719	12'130	44'650
Research and development costs, net	250	194	712
Selling and marketing expenses	3'491	3'070	12'811
General and administrative expenses	7'733	7'313	32'835
Operating Income (Loss) (EBIT/LBIT)	245	1'553	(1'708)
Financial expenses, net	908	608	3'534
Other expenses (income), net	13	-	(207)
Income (Loss) before taxes on Income	(676)	945	(5'035)
Taxes on income (tax benefit)	118	317	(318)
Net Income (Loss)	(794)	628	(4'717)
Attributable to SHL shareholders'	(1'276)	318	(6'091)
Minority Interest	482	310	1'374
Earnings (Loss) Per Share	(0.12)	0.03	(0.58)

Statements of Cash Flows (USD thousands)	Q1 05	Q1 04	Y 2004
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Net income (loss) for the period	(794)	628	(4'717)
Adjustments required to reconcile net loss to net cash	(1'071)	(2'034)	6'202
Net Cash Provided by (Used in) Operating Activities	(1'865)	(1'406)	1'305
Purchase of fixed assets	(1'486)	(942)	(5'155)
Net cash received in the acquisition of PHTS	-	11'035	11'035
Payment for acquisition of business activities, net of cash acquired	-	(4'594)	(4'734)
Investment in intangible assets	(345)	(310)	(1'118)
Proceeds from sale of fixed assets	-	104	1'283
Short term deposits, net	-	-	2'824
Long term deposits	38	-	37
Investment in marketable securities	-	-	27
Net Cash Provided by (Used in) Investing Activities	(1'793)	5'293	4'199
Proceeds from long-term loans from banks and others	2'656	9'070	13'723
Repayment of long-term loans from banks and others	(3'367)	(2'185)	(11'108)
Short-term bank credit, net	(229)	(3'968)	(6'983)
Distributions to minority interest, net	(344)	(75)	(1'435)
Purchase of minority interest	-	-	(48)
Payment of liability regarding the acquisition of Raytel	-	-	(89)
Payment of liability regarding the acquisition of business activities	(56)	(262)	(521)
Treasury shares acquired	-	-	(126)
Net Cash Provided by (Used in) Financing Activities	(1'340)	2'580	(6'587)
Effect of exchange rate changes on cash and cash equivalents	(168)	(622)	160
Increase (decrease) in cash and cash equivalents	(5'166)	5,845	(923)
Cash and cash equivalents at the beginning of the period	16'884	17'807	17'807
Cash and cash equivalents at the end of the period	11'718	23'652	16'884