



Press release

**SHL Telemedicine delivers strong operating results for the second quarter and first half year of 2009. Raising net income guidance for the year.**

- ***Revenues in Q2 09 increased to USD 11.3 million growing by 16.4% over Q2 08 at constant exchange rates\*, with Germany up 50% over Q2 08 at constant exchange rates\*.***
- ***Quarterly EBITDA and EBIT were up 26.1% and 80% over Q2 08 reaching USD 2.9 million (25.7 % of revenues) and USD 1.8 million (15.9 % of revenues), respectively.***
- ***Net income reached USD 1.6 million (14.2 % of revenues) for the second quarter and USD 2.8 million (12.7% of revenues) for the first half of 2009.***
- ***SHL Telemedicine raises its net income guidance for the full year to between USD 5 and USD 6 million.***

**Tel Aviv/Zurich, 29 July 2009** - SHL Telemedicine Ltd. (SIX Swiss Exchange: SHLTN), a leading provider and developer of advanced personal telemedicine solutions, today announced results for the second quarter and half year of 2009.

In Q2 2009, SHL's various business lines continued to show growth. SHL's German operation continued recruiting new subscribers at a strong pace leading to a revenue growth of over 10% from Q1 09 and of 50% from Q2 08. This continued growth contributed to improved margins, cash flow and overall financial performance. However, due to the strengthening of the USD against the EUR and NIS, only part of the actual revenue growth is reflected in SHL's consolidated results.

### **Financial highlights**

**Revenues** for the second quarter amounted to USD 11.3 million compared to USD 11.0 million in Q2 2008. At constant exchange rates\* revenues amounted to USD 12.8 million, reflecting a 16.4 % increase over the second quarter of 2008. This increase was mainly driven by the continued growth of SHL's German operation where revenues at constant exchange rates reached USD 5.7 million up 50.0 % from USD 3.8 million in Q2 2008.

Revenues for the first half of the year amounted to USD 22.0 million compared to USD 21.4 million in H1 08. Revenues on the basis of constant exchange rates\* amounted to USD 24.9 million, which reflects a 16.4 % increase from H1 2008. Again, the increase is mainly due to the growth in SHL's German operation where revenues at constant exchange rates\* grew by 50.0 %.

The **EBITDA** margin of the Company for the quarter continued to improve and reached 25.7 % of revenues (USD 2.9 million) compared to an EBITDA margin of 20.9 % of revenues in Q2 2008. The improved financial performance was also reflected in the **EBIT** for the



quarter, which reached USD 1.8 million (15.9 % of revenues), an increase of 80% over the EBIT in Q2 2008 of USD 1.0 million (9.1 % of revenues).

The EBITDA in H1 09 amounted to USD 5.5 million - an increase of 34.1% over the EBITDA of USD 4.1 million in the comparable period. The EBIT in H1 09 almost doubled, reaching USD 3.3 million (15.0 % of revenues), compared to an EBIT of USD 1.7 million (7.9% of revenues) in H1 08.

**SHL's net income** for the quarter totaled USD 1.6 million (14.2 % of revenues) an increase of 129% over the net income of USD 0.7 million in Q2 2008, prior to the recording of a positive tax adjustment of USD 3.3 million. For the first six months, net income increased by 115.4% to reach USD 2.8 million, compared to the net income of USD 1.3 million in H1 2008.

**Cash** provided by operations for the quarter improved by USD 3.0 million over that of Q2 08 amounting to USD 1.6 million in Q2 09 compared to cash used in operations in Q2 08 of USD 1.4 million. **Cash reserves** at June 30, 2009 amounted to USD 21.1 million.

**Balance sheet.** SHL's assets at June 30, 2009 totalled USD 81.6 million with shareholders' equity amounting to USD 60.4 million (74 % of balance sheet).

**Commenting on the results** Erez Alroy, Co-CEO of SHL Telemedicine, stated: "We are pleased to announce another quarter of improved financial performance that is strongly supported by our organic growth in Germany. We look forward to signing additional agreements with health insurers in Germany. Consequently our business outlook for the remainder of the year continues to be bright."

