



Press release

SHL announces full-year results 2015

Tel Aviv / Zurich, 12 April 2016 – SHL Telemedicine Ltd. (SIX Swiss Exchange: SHLTN, OTCPK: SMDCY) (“SHL”), a leading provider and developer of advanced personal telemedicine solutions, today announced the annual report and the financial results for 2015.

- *Revenues for the year of USD 40.7 million (up 13.8% in constant currency to USD 45.5 million)*
- *Adjusted EBITDA⁽³⁾ of USD 0.4 million*
- *Adjusted LBIT⁽³⁾ of USD 4.7 million*
- *Adjusted net loss⁽³⁾ of USD 6.1 million*
- *On a GAAP basis net loss for the year including change in revenue estimates and extraordinary items amounted to USD 16.6 million*
- *Operating cash flow for the year amounted to USD 4.0 million*

In 2015, SHL again demonstrated its ability to grow its strong business franchise through acquisitions. In March, SHL signed an agreement to acquire GPH (Gesellschaft für Patientenhilfe), based in Munich, for a cash purchase price of EUR 7.6 million. GPH’s nationwide German telemedicine program Cordiva cares for about 10,000 chronic heart failure patients in daily regular care. GPH has AOK Bayern and AOK North East amongst its major clients. Following the acquisition, SHL unified its telemedicine monitoring centres in Germany. The Dusseldorf monitoring centre was transferred to Munich, a process which will lead to improved efficiency.

The year was marked by SHL’s announcement in August to merge with China based Shanghai Jiuchuan Investment (Group) Co., Ltd. As it turned out though, Shanghai Jiuchuan failed to fulfil the relevant closing conditions stipulated in the Merger Agreement. Therefore, in December the Merger Agreement was terminated by SHL and the transaction could not be consummated as originally planned. SHL filed a claim for breach of contract for CHF 11 million or equal to 10% of the merger consideration (USD 11 million) the outcome of which cannot be estimated yet.

While SHL’s businesses in Germany and Israel performed as expected, in Germany external evaluations related to two performance based contracts demonstrated successful outcomes and an economic benefit for the health insurers, however, with an economic benefit lower than previously estimated. This required the Company to adjust its estimate of these performance-based revenues associated with the service years 2013 to 2015 and reduce the related income receivable. In addition, certain additional assets, mainly a tax receivable was written off and certain fixed and intangible assets were impaired. Also, extraordinary costs were incurred due to the restructuring process in Germany and the merger process with the Chinese buyer.

In February 2016, Uzi Blumensohn was elected as the new Chairman of the Board of Directors and in March 2016, Yuval Shaked joined SHL as the new Chief Executive Officer replacing Erez Alroy and Yariv Alroy, the former Co-CEOs, following their long, fully committed service to SHL. Uzi Blumensohn and Yuval Shaked bring years of international experience in the life sciences and telemedicine space. Mr. Blumensohn was a VP Cardiology of McKesson Corporation, ranked 11th on the FORTUNE 500 list, a healthcare services and information technology company following the sale of Medcon Ltd, a cardiac image and information management solutions company, where he served as Chairman of the Board



and CEO. Mr. Shaked was the General Manager of the Diagnostic Cardiology division at GE Healthcare in the US, leading both on- and off-shore R&D and marketing teams conducting worldwide sales of devices and IT solutions in the cardiology field.

Financial results 2015

As a result of these adjustments and extraordinary items⁽⁴⁾, totalling USD 14 million, the Company has recorded an Operating and Net loss in fiscal year 2015.

On an ongoing basis, SHL recorded revenues for the year of USD 40.7 million, an increase of 1.8% from 2014 revenues. At constant exchange rates, revenues for the year were USD 45.5 million, up 13.8% compared to 2014 revenues. GPH's results are consolidated from April 1, 2015.

Adjusted EBITDA⁽³⁾ amounted to USD 0.4 million and adjusted LBIT⁽³⁾ to USD 4.7 million compared with adjusted EBITDA⁽³⁾ of USD 7.7 million and adjusted EBIT⁽³⁾ of USD 2.6 million in 2014. On a GAAP basis including the revenue adjustment related to the performance based contracts and extraordinary items LBITDA for the year amounted to USD 6.4 million with an LBIT of USD 15.4 million.

Adjusted net loss⁽³⁾ for the year amounted to USD 6.1 million compared to an adjusted net income⁽³⁾ of USD 2.1 million in 2014. On a GAAP basis including the revenue adjustment related to the performance based contracts and extraordinary items net loss for the year amounted to USD 16.6 million.

Operating cash flow for the year amounted to USD 4.0 million, which included the collection of USD 4.7 million from a former customer in Germany, this compared to cash used in operations of USD 3.1 million in 2014. Cash, cash equivalents and marketable securities amounted to USD 8.6 million at December 31, 2015. In January 2016, the Company received a long-term loan from a bank in Germany in the amount of Euro 7.0 million.

