

## **SHL Results Q2 / 1HY2005**

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  - Based in Tel Aviv
  
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  - CFO SHL Telemedicine
  - Based in Tel-Aviv
  
- ◆ Eyal Lewin
  - Managing Director Personal HealthCare Telemedicine Services (PHTS) Germany
  - Based in Düsseldorf
  
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  - Referent Contracts Group TAUNUS BKK
  - Based in Frankfurt

- Section 1 H1/2005 Highlights and business overview
- Section 2 Financials and business update
- Section 3 PHTS and the German market
- Section 4 Taunus BKK's approach to telemedicine
- Section 5 Outlook
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H1/2005 Highlights and  
business overview

## Company Profile

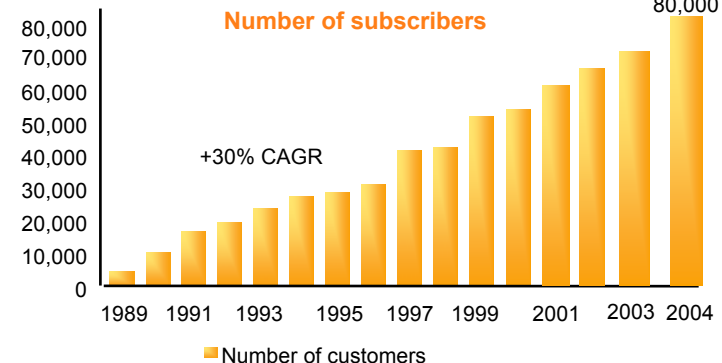
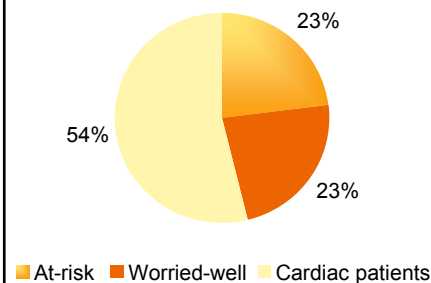
- ◆ World pioneering and leading Telemedicine provider
- ◆ Integrated provider of telemedicine services and technology
- ◆ Proven and unique business model since 1987
- ◆ More than 300k individuals and 15k physicians as clients, with more than 1,200,000 ECG transmissions to our medical call centers annually

## Main Active Markets

- ◆ USA  An SHL Telemedicine Company
- ◆ Israel  שחל סלרפואה בע"מ
- ◆ Europe 

## Leadership Position in Home Market

Subscriber breakdown



### Achievements in 1HY05

- ◆ **First and significant contracts of PHTS in Germany**
  - Taunus BKK, Deutsche BKK
- ◆ **Exclusive marketing alliance of Raytel with St. Jude Medical**
  - Promotion of Raytel's INR@Home™ program
- ◆ **Divestment of Bikurofe in Israel**
  - Capital gain of around USD 9m in Q3

### Current initiatives

- ◆ **New contracts for PHTS / Germany**
  - More agreements in the pipeline
- ◆ **Strategic alternatives for US Imaging Services Division**
  - Still being explored



# Telemedicine business overview

	USA	Germany	Israel
<b>Services</b>	<ul style="list-style-type: none"><li>Cardiovascular telemedicine</li></ul>	<ul style="list-style-type: none"><li>Cardiovascular telemedicine</li></ul>	<ul style="list-style-type: none"><li>Cardiovascular telemedicine</li></ul>
<b>Key growth drivers</b>	<ul style="list-style-type: none"><li>INR@home</li><li>Pacemaker monitoring</li><li>ICD's monitoring</li></ul>	<ul style="list-style-type: none"><li>Cardiac &amp; CHF monitoring</li></ul>	<ul style="list-style-type: none"><li>Cardiac &amp; CHF monitoring</li></ul>
<b>Key customers for SHL services</b>	<ul style="list-style-type: none"><li>Insurance (Medicare)</li><li>Physician</li></ul>	<ul style="list-style-type: none"><li>Insurance (Krankenkasse)</li></ul>	<ul style="list-style-type: none"><li>End user</li></ul>
<b>Medical Call Centers</b>	<ul style="list-style-type: none"><li>NY/Connecticut</li></ul>	<ul style="list-style-type: none"><li>Düsseldorf</li></ul>	<ul style="list-style-type: none"><li>Tel Aviv</li></ul>
<b>Employees (FTE)</b>	<ul style="list-style-type: none"><li>390</li></ul>	<ul style="list-style-type: none"><li>30</li></ul>	<ul style="list-style-type: none"><li>250</li></ul>

- ◆ To provide high value added integrated telemedicine services
- ◆ Growth in Germany and USA
- ◆ Platform scalable to other European countries
- ◆ Sustainable revenue growth
- ◆ Positive operating cash flow, profitable



### Financials and business update

## **Satisfactory development in U.S telemedicine division**

- ◆ New telemedicine applications – INR@Home
  - exclusive alliance for promoting INR@Home, signed
  
- ◆ Expansion of alliances with industry leaders
  - E.g. with St. Jude to increase awareness of self-testing
  
