



# SHL Telemedicine Q4/FY 2010 Results 30 March 2011

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## SHL at a glance

### Facts

- Leading provider of technologically advanced telemedicine services and solutions
- The services and solutions improve quality of life for our subscribers and enable cost savings for the health services community
- Focus on cardiovascular and related diseases, i.e.:
  - ECG monitoring (Israel, Germany and UK)
  - Congestive Heart Failure (Germany)
- Technological innovation; ongoing development of IT based services and solutions
- Active in Israel, Germany and USA
- Incorporated in 1987, listed on the Swiss Stock Exchange (Zurich)

### Figures

- Over 20 years of experience
- Global long-term subscriber base
  - Over 70,000 subscribers
  - Average age of ~ 66(\*)
  - Average time on service ~ 8(\*) years
  - Over 400 thousand calls conducted in 2009 in Israel and Germany
  - Over 1.5 million telemedicine device transmissions received in 2010

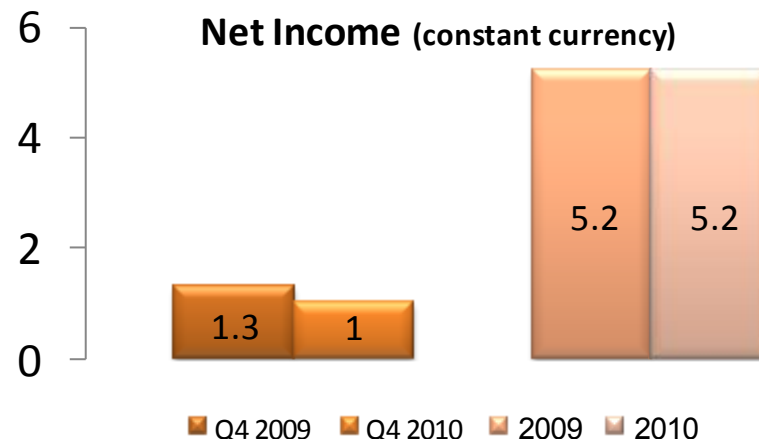
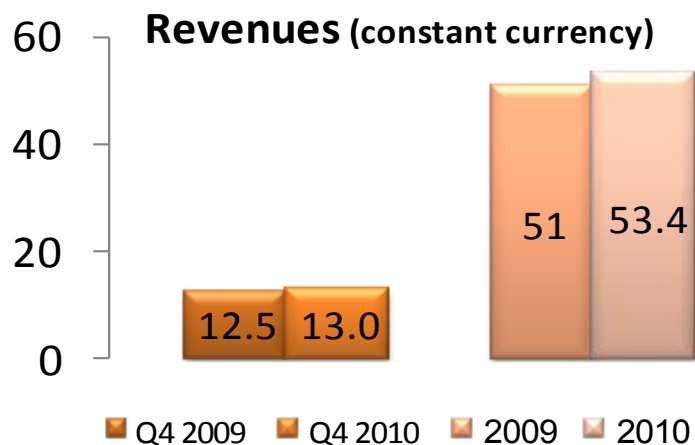


\* excluding German subscribers



# Financial Highlights

## Q4/12M 2010 Financial Highlights



### Q4 2010

- Revenues of USD 13.5 M (growth Q over Q of 4.0% in constant currency)
- EBITDA of USD 2.7 M (20.0% of revenues)
- EBIT of USD 1.4 M (10.4% of revenues)
- Net income of USD 0.9 M (6.7 % of revenues)

### 2010

- Revenues of USD 50.3 M (growth year over year of 4.7% in constant currency)
- EBITDA of USD 11.4 M (22.7% of revenues)
- EBIT of USD 6.0 M (11.9% of revenues)
- Net income of USD 4.9 M (9.7 % of revenues)



