

Press release

SHL announces full-year results 2016

Tel Aviv / Zurich, 31 July 2017 – SHL Telemedicine Ltd. (SIX Swiss Exchange: SHLTN, OTCPK: SMDCY) (“SHL”), a leading provider and developer of advanced personal telemedicine solutions, today announced the audited annual results for 2016. SIX Exchange Regulation had granted the Company an extension of the deadline for the publication of the Annual Report 2016 until end of July 2017.

- Total revenues of USD 40.5m, up 9.2% on total revenues of 37.1m in 2015
- EBITDA of USD 1.0m, compared to a negative EBITDA of USD 9.0m in 2015
- Extraordinary non-recurring items including restatements and adjustments for income taxes, sales wages and commissions as well as impairments of fixed assets and intangible assets have a negative impact on equity of USD 16.8m (see below)
- Net loss of USD 11.1m versus a net loss of USD 15.7m in 2015
- Increase in cash and cash equivalent of USD 1.9m with a negative free cash flow from operating activities, net off investing activities of USD 2.2m*.

Yoav Rubinstein, CEO of SHL, said: “We have seen a relatively stable course of business in our two core markets, Germany and Israel, despite the changes in the Group’s management. In addition, initiatives to grow our footprint in new markets, i.e. the US and China, are underway.”

Results from operations

- In Germany, 2016 revenues were USD 20.7m up 30.2% on revenue of USD 15.9m in 2015 due to an income of EUR 5.3m from cost savings delivered under a Chronic Disease Management Services (“CDMS”) contract in Germany, relating to the year 2015 as informed in May 2017.
- In Israel, revenues were USD 19.6m, down 7.1% compared to 2015. The decline is mainly related to ending service contracts with institutions and decline in income from subscribers.

Key figures

in USD million	2016	2015	change
Revenues	40.5	37.1	9.2%
• Germany	20.7	15.9	30.2%
• Israel	19.6	21.1	(7.1%)
• ROW	0.2	0.1	100%
EBIT	(4.8)	(14.5)	
EBITDA	1.0	(9.0)	
Net loss (a)	(11.1)	(15.7)	
Free cash flow from operating activities, net off investing activities*	(2.2)	1.3	

*Investing activities include only investment in property and equipment and intangible assets.

The results detailed above include the changes in revenue estimates following an agreement with SIX Exchange Regulation on the correction of accounting errors for the year 2015. The related errors mainly referred to (a) data received by SHL in 2014 which at that time was not adequately taken into



consideration for the valuation of two performance based contracts due to a supposed lack of statistical significance of the data; and (b) expenses for the renewal of a customer contract to be recorded in the 2015 annual financial statements rather than in 2016.

The results above also include the following extraordinary non-recurring items already mentioned in SHL's announcement of 21 July 2017:

- *Income Tax*: As reported before, SHL received in November 2016 a final judgement regarding previous years' income tax assessment. The additional financial tax liability to be recognized in 2016 is USD 4.7m.
- *Sales wages and commissions*: SHL decided to change its accounting policy in this regard to be in line with IFRS 15 which will be effective starting 1 January 2018. This requires a retroactive adjustment of USD 3.8m, comprised of a write-off of USD 3.4m in the 2015 equity opening balance, plus additional expenses of USD 0.4m in 2015. The impact due to the change in accounting policy in 2016 is marginal.
- *Adjustments in fixed assets*: SHL has corrected a technical error in the fixed assets roll forward schedule, and is recording an impairment on old devices, resulting in an adjustment of its fixed assets of USD 2.6m, out of which a net amount of USD 1.6m as of 31 December 2016 is being treated as a restatement in previous years.
- *Capitalization of development costs*: SHL decided to write-off certain obsolete assets and impair certain other assets in view of technology advancements and SHL's projections for its global operations, resulting in an adjustment of its intangible assets of USD 1.7m.

These extraordinary items along with other items such as adjustment of deferred taxes in Israel of inventories and impairment of intangible assets negatively impact SHL's equity to the amount of USD 16.8m (USD 11.0m after deduction of the extra income of EUR 5.3m from cost savings under the CDMS contract in Germany – compared with the preliminary numbers published on 21 July 2017, which were not final then, this is USD 1.7m higher due to an additional impairment of intangible assets).

The 2016 annual report is available on: <http://www.shl-telemedicine.com/about-us/investorrelations/>

Results conference call Wednesday 2 August 2017, at 8:00 am CET

SHL Telemedicine will host a conference call for investors, journalists and analysts to discuss the 2016 results. It will be hosted by CEO Yoav Rubinstein and CFO Yossi Vadnagra. The call will take place on Wednesday, 2 August 2017, at 8:00 am CET, is scheduled to last approximately 30 minutes and will be held in English.

Dial-in numbers:

From Europe	+41 58 310 50 00
From UK	+44 203 059 58 62
From Israel	Toll free: 1 80 921 44 27, local: +972 3763 1173

Financial calendar

Half-year report 2017

29 September 2017

About SHL Telemedicine

SHL Telemedicine is engaged in developing and marketing personal telemedicine systems and the provision of medical call center services, with a focus on cardiovascular and related diseases, to end users and to the healthcare



community. SHL Telemedicine offers its services and personal telemedicine devices to subscribers utilizing telephonic and Internet communication technology. The Company operates in Israel, Germany, India and the United States in one business segment, Telemedicine services. SHL is listed on the SIX Swiss Exchange (SHLTN, ISIN: IL0010855885, Security No.: 1128957) and has an ADR program listed over-the counter; Symbol: SMDCY. For more information, please visit our web site 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.