- ◆ Research proving effectiveness of personal telemedicine services
  - Positive results for remote monitoring of patients with Implantable Cardioverter Defibrillators (ICDs)



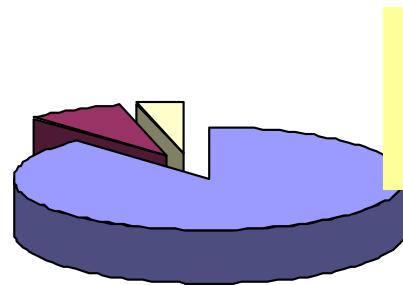
# USA: Pacemaker/ICD telemedicine market

- ◆ Approx. 1.5M patients in the US; 300,000 annual implants, ~20% churn rate, ~ 15%-20% death

## 2004 US Market by Product type

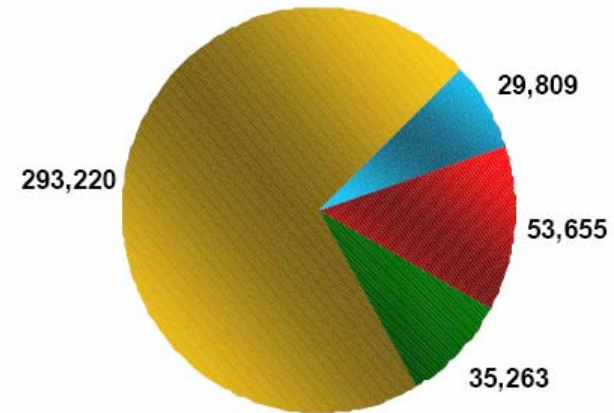
### Pacemaker Market Breakdown

**8% SHL US  
Telemedicine  
Division**



**4% Other  
Providers**

**88% Hospitals,  
Clinics, Non  
Monitored**

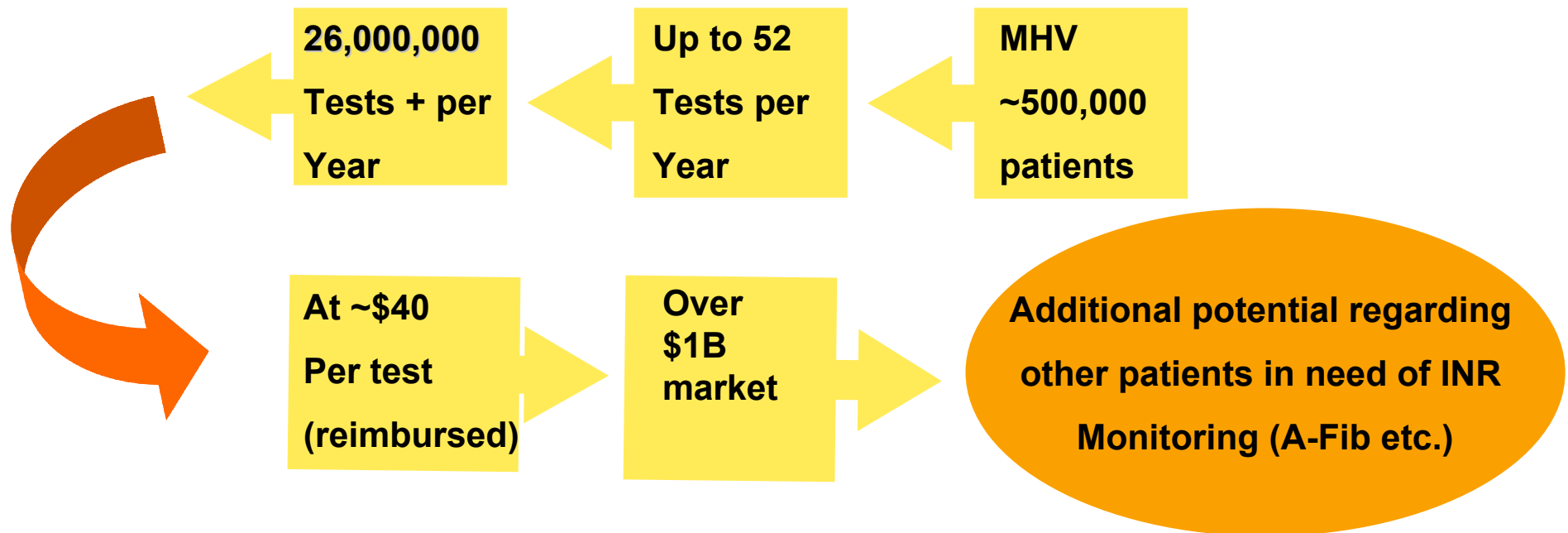


Source: Frost & Sullivan September 2004

■ Pacemaker ■ ICD single chamber ■ ICD dual chamber ■ CRT



- ◆ INR@Home - a new cardiovascular telemedicine service
- ◆ About 500,000 MHV patients in the US (St. Jude dominates MHV market - 80%)
- ◆ Exclusive marketing alliance with St. Jude Medical, to promote new INR@Home™ anticoagulation blood monitoring system



