



**Full Year 2007 Results  
Media & Analyst  
Conference  
Zurich, 26 March 2008**



# Forward looking statements

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## **Erez Alroy – Co-CEO**

Erez Alroy has been an executive manager of SHL since its inception. Prior to holding his current position of Co-CEO, he served as the General Manager of SHL's operation in Israel, prior to that he has served as SHL's Sales Manager and Vice President of Marketing in Israel. Mr. Alroy holds an MBA from the Hebrew University, Jerusalem.



## **Eran Antebi – CFO Shahal Israel**

Eran Antebi joined SHL in May 2004. Prior to joining SHL, Mr. Antebi was a Manager with Ernst & Young in Israel. Mr. Antebi is a certified public accountant (CPA) in Israel and has a B.A. in accounting and economics from the Tel Aviv University. Nationality: Israeli.



- SHL at a glance
- Market background and drivers
- The SHL telemedicine platform
- SHL's unique value proposition
- Territory insight
- Financial information
- Business outlook & guidance
- Appendix

## Facts

- Leading provider of technologically advanced telemedicine services and solution
- 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
- Technological innovation; on going development of IT based services and solutions
- Active in Israel, Germany and USA
- Incorporated in 1987, listed on the Swiss Stock Exchange (Zurich)
- Major shareholders: Philips Electronics (~18%) and the Alroy family with about 18%

## Figures

- 21 years of experience
- Global long-term subscriber base
  - Over 75,000 subscribers
  - Average age of ~ 66
  - Average time on service ~ 8(\*) years
- 250,000 calls conducted in 2007 in Israel and Germany

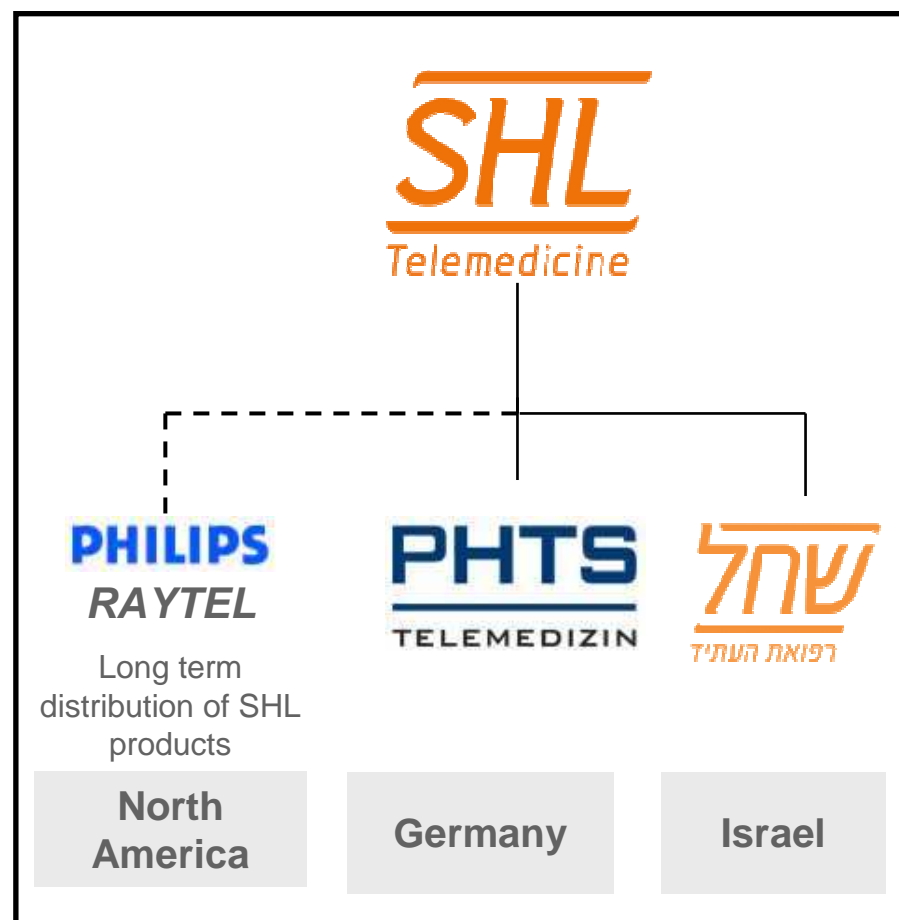


\* excluding German subscribers

(USD M)	FY 06	FY 07 *
Revenues	62.8	62.1
EBITDA	7.6	(1.6)
Capital gain, net from sale of Raytel	-	39.3
Net Income (loss)	(7.1)	27.6
EPS	(0.80)	2.20

## 2008 Highlights

- 35% to 45% revenue growth \*\*
- EBITDA of USD 7- 8 M
- Distributing Special dividend of USD 4 M \*\*\*



\* Figures include the operations of Raytel for the eleven months ending on November 2007

\*\* Excluding the operations of Raytel

\*\*\* Related to 2007 results

- Significant growth in Germany:
  - Over 85% top line growth
  - Significant increase in no. of subscribers - Growth of 80%
  - Studies published further supporting the significant cost savings achieved for health-insurers by using our CHF telemedicine solution
  - New contracts with Krankenkassen covering over 1.5 M insured
- Sale of Raytel to Philips :
  - Upfront cash consideration of USD 110M
  - Capital gain, net of taxes of USD 39.3M
  - Participation in Raytel revenues for up to 9 years from current and future Raytel services
  - Guaranteed minimum payments of USD 13 million
  - Anticipated sales of our proprietary telemedicine devices to Philips
- Strong cash position and balance sheet supporting growth potential



## Market background and drivers





# The need for telemedicine and market drivers

Economic pressure



- Increasing cost pressure in the health care industry in all developed economies

Demographic trends



- Aging society
- Increased prevalence of chronic conditions
- Cardiovascular diseases: the most frequent cause of death
- Congestive heart failure (CHF): the most costly disease in the world

Patient's needs



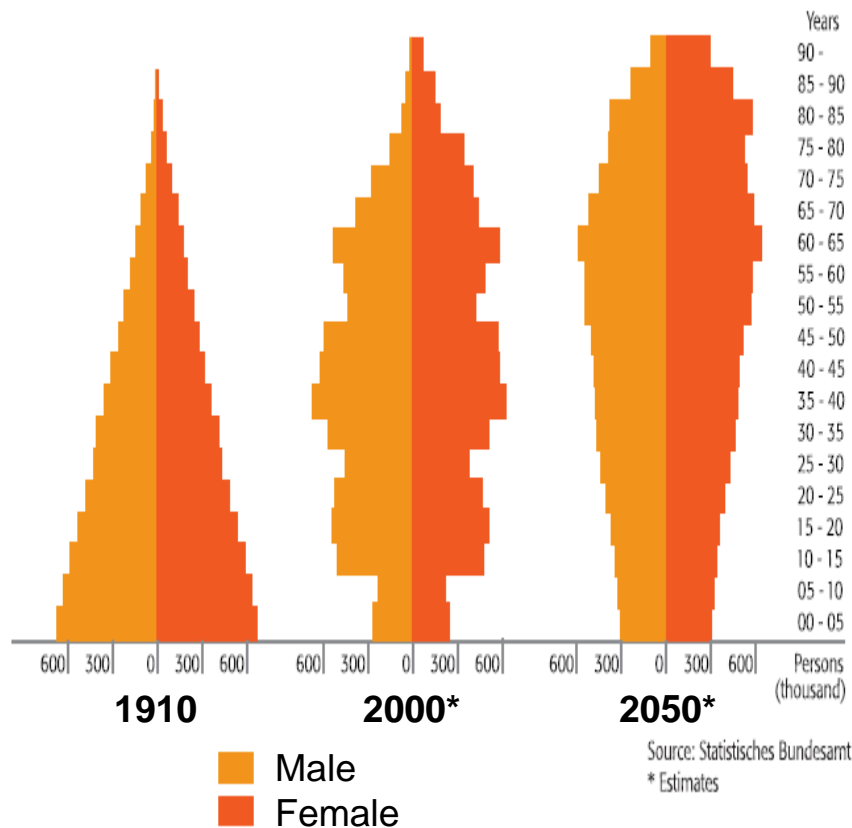
- Increasing personal responsibility for medical issues and treatments
- Need for flexibility for use of medical services