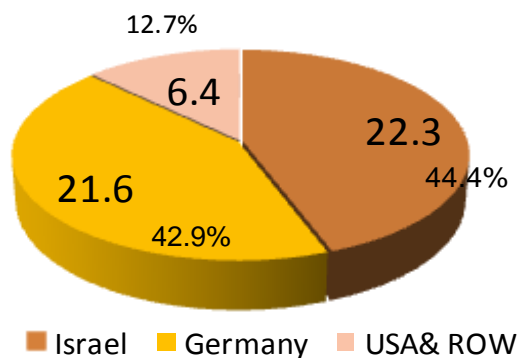
## 2010 results P&L

USD millions	2010	2009	% change	2010 (constant currency)	2009 (constant currency)	% change (constant currency)
Revenues	50.3	47.9	5.0%	53.4	51.0	4.7%
COGS	17.0	15.8	7.6%	18.1	17.1	5.8%
Gross Profit	33.3	32.1	3.7%	35.3	33.9	4.1%
% of revenues	66.2%	67.0%		66.1%	66.5%	
Operating expenses	27.3	25.4	7.5%	28.9	27.4	5.5%
EBIT	6.0	6.7	(10.4)%	6.4	6.5	(1.5)%
% of revenues	11.9%	14.0%		12.0%	12.7%	
EBITDA	11.4	11.6	(1.7)%	12.1	11.9	1.7%
% of revenues	22.7%	24.2%		22.7%	23.3%	
Financial & other expenses	(0.1)	(0.4)	n.a.	(0.1)	(0.4)	n.a.
Taxes on income	1.2	1.7	(29.4)%	1.3	1.7	(23.5)%
Net income	4.9	5.4	(9.3)%	5.2	5.2	-
EPS	0.46	0.51	(9.8)%	0.49	0.50	(2.0)%

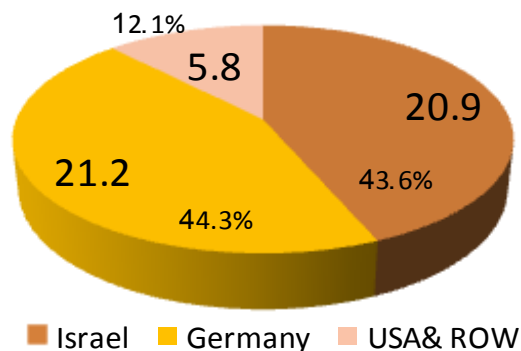
Constant currency exchange rates - In order to enable meaningful comparison between the 2010 and 2009 results, 2010 and 2009 results are also presented at constant currency exchange rates. These are calculated by translating the 2010 results using the average exchange rates used for calculating the 2009 constant currency results (2008) 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/Euro exchange rates.

