



Press release

## **SHL Telemedicine reports second quarter and half year 2011 results**

### **Second Quarter highlights**

- *Revenues of USD 11.6 million.*
- *EBITDA of USD 2.7 million (23.3% of revenues).*
- *EBIT of USD 1.5 million (12.9% of revenues).*
- *Net income of USD 1.2 million (10.3% of revenues).*
- *Dividend declared of USD 0.66 per share.*
- *Additional share buy-back of USD 2 million approved.*

**Tel Aviv/Zurich, 24 August 2011** - 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 2011.

Erez Alroy, Co-CEO of SHL Telemedicine, stated: "Revenues and profitability have developed as expected during the first six months of 2011. Our Israeli business showed improved financial performance. In Germany, we continue to focus on major high value contracts with large Krankenkassen (Health Insurers) although this environment continues to be challenging due to their continuing aggressive consolidation. A highlight in the first six months was the presentation and positive reception of SHL's innovative Smartheart cellular technology at the TechCrunch event in the US."

### **Germany**

SHL continues concentrating on negotiating high value contracts with the large health insurers. During the period SHL streamlined operations in Dusseldorf to accommodate for the lower capacity currently needed.

A new study, based on the services provided by SHL Telemedizin, was published by the Westdeutsche Zentrum für Diabetes (West German Center for Diabetes) affiliated to Katholische Kliniken (catholic hospitals) in Dusseldorf. The objective of the Diabetiva® study was to analyze the effects of six months telemedical care results of increased glucometabolic control and quality of life in patients with type 2 diabetes mellitus (T2DM). 100 patients were included in the study. Participation in the telemedical care program showed a significant improvement of HbA1c (glycated hemoglobin) as well as cardiovascular risk factors, i.e. weight, body-mass-index, fasting blood glucose and blood pressure. In parallel, a significant decrease of diabetes specific impairment and increase in quality of life was observed. Patients with depression especially, benefited from the telemedical care program as the number of depressed patients decreased after three months from 64 to 35 and then to 29 at the end of the six months.

### **Israel**

Israel continued its good financial performance, showing improved operating margins. During the period many new patients were recruited, based on agreements signed with Israeli health insurers for the provision of telemedical services to their insured.



### **Smarthearth: SHL's latest innovation in the field of cardio telemedicine**

SHL was selected to present its new telemedicine technology, the “Smarthearth” at the TechCrunch Disrupt Battlefield Conference in New York in May 2011. Smarthearth is the world's smallest Hospital-Grade ECG that can be used by a non-professional end-user, is slightly bigger than an iPhone 4 and weighs slightly less. The product generated much interest at the Conference and SHL is currently examining several initiatives related to the launch of this Smarthearth platform.

### ***Financial Highlights***

**Revenues** for the second quarter amounted to USD 11.6 million compared to USD 12.0 million in Q2 2010. Revenues for the first half of the year amounted to USD 23.1 million compared to USD 24.4 million in H1 2010. This represents a decline of 3.3% (at constant exchange rates 11.7%) for the quarter and a decline of 5.3% (at constant exchange rates 10.2%) for the first half of the year compared to the same period in 2011 stemming from the decline, as expected, in SHL Germany's revenues.

Although revenues declined during the period, gross and operating margins remained fairly steady thanks mainly to significantly lower investments in the consumer market initiatives and streamlining operations in Germany.

**Gross profit** for the quarter reached USD 7.6 million (65.5% of revenues) compared to USD 8.1 million (67.5% of revenues) in Q2 2010. In the first half of 2011 gross profit amounted to USD 15.1 million (65.4% of revenues) compared to USD 16.2 million (66.4% of revenues) in the first half of 2010.

**EBITDA** for the quarter amounted to USD 2.7 million (23.3% of revenues) compared to an EBITDA of USD 2.8 million (also 23.3% of revenues) in Q2 2010. EBITDA for the first half of 2011 amounted to USD 5.3 million (22.9% of revenues) compared to an EBITDA of USD 5.9 million (24.2% of revenues) in the comparable period last year.

