

Full Year 2004 Results Media & Analyst Conference

Zurich, 31 March 2005

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◆ **Financial results 2004**

- Increase in revenues
- Improvement in operating cash flow
- Margins mainly affected by
 - US imaging services division
 - Change in revenue mix in Israel

◆ **Promising prospects for German telemedicine operations**

- Successful outcome of studies and pilot projects conducted with German health insurers lead to cooperations
- One agreement already signed (March 05), marks an important milestone for German Telemedicine operation. Expecting revenues of several millions, already in 2005
- Additional agreements expected to be signed with health insurers in 2005

◆ **Satisfactory development in U.S telemedicine division**

- Moving into new telemedicine applications, e.g. exclusive alliance for promoting INR@Home, signed in February 05 by US telemedicine division
- Extension of our telemedicine business through the acquisition of CEC
- Decreased margins in our imaging services division

◆ **Maintaining leading market share in Israel**

- launch of new marketing plan based on a fixed monthly fee

Business review



Telemedicine Business overview

	US Telemedicine division	Germany	Israel
Services	- Cardiac monitoring	- Cardiac monitoring	- Cardiac monitoring
Key growth drivers	- INR@home - Pacemaker monitoring	- CHF monitoring	-Cardiac & CHF monitoring
Key customers for SHL services	-Insurance (Medicare) -Physician	- Insurance (Krankenkasse)	- End user
Call Centers	- NY/Connecticut	- Düsseldorf	-Tel Aviv
Employees	290	70	350



US Telemedicine Division

- ◆ Leading provider of remote trans-telephonic pacemakers, cardiac event and holter monitoring services
- ◆ Strong distribution channels with the leading pacemakers' manufacturers
- ◆ Provides services to some 170,000 subscribers throughout the US, of which ~80,000 are long term pacemakers patients
- ◆ Relationship with a strong professional network of approx. 10,000 referring physicians and cardiologists and over 150 insurance companies/managed care organizations

- Trans-telephonic Pacemaker Monitoring - testing of implanted pacemakers from the convenience of the patient's home, using a standard telephone.
- CEDS/Holter monitoring - outpatient diagnostic procedure for arrhythmias (irregular heartbeats).
- INR@Home - monitoring blood levels when taking anticoagulation medication, such as Coumadin®.
- ICD's - remote monitoring of patients with Implanted Cardiac Defibrillators (ICDs)

Raytel Offers Two Patient Self-Testing Systems

HemoSense INRatio®



- Introduced in 2003
- Precision and Accuracy – Similar to laboratory reference method
- Built-in on-board controls
- Blood sample size: 1 drop (15µl)
- Test Strips
- Power: 4 AA batteries
- Time to results: 2 minutes