Technology progress

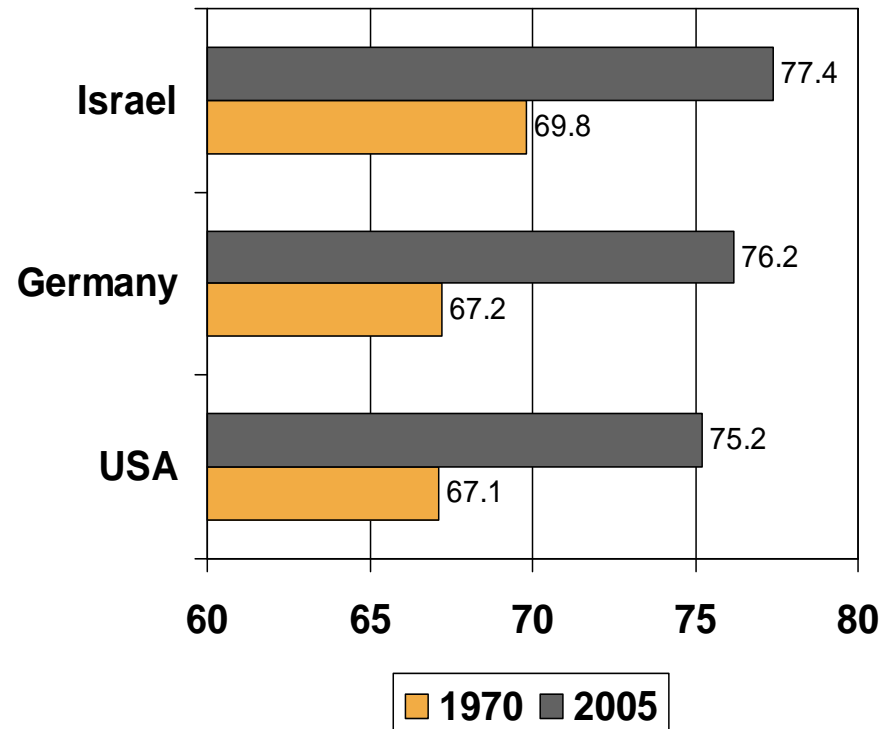


- New technologies enable new products and services
- Changing technology allows for simplifying product use

## Demographic development in Germany



## Increase in life expectancy Life expectancy of men (years)



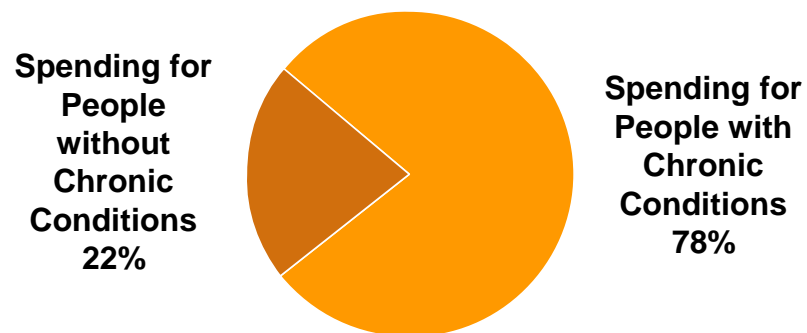
Source: Federal Statistical Office Germany, 2007

# Increased Prevalence of Chronic Conditions

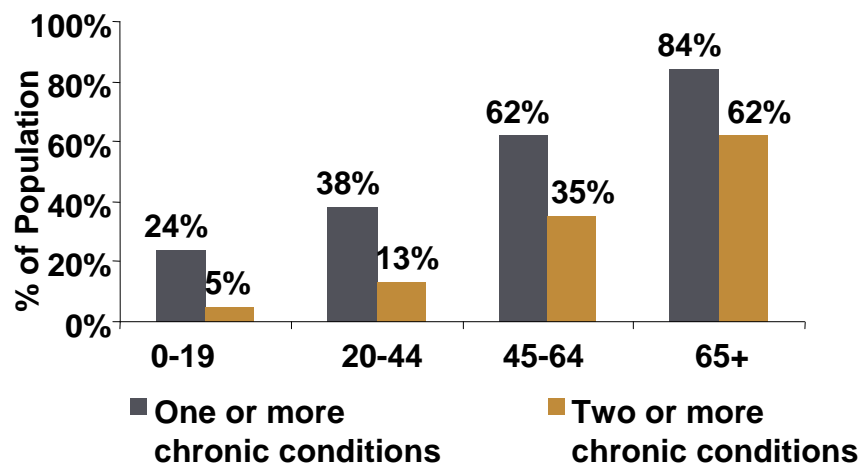
- Around 80 million American adults suffer from one or more types of cardiovascular disease (CVD)
- Approximately 27.4 million are estimated to be age 65 or older
- The prevalence of CVD will continue to rise as the population ages
- Rampant chronic conditions such as diabetes and obesity have been linked to cardiac related health conditions

## Chronic Condition Healthcare Spending

(As a Percent of Total Healthcare Spending)

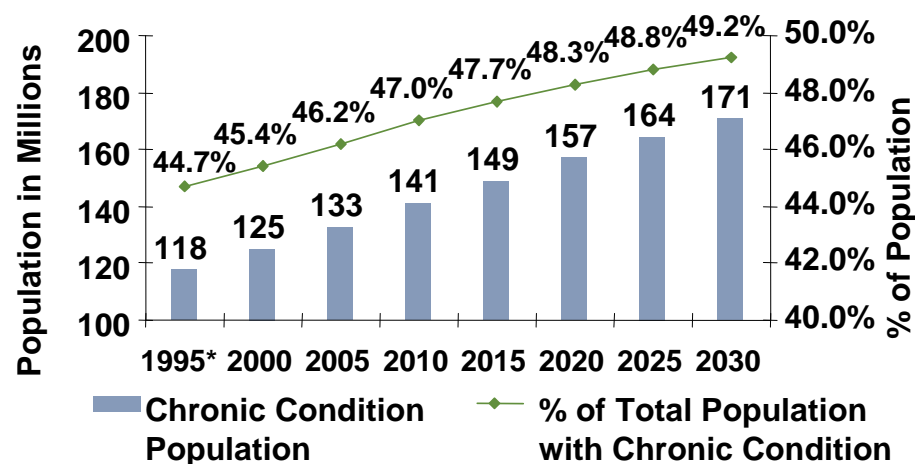


## Age and Chronic Condition Prevalence



Source: National Health and Nutrition Examination Survey, American Heart Association.