### **Promising prospects for our German telemedicine operation (PHTS)**

- ◆ First and pivotal agreements signed
  - Taunus Betriebskrankenkasse (March 05)
  - Deutsche Betriebskrankenkasse (June 05)
  
- ◆ Impact
  - important milestone for PHTS, proving market acceptance
  - expecting revenues from these contracts already in 2005
  
- ◆ Outlook
  - additional agreements expected in 2005

## **Focus on core telemedicine activities**

- ◆ Divestment of Bikurofe Ltd. the outpatient clinics/doctor visit services company
  - Capital gain of around USD 9 million expected in Q3
- ◆ Israeli telemedicine businesses on track



## Statements of Operations (in USD M)

	Q2 2005	Q2 2004	H1 2005	H1 2004	FY 2004
Revenues	26.1	26.4	52.3	53.0	103.0
COGS	<u>14.6</u>	<u>14.6</u>	<u>29.0</u>	<u>29.1</u>	<u>58.4</u>
GP	<b>11.5</b>	<b>11.8</b>	<b>23.3</b>	<b>23.9</b>	<b>44.6</b>
%	44.2%	44.6%	44.5%	45.1%	43.3%
R&D	0.2	0.2	0.5	0.4	0.7
S&M	3.2	2.6	6.7	5.7	12.8
G&A	<u>8.0</u>	<u>8.0</u>	<u>15.7</u>	<u>15.2</u>	<u>32.8</u>
EBIT/(LBIT)	<b>0.1</b>	<b>1.0</b>	<b>0.4</b>	<b>2.6</b>	<b>(1.7)</b>
%	0.4%	3.9%	0.7%	4.9%	(1.6)%
EBITDA/(LBITDA)	<b>1.7</b>	<b>2.2</b>	<b>3.4</b>	<b>4.3</b>	<b>(2.7)</b>
%	6.7%	8.1%	6.5%	8.1%	(2.6)%
Interest & Other expenses	0.9	0.7	1.8	1.4	3.3
Tax benefit	(0.5)	(0.4)	(0.3)	(0.1)	(0.3)
Net Income (Loss)	<b>(0.3)</b>	<b>0.7</b>	<b>(1.1)</b>	<b>1.3</b>	<b>(4.7)</b>
Minority Interest	<u>0.5</u>	<u>0.5</u>	<u>1.0</u>	<u>0.8</u>	<u>1.4</u>
Net Income (Loss) - SHL shareholders	<b>(0.8)</b>	<b>0.2</b>	<b>(2.1)</b>	<b>0.5</b>	<b>(6.1)</b>



## Balance Sheets (in USD M)

	H1 2005	Y 2004
<b><u>ASSETS</u></b>		
<b>Currents Assets:</b>		
Cash, deposits & marketable securities	13.5	22.1
Other current assets	<u>43.3</u>	<u>42.1</u>
	56.8	64.2
<b>LONG TERM ASSETS</b>	57.8	62.2
<b>FIXED ASSETS, NET</b>	16.3	16.3
<b>INTANGIBLE ASSETS, NET</b>	52.5	53.0
<b>TOTAL ASSETS</b>	<b>183.4</b>	<b>195.7</b>
<b><u>LIABILITIES &amp; EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>	64.2	65.1
<b>LONG TERM LIABILITIES</b>	42.0	49.1
<b>EQUITY</b>	77.2	81.5
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>183.4</b>	<b>195.7</b>





## Consolidated Cash Flows (in USD M)

Cash Flows	Q2 2005	Q2 2004	H1 2005	H1 2004
Cash provided by (used in) Operating activities	0.2	(0.6)	(1.7)	(2.0)
Cash provided by (used in) Investing activities (ex. deposits)	(1.3)	(1.9)	(3.2)	3.4
Cash used in Financing activities	(2.0)	(4.5)	(3.3)	(1.8)
Effect of exchange rate changes	<u>(0.5)</u>	<u>0.2</u>	<u>(0.9)</u>	<u>(0.8)</u>
Decrease in Cash, cash equivalents, deposits & marketable securities	(3.6)	(6.8)	(9.1)	(1.2)
Cash, cash equivalents, deposits & marketable securities at beginning of period	21.4	35.9	26.9	30.3
Cash, cash equivalents, deposits & marketable securities at end of period	17.8	29.1	17.8	29.1

- ◆ Important milestones towards growth achieved in both USA and Germany
- ◆ Financial situation - balance sheet, cash-flow - supporting goals and growth
- ◆ Divestment of Bikurofe, USD 9M capital gain, impact in Q3

### PHTS and the German market

- ◆ Established as a Joint Venture in May 2001 together with Philips Medical Systems Netherlands B.V.
- ◆ SHL assumed full ownership at the beginning of 2004
- ◆ Introduction of a proven telemedicine solution for cardiovascular patients in Germany
- ◆ Studies concluded show significant cost savings together with improvement in quality of life by using the SHL telemedicine platform
- ◆ First significant contracts signed in 2005



