

SHL Telemedicine

2014 results

25 March 2015





Agenda

- SHL at a glance
- International growth
- Business review
- 2014 Financial Results
- Investor information

Forward looking statements

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SHL at a glance

Leading provider of technologically advanced telemedicine services and solutions

Services and solutions improve quality of life for SHL's subscribers and enable cost savings for the health services community

Technological innovation; ongoing development of IT based services and solutions

Listed on the Swiss Stock Exchange (SIX:SHLTN)

American DR program listed over-the counter (OTCPK: SMDCY)

smarth^{heart}

25 years of service

COPD



Medical Staff

Over
70,000
subscribers

CHF

1.5 million
transmissions p.a.

B2C & B2B

Telemedicine
Innovator

ECG Monitoring

Diabetes

Leveraging Global Platform for Growth



SHL's Unique Combination of Assets

Technology driven solutions

- World's only personal use hospital grade ECG
- Mobile health device capable of transforming any smartphone or tablet into a hospital grade ECG
- Dynamic S/W & H/W platform supporting full range of monitoring devices (MI, CHF, COPD, other)
 - Strong data management and analytics
 - Personal health records

Global Telemedicine platform

- Specialized medical staff performing medical evaluations/diagnostics 24/7
- Telemedicine centers providing services to any location/user across the globe
- 26 years of accumulated clinical and behavioral patient data
- Excellence in operations handling 100,000 monthly interactions
- Evolving from cardiac to chronic to new conditions (e.g. wearables)

Market Drivers



1. Aggregated Telehealth and mHealth 2014 projected market size, as presented in page 8 of this presentation.

Business Model – Three Pillars

Personal



- Individual subscriptions
- Primarily acute cardiac monitoring services
- **Very high recurring revenues**
- Average subscription period: **6 – 8 Years**
- Current territories: **Israel**
- Future territories: **North America and Asia-Pacific**
- ~50% of SHL's 2014 revenues

Institutional



- Contracts with major payors
- Primarily chronic monitoring services
- **Very high recurring revenues**
- Average contract period: **3 – 5 Years**
- Contracts structured as fee for service or proportion of savings
- Current territories: **Europe (Germany) and Israel**
- Future territories: **North America**
- ~50% of SHL's 2014 revenues

Professional



- Sales to medical professionals that are seeking the ability to conduct and read hospital-grade ECGs
- Primarily **smarthEart**
- **Revenues derived from device sales and interpretation service** for professional users who lack the ability to read ECGs
- Model relies on distribution partners and/or collaboration with local or global players
- Territories: **North America and Asia-Pacific**