ITC ProTime®



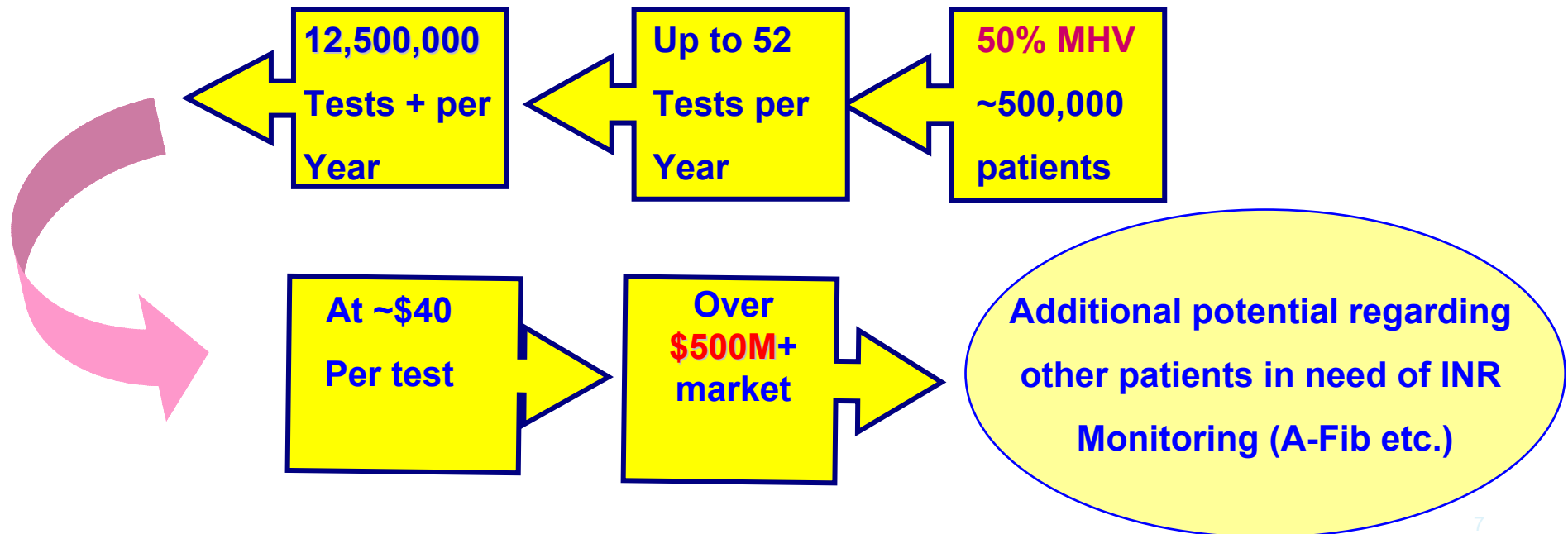
- Introduced in 1994, over 3,000 now in use
- Precision and Accuracy – Similar to laboratory reference method
- Built-in on-board controls
- Blood sample size: 2 drops (27 µl)
- Test Cuvettes
- Power: Built in rechargeable battery
- Time to results: 3 minutes

ITC is a registered trademark of Raytel, Inc.
ProTime is a registered trademark of Diagnostic Technology Corporation.



- Coumadin® Monitoring with INR@Home - a new monitoring service
- About 500,000 MHV patients in the US (St. Jude dominates MHV market - 80%)

An exclusive marketing alliance with St. Jude Medical (the world's leading mechanical heart valve company (MHV), to promote new INR@Home™ anticoagulation blood monitoring system has been signed.





Trans-telephonic Pacemaker Monitoring Activity

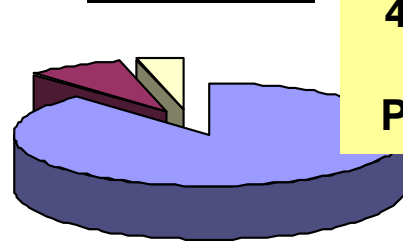
➤ Approx. 1.5M patients in the US; 300,000 annual implants, ~20% churn rate, ~ 15%-20% death

