



Press release

SHL Telemedicine reports fourth quarter and fiscal year 2012 financial results

- *COPD program with AOK Bayern on track – already hundreds of patients in service*
- *Revenues for the year amounted to USD 26.9 million (USD 42.4 million in 2011)*
- *Excluding one-time allowance for doubtful accounts, net loss for the year amounted to USD 4.7 million (net profit of USD 4.0 million in 2011). Including one-time charge, net loss amounted to USD 7.3 million*
- *Launched its telemedicine services in India early 2013 – signs first contract with private hospital in Kolkata. Expects to sign a series of additional long term agreements*
- *Return to revenue growth with significantly improved financial performance expected in 2013*

Tel Aviv/Zurich, 20 March 2013 - SHL Telemedicine Ltd. (SIX Swiss Exchange: SHLTN), a leading provider and developer of advanced personal telemedicine solutions, today announced results for the fourth quarter and fiscal year 2012.

Erez Alroy, Co-CEO of SHL, commented: "While financial results for 2012 are clearly lower than the year before, as expected, SHL was successful in implementing its strategy in Germany of pursuing long-term large scale contracts with the signing of the AOK Bayern agreement. In the course of the year we have also invested into business development to thoroughly analyze new growth opportunities. As a result, as recently announced, SHL will now start offering its services in India. For this we will rely on established partners with local distribution power. The launch of our services in India is a first step in realizing our strategic plan for geographic expansion and we anticipate that India can serve as an additional significant growth engine for SHL in the coming years."

Business Review

Germany

2012 was marked by the initiation, at the end of the year, of the COPD telemedicine program with AOK Bayern, one of the largest health insurers in Germany with over 4.3 million insured, and the CHF program with IKK Sudwest.

Within SHL's focus on chronic diseases the AOK Bayern contract is the first for patients suffering from COPD. Based on data published by the "European COPD Coalition", 4%-10% of European adults suffer from COPD. As a first step, included in the program of AOK will be those who are diagnosed as severe COPD patients, i.e. have a severe limitation of airflow and are likely to have exacerbations, a COPD acute event normally



leading to hospitalization. Recruitment of these patients is on track with hundreds already having joined the service.

The enhanced compliance to the medical treatment and ongoing care is expected to decrease the onset of exacerbations leading to improved quality of life, peace of mind and a decrease in hospital admissions and hospitalizations. It is estimated that in Germany a severe COPD patient costs over € 10 thousand per annum, of which SHL expects to reduce 30% to 50% of the costs. Payment to SHL is based on the evaluation of economic success as monitored by the Hamburg Center for Health Economics of the University of Hamburg. First assessment is planned to commence at the end of 2013.

Israel

SHL's Israeli business continued to perform well, showing a 3% year on year revenue growth, in constant exchange terms, with improved operating margins. SHL's Israeli operation continues to lead the Israeli telemedicine market, serving as an important knowledge base for the Company.

Business development – launch of telemedicine services in India

In 2012 SHL continued investing significant effort in assessing the entry and expansion into new territories and the marketing of new products and services worldwide. SHL has recently announced entering the Indian healthcare market through collaborations with Indian hospitals with the aim of providing the SHL telemedicine solution to their patients.

The hospitals will offer the SHL telemedicine solution to their patients, as part of their routine out of hospital patient care programs. SHL shall provide the telemedicine service using its advanced telemedicine technologies, including the new smartheart device. In conjunction, SHL has signed the first of its kind collaboration agreement, with Belle Vue Clinic, a specialty hospital in Kolkata, India, and part of B.M Birla hospital chain group.

SHL will focus first on tier I cities with an aggregate population size of over 60 million where the fast growing urban middle class is experiencing rapid growth of income coupled with modernization of lifestyle also leading to increase risk of CVD. SHL expects to generate USD 1 to 5 million from each such collaboration over the course of three years and to sign a series of additional, similar in nature, long term agreements with hospitals.

Financial Highlights

During the year revenues and profit declined, as expected, due to SHL's operation in Germany and the cessation of revenues from Philips US. SHL has been successful in adjusting its expense base to accommodate for the reduced revenues and operations in Germany, leading to a return to positive operating cash flow for the year of USD 1.6 million compared to cash used in operations of USD 3.5 million in fiscal year 2011. In the fourth quarter SHL recorded an allowance for doubtful accounts in the amount of USD



2.6 million related to its German operation, which led to reduced operating and net profit for the fourth quarter and for the year. Excluding such accrual, financial performance in the fourth quarter is in line with previous quarters reported.

Revenues for the fourth quarter amounted to USD 6.9 million compared to USD 9.1 million in Q4 2011. Revenues for the year amounted to USD 26.9 million compared to USD 42.4 million in 2011. This represents a decline of 22.0% and 31.4%, at constant exchange rates*, for the quarter and for the year, respectively.