## Chronic Condition Population Growth



# Need for cost and efficiency

## In the US:

- Total spending was \$2 trillion in 2005, or \$6,700 per person
- In 2005, total national health expenditures rose 6.9 percent -- two times the rate of inflation
- Health care spending is 4.3 times the amount spent on national defense
- It is projected that the % of healthcare spending from the GDP will reach 20 percent in the next decade (1)

## In Germany:

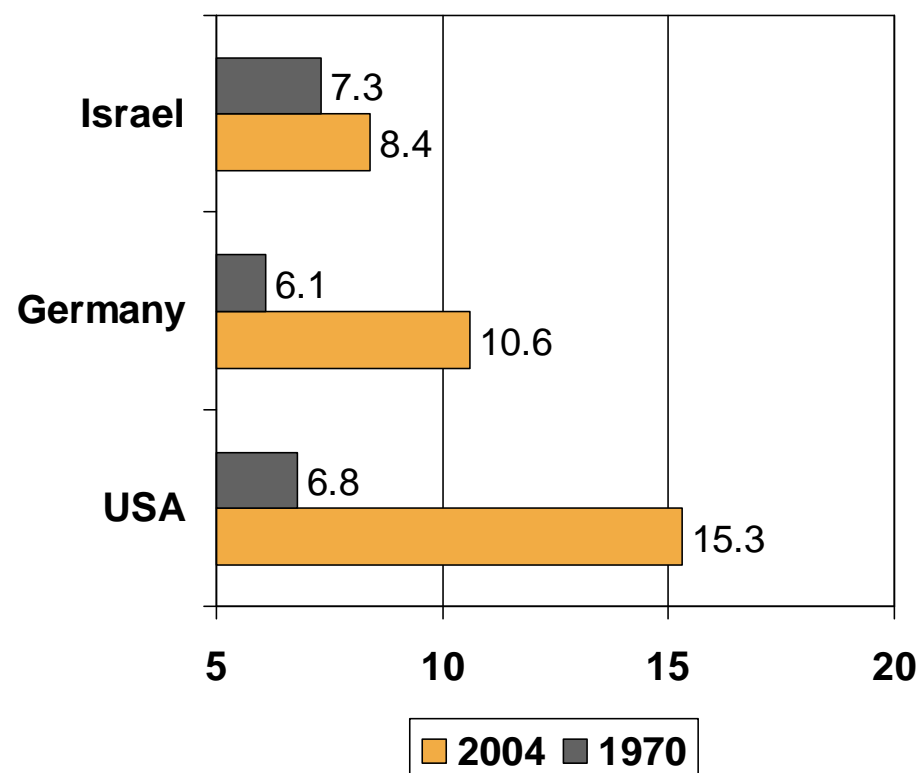
- The average growth rate in health spending in OECD countries was 5.2% per year between 1999 and 2004
- The rising medical expenditure and an offshoot of the ageing society is expected to result in severe under funding of statutory healthcare insurance funds, if the systemic inefficiencies in the German healthcare system are not eliminated (2)

(1) Borger, C., et al., "Health Spending Projections Through 2015: Changes on the Horizon," *Health Affairs Web Exclusive* W61: 22 February 2006.

(2) Frost & Sullivan; *Is Germany Gearing Up for Healthcare Reforms?* Date Published: 3 Aug 2006

## The burden of health care spending

Health care spending in % of gross domestic product

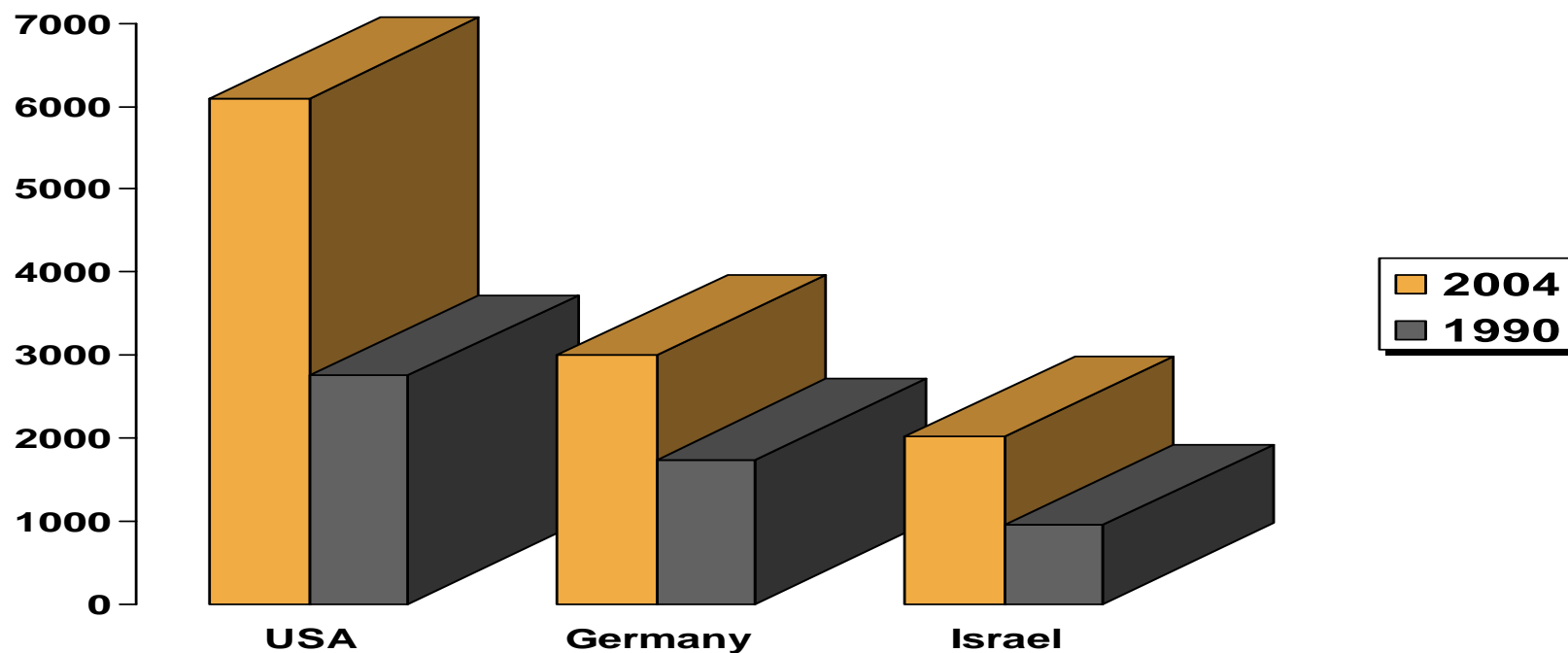


Source: OECD Health Data 2007

# Patients taking personal responsibility

Increased spending by individuals on healthcare

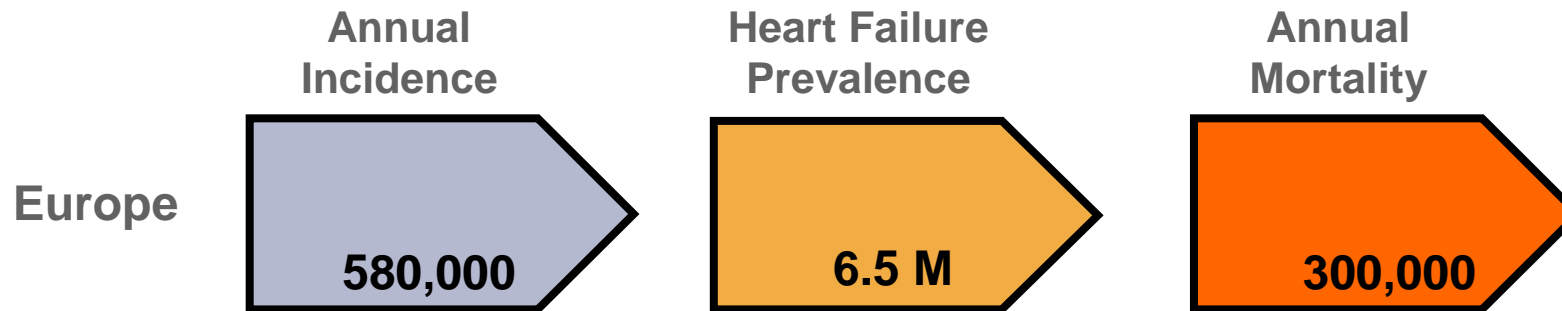
Expenditure per capita in USD, in terms of PPP of the Gross Domestic Product



PPP - the Purchasing Power Parity of the GDP.