smarth^{heart}

a global telemedicine platform
for Personal and Professional Use

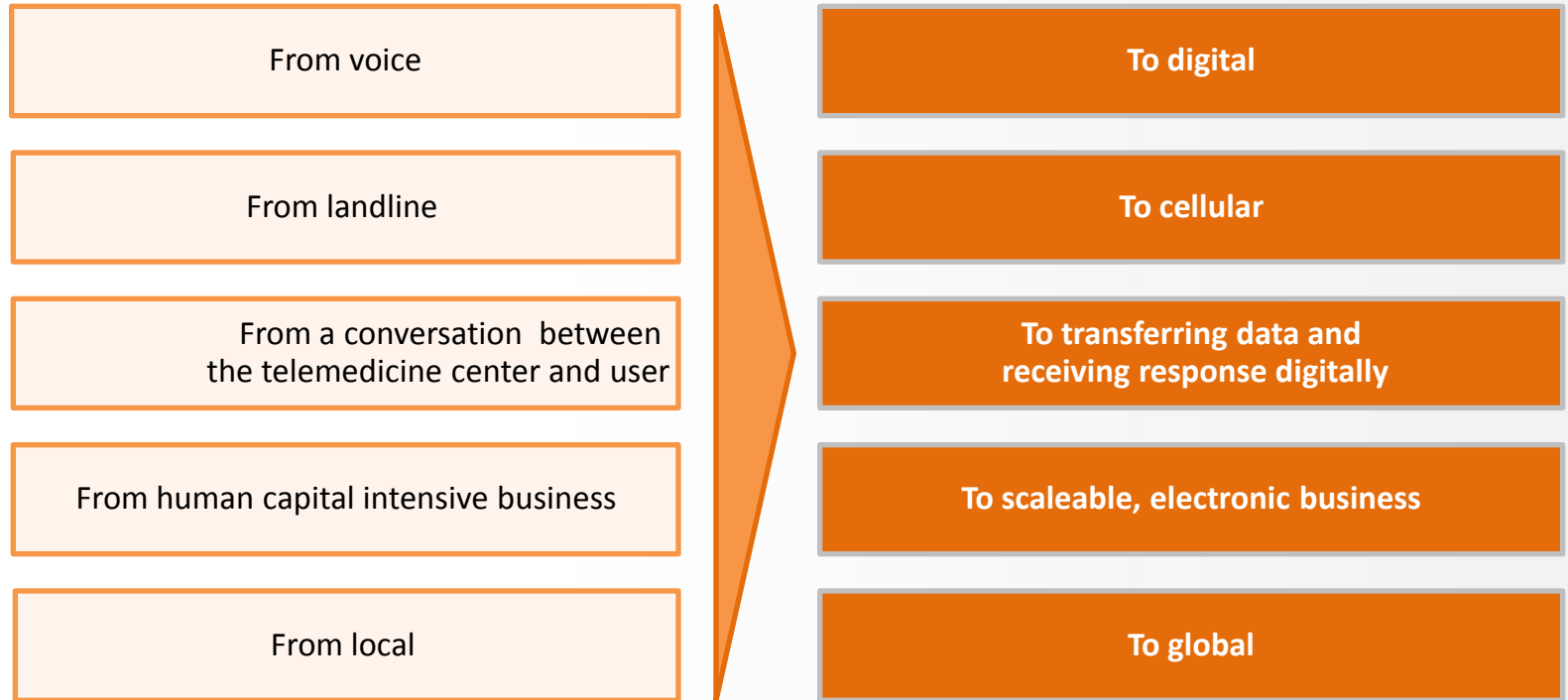


SHL
Telemedicine

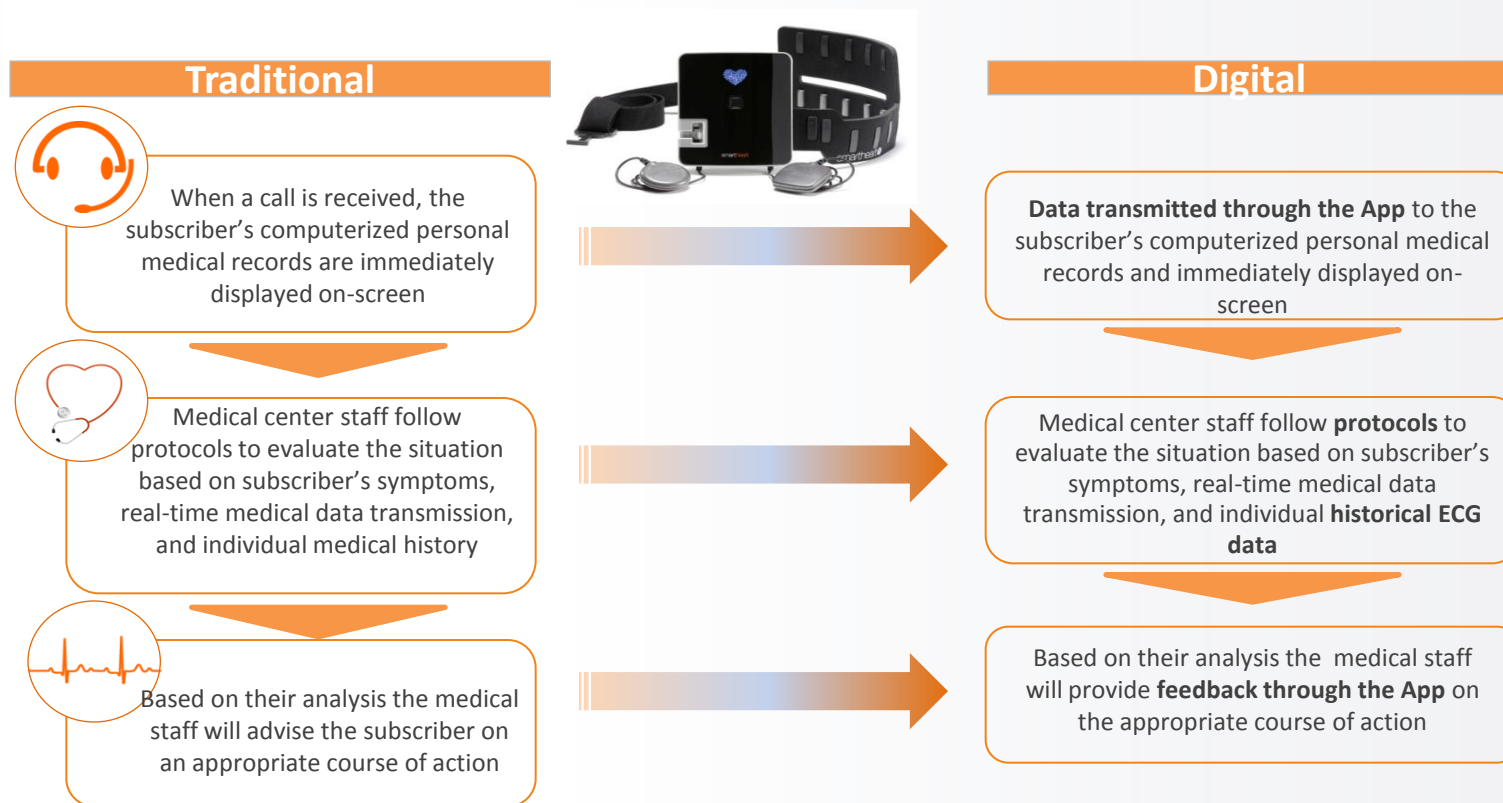
The smartheart platform



Transforming the Personal Service to Digital

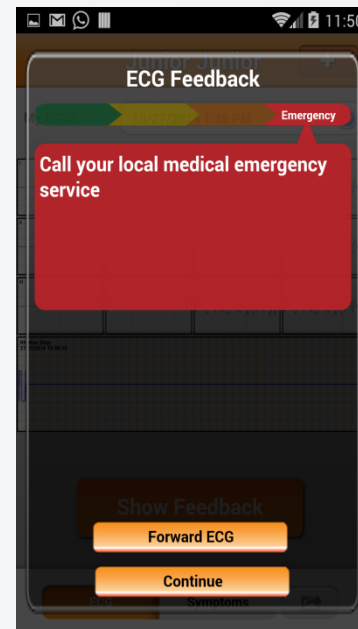
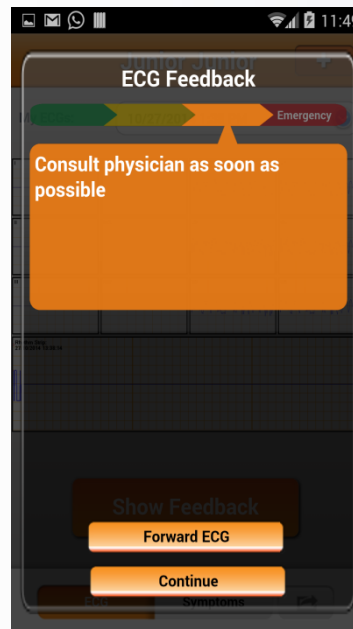
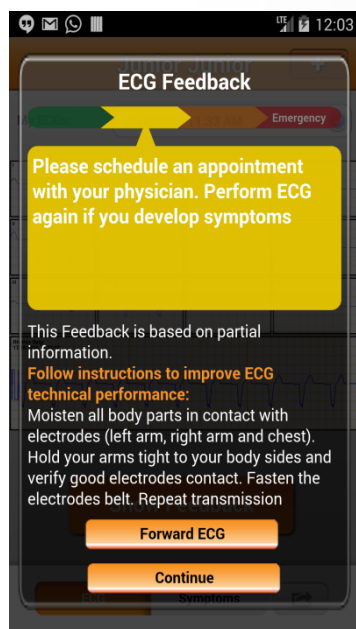
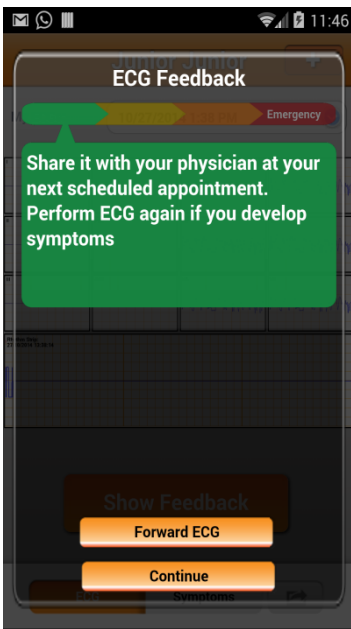


Transforming the Personal Service (Cont'd)



The User Experience – Immediate Feedback

The feedback recommendations appears on screen in the smartheart App and instruct the user on the appropriate course of action



Personal - Establishing Product and Service Credibility – APAC

- Over 20 clinics are using the **smartheart** in Japan and providing it to their patients – receiving favorable feedback
- Juntendo University hospital in Tokyo and Kainan Hospital in Nagoya are testing the system and six more hospitals will be using it in a variety of use cases (hospital to patient, hospital to clinic)
- Collaborations with 10 hospitals in India to embed the product and service as part of the hospital standard care
- In discussions with to deploy **smartheart** in hundreds of clinics across China

Establish Credibility in the Medical Ecosystem

Set Up and Test Sales Channels

Commence Sales

Expand to Mass Market

Personal - Establishing Product and Service Credibility – US

Activities with hospitals/health institutions/clinics/opinion leaders etc. in order to establish credibility and acceptance of the product within the medical community