2004 US Market by Product type

Pacemaker TTM(*) Market

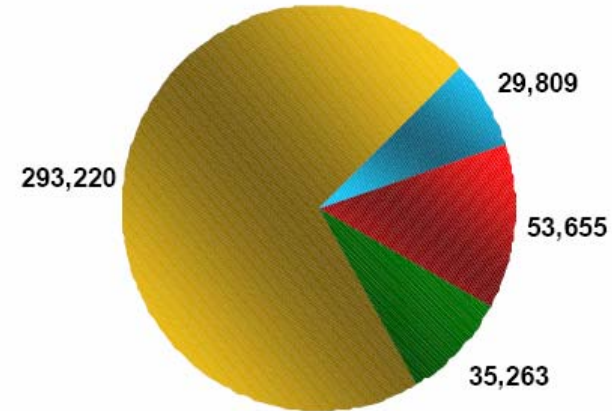
8% SHL US Telemedicine Division

Breakdown



4% Other TTM Providers

88% Hospitals, Clinics, Non Monitored



Source: Frost & Sullivan September 2004

■ Pacemaker ■ ICD single chamber ■ ICD dual chamber ■ CRT



(*) TTM = Trans-Telephonic Monitoring

◆ Measures taken in 2004

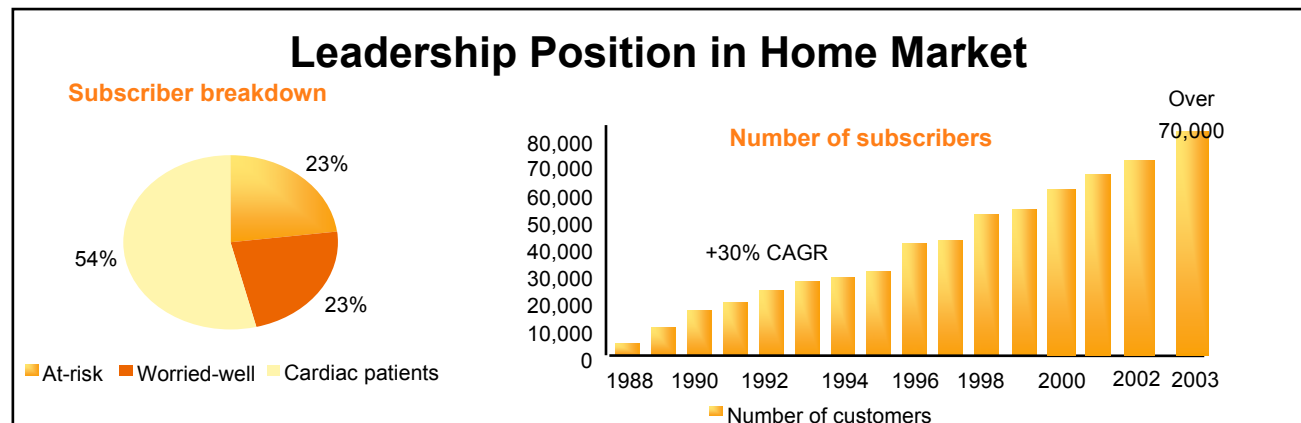
- New CEO/management team in Telemedicine Division
- Extension of the cardiac monitoring business with the acquisition of the Cardiac Evaluation Center (CEC)
- Development of the [INR@Home](#) service, in cooperation with St. Jude Medical, which provides patients requiring long-term oral anticoagulation therapy, the ability to test themselves in the convenience of their home

◆ Key focus in 2005:

- Marketing alliance with St. Jude Medical
- Continuous growth in profit and cash flow in Telemedicine Division
- Maintaining leadership position in ICD/Pacemakers
- Exploring strategic alternatives for Imaging Services Division

- ◆ Measures taken in 2004:
 - Maintaining leading market share with over 70,000 subscribers
 - Introduction of new program based on a fixed monthly fee

- ◆ Key focus in 2005:
 - Manage ongoing business
 - CHF monitoring in Israel



◆ Measures taken in 2004:

- Assuming full ownership of German Telemedicine operations
- Extensive restructuring process:
 - new management team at German operations
 - Curtailment of operations in Italy
- Studies and pilot projects proved efficiency of SHL's telemedicine solutions

◆ Key focus in 2005:

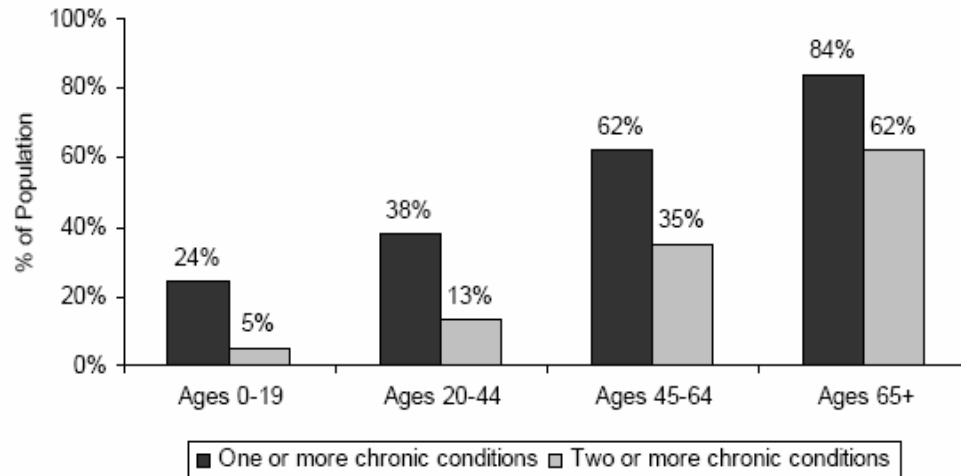
- Agreement signed with Taunus Betriebskrankenkasse which procures SHL's telemedicine solutions for their members with chronic heart diseases (March 05)
- Cooperation adds substantially to German Telemedicine business growth, already in 2005
- Expecting additional agreements to be signed with German health insurers (some 250 potential health insurers)