**EBIT** for the quarter amounted to USD 1.5 million (12.9 % of revenues) remaining unchanged to that of USD 1.5 million (12.5% of revenues) in Q2 2010. EBIT for the first half of 2011 amounted to USD 2.8 million (12.1% of revenues) compared to an EBIT of USD 3.2 million (13.1% of revenues) in H1 2010.

**SHL's net income** for the quarter totaled USD 1.2 million (USD 0.11 per share) compared to USD 1.5 million (USD 0.14 per share) in the second quarter of 2010. For the first six months of 2011, SHL reports a net income of USD 2.2 million (USD 0.21 per share) compared to USD 3.1 million (USD 0.29 per share) in the comparable period last year.

**Cash** used in operations for the second quarter and half year amounted to USD 1.9 million and USD 2.0 million, respectively compared to cash generated of USD 2.8 million and USD 3.4 million in Q2 and H1 of 2010, respectively. Cash, cash equivalents and marketable securities at June 30, 2011 amounted to USD 22.1 million.



**Balance sheet.** SHL's assets at 30 June 2011 totalled USD 101.7 million with shareholders' equity amounting to USD 80.1 million (79% of balance sheet) compared to assets of USD 95.1 million and shareholders' equity of USD 74.7 million at 31 December 2010.

### Dividend and share repurchase

Following the receipt of a further payment from Philips relating to the Raytel transaction, SHL's Board of Directors has declared a dividend of USD 0.66 per share, totaling USD 7 million payable on September 23, 2011 to shareholders of record on September 22, 2011. The Board of Directors also approved to increase the aggregate share re-purchase amount by an additional USD 2 million.

### Long-term loans

In order to benefit from the current availability of long term finance in the Israeli market at satisfactory interest rates, SHL negotiated long-term loans during July from financing institutions in the amount of USD 29.3 million (NIS 100 million). The loans are spread over an 8 year term, are denominated in NIS, bear an annual interest of 3.8%-3.9% and are linked to the Israeli CPI.

### SHL Telemedicine – consolidated key figures

#### Q2 2011

in USD million (except per share amounts)	Q2 2011	Q2 2010	% change	Q2 2011 (constant currency)	% change (constant currency)
Revenues	11.6	12.0	(3.3)%	10.6	(11.7)%
Gross profit	7.6	8.1	(6.2)%	7.0	(13.6)%
%	65.5%	67.5%		66.0%	
EBITDA	2.7	2.8	(3.6)%	2.7	(3.6)%
%	23.3%	23.3%		25.5%	
EBIT	1.5	1.5	0.0%	1.6	6.7%
%	12.9%	12.5%		15.1%	
Net income	1.2	1.5	(20.0)%	1.3	(13.3)%
Basic EPS	0.11	0.14	(21.4)%	0.13	(7.1)%

### SHL Telemedicine – consolidated key figures

#### H1 2011

in USD million (except per share amounts)	H1 2011	H1 2010	% change	H1 2011	% change
Revenues	23.1	24.4	(5.3)%	21.9	(10.2)%
Gross profit	15.1	16.2	(6.8)%	14.5	(10.5)%
%	65.4%	66.4%		66.2%	
EBITDA	5.3	5.9	(10.2)%	5.3	(10.2)%
%	22.9%	24.2%		24.2%	
EBIT	2.8	3.2	(12.5)%	3.1	(3.1)%
%	12.1%	13.1%		14.2%	
Net income	2.2	3.1	(29.0)%	2.5	(19.4)%
Basic EPS	0.21	0.29	(27.6)%	0.23	(20.7)%



\* Constant currency - In order to enable meaningful comparison between the 2011 and 2010 results, 2011 results are also presented at constant currency exchange rates. These are calculated by translating the 2011 results using the average 2010 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  
Q2 2011**