### **Germany**

SHL's German operations are developing well. Studies conducted in Germany validating that SHL's telemedicine solutions improve quality of life for chronically ill heart patients and achieve a significant reduction of health care costs were presented at the annual meeting of the Deutschen Gesellschaft für Kardiologie (DGK) – German Cardiology Society – in Mannheim in April.

Effective as of July, SHL's German operation PHTS Telemedizin, Germany's leading provider of telemedical care programs adopted SHL's global brand and became SHL Telemedizin. SHL Telemedizin will continue to offer its telemedicine services from its medical monitor center in Dusseldorf. Under its strong and recognised world wide brand, SHL will press forward to further develop and promote the future of telemedicine.

### **Frost & Sullivan applauds SHL**

In April, the '2008 European Telemedicine Systems for Cardiac Monitoring Product Innovation of the Year Award' was presented to SHL Telemedicine in recognition of its next generation personal ECG device - the CardioSen'C™. This full 12 lead ECG personal digital cellular transmitter is a monitoring system that uses either cellular network (GPRS) or public switched telephone network (PSTN) to transmit real-time medical cardiological data remotely.



## Outlook 2009

With its diversified telemedicine service lines, SHL expects to continue its growth trend in the second half of 2009. Assuming constant currency exchange rates, management reaffirms its revenue guidance for the full year of USD 51-53 million and raises its net income guidance for the full year to between USD 5 and USD 6 million (up from USD 3.5 to USD 5 million).

## SHL Telemedicine – consolidated key figures

### H1 09

in USD million (except per share amounts)	H1 2009	H1 2008	Increase %	H1 2009 (constant currency)	Increase% (constant currency)
Revenues	22.0	21.4	2.8%	24.9	16.4%
Gross profit	14.6	13.7	6.6%	16.3	19.0%
%	66.4%	64.0%		65.5%	
EBITDA	5.5	4.1	34.1%	5.8	41.5%
%	25.0%	19.2%		23.3%	
EBIT	3.3	1.7	94.1%	3.3	94.1%
%	15.0%	7.9%		13.3%	
Net income	2.8	1.3	115.4%	2.8	115.4%
Basic EPS	0.26	0.12	116.7%	0.26	116.7%

## SHL Telemedicine – consolidated key figures

### Q2 09

in USD million (except per share amounts)	Q2 2009	Q2 2008	Increase %	Q2 2009 (constant currency)	Increase% (constant currency)
Revenues	11.3	11.0	2.7%	12.8	16.4%
Gross profit	7.5	7.0	7.1%	8.4	20.0%
%	66.4%	63.6%		65.6%	
EBITDA	2.9	2.3	26.1%	3.1	34.8%
%	25.7%	20.9%		24.2%	
EBIT	1.8	1.0	80.0%	1.8	80.0%
%	15.9%	9.1%		14.1%	
Net income	1.6	4.0 (**)	(60.0)%	1.6	(60.0)%
Basic EPS	0.14	0.37	(62.2)%	0.14	(62.2)%

(\*\*) Including the recording of a positive tax adjustment of USD 3.3 million.

\* Constant currency - In order to enable meaningful comparison between the 2009 and 2008 results, 2009 results are also presented at constant currency exchange rates. These are calculated by translating the current period results using the average exchange rates from the previous year's respective period (H1 08) instead of the current period exchange rates. Management believes that this presentation enables a more meaningful comparison between the periods due to the significant fluctuations in NIS/USD/EUR exchange rates.



**Revenues by geographic distribution  
H1 09**

	Israel		Germany		USA & ROW	
	USD m	% of total	USD m	% of total	USD m	% of total
H1 2009	9.7	44.1%	9.4	42.7%	2.9	13.2%
H1 2008	10.9	50.9%	7.2	33.6%	3.3	15.4%
H1 2009 (constant currency)	11.2	45.0%	10.8	43.4%	2.9	11.6%

**Revenues by geographic distribution  
Q2 09**

	Israel		Germany		USA & ROW	
	USD m	% of total	USD m	% of total	USD m	% of total
Q2 2009	4.8	42.5%	5.1	45.1%	1.4	12.4%
Q2 2008	5.5	50.0%	3.8	34.5%	1.7	15.5%
Q2 2009 (constant currency)	5.7	44.5%	5.7	44.5%	1.4	10.9%

**Conference Call, today, 11.00 am CEST**

SHL will hold a call to discuss the Q2 09 results today at 11.00 am CEST. Erez Alroy, Co-CEO, and Eran Antebi, CFO, will host the call. Dial-in numbers are as follows:

From Europe: +41 (0)91 610 56 00  
 From UK +44 (0)207 107 06 11  
 From Israel 1 80 921 44 27

Slides and the comprehensive Half-Year Report 2009 are available at [www.shl-telemedicine.com](http://www.shl-telemedicine.com), section "Investor Relations".