Market Drivers & Research update: Chronic Heart Failure (CHF)



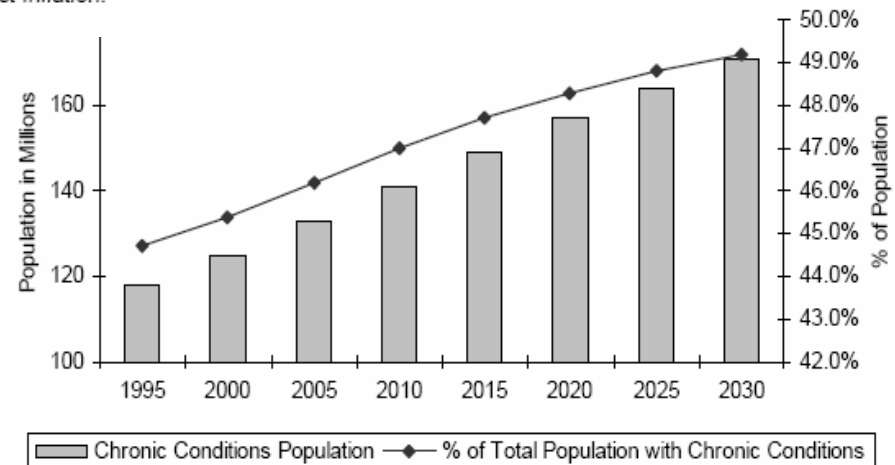
Aging Population = More Chronic Conditions

Age and Chronic Condition Prevalence

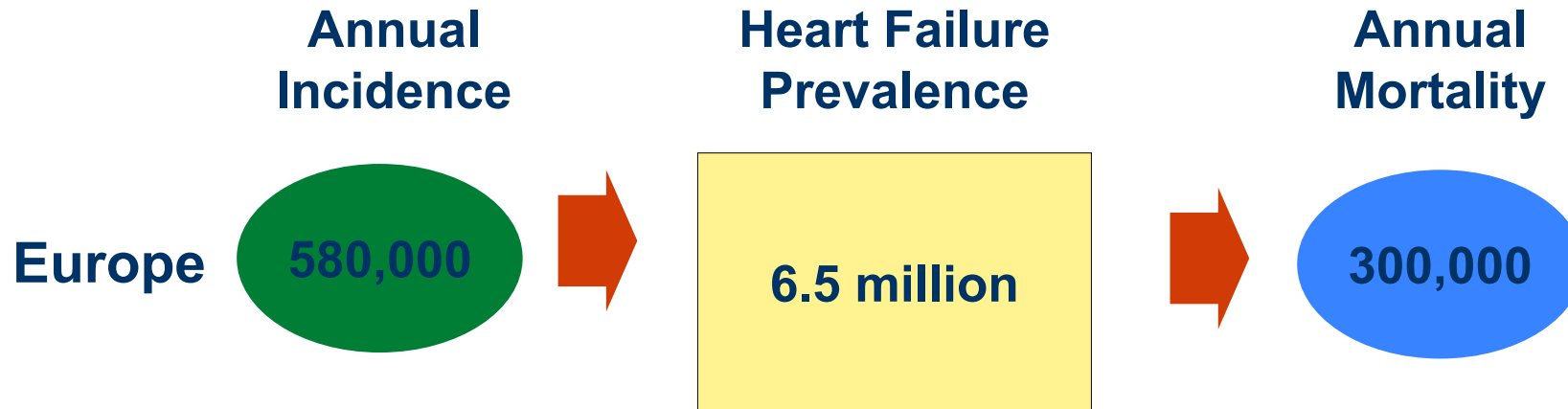


Source: Wu, Shin-Yi and Green, Anthony, *Projection of Chronic Illness Prevalence and Cost Inflation*. RAND Corporation, October 2000.