# Revenues by geographic distribution

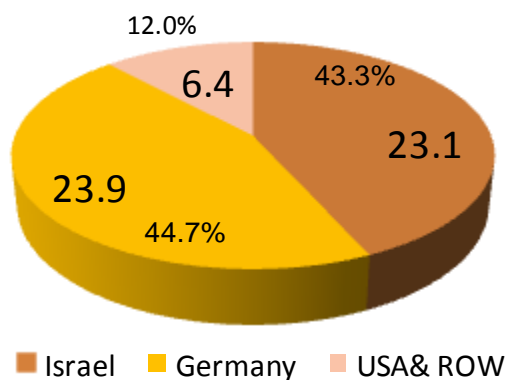
**2010**



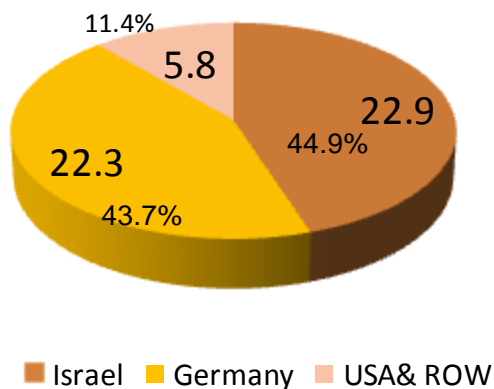
**2009**



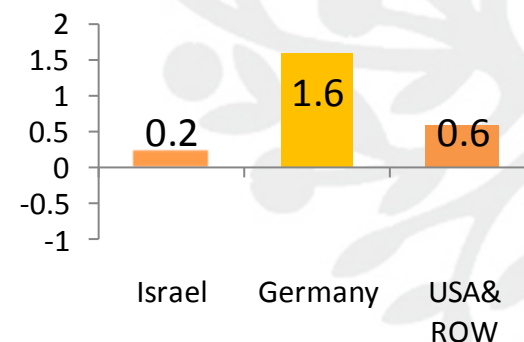
**2010 (constant currency)**



**2009 (constant currency)**

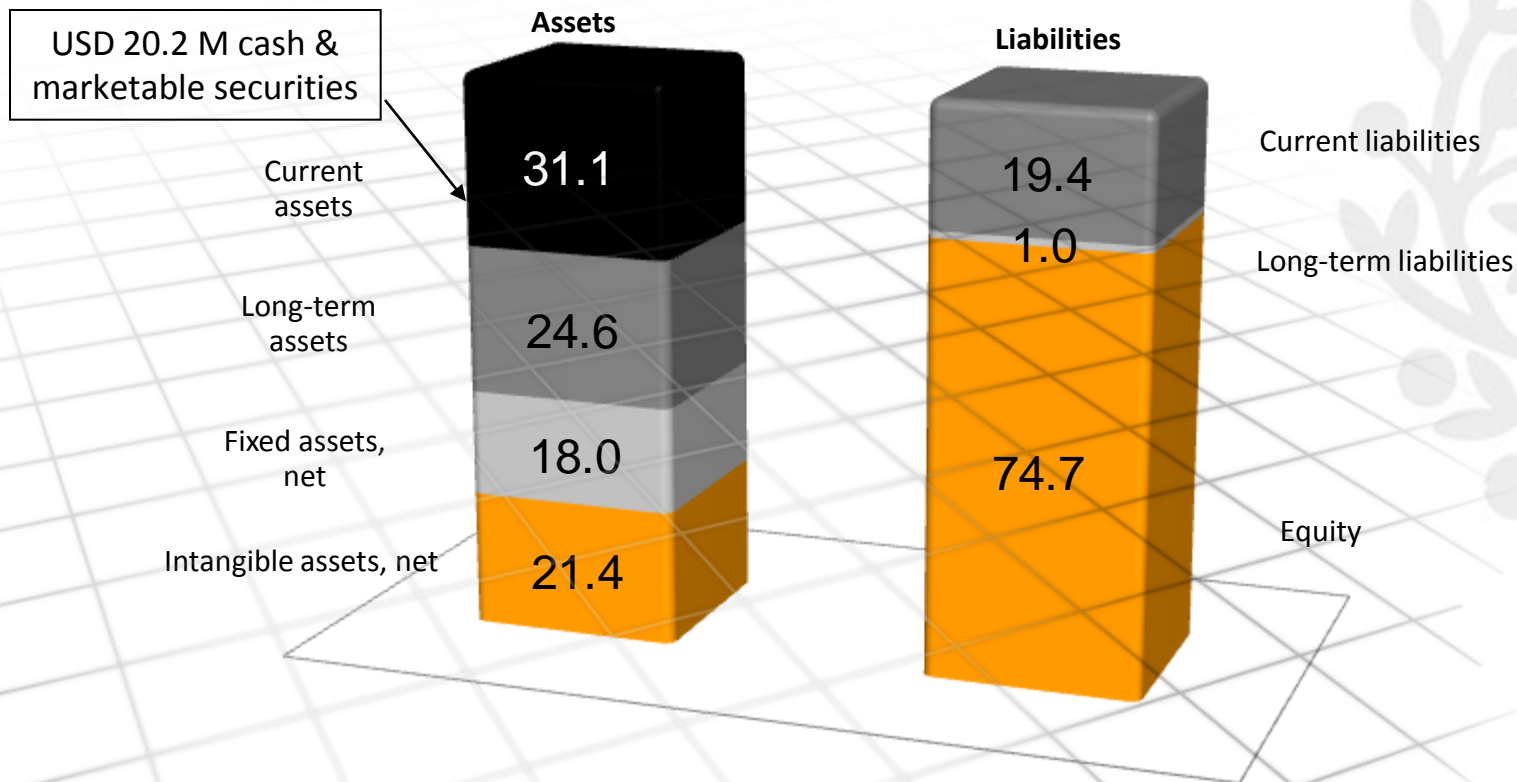


**Growth by geography (in constant currency)**



In USD million

## 31.12.2010 balance sheet



In USD million per 31 December 2010



## Q4/FY 2010 cash flow statements

USD millions	Q4 2010	Q4 2009	<i>Diff</i>	2010	2009	<i>Diff</i>
Cash provided by (used in) Operating activities	<b>(1.0)</b>	<b>1.0</b>	<b>(2.0)</b>	<b>3.0</b>	<b>5.3</b>	<b>(2.3)</b>
Cash used in Investing activities (ex. marketable securities)	<b>(1.0)</b>	<b>(1.8)</b>	<b>0.8</b>	<b>(6.1)</b>	<b>(8.2)</b>	<b>2.1</b>
Cash provided by (used in) financing activities	<b>1.5</b>	<b>(0.9)</b>	<b>2.4</b>	<b>2.0</b>	<b>(0.4)</b>	<b>2.4</b>
Effect of exchange rate changes	<b>0.8</b>	<b>(0.2)</b>	<b>1.0</b>	<b>1.2</b>	<b>(0.1)</b>	<b>1.3</b>
Increase (decrease) in cash, cash equivalents & marketable securities	<b>0.3</b>	<b>(1.9)</b>	<b>2.2</b>	<b>0.1</b>	<b>(3.4)</b>	<b>3.5</b>
Cash, cash equivalents & marketable securities at beginning of period	<b>19.9</b>	<b>22.0</b>	<b>(2.1)</b>	<b>20.1</b>	<b>23.5</b>	<b>(3.4)</b>
Cash, cash equivalents & marketable securities at end of period	<b>20.2</b>	<b>20.1</b>	<b>0.1</b>	<b>20.2</b>	<b>20.1</b>	<b>0.1</b>



# Business Review

## SHL's business lines

### B2C model

### B2B model

Trends	Aging population, cost pressure, consumerism	
Platforms	Medical monitoring center, proprietary IT systems	
Countries	Israel Market entry in Germany / UK	Germany
Services	ECG monitoring; consulting / reassuring	Monitoring of congestive heart failure, diabetes, COPD
Models / clients	Private pay / out of pocket	Health insurers / reimbursement
Main benefits	Save lives, peace of mind	Cost saving, stabilizing condition
Market / growth	Israel: mature / single digit Other: early stage / double digit	Early stage / double digit

## SHL's Disease Focus

	Disease characteristics	Telemedicine solution