- Clinics – **smartheart** is deployed in over 40 clinics across the US and used by physicians and nurses
 - In negotiations to deploy **smartheart** in walk-in clinics in order to enable performing ECG tests in the clinics and increase traffic in their pharmacies. Could potentially become a large channel to consumers
- Leading academic medical center – developing supportive case studies
- Patient stories – gathering patient and caregivers' stories and testimonials

Establish Credibility in the Medical Ecosystem

Set Up and Test Sales Channels

Commence Sales

Expand to Mass Market

Introducing the smartheart to the U.S.

Personal

Professional

Focus	<p>Consumers :</p> <ul style="list-style-type: none"> • CVD • At risk • Worried well 	<p>Medical professionals :</p> <ul style="list-style-type: none"> • Primary care physicians • Cardiologists
Service	ECG feedback : digital response through smartheart app.	ECG interpretation and analysis : ECG reading and interpretation received through the smartheart app.
Value proposition	<ul style="list-style-type: none"> • Peace of mind • Reduction in response time: <ul style="list-style-type: none"> ◦ Improved chance of survival ◦ Reduces likelihood of an irreversible damage to the heart muscle = improved quality of life 	<ul style="list-style-type: none"> • Most primary care physicians do not typically interpret ECGs • Enabling performance of reimbursable ECG tests - revenue generating solution for the physician together with improved medicine
Pricing	<ul style="list-style-type: none"> • smartheart : up to \$1,000 • Monthly service: up to \$60 	

Introducing the smartheart to the U.S.