Chronic Conditions Population Growth



Source: Wu, Shin-Yi, and Green, Anthony. *Projection of Chronic Illness Prevalence and Cost Inflation*. RAND Corporation, October 2000.



- ◆ Most costly disease! - 70% of cost is spent on Hospitalization
- ◆ Most frequent cause of hospitalization for those 65+
- ◆ Heart failure hospitalization costs are twice the cost of all cancers
- ◆ 4.8 million Americans and 5.1 million Europeans (West Europe) have CHF.
- ◆ Still, the implementation of modern therapy strategies in daily practice is, regrettably, insufficient
- ◆ In the US, Medicare spends annually \$32B treating patients with CHF diagnosis or related symptoms.
- ◆ According to British Heart Foundation statistics (2003) 655,000 people in the UK have definite heart failure, and these numbers are rising

1 Patient fails to recognize early symptoms, neglects to seek timely help from caregivers.



2 Time and resource constraints may prevent appropriate care management relative to CHF patient needs.



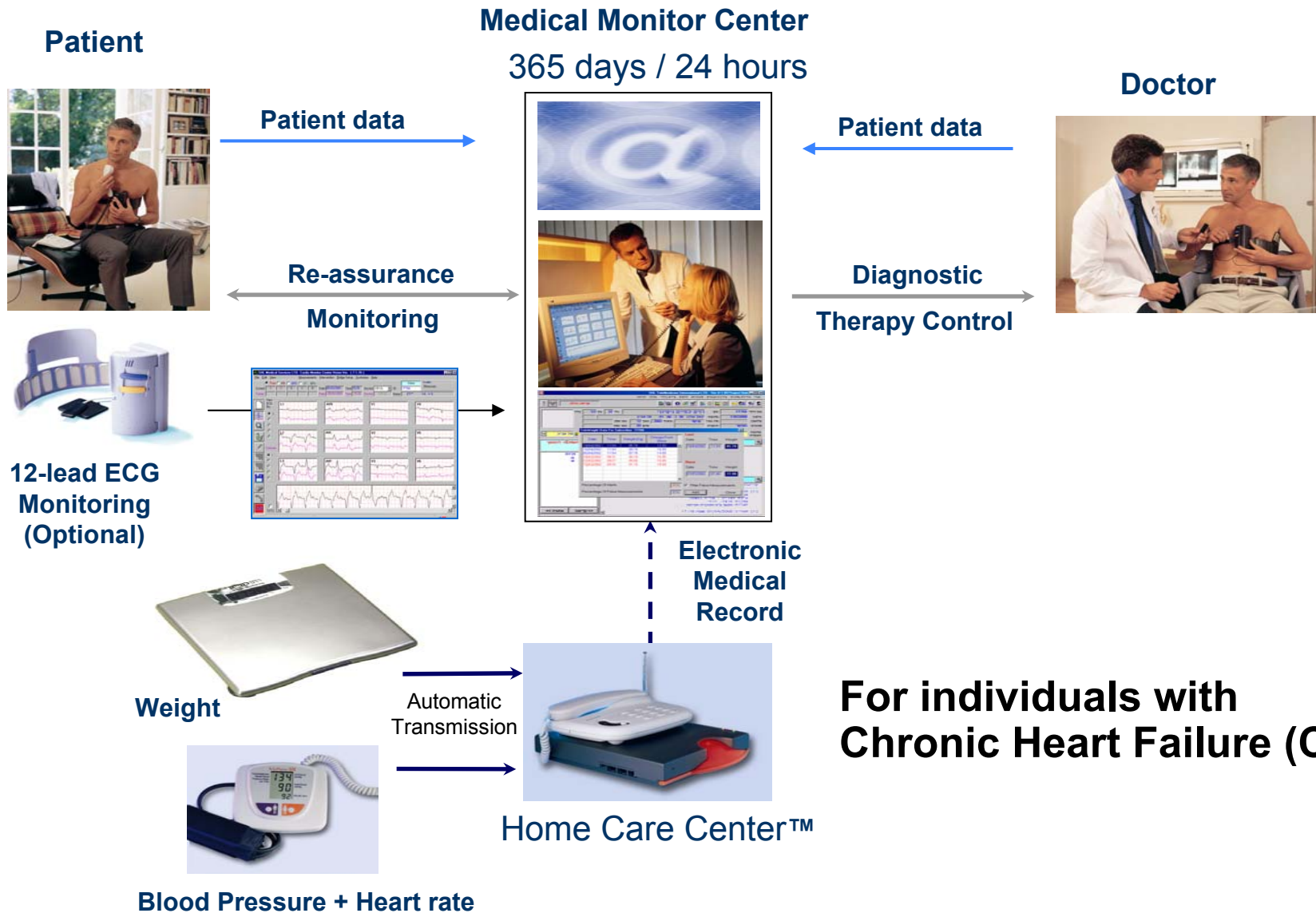
3 In acute crisis, patient turns to emergency room as only alternative- 90% admitted as in-patient .