Gross profit for the quarter amounted to USD 3.4 million (49.3% of revenues) compared to USD 5.5 million (60.4% of revenues) in the fourth quarter of 2011. In 2012 gross profit amounted to USD 14.3 million (53.2% of revenues) compared to USD 27.0 million (63.7% of revenues) in 2011.

LBITDA for the quarter amounted to USD 2.5 million with **LBIT** for the quarter amounting to USD 3.6 million. Excluding the allowance for doubtful accounts, EBITDA for the quarter amounted to USD 0.1 million (1.4% of revenues) with LBIT amounting to USD 1.1 million, this compared to an EBITDA of USD 1.5 million (16.5% of revenues) and EBIT of USD 0.2 million (2.2% of revenues) in Q4 2011.

LBITDA for the year amounted to USD 1.3 million with LBIT of USD 5.7 million. Excluding the allowance for doubtful accounts, EBITDA for the year amounted to USD 1.3 million (4.8% of revenues) with LBIT amounting to USD 3.1 million, this compared to an EBITDA of USD 9.1 million (21.5% of revenues) and EBIT of USD 4.2 million (9.9% of revenues) in 2011.

Net loss for the quarter amounted to USD 4.0 million (USD 0.38 per share) with net loss for the year amounting to USD 7.3 million (USD 0.69 per share). Excluding the allowance for doubtful accounts, net loss for the quarter amounted to USD 1.4 million (USD 0.14 per share) with net loss for the year amounting to USD 4.7 million (USD 0.45 per share), this compared with a net income of USD 0.3 million (USD 0.03 per share) in Q4 2011 and a net income of USD 4.0 million (USD 0.38 per share) in 2011.

Improved operating cash flow. The successful adjustment of SHL's expense base led to an improved operating cash flow as for the year as SHL generated an operating cash flow of USD 1.6 million compared to cash used in operations of USD 3.5 million in 2011. Cash, cash equivalents and marketable securities at December 31, 2012 amounted to USD 26.8 million.

Balance sheet. SHL's assets at 31 December 2012 totalled USD 99.7 million with shareholders' equity amounting to USD 61.0 million (61.2% of balance sheet) compared to assets of USD 108.4 million and shareholders' equity of USD 66.6 million (61.4% of balance sheet) at 31 December 2011.



Outlook

SHL expects to return to revenue growth in 2013 and show significantly improved financial performance. The rate of growth is mainly dependent on the pace of patient recruitment in the new telemedicine programs in Germany.

SHL Telemedicine – consolidated key figures – Q4 12

in USD million (except per share amounts)	Q4 2012	Q4 2011	% change	Q4 2012 excluding accrual for bad debt and in constant currency	% change
Revenues	6.9	9.1	(24.2%)	7.1	(22.0%)
Gross profit	3.4	5.5	(38.2%)	3.5	(36.4%)
%	49.3%	60.4%		49.3%	
EBIT/(LBIT)	(3.6)	0.2	n.a.	(1.4)	n.a.
%	n.a.	2.2%		n.a.	
EBITDA/(EBITDA)	(2.5)	1.5	n.a.	(0.2)	n.a.
%	n.a.	16.5%		n.a.	
Net income (loss)	(4.0)	0.3	n.a.	(1.8)	n.a.
	n.a.	3.3%		n.a.	
Basic EPS/(LPS)	(0.38)	0.03	n.a.	(0.18)	n.a.

SHL Telemedicine – consolidated key figures – 2012

in USD million (except per share amounts)	2012	2011	% change	2012 excluding accrual for bad debt and in constant currency	% change
Revenues	26.9	42.4	(36.6%)	29.1	(31.4%)
Gross profit	14.3	27.0	(47.0%)	15.4	(43.0%)
%	53.2%	63.7%		52.9%	
EBIT/(LBIT)	(5.7)	4.2	n.a.	(3.6)	n.a.
%	n.a.	9.9%		n.a.	
EBITDA/(EBITDA)	(1.3)	9.1	n.a.	1.1	n.a.
%	n.a.	21.5%		3.8%	
Net income (loss)	(7.3)	4.0	n.a.	(5.4)	n.a.
	n.a.	9.4%		n.a.	
Basic EPS/(LPS)	(0.69)	0.38	n.a.	(0.52)	n.a.