Personal

Professional

Revenue model	Sale of devices Monthly service fees or pay per feedback/interpretation	
Services provided through	SHL Global Telemedicine centers in Israel/Germany	
Marketing Channels	Direct to Consumer: <ul style="list-style-type: none"> • Digital/web based • Direct TV • Pharmacy chains • Etc.. 	Distribution Partners: <ul style="list-style-type: none"> • Medical device distributors • Pharmacy chains (walk in clinics) • At home tests for insurance underwritings • Etc..
Next Steps	U.S. market entry commenced beginning of 2015	

smarthear Product Overview Support & FAQs Our Story Get smarthear Account

Get smarthear

Get heart health back into your hands.

Whether you're looking for peace of mind for yourself or a loved one, smarthear gives you the control to know sooner whether or not you need to take action. And when it comes to heart health, there's nothing more important than time.

Need help?

I'm shopping for myself I'm shopping for someone else

smarthear Product Overview Support & FAQs Our Story Get smarthear Account

Overview Why smarthear? How it Works Feedback Service Technical Specifications

smarthear Product Overview Support & FAQs Our Story Get smarthear Account

Overview Why smarthear? How it Works Feedback Service Technical Specifications

Introducing smarthear

The world's first mobile 12-lead ECG is here.

Take control of your heart health. Take back peace of mind. It's time to stop worrying about what's wrong, and figure out if your heart health is all right.

smarthear Product Overview Support & FAQs Our Story Get smarthear Account

Overview Why smarthear? How it Works Feedback Service Technical Specifications

Practically transform your phone into an ECG.

Smartheart is the only FDA-cleared device you can buy that replicates the same 12-lead ECG that you get when you go to your doctor's office so that you and your doctor can get the full picture—one that you can trust.

If you're worried about how you could possibly do what your doctor's do, it's ok, smarthear is designed in such a way that anyone can easily use it to transmit an ECG.

Smartheart connects with your smartphone or tablet through an easy-to-use app, which you need to download to your Bluetooth™ enabled device while connected to the internet.

smarthear

Smartheart is designed to transmit a 12-lead ECG. An ECG does not always detect heart abnormality, even when one is actually present. Smartheart is FDA cleared available only by prescription. The use of Smartheart is not a substitute for medical care. If you think you have a medical emergency please call 911.

Healthcare Professionals Can Now Perform an ECG and Receive ECG Findings Immediately

- **smartheart** addresses the needs of primary care physicians, nurses, paramedics and mobile healthcare professionals seeking to perform and read ECGs, many of whom lack the knowledge to perform ECGs themselves
- Light, portable and takes a full hospital grade ECG in just 30 seconds – no gel, no sticky tabs – user simply straps on the belt provided and presses the ‘start’ button
- App provides professionals with easy access to multiple user profiles
- Real time ECG interpretation services delivered by SHL’s global telemedicine centers via the App
- ECG and interpretation services are reimbursed in major territories
- Healthcare professionals have the alternative to use the service or read the ECG by themselves



smartheart for Healthcare Professionals

- Most primary care physicians, even in the US, do not have an ECG and do not perform ECG tests for their patients because they do not know how to read an ECG
- Homevisits, home care, and paramedics can benefit from the clinical values of having a portable ECG solution
- Since the majority are not able to read the ECG, there is an opportunity for smartheart in this segment to enable the user to easily perform an ECG test and receive a professional ECG interpretation within minutes
- smartheart provides an opportunity in this segment to increase quality of care as these professionals can enjoy immediate interpretation and respond to readings on the spot
- **smartheart** increases efficiency and shortens the interpretation process



Approaching the Professional Market Through Customary Distribution Channels and Partners

- In the US, in advanced negotiations with a number of institutional customers including retail clinics and service providers and in discussion with a number of distributors
- Japan:
 - Signed agreement with USCI - target of 1,000 smarthearts
 - Clinics, hospitals and EMS services are using smartheart in a variety of use cases
- China:
 - Distributors looking to deploy smartheart in China given tremendous government incentives to improve and make basic care accessible
- India:
 - In negotiations with major EMS provider

Establish Credibility in the Medical Ecosystem

Set Up and Test Sales Channels

Commence Sales

Expand to Mass Market



Institutional

CHF/COPD

Institutional – Reducing Mortality and Keeping Chronic Patients Stable and Outside Hospitals

- **24/7 Telemedicine centers** providing systematic monitoring of medical parameters, quick alert in case of imbalance, return to balance by using protocol intervention
- **Compliance & Adherence:** identification of decrease in responsiveness and encouragement through interactions, coaching and strengthening adherence to the therapeutic regimen
- **Education:** range of coaching activities to improve awareness and self-management of the disease
- **Unmatchable** amount of data is available for use by the patient and his physician
- **Product portfolio:** range of devices meet needs of chronic patients

How Does It Work?