4 Shorter lengths of stay and rapid discharge reduce time to devise appropriate care plan; result : high readmission rates



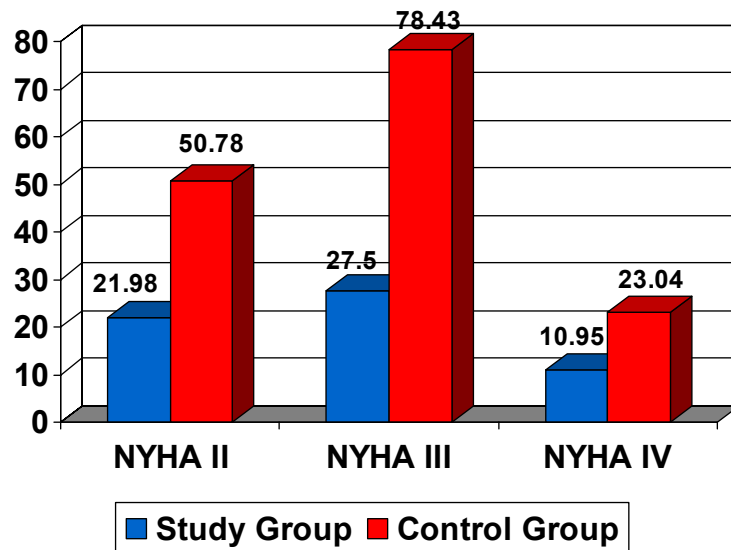
Source: Cardiology Roundtable

- ◆ **Improved quality of life**
- ◆ **Reduction of hospital admissions – cost savings**
- ◆ **Reduction of length of stay in hospitals – cost savings**
- ◆ **Improved efficiency and quality of care**