Source: OECD

# Congestive Heart Failure Market



- Most costly disease! - 70% of cost is spent on Hospitalization
- Estimates calculated within the last decade suggest a prevalence of 1–2% in the overall population and >10% in the elderly population.
- Most frequent cause of hospitalization for those 65+
- It is the only major cardiovascular disease whose prevalence and incidence are thought to be increasing
- Heart failure hospitalization costs are twice the cost of all cancers
- In Germany alone, over 1.5 million have CHF
- 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

Sources : American Heart Association report 1998 & NHLBI Report.

Gibbs LM, Addington-Hall J, Gibbs JS. Dying from heart failure

- **Israel\*:**
  - Around 75,000 people are hospitalized every year due to CVD
  - About 25,000 heart attacks occur every year
  - 17% of the population is over 55
- **Germany\*\*:**
  - 17% of all hospitalizations were related to CVD
  - 368,000 patients died from CVD in 2004
  - Cost of CVD treatment in 2004 amounted to EUR 35 Billion (app. EUR 860 per inhabitant)>>> constitutes app. 15.8% of the total German healthcare costs
- **USA\*\*\*:**
  - CVD related hospitalization costs are expected to amount to USD 140 Billion in 2008
  - Around 37% of the population (~80M people) suffer from some sort of cardiovascular disease
  - App. 870 thousand people die from CVD
  - Total cost related to Heart Failure (HF) is estimated at USD 35 Billion

\* Source: Heart Disease in Israel - Prevalence and Treatment, October 2007, Center for research and information, Israeli parliament

\*\* Source: Disease Management & Health Outcomes, 2006, Vol. 14, Supplement 1 (pp.1-48), ISSN:1173-8790

\*\*\* Source: American Heart Association Statistical Update 2008; Heart Disease and Stroke Statistics Update



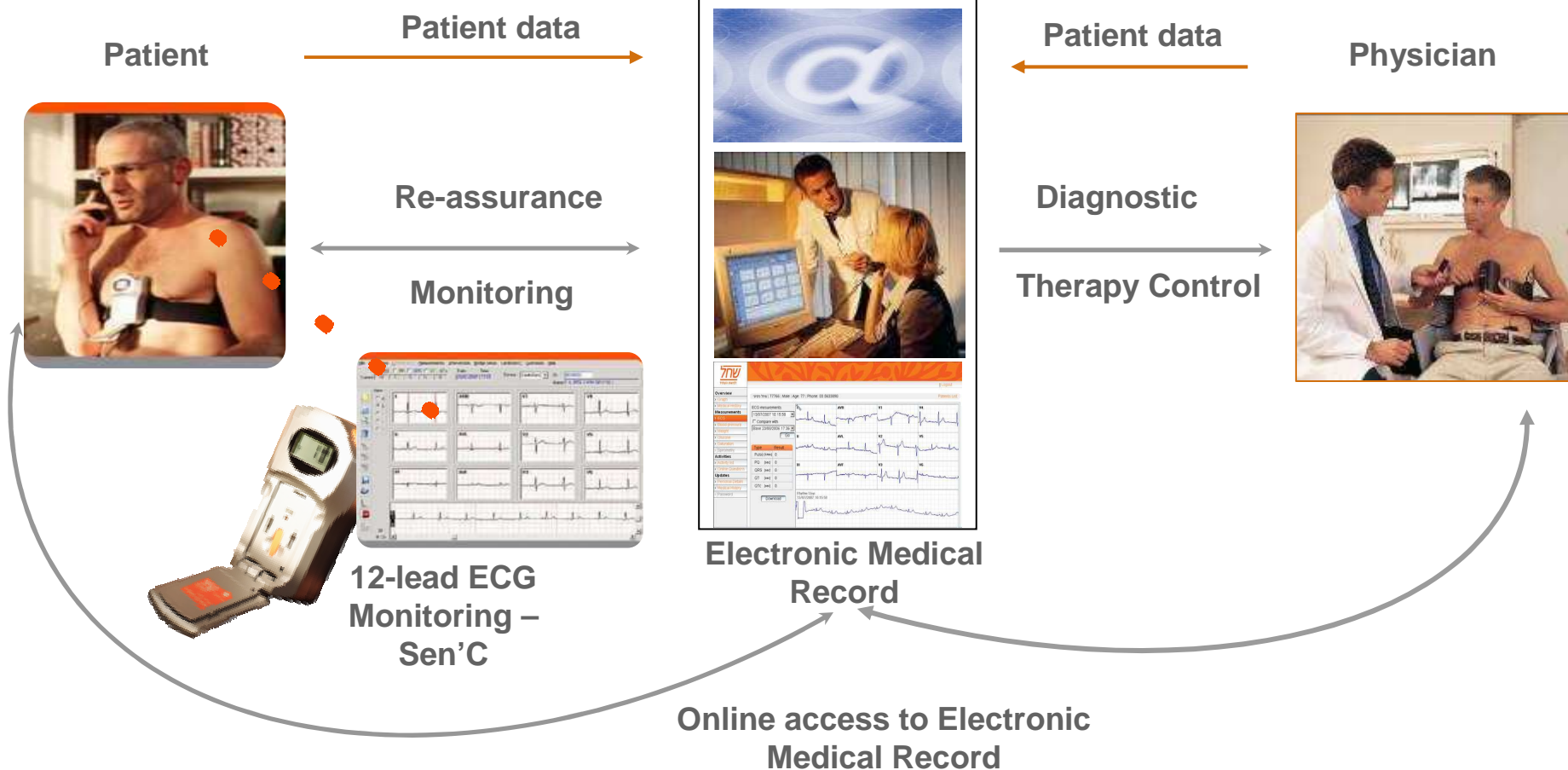


# The SHL telemedicine platform



# The SHL service outline

**Medical Monitor Center**  
365 days / 24 hours



# Integrated medical call center

**Call center operates 24/7 with trained medical staff providing counseling, guidance and diagnosis of the customers medical condition**



When a call is received, the subscriber's computerized personal medical records are immediately displayed on-screen

Medical call center staff follow propriety communication protocols with the subscriber and evaluate the situation based on subscriber's symptoms, real-time medical data transmission, and individual medical history

Based on their analysis the medical staff will advise the subscriber on an appropriate course of action, or simply provide re-assurance

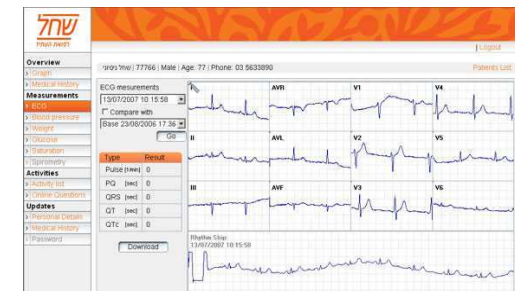
## CardioSen'C

- The CardioSen'C™ is a personal cellular-digital 12 lead ECG transmitter which transmits to SHL's medical call centre a patient's 12 lead ECG for the purpose of remote real time diagnosis of arrhythmia, ischemia, and myocardial infarction
- Simultaneous real time 12 lead ECG sampling (only 3 seconds) for improved quality and faster rate of transmission.
- CE approved and in FDA approval process



## MC Interactives

- MC Interactives is the monitor center core software package
- A sophisticated medical record database management application
- Contains important medical records and data linked directly to the medical call center management software





# CHF Monitoring

# CHF Monitoring Service Overview

The CHF Monitoring System collects automatically and non-invasively relevant personal data such as weight, blood pressure and pulse rate and stores them in the subscribers' personal medical record



When data deviates from the regular values, the system prompts the monitor center staff to immediately contact the subscriber.