The information is collected automatically from different monitoring devices, according to the specific chronic disease

The CCM gathers the information and transmits it to the cloud and from there to the global telemedicine center

The patient's personal medical record is updated and information is stored through predefined algorithms and analyzed automatically

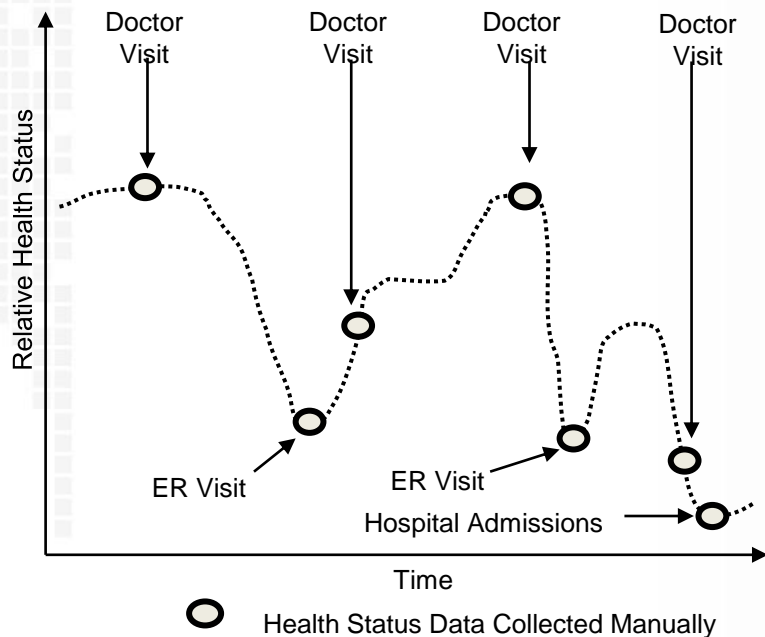
Frequency of use is based on the disease and other parameters

When data deviates from regular values, the system prompts the monitor center staff to immediately contact the patient and provide an appropriate course of action

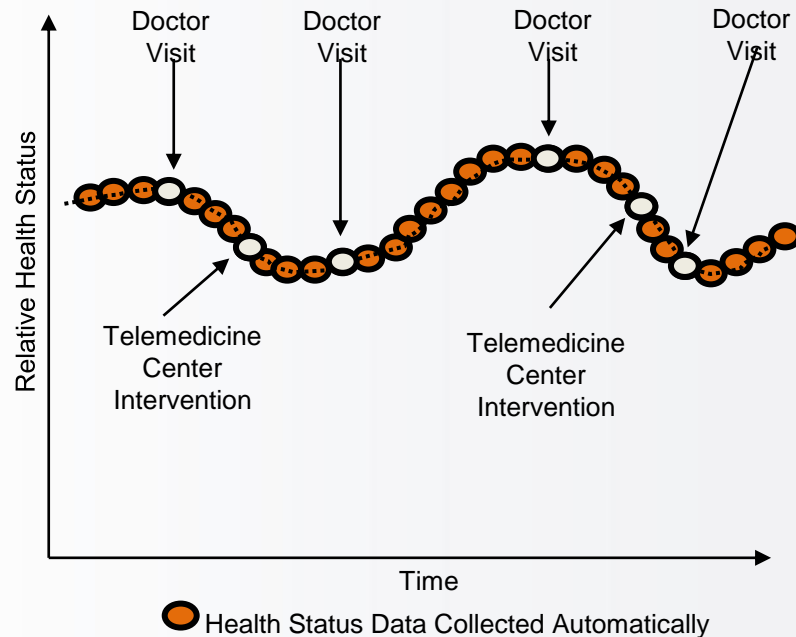


Intervention When Instability is Detected

Life of a CHF patient



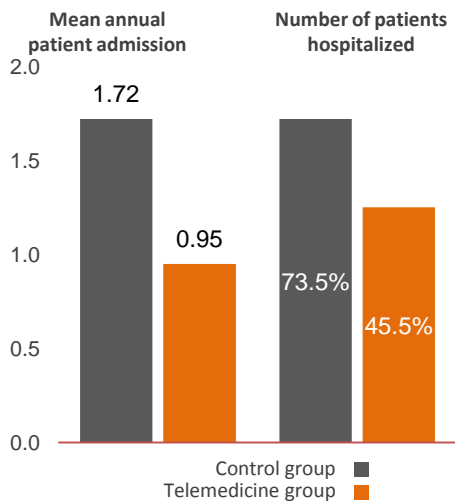
Chronic Monitoring Program



Reducing Hospital Admissions, Expenditures and Mortality

Hospital Admissions

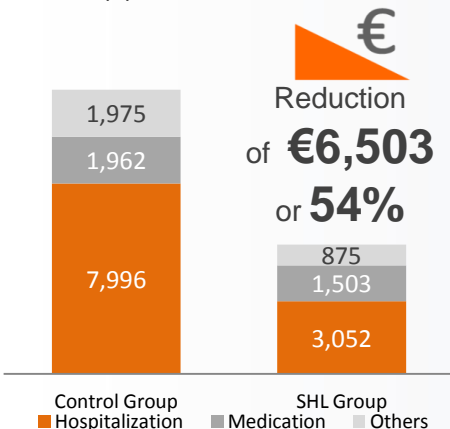
COPD



Expenditures

German sick fund CHF study

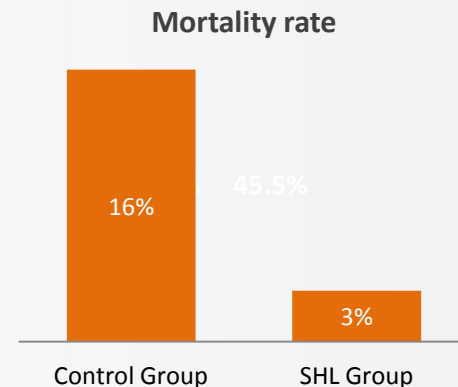
- Control group: 800
- Telemedicine group (intervention): 208
- Follow up period: 12 months