	<b>Israel</b>		<b>Germany</b>		<b>USA &amp; ROW</b>	
	USD m	% of total	USD m	% of total	USD m	% of total
Q2 2011	5.9	50.9%	4.3	37.1%	1.4	12.0%
Q2 2010	5.3	44.2%	5.2	43.3%	1.5	12.5%
Q2 2011 (constant currency)	5.4	50.9%	3.8	35.9%	1.4	13.2%
% change in constant currency	1.9%		(26.9)%		(6.7)%	

**Revenues by geographic distribution  
H1 2011**

	<b>Israel</b>		<b>Germany</b>		<b>USA &amp; ROW</b>	
	USD m	% of total	USD m	% of total	USD m	% of total
H1 2011	11.6	50.2%	8.6	37.2%	2.9	12.6%
H1 2010	10.8	44.3%	10.6	43.4%	3.0	12.3%
H1 2011 (constant currency)	10.8	49.3%	8.2	37.5%	2.9	13.2%
% change in constant currency	0.0%		(22.6)%		(3.3)%	

A comprehensive Half-Year Report 2011 is available at:

<http://www.shl-telemedicine.com/investors-relations/financial-reports/>

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

SHL will hold a call to discuss the Q2 / H1 11 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)203 059 58 62  
 From Israel: 1 80 921 44 27

Slides are available at

<http://www.shl-telemedicine.com/investors-relations/analysts-presentation/>

**IR Agenda 2011**

November 16 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. 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>30.6.2011</b>	<b>30.6.2010</b>	<b>31.12.2010</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Cash and cash equivalents	4,554	3,000	2,609
Available-for-sale investments	17,536	16,560	17,603
Trade receivables	13,800	3,833	7,984
Other current assets	3,248	2,985	2,883
<b>Current Assets</b>	<b>39,138</b>	<b>26,378</b>	<b>31,079</b>
<b>Long-term Assets</b>	<b>20,913</b>	<b>24,496</b>	<b>24,592</b>
<b>Fixed Assets, net</b>	<b>18,539</b>	<b>16,804</b>	<b>17,953</b>
<b>Intangible Assets, net</b>	<b>23,090</b>	<b>19,230</b>	<b>21,440</b>
<b>Total Assets</b>	<b>101,680</b>	<b>86,908</b>	<b>95,064</b>
Credit from banks	9,107	484	2,362
Deferred revenues	806	5,773	5,155
Trade payables	1,280	1,940	1,996
Income tax payable	1,149	2,741	1,059
Provisions	2,784	2,532	2,567
Other accounts payable	5,480	5,777	6,207
<b>Current Liabilities</b>	<b>20,606</b>	<b>19,247</b>	<b>19,346</b>
Accrued severance pay	862	673	796
Deferred taxes	76	391	226
<b>Long-term Liabilities</b>	<b>938</b>	<b>1,064</b>	<b>1,022</b>
<b>Total liabilities</b>	<b>21,544</b>	<b>20,311</b>	<b>20,368</b>
<b>Equity:</b>			
Issued capital	31	31	31
Additional paid-in capital	93,693	93,125	93,406
Treasury shares	(1,637)	(1,567)	(1,573)
Foreign currency translation reserve	9,048	(165)	5,787
Capital reserve for available-for-sale investments	(197)	(20)	58
Accumulated deficit	(20,802)	(24,807)	(23,013)
<b>Total Equity</b>	<b>80,136</b>	<b>66,597</b>	<b>74,696</b>
<b>Liabilities and Equity</b>	<b>101,680</b>	<b>86,908</b>	<b>95,064</b>