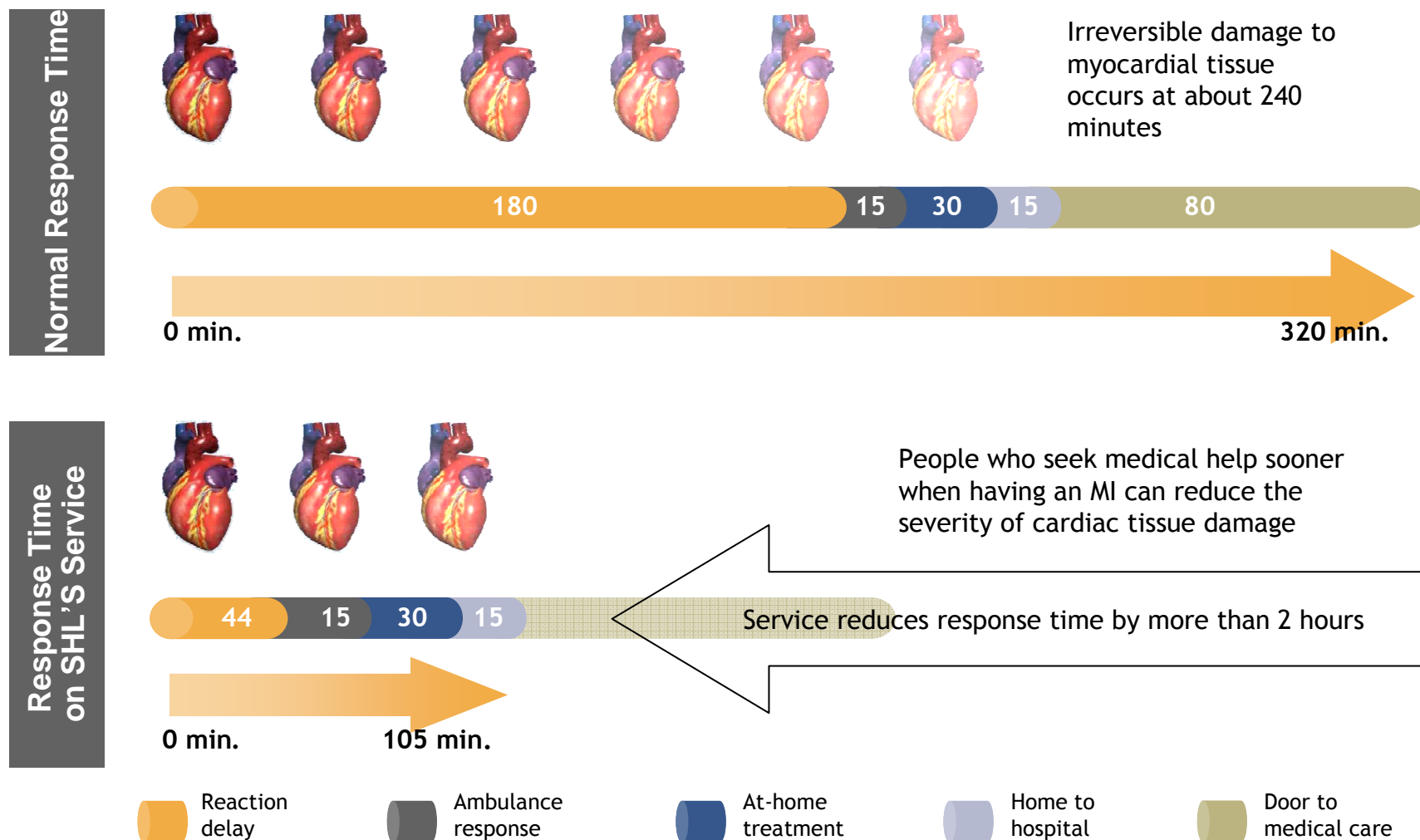
The monitor center regularly contacts the subscriber for purposes of reassurance, symptom surveillance, promoting compliance, suggestions regarding diet and evaluation concerning CHF conditions



## SHL's unique value proposition



# Value for patients



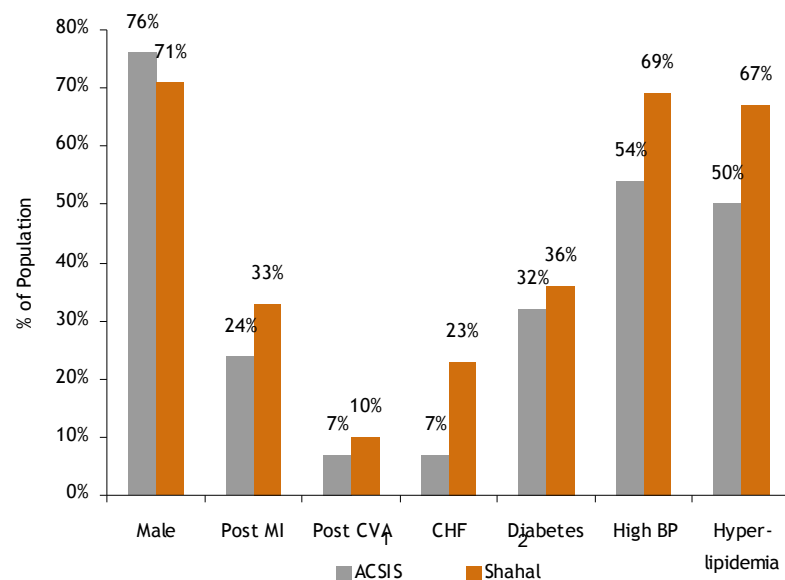
Source: European Heart Journal, Independent Study on the Impact of SHL, 1995.



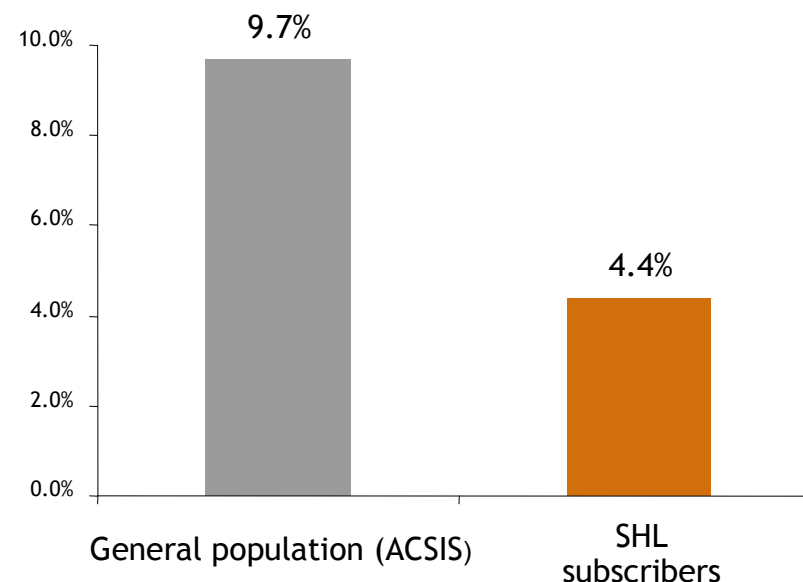
# Value for patients (cont.)

A clinical study\* conducted in Israel over a number of years and published in 2007 showed that the probability of **surviving** in the first year after a heart attack is **more than double** for a SHL subscriber than for the average Israeli person

## Epidemiological Data



## Mortality Rates



Source: The Israeli Heart Society (AC SIS), April 2007; accepted for publication to the European Heart Journal.