* Constant currency - In order to enable meaningful comparison between the 2012 and 2011 results, 2012 results are also presented at constant currency exchange rates. These are calculated by translating the 2012 results using the average 2011 exchange rates 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 - Q4 12

	Israel		Germany		USA & ROW	
	USD m	% of total	USD m	% of total	USD m	% of total
Q4 2012	5.6	81.2%	1.3	18.8%	0.0	0.0%
Q4 2011	5.6	61.5%	2.7	29.7%	0.8	8.8%
Q4 2012 (constant currency exchange rates)	5.8	81.7%	1.3	18.3%	0.0	0.0%
% change in constant currency	3.6%		(51.9%)		(100.0%)	

Revenues by geographic distribution - 2012

	Israel		Germany		USA & ROW	
	USD m	% of total	USD m	% of total	USD m	% of total
12M 2012	21.7	80.7%	5.2	19.3%	0.0	0.0%
12M 2011	22.8	53.8%	14.8	34.9%	4.8	11.3%
12M 2012 (constant currency exchange rates)	23.5	80.8%	5.6	19.2%	0.0	0.0%
% change in constant currency	3.1%		(62.2%)		(100.0%)	

The comprehensive Annual Report 2012 is available under: <http://www.shl-telemedicine.com/investors-relations/>

IR Agenda 2013

May 22, 2012 Q1 Results
 July 9, 2012 AGM, Tel Aviv
 August 21, 2012 Q2 Results
 November 20, 2012 Q3 Results

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. SHL is listed on the SIX Swiss Exchange (SHLTN, ISIN: IL0010855885, Security No.: 1128957). More information available at: www.shl-telemedicine.com.



For further information please contact:

- Erez Alroy, Co-CEO, Phone: +972 3561 22 12, ereza@shl-telemedicine.com
- Martin Meier-Pfister, IRF Communications, Phone: +41 43 244 81 40, 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.



Balance-Sheets (USD thousands)	31.12.2012	31.12.2011
Cash and cash equivalents	10,613	16,911
Available-for-sale investments	16,159	16,383
Trade receivables	19,413	19,003
Inventory	367	-
Other current assets	3,312	3,672
Current Assets	49,864	55,969
Non-Current Assets	12,109	15,561
Property and equipment, net	15,307	15,708
Intangible Assets, net	22,455	21,208
Total Assets	99,735	108,446
Credit from banks and current maturities	8,539	9,441
Deferred revenues	55	114
Trade payables	1,222	1,249
Provisions	2,535	2,485
Other accounts payable	4,181	5,495
Current Liabilities	16,532	18,784
Long-term loans	19,860	22,139
Deferred revenues	1,478	
Employee benefit liabilities	879	810
Deferred taxes	-	150
Non-current Liabilities	22,217	23,099
Total liabilities	38,749	41,883
Equity attributable to SHL shareholders:		
Issued capital	31	31
Additional paid-in capital	94,341	93,894
Treasury shares	(2,920)	(2,201)
Foreign currency translation reserve	2,060	788
Capital reserve for available-for-sale financial assets	735	8
Accumulated deficit	(33,261)	(25,957)
Total Equity	60,986	66,563
Liabilities and Equity	99,735	108,446



Statements of Income (USD thousands, except per share data)	2012	2011
Revenues	26,938	42,374
Depreciation and amortization	2,105	2,467
Cost of revenues	10,528	12,925
Gross Profit	14,305	26,982
Research and development costs	1,449	1,334
Selling and marketing expenses	7,503	9,566
General and administrative expenses	11,007	11,910
Operating income (loss)	(5,654)	4,172
Financial income	2,375	4,650
Financial expenses	(3,397)	(4,033)
Income (loss) before taxes on income	(6,676)	4,789
Taxes on income	628	792
Net income (loss)	(7,304)	3,997
Foreign currency translation reserve	1,272	(4,999)
Transfer to the statement of comprehensive income in respect of available-for-sale investments	(20)	(130)
Gain on available-for-sale investments	570	80
Impairment of available for sale assets carried to the income statement	177	-
Total comprehensive loss	(5,305)	(1,052)
Basic and diluted earnings (loss) per share	(0.69)	0.38



Statements of Cash Flows (USD thousands)	2012	2011
Net income (loss)	(7,304)	3,997
Adjustment required to reconcile net income (loss) to net cash provided by (used in) operating activities	8,930	(7,500)
Net Cash provided by (used in) Operating Activities	1,626	(3,503)
Purchase of property and equipment	(2,088)	(2,535)
Acquisition of business activities	-	(278)
Investment in intangible assets	(2,344)	(2,048)
Proceeds from sale of property and equipment	73	-
Purchase of available-for-sale investments	(7,516)	(7,971)
Proceeds from sale of available-for-sale investments	8,596	7,874
Net Cash used in Investing Activities	(3,279)	(4,958)
Proceeds from exercise of options	62	21
Short-term bank credit, net	(1,244)	4,644
Long-term loans received	-	29,296
Payment of long-term loans	(2,900)	(1,254)
Dividend paid	-	(6,941)
Treasury shares purchased	(719)	(628)
Net Cash provided by (used in) Financing Activities	(4,801)	25,138
Exchange differences on balances of cash and cash equivalents	156	(2,375)
Increase (decrease) in cash and cash equivalents	(6,298)	14,302
Cash and cash equivalents at the beginning of the year	16,911	2,609
Cash and Cash equivalents at the end of the year	10,613	16,911