<b>Cardiac events</b>	<ul style="list-style-type: none"> <li>~47% of people with coronary heart attack die (50% before reaching hospital)</li> <li>~10% of survivors die within 1 year</li> <li>Many unnecessary hospitalizations: 80% of admitted patients have no MI</li> </ul>	<ul style="list-style-type: none"> <li><b>Major benefits</b> <ul style="list-style-type: none"> <li>24/7 emergency monitoring, peace of mind</li> <li>Patients call earlier and damage to heart muscle is reduced</li> </ul> </li> <li><b>Tools:</b> Cardio Sen'C or Cardio'B</li> </ul>
<b>Congestive heart failure (CHF)</b>	<ul style="list-style-type: none"> <li>Heart failure most frequent reason for hospital admission in Germany</li> <li>These hospitalization costs account for ~ 50% to 70% of the health costs of patients with heart failure</li> </ul>	<ul style="list-style-type: none"> <li><b>Major benefit</b> <ul style="list-style-type: none"> <li>Stabilizing health of patients, better compliance</li> <li>Significant cost reduction to health insurer</li> </ul> </li> <li><b>Tools:</b> HomeCareCenter, TeleWeight, TelePress</li> </ul>
<b>Diabetes</b>	<ul style="list-style-type: none"> <li>About 10% of Western population has diabetes, above age 60 even 18-28%</li> <li>Risk of MI is 3.9-5.9 fold increased</li> </ul>	<ul style="list-style-type: none"> <li><b>Major benefit</b> <ul style="list-style-type: none"> <li>Better metabolic control, quality of life, and less vascular complications</li> <li>Significant cost reduction to health insurer</li> </ul> </li> <li><b>Tools:</b> HomeCareCenter, Glucometer</li> </ul>
<b>Chronic Obstructive Pulmonary Disease (COPD)</b>	<ul style="list-style-type: none"> <li>In Europe ~ 4% - 10% of adults have COPD, 75% of them are undiagnosed</li> <li>Total cost of COPD in Europe approx. 50 bn a year</li> </ul>	<ul style="list-style-type: none"> <li><b>Major benefit</b> <ul style="list-style-type: none"> <li>Significant cost reduction to health insurer by increasing compliance</li> <li>Possibility to foresee potential attacks</li> </ul> </li> <li><b>Tools:</b> HomeCareCenter, Respirometer</li> </ul>