<b>Statements of Income</b> (USD thousands, except per share data)	<b>Q2 11</b>	<b>Q2 10</b>	<b>H1 11</b>	<b>H1 10</b>	<b>2010</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Revenues	11,602	11,988	23,094	24,362	50,252
Depreciation and amortization	629	464	1,269	1,032	2,287
Cost of revenues	3,385	3,456	6,685	7,130	14,692
<b>Gross Profit</b>	<b>7,588</b>	<b>8,068</b>	<b>15,140</b>	<b>16,200</b>	<b>33,273</b>
Research and development costs, net	382	436	626	829	1,597
Selling and marketing expenses	2,637	3,714	5,474	7,508	14,747
General and administrative expenses	3,116	2,411	6,197	4,631	10,945
<b>Operating income</b>	<b>1,453</b>	<b>1,507</b>	<b>2,843</b>	<b>3,232</b>	<b>5,984</b>
Financial income	649	1,014	2,115	2,352	3,791
Financial expenses	(743)	(526)	(2,302)	(1,625)	(3,723)
<b>Income before taxes on income</b>	<b>1,359</b>	<b>1,995</b>	<b>2,656</b>	<b>3,959</b>	<b>6,052</b>
Taxes on income	194	521	445	892	1,191
<b>Net income</b>	<b>1,165</b>	<b>1,474</b>	<b>2,211</b>	<b>3,067</b>	<b>4,861</b>
<b>Other Comprehensive income:</b>					
Exchange differences from foreign currency translation	1,554	(2,768)	3,261	(1,662)	4,290
Transfer to the statement of income in respect of available-for-sale investments	89	20	72	(345)	280
Net gain (loss) on available-for-sale investments	(28)	82	(327)	50	(497)
	1,615	(2,666)	3,006	(1,957)	4,073
<b>Total comprehensive income (loss)</b>	<b>2,780</b>	<b>(1,192)</b>	<b>5,217</b>	<b>1,110</b>	<b>8,934</b>
<b>Basic and diluted profit per share</b>	<b>0.11</b>	<b>0.14</b>	<b>0.21</b>	<b>0.29</b>	<b>0.46</b>

<b>Statements of Cash Flows (USD thousands)</b>	<b>Q2 11</b>	<b>Q2 10</b>	<b>H1 11</b>	<b>H1 10</b>	<b>2010</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Net income	1,165	1,474	2,211	3,067	4,861
Adjustment required to reconcile net income to net cash provided by (used in) operating activities	(3,102)	1,332	(4,228)	363	(1,853)
<b>Net Cash provided by (used in) Operating Activities</b>	<b>(1,937)</b>	<b>2,806</b>	<b>(2,017)</b>	<b>3,430</b>	<b>3,008</b>
Purchase of fixed assets	(1,015)	(1,413)	(1,593)	(2,318)	(3,469)
Proceeds from sale of fixed assets	-	16	-	26	27
Acquisition of business activities	-	(109)	(278)	(222)	(435)
Capitalization of development costs	(620)	(409)	(1,203)	(960)	(2,240)
Purchase of available-for-sale investments	(4,078)	(1,619)	(4,758)	(10,699)	(16,139)
Proceeds from sale of available-for-sale investments	4,417	3,237	5,269	12,063	18,012
<b>Net Cash used in Investing Activities</b>	<b>(1,296)</b>	<b>(297)</b>	<b>(2,563)</b>	<b>(2,110)</b>	<b>(4,244)</b>
Proceeds from exercise of options	3	133	21	133	216
Short-term bank credit, net	1,393	(1,765)	6,418	(218)	1,793
Treasury shares purchased	(64)	-	(64)	-	(6)
<b>Net Cash provided by (used in) Financing Activities</b>	<b>1,332</b>	<b>(1,632)</b>	<b>6,375</b>	<b>(85)</b>	<b>2,003</b>
Effect of exchange rate changes on cash and cash equivalents	334	(24)	150	(74)	3
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,567)</b>	<b>853</b>	<b>1,945</b>	<b>1,161</b>	<b>770</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6,121</b>	<b>2,147</b>	<b>2,609</b>	<b>1,839</b>	<b>1,839</b>
<b>Cash and Cash equivalents at the end of the period</b>	<b>4,554</b>	<b>3,000</b>	<b>4,554</b>	<b>3,000</b>	<b>2,609</b>