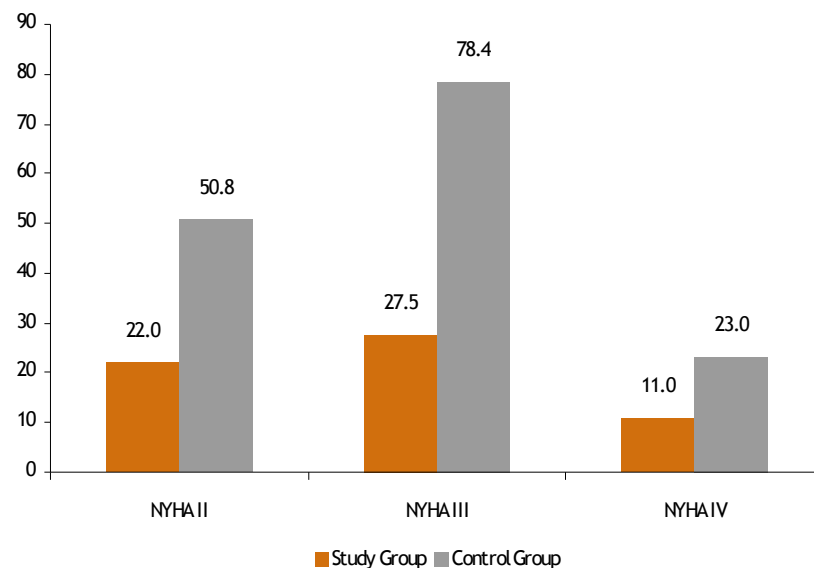
<sup>1</sup> AC SIS population 3,899 - age 63 +/- 13.

<sup>2</sup> Shahal population 699 - age 69 +/- 11.

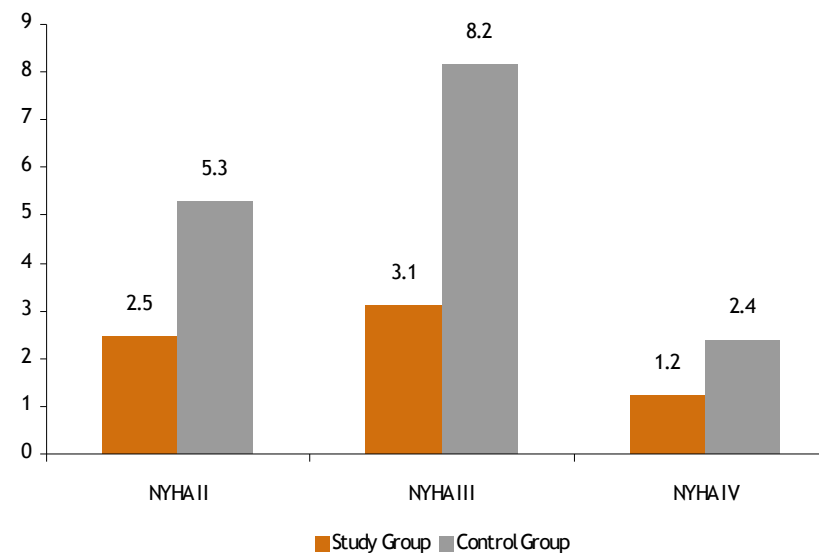
# Value for insurers

Results from a study conducted by DKV\*, a large German health insurer, show an average of 60% reduction in hospitalization which represents a gross saving of more than EUR 5,500 per CHF patient per year

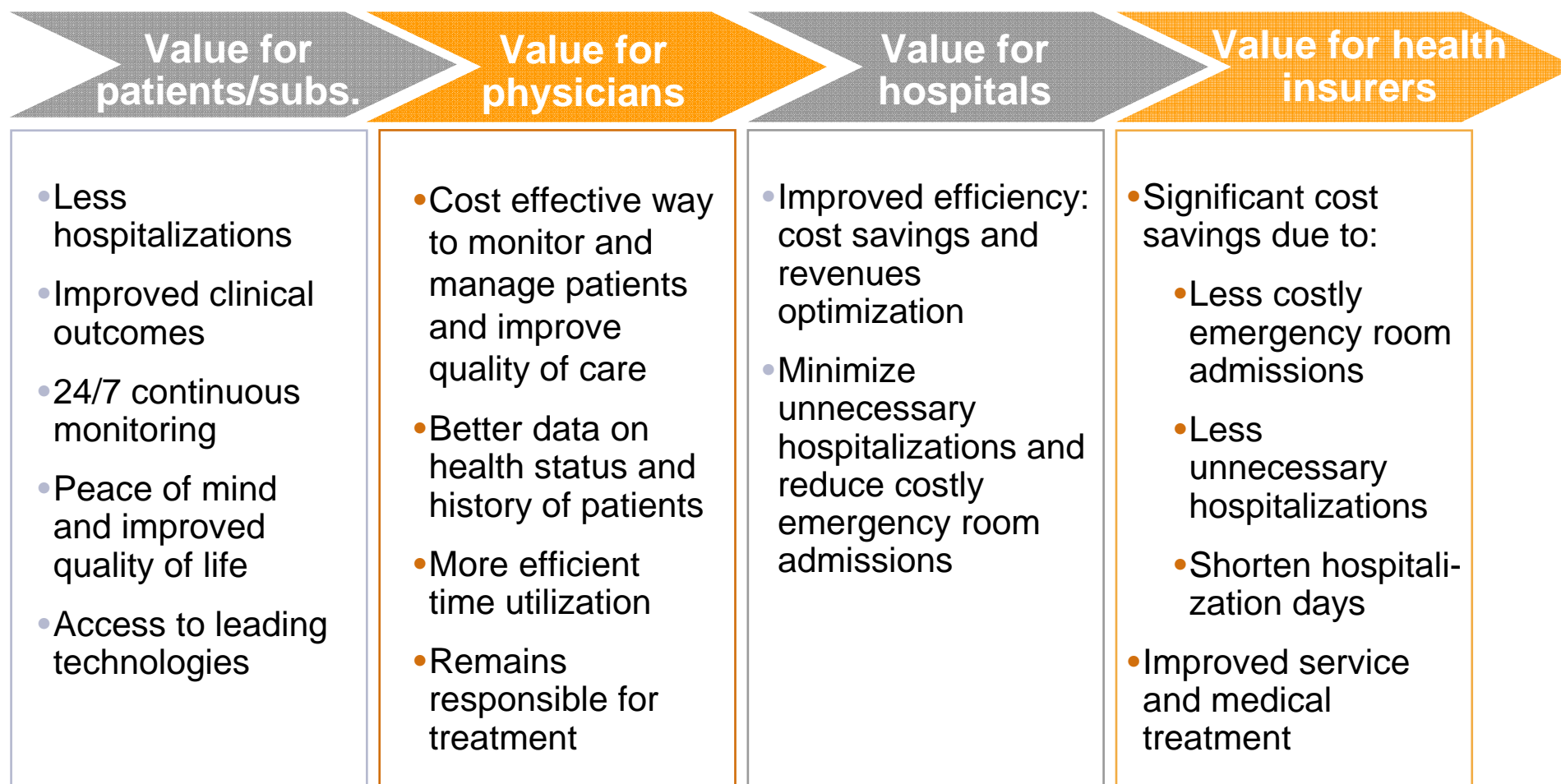
Number of Hospitalization Days



Number of Hospital Admissions



\*Note: Results are per 100 patients per 3 months.  
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.