- ◆ For acute cardiac risk
- ◆ Convenient 12-lead ECG device (Viapac®) for self-use
- ◆ Transmission of full 12-lead ECG to the telemedicine call center
- ◆ Telemedicine call center assess the received ECG and immediately consults with the caller

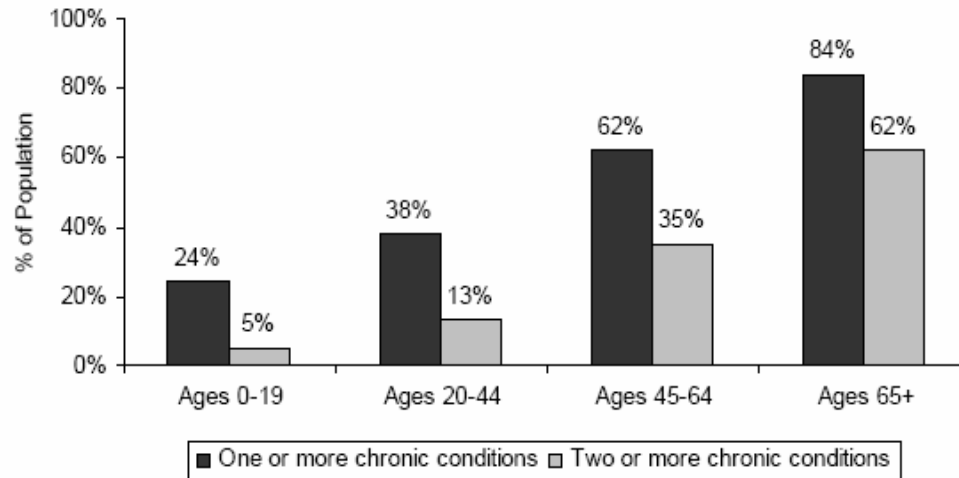


- ◆ For chronic heart failure
- ◆ Daily, automatic transmission of weight and blood pressure
- ◆ In instances where values exceed or are lower than the previously determined limits, an alarm will be activated and therapeutic action is immediately initiated



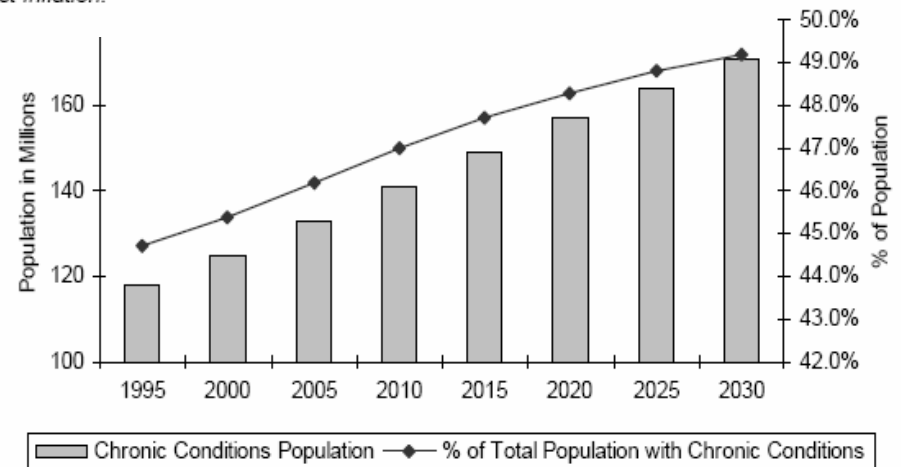
# Aging Population = More Chronic Conditions

### Age and Chronic Condition Prevalence



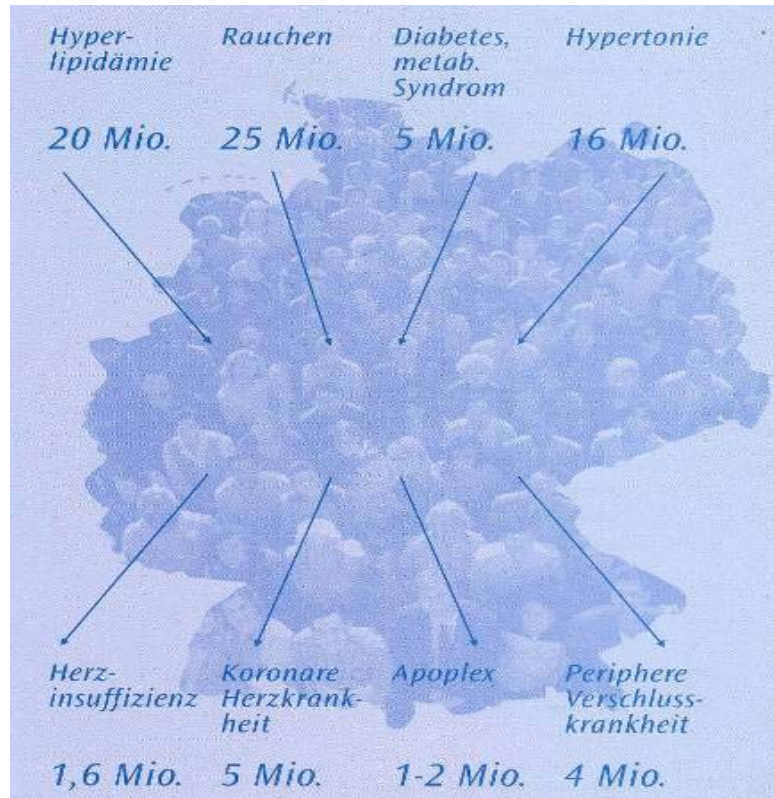
Source: Wu, Shin-Yi and Green, Anthony, *Projection of Chronic Illness Prevalence and Cost Inflation*. RAND Corporation, October 2000.