# 2010 Business Review

## Germany

- Cost and deficit pressures increasing – trend expected to continue
  - SHL's value proposition of cost savings – more valid than ever.
  - In advanced negotiations for significant high value contracts of over USD 50M each with large German health insurers
  - Expect to materialize during second half of 2011
- Continued aggressive consolidation of health insurers:
  - Sometimes three to four mergers by one health insurer in a year
  - Merging bodies canceled agreements and started re-negotiations once mergers implemented - diminution of patients during the year
  - One of these consecutive mergers done by a health insurer likely to lead to a diminution of a large number of patients during 2011. In discussions with this health insurer to coordinate the process, including timing of cessation of service.
- In spite of the complex business environment, German operations concluded 2010 with a 5th consecutive year of growth:
  - Revenues of USD 21.6 million, growth of 7.2% year over year at constant exchange rates



# 2010 Business Review

## **Israel**

- 2010, another good year :
  - Revenues increasing to USD 22.3 million, growth of 0.9% year over year at constant exchange rates .
- Signed further agreements with Israeli health insurers for the provision of telemedicine services
- Expects the provision of these services to lead to a faster growth rate in the coming years

## **Consumer markets**

- Expended USD 3.8 million - launch of B2C services in Germany and the UK
- Initiative showing good results, but B2B investments enjoy priority
- Expected investments in 2011 - significantly lower than in 2010.

## 2011 Outlook

- German market:
  - Prudent to assume that recruitment of new patients from new contracts will take time
  - Unlikely to cover short-term diminution of patients from existing clients
  - Expected to invest great efforts in securing major contracts that will enable return to growth from second half of 2011
- Positive business outlook for Israeli operation
- Consumer market initiative to continue – however will not compensate for the shortfall that could result from the decline in the German business
- SHL continues to receive the minimum revenues due under its agreement with Philips arising from its sale of Raytel to Philips in 2007 and will continue to do so for the coming year
- As a result, SHL likely to face a decline in revenues and profitability in 2011 - growth expected to return by the second half of 2011 as major contracts in Germany are secured



**Thank you**



# Appendix

# Investor information

## Data

- IR Agenda 2011
  - 25 May Q1 results
  - 31 May AGM
  - 10 August Q2 results
  - 16 November Q3 results
- 10,780,901 registered shares with a par value of NIS 0.01 each
- Listed at SIX Swiss Exchange in CHF; Symbol: SHLTN, No. 1128957
- Price high/low (CHF), 2010 8.30/6.01
- Market cap high/low (CHF m), 2010 89.5/64.8
- Market cap 31.12.10 (CHF m) 79.8
- No voting restrictions

## Contacts

### 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 results

USD millions	Q4 2010	Q4 2009	% change	Q4 2010 (constant currency)	Q4 2009 (constant currency)	% change (constant currency)
Revenues	13.5	13.1	3.1%	13.0	12.5	4.0%
COGS	4.6	4.0	15.0%	4.4	3.8	15.8%
Gross Profit	8.9	9.1	(2.2)%	8.6	8.7	(1.1)%
% of revenues	65.9%	69.5%		66.2%	69.6%	
Operating expenses	7.5	7.6	(1.3)%	7.1	7.3	(2.7)%
EBIT	1.4	1.5	(6.7)%	1.5	1.4	7.1%
% of revenues	10.4%	11.5%		11.5%	11.2%	
EBITDA	2.7	2.8	(3.6)%	2.7	2.6	3.8%
% of revenues	20.0%	21.4%		20.8%	20.8%	
Financial & other expenses	0.3	(0.1)	n.a.	0.3	(0.1)	n.a.
Taxes on income	0.2	0.2	-	0.2	0.2	-
Net income	0.9	1.4	(35.7)%	1.0	1.3	(23.1)%
EPS	0.09	0.13	(30.8)%	0.09	0.12	(25.0)%

Constant currency exchange rates - In order to enable meaningful comparison between the 2010 and 2009 results, 2010 and 2009 results are also presented at constant currency exchange rates. These are calculated by translating the 2010 results using the average exchange rates used for calculating the 2009 constant currency results (2008) 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/Euro exchange rates.