Balance sheet. SHL's assets at 31 December 2015 totalled USD 74.5 million with shareholders' equity amounting to USD 42.6 million (57.2% of balance sheet) compared to assets of USD 92.1 million with shareholders' equity amounting to USD 61.4 million (66.7% of balance sheet) at 31 December 2014.

Outlook

2016 will be a year of transition for SHL. CEO Yuval Shaked said: "SHL's businesses in Israel and Germany provide us with a stable platform. Alongside our initiatives to grow these two businesses, we need to further improve efficiency." And he continued: "At the same time, we need to thoroughly assess the situation and define a clear way forward. We are unique in the fact that we have a complete solution to manage patients remotely with proven outcomes - devices, software and medical protocols enabling remote patient management. Our goal is to define a strategy by which these unique assets meet market needs.

The good news is that we have excellent cards in our hands. But we must be mindful how to play them in order to create a focus that will lead to sustainable growth and this is what we will be doing in the coming months."

The full Annual Report is available on: www.shl-telemedicine.com/about-us/investor-relations/financial-reports-pres-2016/



Financial calendar 2016

SHL has decided to adapt the frequency of its reporting to today's common practice in Switzerland and internationally, which is audited financial statements for the full year and non-audited financial statements mid-year.

17 August 2016 Publication of half-year results 2016

Adjusted Financial Results

The following tables reconcile our financial results reported in accordance with generally accepted accounting principles ("GAAP") to non-GAAP financial results. SHL has provided this non-GAAP financial information to aid investors in better understanding the company's performance.

in USD million (except per share amounts)

	2015	2014	% change	2015 (constant currency)	% change (constant currency)
Revenues for the year	40.7	40.0	1.8%	45.5	13.8%
Additional revenue ⁽¹⁾ and change in revenue estimate ⁽²⁾	(4.9)	-		(5.0)	
Adjusted revenues	35.8	40.0	(10.5%)	40.5	1.3%
Adjusted LBIT/EBIT⁽³⁾	(4.7)	2.6	n.a.	(5.6)	n.a.
%	n.a.	6.4%		n.a.	
Adjusted EBITDA⁽³⁾	0.4	7.7	n.a.	0.5	n.a.
%	1.1%	19.3%		1.2%	
Adjusted Net income (loss)⁽³⁾	(6.1)	2.1	n.a.	(7.2)	n.a.
%	n.a.	5.5%		n.a.	
Basic Adjusted LPS/EPS	(0.59)	0.21	n.a.	(0.69)	n.a.

Constant currency - In order to enable meaningful comparison between the results, they are also presented at constant currency exchange rates. These are calculated by translating the 2015 results using the average 2014 exchange rates

Revenues by geographic distribution (excluding change in revenue estimate)

	Israel		Germany		USA & APAC	
	USD m	% of total	USD m	% of total	USD m	% of total
2015	21.1	51.9%	19.5	47.9%	0.1	0.2%
2014	23.7	59.2%	16.3	40.8%	0.0	0.0%
2015 (constant currency)	22.9	50.3%	22.5	49.5%	0.1	0.2%
% change in constant currency	-3.4%		38.0%			



(1) Additional revenues

These are revenues earned by GPH in the period after the acquisition date (Q2 2015), relating to the period prior to the acquisition date (2013, 2014 and Q1 2015) which IFRS 3 requires them to be recorded as an additional asset, as of the acquisition date, rather than revenues.

(2) Change in revenue estimate

The Company received initial results of the evaluation of annual performance-based contracts, according to which the level of cost savings is lower than previously estimated. Based on these results, the Company adjusted its estimate of performance-based revenues by \$ 6.1M which relates to revenues recognized in prior periods beginning in the year 2013

(3) Reconciliation to Adjusted Financial Information:

	2015	2014	2015 (constant currency)
LBIT/EBIT	(15.4)	1.3	(17.6)
Additional revenue	1.2	0.0	1.5
Amortization of acquisition intangibles and stock based compensation	1.6	1.4	1.9
Restructuring charges and extraordinary expenses ⁽⁴⁾	7.9	(0.1)	8.6
Adjusted LBIT/EBIT	(4.7)	2.6	(5.6)
Depreciation	5.1	5.1	6.1
Adjusted EBITDA	0.4	7.7	0.5

	2015	2014	2015 (constant currency)
Net Income (loss)	(16.6)	0.8	(18.9)
Additional revenue	1.2	0.0	1.5
Amortization of acquisition intangibles and stock based compensation	1.6	1.4	1.9
Restructuring charges and extraordinary expenses ⁽⁴⁾	7.9	(0.1)	8.6
Taxes on the above items	(0.2)	0.0	(0.3)
Adjusted Net Income (loss)	(6.1)	2.1	(7.2)



	2015	2014	2015 (constant currency)
(4) Extraordinary expenses:			
Restructuring charges	0.7	(0.1)	0.8
Write-down of other receivables	2.5	0.0	2.7
Transaction expenses	2.0	0.0	2.2
Impairment of fixed and intangible assets	2.7	0.0	2.9
Restructuring charges and extraordinary expenses	7.9	(0.1)	8.6

Non-GAAP adjusted measures

SHL has provided certain non-GAAP financial information to aid investors in better understanding the company's performance. Presenting these non-GAAP measures gives additional insight into operational performance and helps clarify trends affecting the company's business. For comparability of reporting, management considers this information in conjunction with GAAP amounts in evaluating business performance. These non-GAAP financial measures should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP.