# Territory Insight





# USA: transaction with Philips

## SHL/Philips – transaction summary

- Upfront cash consideration of USD 110 M
- Participation on revenue sharing and royalty basis for up to 9 years on:
  - Existing Raytel services:
    - Pacemaker monitoring
    - ICD monitoring
    - Arrhythmia monitoring
    - Anticoagulation blood monitoring
  - Future Raytel services based on new service offerings to be introduced in US based on SHL solutions:
    - 12 lead ECG monitoring
    - Congestive heart failure solution
  - Guaranteed minimum payments of USD 13 million
- Anticipated revenues from sale of SHL's telemedicine devices to end users
- Provision of consulting and R&D services to Philips

Philips Home Healthcare Solutions undisputed leader in telemedicine market in North America with over 750,000 elderly subscribers

**PHILIPS**

sense and simplicity



# Israel: market leader

<b>Profile</b>	<ul style="list-style-type: none"> <li>• Market leader – 92% brand awareness</li> <li>• 220 employees</li> <li>• Cooperation with leading medical institutions</li> <li>• Servicing ~ 10% of all people diagnosed with CVD</li> <li>• High subscriber loyalty</li> </ul>
<b>Service range</b>	<ul style="list-style-type: none"> <li>• Cardiac monitoring</li> <li>• CHF monitoring</li> <li>• PERS</li> </ul>
<b>Marketing approach</b>	<ul style="list-style-type: none"> <li>• Direct to consumer approach</li> <li>• Payor: consumer</li> </ul>
<b>Monitor center and subscriber data</b>	<ul style="list-style-type: none"> <li>• Subscribers ~70,000</li> <li>• Average age ~ 66</li> <li>• Average time on service over 8 years</li> <li>• No. of medical staff ~85</li> <li>• No. of transmissions received from telemedicine devices ~250,000</li> </ul>
<b>Achievements 2007</b>	<ul style="list-style-type: none"> <li>• Highly profitable</li> <li>• Double digit EBIT and EBITDA margins</li> <li>• Positive Cash flow</li> </ul>
<b>Goals 2008</b>	<ul style="list-style-type: none"> <li>• Increase no. of subscribers</li> <li>• Increase market share</li> <li>• Continued profitability with strong margins</li> </ul>

# Germany: first mover advantage

<b>Profile</b>	<ul style="list-style-type: none"> <li>● PHTS is a leader in the provision of cardiovascular telemedicine services in Germany</li> <li>● ~80 employees</li> </ul>
<b>Service range</b>	<ul style="list-style-type: none"> <li>● Congestive Heart Failure</li> <li>● Cardiac monitoring</li> </ul>
<b>Marketing approach</b>	<ul style="list-style-type: none"> <li>● Prove cost savings to health insurers</li> <li>● Build credibility in medical community</li> <li>● Win and endorse health insurers</li> <li>● Payor: health insurer</li> </ul>
<b>Monitor center and subscriber data</b>	<ul style="list-style-type: none"> <li>● Over 80% growth in no. of subscribers</li> <li>● Average monthly revenue of over \$100</li> <li>● No. of medical staff ~30</li> </ul>
<b>Achievements 2007</b>	<ul style="list-style-type: none"> <li>● Over 85 % top line growth and 80% growth in subscribers</li> <li>● Additional agreements signed with major health insurers covering over 1.5 M insured</li> <li>● Enhanced market position</li> </ul>
<b>Goals 2008</b>	<ul style="list-style-type: none"> <li>● Continuing rapid growth rate</li> <li>● Optimize recruitment of patients from existing contracts</li> <li>● Additional agreements with health insurers</li> <li>● Continued investment while reaching profitability</li> </ul>

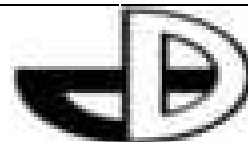


# Some of SHL's Payors and Cooperation Partners

**TAUNUS** <sup>(BKK)</sup>

Ihrer Gesundheit zuliebe  
**Deutsche BKK**

*Debeka*



**AOK**  
Die Gesundheitskasse.

**ST. JUDE MEDICAL**

**sancura** BKK  
Ihre Gesundheit, unsere Stärke.

**ikk** die neue ikk  
gesund plus



**neue  
bkk**  
ein teil von mir

**ikk** Niedersachsen

**CHARITÉ**

# Financial information



# P&L (USD M)

	2007 *	2006
Revenues	62.1	62.8
COGS	29.5	30.1
GP	32.6	32.7
%	52.5%	52.0%
Operating expenses	**42.7	32.4
LBIT/EBIT	(10.1)	0.3
%	n.a.	0.1%
LBITDA/EBITDA	(1.6)	7.6
%	n.a.	12.1%
Capital gain from sale of Raytel	42.8	-
Financial & other expenses	2.6	4.1
Taxes on income	6.5	(0.4)
Net income (Loss) – continuing operations	23.6	(3.4)
Net income (Loss) – discontinued operations	4.0	(3.7)
Net income (Loss)	27.6	(7.1)
Minority Interest	<u>4.3</u>	<u>1.4</u>
Net income (Loss) - SHL shareholders	23.3	(8.5)

\* Figures include the operations of Raytel which were sold at the end of November

\*\* Includes one time expenses related to the sale of Raytel

# Balance Sheets (USD M)

	2007	2006 *
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash & short term investments	84.5	12.5
Other current assets	<u>7.1</u>	<u>24.7</u>
	91.6	37.2
<b>LONG TERM ASSETS</b>	20.4	20.5
<b>FIXED ASSETS, NET</b>	15.6	23.6
<b>INTANGIBLE ASSETS, NET</b>	16.6	47.0
<b>TOTAL ASSETS</b>	<b>144.2</b>	<b>128.3</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>CURRENT LIABILITIES</b>	67.6	47.5
<b>LONG TERM LIABILITIES</b>	16.1	51.0
<b>EQUITY</b>	60.5	29.8
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>144.2</b>	<b>128.3</b>

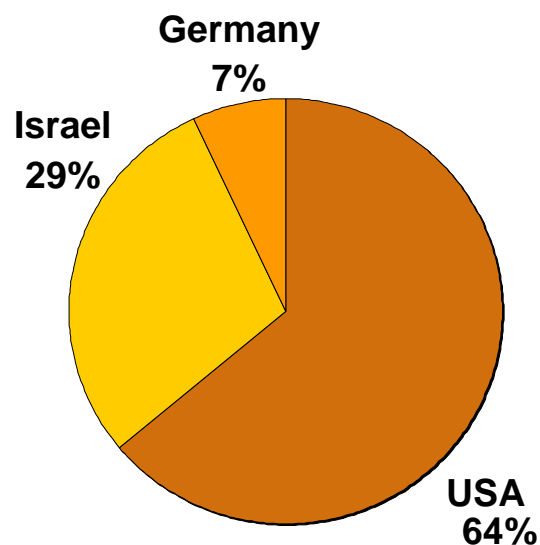
\* Figures include the operations of Raytel which were divested at the end of November 2007

# Consolidated Cash Flows (in USD M)

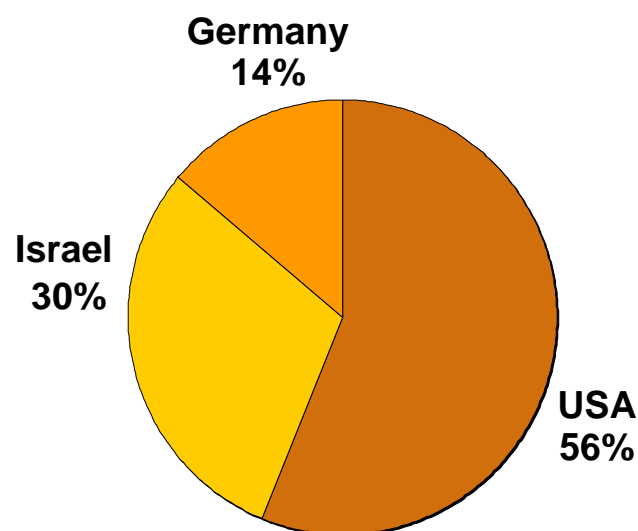
	2007	2006
Cash provided by (used in) Operating activities	(1.8)	1.8
Cash provided by (used in) Investing activities (ex. deposits)	101.6	(4.4)
Cash used in Financing activities	(27.7)	(6.4)
Effect of exchange rate changes	-	0.5
Increase (decrease) in Cash, cash equivalents, deposits & marketable securities	72.1	(8.5)
Cash, cash equivalents, deposits & marketable securities at beginning of year	16.8	25.3
Cash, cash equivalents, deposits & marketable securities at end of year	88.9	16.8