Mortality

German sick fund CHF study

- 5 times lower risk of mortality due to telemedicine support



Source: Hospital admissions data includes COPD patients under SHL German Telemedicine Program in IKK Nord, 2010. Expenditure study data from Clinical Research in Cardiology, October 2009. Mortality data based on patients under SHL German Telemedicine Program in Taunus BKK 2008.

The Expected Development of Chronic Patient Monitoring

- Seeing clear signs that monitoring of chronic diseases is going to be adopted as a standard of care
- Expecting market to converge around technological monitoring programs given superiority of patient outcomes (cost, mortality)
- New innovation fund in Germany with a budget of €300mm to promote programs which are not for standard of care solutions expected to increase market activity in the next 2-3 years
- The increase of pay for performance including readmission reduction, ACOs, etc., are expected to increase the demand for monitoring from the provider side





Business review

Israel – market leader

Profile

- Market leader in the provision of telemedicine services
- Well known and reputable brand
- High subscriber loyalty/recurring service revenues
- Serves as an important knowledge base for the Company
- Global monitor centre in Tel Aviv

Service range

- Consumer (B2C) and Institutional (B2B)

9M 14 Highlights

- Steady growth
- Continued improved margins and financial performance
- Highly profitable – over 15% EBIT and 25% EBITDA

2014 Goals

- Steady growth while preserving strong margins
-

Germany – 2014, a year of growth

Profile

- Leader in the provision of telemedicine services
- Payers – health insurers
- Monitor centers in Dusseldorf and Munich

Service range

- Institutional – CHF, COPD and additional chronic diseases

2014 Highlights

- Successful integration of almeda
 - Revenues up to USD 16.3M up from USD 6.0M, mainly as a result of the almeda acquisition
 - Contributing over 40% of total revenues, up from 21%
 - Profitable
 - Strengthened its position as a leading provider of telehealth services
 - Broadened its institutional services portfolio and customer base
-

Germany – GPH acquisition

About GPH

- Gesellschaft für Patientenhilfe (GPH) was a subsidiary of Alere, Inc. (Nasdaq:ALR)
- GPH was a direct competitor of SHL in Germany providing telemedicine services to over 10,000 CHF patients
- 2014 revenues of €9.2 million with a net profit of €0.8 million
- Situated in Grunwald, Bavaria with 90 employees
- Serving large German sick funds, mainly AOK Bayern (which SHL provides COPD services to) and AOK NorthEast

Service range

- Institutional – CHF

Acquisition Highlights

- Reinforces SHL as the clear market leader in Germany
- A natural fit to SHL's German business
- Accretive, already in 2015

2015 Goals

- Significant growth of German business with GPH
- Given operations are similar - consolidation of Dusseldorf telemedicine center in Munich and additional synergies - leading to enhanced combined margins and increased profitability



2014 Financial Results

Financial highlights



- **Accelerated revenue growth**
 - Q4 revenue up 28.6% year over year in constant currency
 - 2014 revenue up 34.0% year over year in constant currency

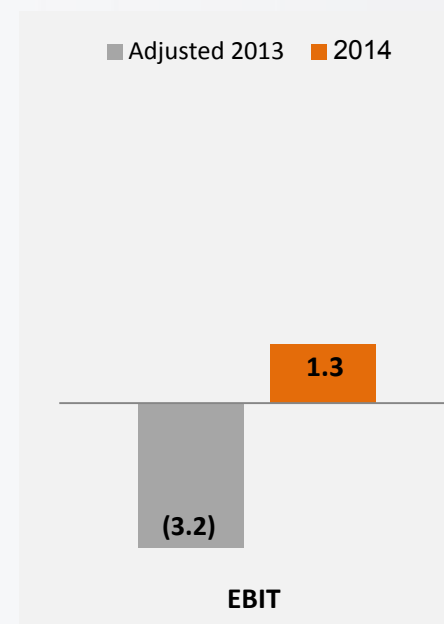
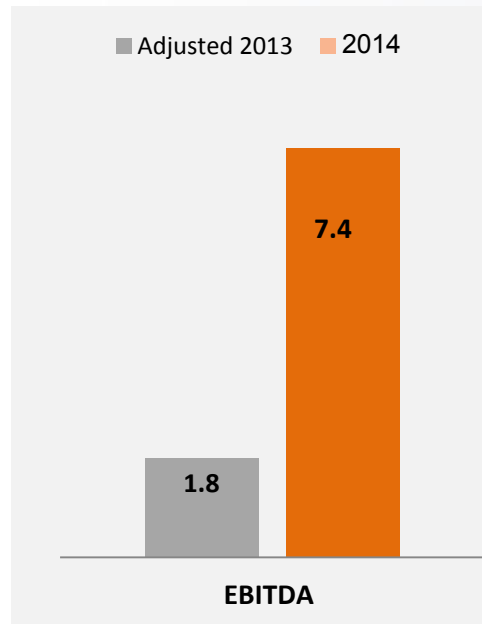
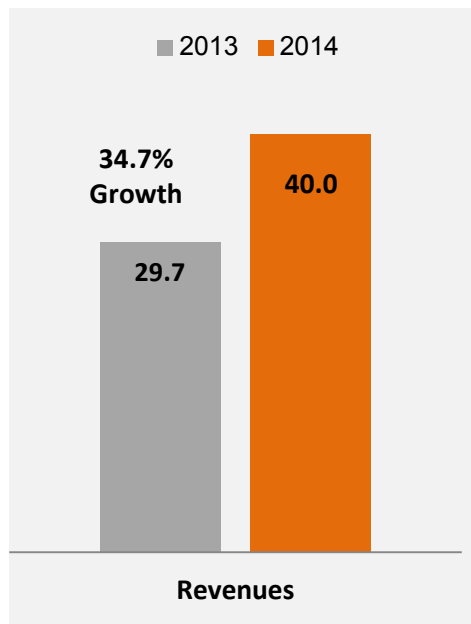
- **Improved gross profit margins**
 - 2014 margins at 55.8% vs 53.5% in 2013