About SHL Telemedicine

SHL Telemedicine is engaged in developing and marketing personal telemedicine systems and the provision of medical call center services, with a focus on cardiovascular and related diseases, to end users and to the healthcare community. SHL Telemedicine offers its services and personal telemedicine devices to subscribers utilizing telephonic and Internet communication technology. The Company operates in Israel, Germany, India and the United States in one business segment, Telemedicine services. SHL is listed on the SIX Swiss Exchange (SHLTN, ISIN: IL0010855885, Security No.: 1128957) and has an ADR program listed over-the counter; Symbol: SMDCY. For more information, please visit our web site at www.shl-telemedicine.com.

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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.

Consolidated Balance-Sheets (USD thousands)	31.12.2015 <i>Audited</i>	31.12.2014 <i>Audited</i>
Cash and cash equivalents	4,005	2,767
Short-term investments	4,551	14,316
Trade receivables	7,075	15,263
Inventory	3,268	2,483
Other current assets	2,542	4,726
Current Assets	21,441	39,555
Non-Current Assets	11,103	11,202
Property and equipment, net	10,704	12,653
Intangible Assets, net	31,206	28,717
Total Assets	74,454	92,127
Credit from banks and current maturities	10,351	10,244
Deferred revenues	1,828	66
Trade payables	1,015	983
Other accounts payable	6,840	5,076
Current Liabilities	20,034	16,369
Long-term loans	9,448	12,931
Deffered revenues	523	673
Deffered taxes	1,076	-
Employee benefit liabilities	776	758
Non-current Liabilities	11,823	14,362
Total liabilities	31,857	30,731
Equity:		
Issued capital	31	31
Additional paid-in capital	95,380	95,189
Treasury shares	(2,440)	(2,619)
Foreign currency translation reserve	(4,086)	(1,532)
Capital reserve for available-for-sale investments and remeasurement gains on defined benefit plans	660	640
Accumulated deficit	(46,948)	(30,313)
Total Equity	42,597	61,396
Total liabilities and Equity	74,454	92,127



Consolidated Statements of Comprehensive Income (USD thousands, except per share data)	2015 <i>Audited</i>	2014 <i>Audited</i>
Revenues for the year	40,673	39,976
Changes in revenue estimates	(6,092)	-
Total revenues	34,581	39,976
Depreciation and amortization	2,470	2,344
Cost of revenues	18,088	15,368
Gross Profit	14,023	22,264
Research and development costs	2,690	2,492
Selling and marketing expenses	10,794	11,430
General and administrative expenses	8,052	7,193
Other expenses (income)	7,876	(137)
Operating income (loss)	(15,389)	1,286
Financial income	878	2,376
Financial expenses	(1,261)	(1,809)
Income (loss) before taxes on income	(15,772)	1,853
Taxes on income	863	1,024
Net income (loss)	(16,635)	829
Other Comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains on defined benefit plans	90	33
Other Comprehensive income(loss) to be reclassified to profit or loss in subsequent periods	90	33
Transfer to profit or loss in respect of available-for-sale investments	(74)	(1,075)
Gain on available-for-sale investments	4	49
Foreign currency translation reserve	(2,554)	(7,680)
	(2,624)	(8,706)
Total comprehensive income (loss)	(19,169)	(7,844)
Basic and diluted earnings (loss) per share	(1.59)	0.08



Statements of Cash Flows (USD thousands)	2015 <i>Audited</i>	2014 <i>Audited</i>
Net income (loss)	(16,635)	829
Adjustment required to reconcile net income (loss) to net cash provided by (used in) operating activities	20,615	(3,946)
Net cash provided by (used in) Operating Activities	3,980	(3,117)
Purchase of property and equipment	(1,230)	(2,268)
Investment in intangible assets	(1,520)	(2,011)
Long term deposit	(516)	-
Acquisition of almeda	-	1,149
Acquisition of GPH	(6,236)	-
Proceeds from sale of property and equipment	32	65
Purchase of short-term investments	(1,326)	(13,943)
Proceeds from sale of short-term investments	11,328	17,731
Net cash provided by Investing Activities	532	723
Proceeds from exercise of options	8	8
Short-term bank credit, net	-	840
Payment of long-term loans	(3,313)	(3,451)
Proceeds from long term loans	138	-
Net cash used in Financing Activities	(3,167)	(2,603)
Exchange differences on balances of cash and cash equivalents	(107)	(384)
Increase (decrease) in cash and cash equivalents	1,238	(5,381)
Cash and cash equivalents at the beginning of the year	2,767	8,148
Cash and cash equivalents at the end of the year	4,005	2,767