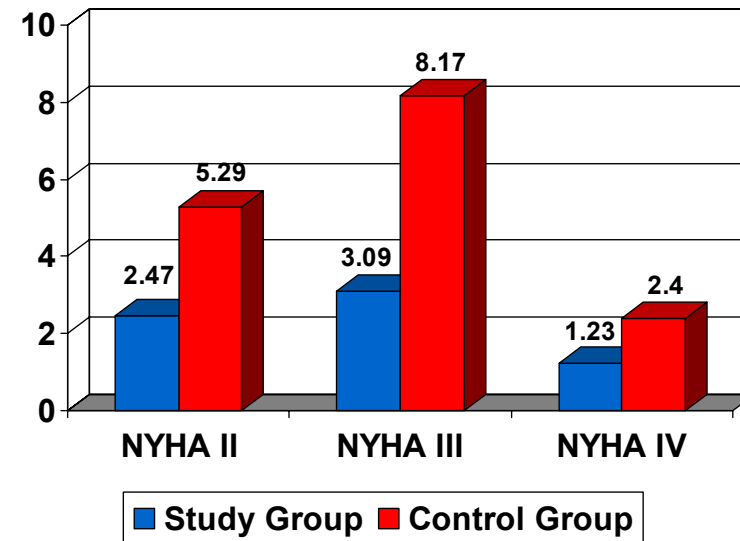


**For individuals with
Chronic Heart Failure (CHF)**

Number of Hospitalization Days per 100 patients per 3 Months

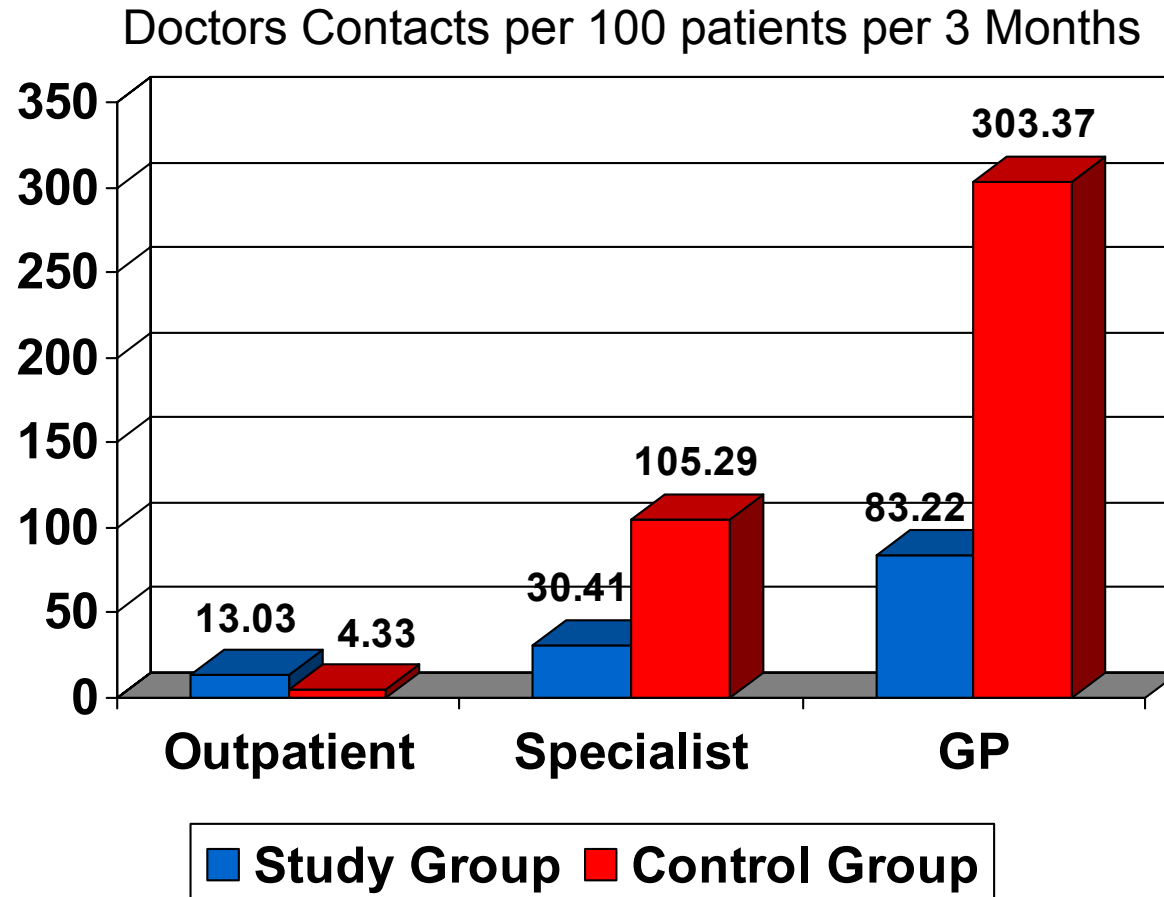


Number of Hospital Admissions per 100 patients per 3 Months



An average of 60% reduction in hospitalization! represents a Gross saving of more than € 5,500 per CHF patient per year!*