- **Improved overall financial performance in Germany**
 - 2014 revenues of USD 16.3 M vs USD 6.1 M in 2013
 - 2014 operating profit of USD 3.4 M

- **Continued investment in expansion plans in the US and APAC**

2014 Results (in USD M)

Considerable improvement in financial performance



(*) Adjusted 2013 numbers excluding gain from almeda acquisition of USD 8.5 M and one-time items recorded in the general and administrative expenses of USD 2.2 M

2014 P&L statement

USD millions	2014	2013 adjusted (*)	% change	2014 (constant currency)	% change	2013	% change
Revenues	40.0	29.7	34.7%	39.8	34.0%	29.7	34.7%
COGS	17.7	13.8	28.3%	17.6	27.5%	13.8	28.3%
Gross Profit	22.3	15.9	40.3%	22.2	39.6%	15.9	40.3%
% of revenues	55.8%	53.5%		55.8%		53.5%	
Operating expenses	21.0	19.1	9.9%	20.9	9.4%	21.3	(1.4%)
Gain from almeda acquisition	-	-		-		(8.5)	
EBIT (LBIT)	1.3	(3.2)	n.a.	1.3	n.a.	3.1	(58.1%)
% of revenues	3.3%	n.a.		3.3%		10.4%	
EBITDA	7.4	1.8	393.3%	7.3	305.6%	8.1	(8.6%)
% of revenues	18.5%	6.1%		18.3%		27.3%	
Financial income (expenses)	0.5	(1.6)	n.a.	0.5	n.a.	(1.6)	n.a.
Taxes on income (tax benefit)	1.0	(0.7)	n.a.	1.0	n.a.	(0.7)	n.a.
Net income (loss)	0.8	(4.1)	n.a.	0.8	n.a.	2.2	(63.6%)
EPS / (LPS)	0.08	(0.40)	n.a.	0.08	n.a.	0.22	(63.6%)

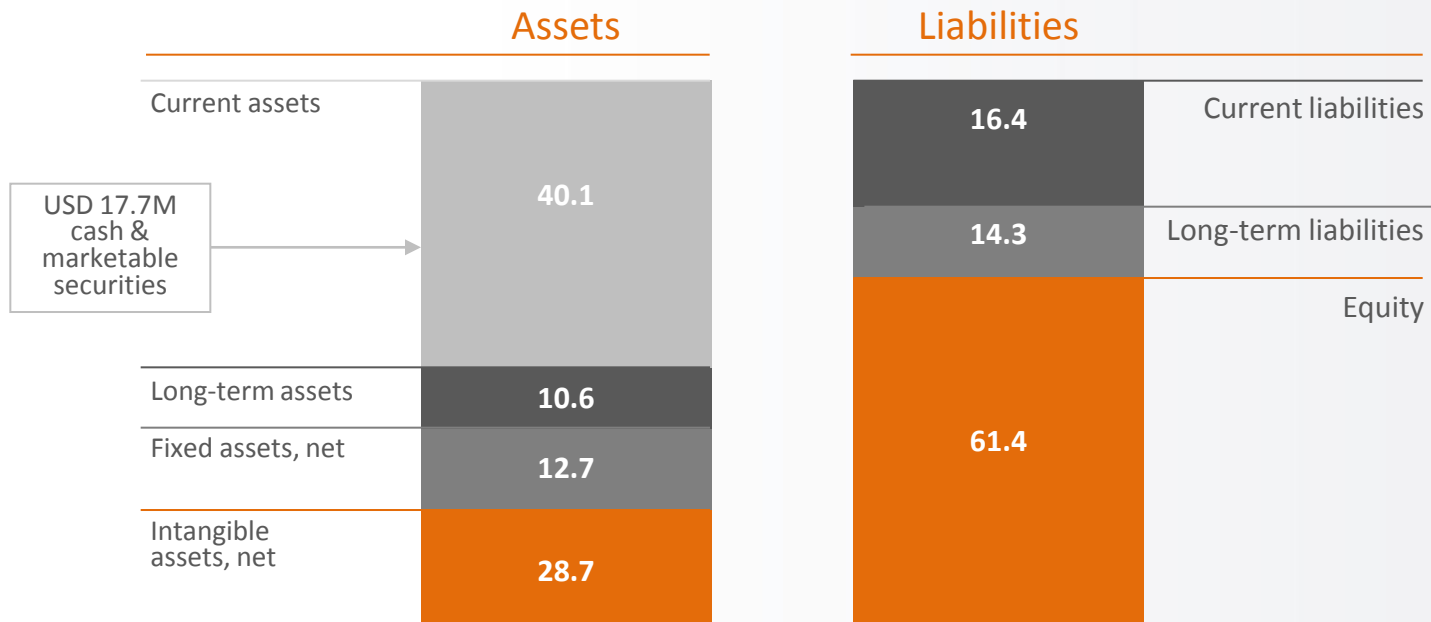
(*) Adjusted 2013 numbers excluding gain from almeda acquisition of USD 8.5 M and one-time items recorded in the general and administrative expenses of USD 2.2 M