### Chronic Conditions Population Growth

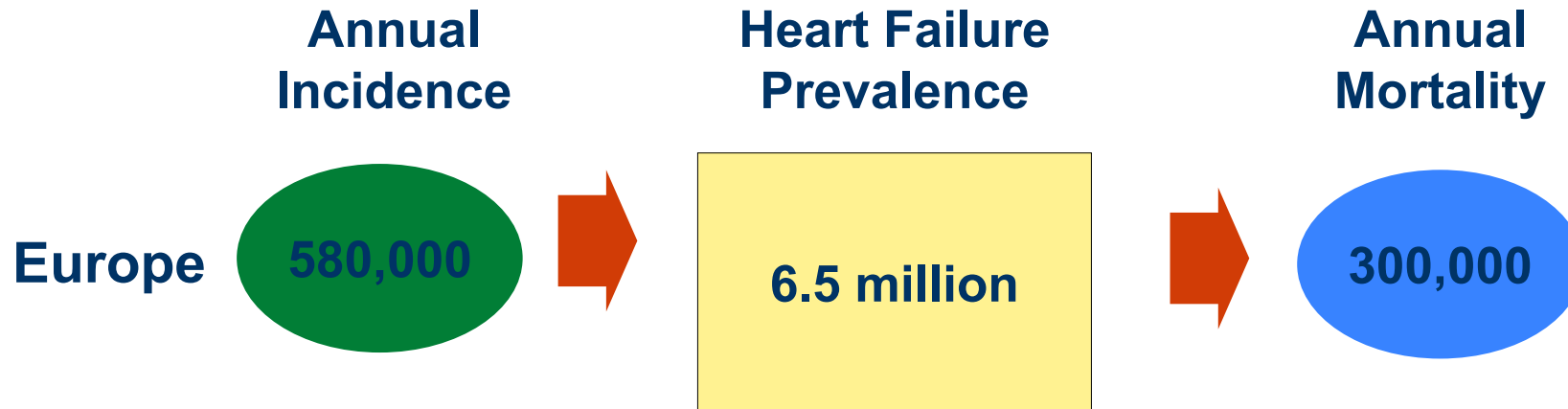


Source: Wu, Shin-Yi, and Green, Anthony. *Projection of Chronic Illness Prevalence and Cost Inflation*. RAND Corporation, October 2000.

## The “Problem” in Germany



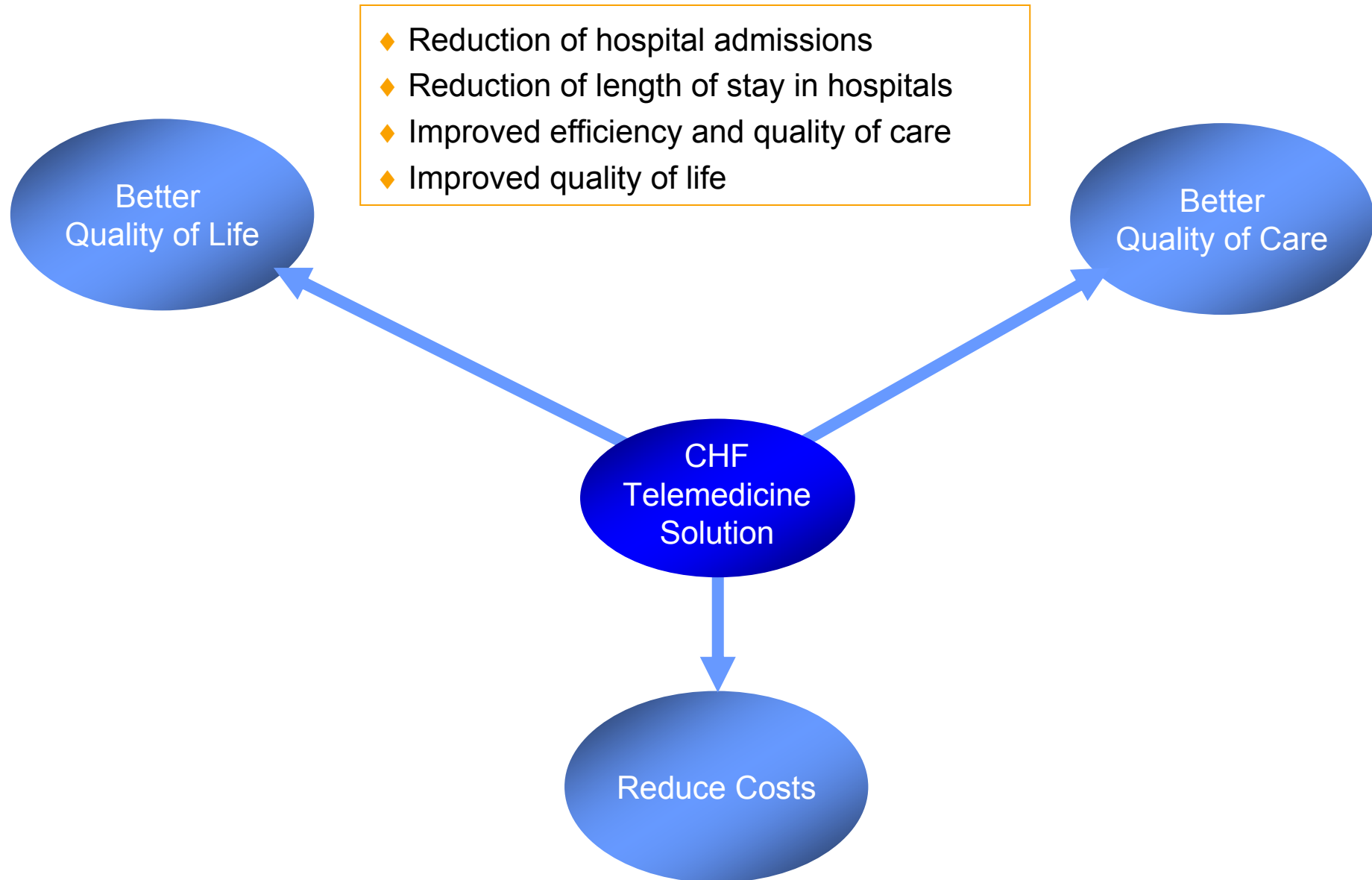
According to the German Federal Department of Statistics, in 2002 one-sixth (35.4 billion Euros) of the overall healthcare cost (223.6 billion Euros) was spent on treating cardiovascular disease