**IR Agenda 2009**

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**About SHL Telemedicine**

SHL Telemedicine Ltd. specializes in developing and marketing advanced personal telemedicine systems as well as providing comprehensive telemedicine solutions including medical call centers 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 Europe, mainly in Germany, and at its home market in Israel. In the US, certain SHL telemedicine products are distributed by Philips Healthcare. SHL is listed on the SIX Swiss Exchange (SHLTN, ISIN: IL0010855885, Security No.: 1128957). More information available at: [www.shl-telemedicine.com](http://www.shl-telemedicine.com).

**For further information please contact:**

- Erez Alroy, Co-CEO, Phone: +972 3561 22 12, [ereza@shl-telemedicine.com](mailto:ereza@shl-telemedicine.com)
- Assistant: Pauline Shavit, Phone: +972 3561 22 12, [pauline@shl-telemedicine.com](mailto:pauline@shl-telemedicine.com)
- Martin Meier-Pfister, IRF Communications, Phone: +41 43 244 81 40, [shl@irfcom.ch](mailto:shl@irfcom.ch)



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.

<b>Balance-Sheets</b> (USD thousands)	<b>30.06.2009</b>	<b>30.06.2008</b>	<b>31.12.2008</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Cash and cash equivalents	7,144	11,426	3,265
Available-for-sale investments	14,000	34,036	20,210
Trade receivables	4,990	3,382	3,558
Inventory	601	595	600
Other current assets	3,701	4,432	3,077
<b>Current Assets</b>	<b>30,436</b>	<b>53,871</b>	<b>30,710</b>
<b>Non-current Assets</b>	<b>17,211</b>	<b>21,524</b>	<b>18,489</b>
<b>Fixed Assets, net</b>	<b>16,198</b>	<b>17,491</b>	<b>15,289</b>
<b>Intangible Assets, net</b>	<b>17,744</b>	<b>19,059</b>	<b>17,337</b>
<b>Total Assets</b>	<b>81,589</b>	<b>111,945</b>	<b>81,825</b>
Credit from banks and current maturities of long-term loans	528	15,135	583
Deferred revenues	4,498	9,528	6,747
Trade payables	2,245	1,822	1,502
Income tax payable	3,470	3,187	2,776
Other accounts payable	7,826	6,021	6,718
<b>Current Liabilities</b>	<b>18,567</b>	<b>35,693</b>	<b>18,326</b>
Long-term loans from banks and others	-	4,229	-
Accrued severance pay	731	661	777
Provisions	930	2,051	1,422
Deferred revenues	999	2,850	1,895
Deferred taxes	-	392	332
<b>Non-current Liabilities</b>	<b>2,660</b>	<b>10,183</b>	<b>4,426</b>
<b>Total liabilities</b>	<b>21,227</b>	<b>45,876</b>	<b>22,752</b>
Equity attributable to SHL shareholders:			
Share capital	31	31	31
Additional paid-in capital	92,830	92,466	92,738
Treasury shares at cost	(1,544)	(859)	(1,405)
Foreign currency translation reserve	(720)	8,802	1,026
Available-for-sale reserve	250	(230)	(66)
Accumulated deficit	(30,485)	(34,200)	(33,251)
	<b>60,362</b>	<b>66,010</b>	<b>59,073</b>
Minority interests	-	59	-
<b>Total Equity</b>	<b>60,362</b>	<b>66,069</b>	<b>59,073</b>
<b>Liabilities and Equity</b>	<b>81,589</b>	<b>111,945</b>	<b>81,825</b>