2014 Cash Flow Statements

USD millions	2014	2013	Diff
Cash provided by (used in) Operating activities	(3.1)	2.6 (*)	(5.7)
Cash used in Investing activities (ex. marketable securities)	(3.1)	(1.1)	(2.0)
Cash used in financing activities	(2.6)	(1.8)	(0.8)
Effect of exchange rate changes	(1.9)	1.9	(3.8)
Increase (decrease) in cash, cash equivalents & marketable securities	(10.7)	1.6	(12.3)
Cash, cash equivalents & marketable securities at beginning of period	28.4	26.8	1.6
Cash, cash equivalents & marketable securities at end of period	17.7	28.4	(10.7)

(*) Including one time payment of USD 5.2 million received in 2013

31.12.2014 Balance Sheet



In USD million per 31 December 2014

Outlook

- Further Growth - revenues for the year to grow at over 20% year-over-year, in constant exchange rate terms
- Expecting additional agreements in the U.S and APAC with revenues already in 2015
- Continued investment in expansion - expecting revenues from international markets to reach 60% by 2016

Thank you



Investor Information

- IR Agenda 2015

May 20, 2015	Q1 Results
August 19, 2015	Q2 Results
November 18, 2015	Q3 Results
- 10,877,888 registered shares with a par value of NIS 0.01 each
- Listed at SIX Swiss Exchange in CHF; Symbol: SHLTN, No. 1128957
- American DR program listed over-the counter; Symbol: SMDCY
- Price high/low (CHF), 2014 9.78/6.97
- Market cap high/low (CHF m), 2014 106.4/75.8
- Market cap 31.12.14 (CHF m) 97.9
- No voting restrictions



Erez Alroy, Co-CEO
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Erez Alroy has been an executive manager of SHL since its inception. Prior to his current position as Co-CEO he served as SHL Israel's managing director and as SHL Israel's sales manager and vice-president of marketing. Erez Alroy holds an MBA from the Hebrew University, Jerusalem.



Eran Antebi, CFO
erana@shl-telemedicine.com

Eran Antebi joined SHL in May 2004 as CFO of Shahal Israel and was appointed CFO of SHL in May 2008. Prior to joining SHL, he was a manager with Ernst & Young in Israel. Eran Antebi is a certified public accountant (CFA) in Israel and has a B.A. in accounting and economics from the University of Tel Aviv.

Q4 2014 P&L statement

USD millions	Q4 2014	Q4 2013 adjusted (*)	% change	Q4 2014 (constant currency)	% change	Q4 2013	% change
Revenues	9.0	7.7	16.9%	9.9	28.6%	7.7	16.9%
COGS	4.1	3.3	24.2%	4.5	36.4%	3.3	24.2%
Gross Profit	4.9	4.4	11.4%	5.4	22.7%	4.4	11.4%
% of revenues	54.4%	57.1%		54.5%		57.1%	
Operating expenses	4.3	4.6	(6.5%)	4.9	6.5%	9.8	(56.1%)
Gain from almeda acquisition	-	-		-		(8.5)	
EBIT (LBIT)	0.6	(0.2)	n.a.	0.5	n.a.	3.1	(80.6%)
% of revenues	6.7%	n.a.		5.1%		40.3%	
EBITDA	2.0	0.9	122.2%	2.2	144.4%	4.3	(53.5%)
% of revenues	22.2%	11.7%		22.2%		55.8%	
Financial income (expenses)	0.1	(0.4)	n.a.	0.1	n.a.	(0.4)	n.a.
Taxes on income (tax benefit)	0.2	(1.0)	n.a.	0.1	n.a.	(1.0)	n.a.
Net income	0.5	0.4	25.0%	0.5	25.0%	3.7	(86.5%)
EPS	0.05	0.04	25.0%	0.05	25.0%	0.36	(86.9%)

(*) Adjusted 2013 numbers excluding gain from almeda acquisition of USD 8.5 M and one-time items recorded in the general and administrative expenses of USD 5.2 M