- ◆ Most costly disease! - 70% of cost is spent on Hospitalization
- ◆ Most frequent cause of hospitalization for those 65+
- ◆ Heart failure hospitalization costs are twice the cost of all cancers
- ◆ 4.8 million Americans and 5.1 million Europeans (West Europe) have CHF.
- ◆ Still, the implementation of modern therapy strategies in daily practice is, regrettably, insufficient

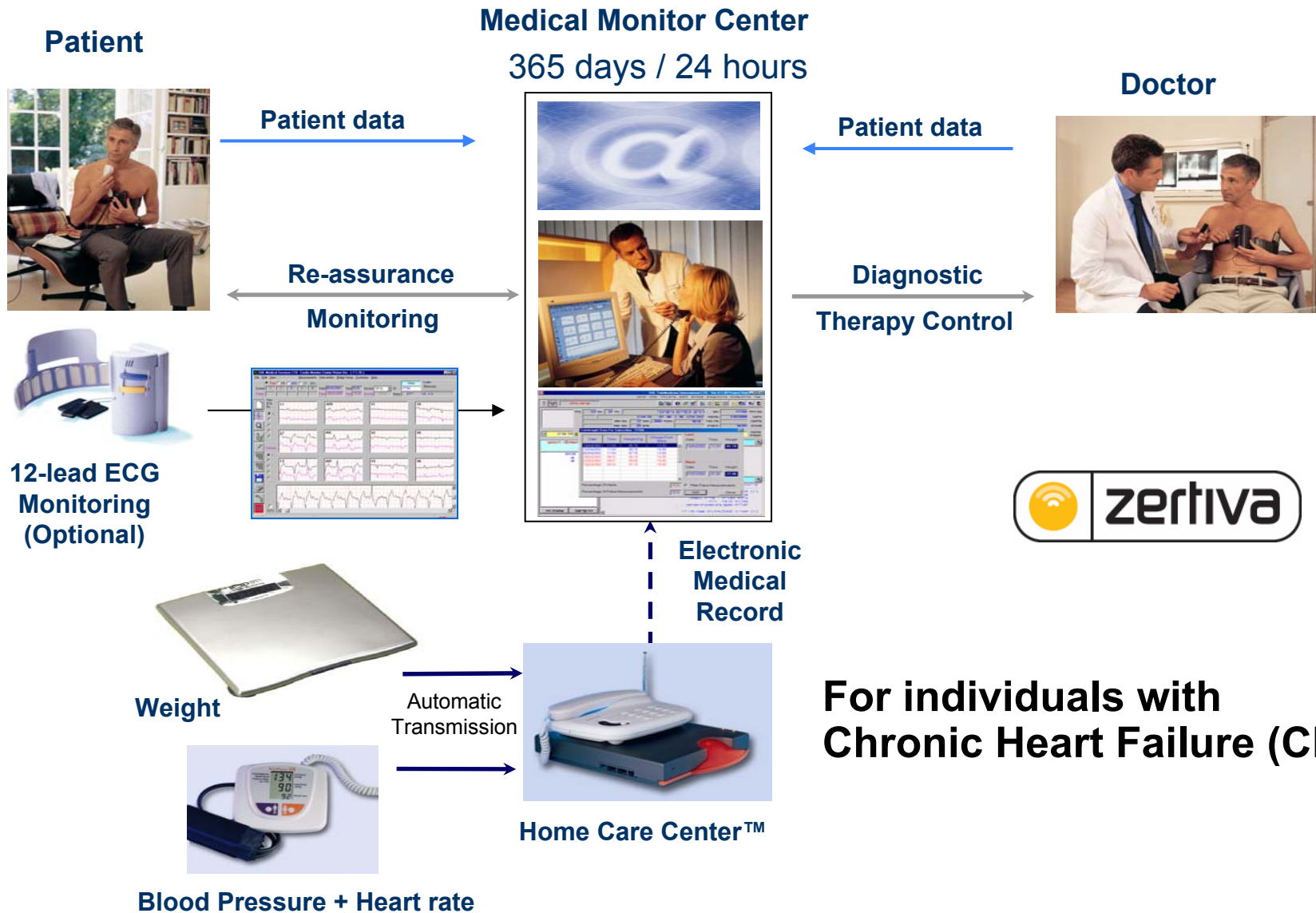


## CHF Telemedicine Solution Goals

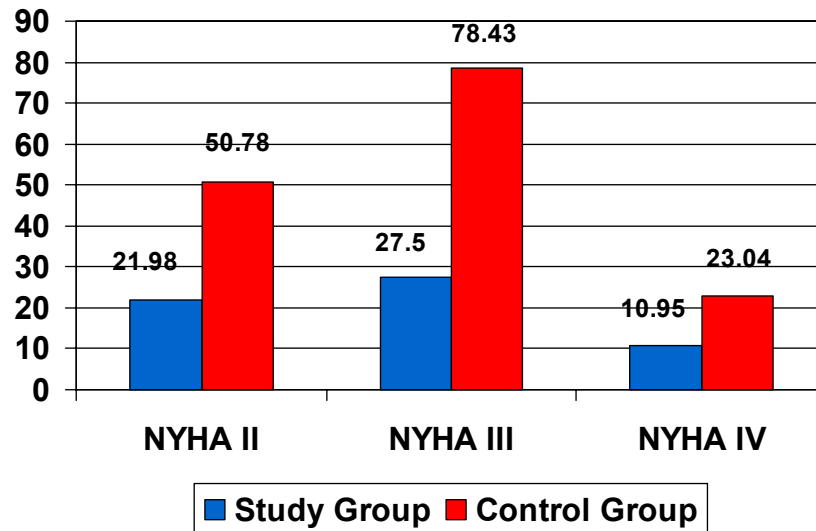




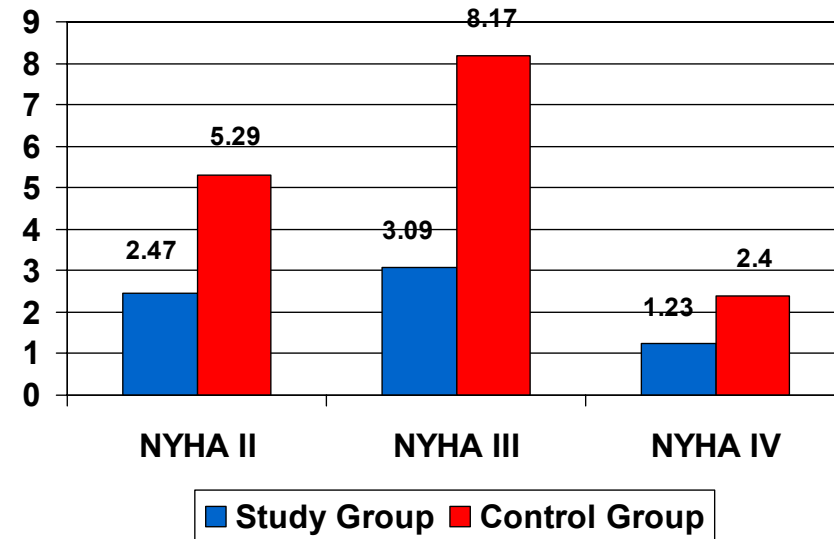
# CHF Telemedicine Service Outline



**Number of Hospitalization Days per 100 patients per 3 Months**



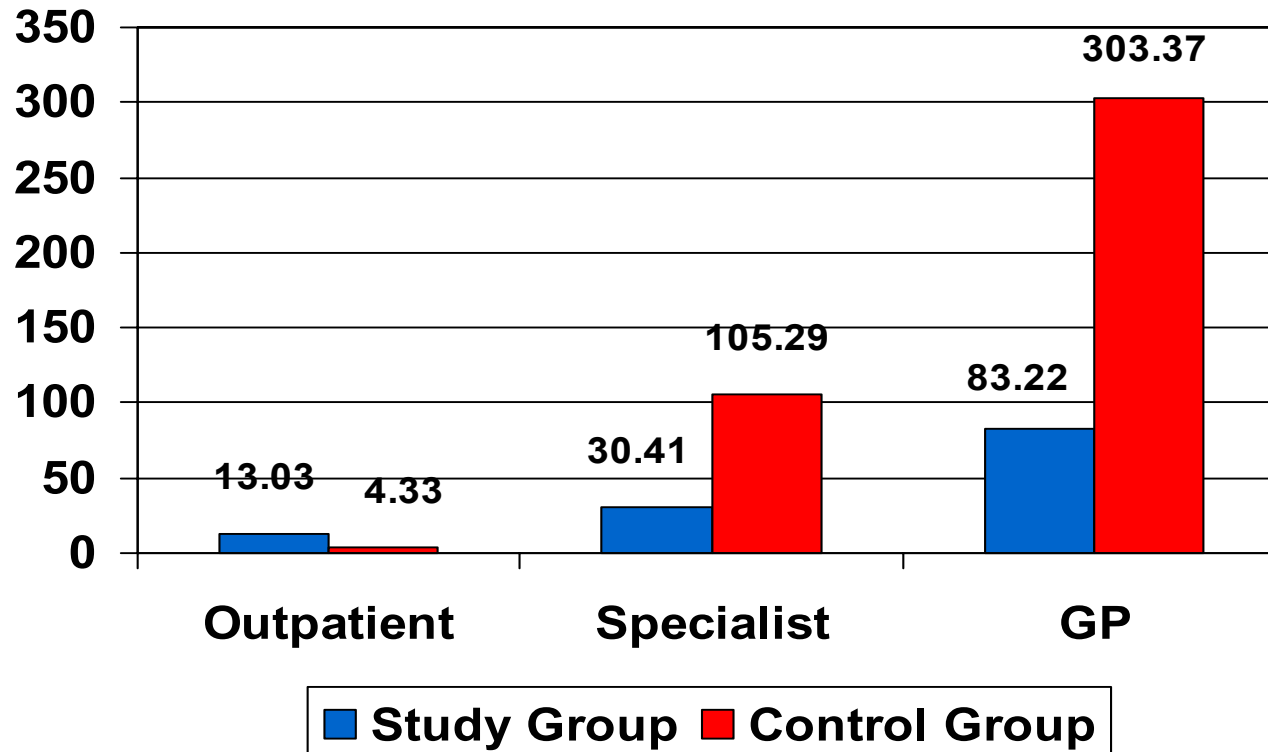
**Number of Hospital Admissions per 100 patients per 3 Months**



**An average of 60% reduction in hospitalization! represents a Gross saving of more than € 5,500 per CHF patient per year!\***

\* Based on € 9,900 annual hospitalization cost for CHF patient per year  
 A number published by DKV Deutsche Krankenversicherung AG (German Private Sick fund) 07.01.2004

Doctor Contacts per 100 patients per 3 Months