<b>Statements of Income</b> (USD thousands, except per share data)	<b>Q2 09</b>	<b>Q2 08</b>	<b>H1 09</b>	<b>H1 08</b>	<b>2008</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Revenues	11,337	11,043	22,035	21,441	44,554
Depreciation and amortization	589	*)792	1,167	*)1,484	2,831
Cost of sales	3,238	*)3,277	6,299	*)6,281	12,791
<b>Gross Profit</b>	<b>7,510</b>	<b>6,974</b>	<b>14,569</b>	<b>13,676</b>	<b>28,932</b>
Research and development costs, net	262	260	495	533	1,003
Selling and marketing expenses	3,115	3,082	6,166	5,955	12,160
General and administrative expenses	2,361	2,638	4,651	5,531	11,527
<b>Operating profit</b>	<b>1,772</b>	<b>994</b>	<b>3,257</b>	<b>1,657</b>	<b>4,242</b>
Financial income	1,063	3,700	1,674	6,773	8,198
Financial expenses	(942)	(3,259)	(1,159)	(9,992)	(12,608)
Other expenses, net	(62)	(483)	(62)	(439)	(1,062)
<b>Profit (loss) before taxes on income</b>	<b>1,831</b>	<b>952</b>	<b>3,710</b>	<b>(2,001)</b>	<b>(1,230)</b>
Taxes on income (tax benefit)	278	(3,014)	944	(3,285)	(3,463)
<b>Profit</b>	<b>1,553</b>	<b>3,966</b>	<b>2,766</b>	<b>1,284</b>	<b>2,233</b>
<b>Basic and diluted profit per share</b>	<b>0.14</b>	<b>0.37</b>	<b>0.26</b>	<b>0.12</b>	<b>0.21</b>

\*) Reclassified

<b>Statements of Cash Flows (USD thousands)</b>	<b>Q2 09</b>	<b>Q2 08</b>	<b>H1 09</b>	<b>H1 08</b>	<b>2008</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Profit	1,553	3,966	2,766	1,284	2,233
Adjustment required to reconcile profit to net cash provided by (used in) operating activities	64	(5,405)	(959)	(11,478)	(9,783)
<b>Net Cash provided by (used in) Operating Activities</b>	<b>1,617</b>	<b>(1,439)</b>	<b>1,807</b>	<b>(10,194)</b>	<b>(7,550)</b>
Purchase of fixed assets	(1,667)	(1,182)	(2,830)	(1,854)	(3,595)
Cash refunded upon sale of subsidiaries	-	(488)	-	(488)	(488)
Investment in intangible assets	(453)	(352)	(821)	(615)	(1,654)
Proceeds from sale of fixed assets	-	-	-	36	46
Proceeds from sale of long-term deposits	-	2,200	-	4,200	4,200
Purchase of available-for-sale investments	(2,486)	(6,865)	(5,672)	(53,386)	(69,433)
Proceeds from sale of available-for-sale investments	3,844	19,986	11,666	19,986	48,100
<b>Net Cash provided by (used in) Investing Activities</b>	<b>(762)</b>	<b>13,299</b>	<b>2,343</b>	<b>(32,121)</b>	<b>(22,824)</b>
Proceeds from exercise of options	-	73	-	76	260
Repayment of long-term loans from banks and others, net	-	(4,874)	-	(11,749)	(29,834)
Short-term bank credit, net	(396)	(19,907)	(37)	(23,708)	(22,440)
Distributions to minority interest	-	(21)	-	(29)	(88)
Treasury shares purchased	(36)	(590)	(139)	(590)	(1,136)
Dividend paid	-	(3,955)	-	(3,955)	(3,955)
<b>Net Cash used in Financing Activities</b>	<b>(432)</b>	<b>(29,274)</b>	<b>(176)</b>	<b>(39,955)</b>	<b>(57,193)</b>
Effect of exchange rate changes on cash and cash equivalents	488	2,562	(95)	9,150	6,286
<b>Increase (decrease) in cash and cash equivalents</b>	<b>911</b>	<b>(14,852)</b>	<b>3,879</b>	<b>(73,120)</b>	<b>(81,281)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6,233</b>	<b>26,278</b>	<b>3,265</b>	<b>84,546</b>	<b>84,546</b>
<b>Cash and Cash equivalents at the end of the period</b>	<b>7,144</b>	<b>11,426</b>	<b>7,144</b>	<b>11,426</b>	<b>3,265</b>