* Based on € 9,900 annual hospitalization cost for CHF patient per year
 A number published by DKV Deutsche Krankenversicherung AG (German Private Sick fund) 07.01.2004



**Significant Reduction in Doctors Contact:
More than 70% reduction in GP and Specialists visits**

Financials



Statements of Operations (in USD M)

	2004	2003	Change %
Revenues	103.1	98.8	4.3%
COGS	<u>(58.4)</u>	<u>(52.1)</u>	12.1%
GP	44.7	46.7	(4.3)%
%	43%	47%	
R&D	0.7	0.7	(-)
S&M	12.7	9.8	30.1%
G&A	<u>32.8</u>	<u>33.1</u>	(1)%
LBIT/EBIT	(1.7)	3.1	(15)5%
%	(1.6)%	3.1%	
EBITDA	2.7	11.4	(76)%
%	2.6%	11.6%	
Interest & Other expenses	3.3	4.7	(30%)
Tax expense (benefit)	(0.3)	1.1	(127)%
Provision for J.V. (PHTS)	-	5.6	(100)%
Net Loss	(4.7)	(8.3)	(43)%
Minority Interest	<u>1.4</u>	<u>1.9</u>	26%
Net Loss - SHL shareholders	(6.1)	(10.2)	(40)%



Balance Sheets (in USD M)

	2004	2003
<u>ASSETS</u>		
Currents Assets:		
Cash, deposits & marketable securities	22.1	26.1
Other current assets	<u>42.1</u>	<u>42.8</u>
	64.2	68.9
LONG TERM ASSETS	62.2	63.2
FIXED ASSETS, NET	16.3	12.4
INTANGIBLE ASSETS, NET	53.0	51.9
TOTAL ASSETS	195.7	196.4
<u>LIABILITIES & EQUITY</u>		
CURRENT LIABILITIES	65.1	67.7
LONG TERM LIABILITIES	49.1	41.1
EQUITY	81.5	87.6
TOTAL LIABILITIES & EQUITY	195.7	196.4



Consolidated Cash Flows (in USD M)

Operating cash flow – excluding PHTS operations	2004	2003
Cash provided by Operating activities	7.6	0.6

- PHTS operations are financed by the funds received from Philips in the amount of USD 11 million

Cash Flow including PHTS operations	2004	2003
Cash provided by Operating activities	1.3	0.6
Cash provided by (used in) Investing activities (ex. deposits)	1.7	(9.5)
Cash used in Financing activities	(6.6)	(14.5)
Effect of exchange rate changes	<u>0.2</u>	<u>1.9</u>
Decrease in Cash, cash equivalents, deposits & marketable securities	(3.4)	(21.5)
Cash, cash equivalents, deposits & marketable securities at beginning of year	30.3	51.8
Cash, cash equivalents, deposits & marketable securities at end of year	26.9	30.3

Outlook

- ◆ **Future growth in SHL's core telemedicine activities**
 - **Growth in US Telemedicine division operations:**
 - **Traditional ICD/pacemaker activity**
 - **Through new alliance for INR@Home service**
 - **Exploring strategic alternatives for US Medical Services Division**
 - **Growth in German Telemedicine operations based on agreement signed with health insurer**
 - **Maintain leading market share in home market Israel and increasing CHF monitoring**

Q&A



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Appendix

- ◆ IR Agenda
 - Q1 2005: May 26, 2005
 - Q2 2005: August 23, 2005
 - Q3 2005: November 22, 2005

- ◆ 10,663,373 registered shares with a par value of NIS 0.01 each

- ◆ Listed at SWX Swiss Exchange in CHF; Symbol: SHLTN, No. 1128957

- ◆ Market price high/low (CHF) in 2004: 8.10/4.33

- ◆ Market capitalization high/low (CHF million) in 2004: 86.4/46.2

- ◆ Market capitalization 31.12.04 (CHF million) : 57.00

- ◆ No voting restrictions