**Significant Reduction in Doctor Contacts:  
More than 70% reduction in GP and Specialists visits**

- ◆ HealthCare market is seeking for cost reduction
  - Insurance Companies
  - Hospitals
  - Incentives through HealthCare reform
  
- ◆ About 400 different health insurance companies in Germany
  - Public
  - BKK
  - Private



- ◆ **PHTS has a proven telemedicine solution that reduces healthcare costs for health insurers and others while improving quality of life and care**

### Taunus BKK's approach to telemedicine

- Established 125 years ago
- More than 770,000 insured
  - 3rd biggest insurer in the BKK system
  - more than 1,000 employees
  - 17 branch offices
- In the last 4 years massive growth
- Plan to meet the 1 M insured in a short period of time.

- Saves lives
- Chronic diseases are a heavy burden for health insurers
  - More than 4,000 identified CHF patients
- Seeking ways to reduce costs
- Studies conducted show significant cost savings together with improvement in quality of life and care for the insured
- Need to find a competitive advantage = Telemedicine



- Unique service model – Integrated Care
- Demonstrated ability to decrease hospitalizations and doctor visits, i.e. costs, while improving quality of care and life
- Demonstrated ability to provide service of high quality
- Telemedicine experience and know-how

Outlook

- ◆ SHL investing resources in developing and expanding its international telemedicine activities :
  - Growth in USA through Pacemaker/ICD monitoring and [INR@Home](#)
  - Growth in Germany
    - significant milestones achieved – Taunus, DKK agreements
    - expecting additional co-operations
  
- ◆ Mid term financial goals:
  - double digit revenue growth
  - EBIT margin 10% -12%

Q&A

### Appendix



## Contact information

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- ◆ IR Agenda
  - Q3 2005: November 22, 2005
- ◆ 10,664,807 registered shares with a par value of NIS 0.01 each
- ◆ Listed at SWX Swiss Exchange in CHF; Symbol: SHLTN, No. 1128957
- ◆ Market price high/low (CHF) in H1 2005: 5.11 / 7.99
- ◆ Market capitalization high/low (CHF million) H1 2005: 85.2 / 54.5
- ◆ Market capitalization 30.06.05 (CHF million): 85.2
- ◆ No voting restrictions