# Geographical Revenues Breakdown

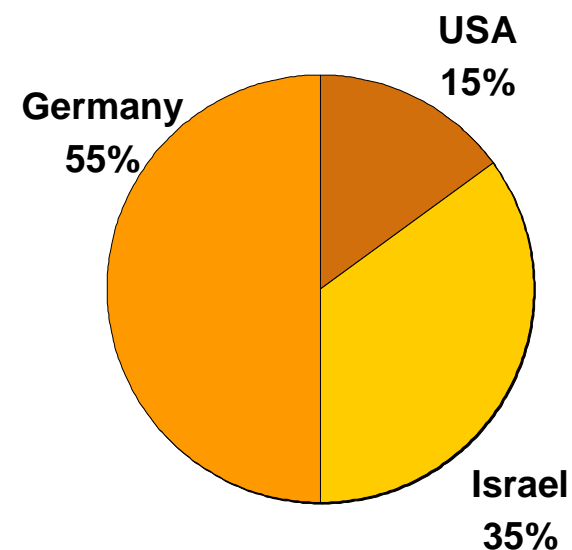
**2006**



**2007**



**Mid-term**



## Dividend and Buy Back program

- As a result of the 2007 positive financial results SHL announces a Special Dividend in a sum of USD 4M, app. ~ USD 0.37 per share
- Record date - April 14, 2008
- Distribution Date – April 15, 2008
- The board of directors also approved a Share “Buy Back” program for up to USD 2M





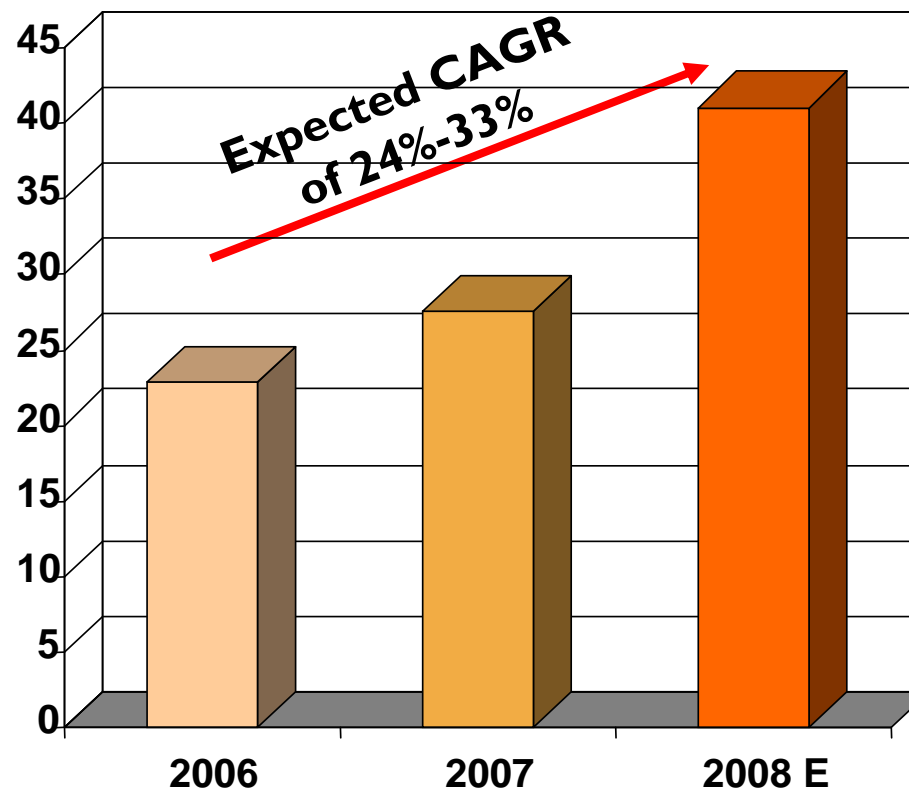
# Business Outlook



## Major steps 2008:

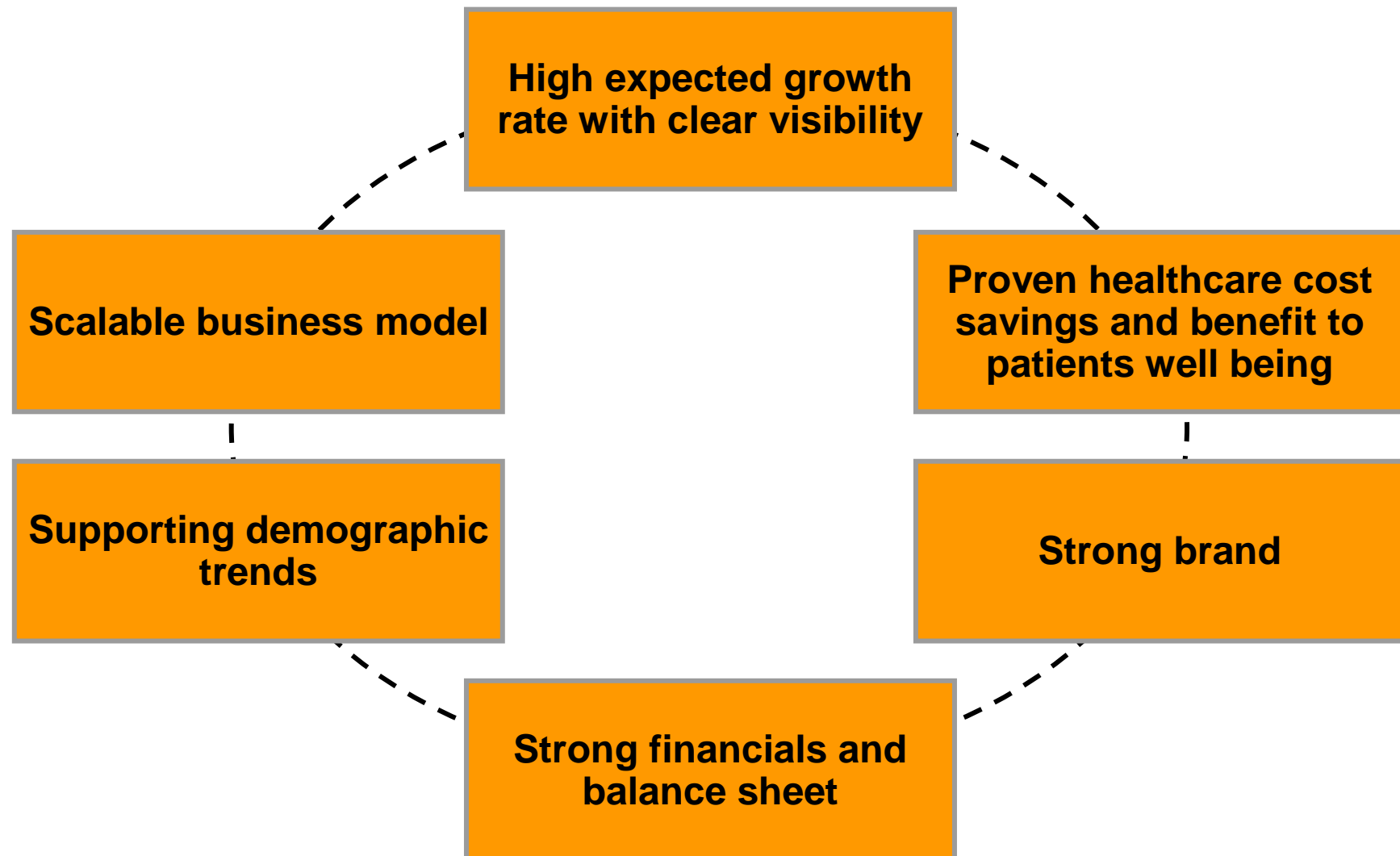
- Continuing rapid growth in Germany:
  - Increasing subscriber base
  - Additional agreements with insurance companies
- Maintaining Market leadership and increasing market share in home market
- Continuing support of US activities
- Examining various new business opportunities

- Top line growth of 35%–45% reaching revenues of between USD 38-41 M
- EBITDA Margins between 17%-20% reaching USD 7-8 M
- Positive operating cash flow



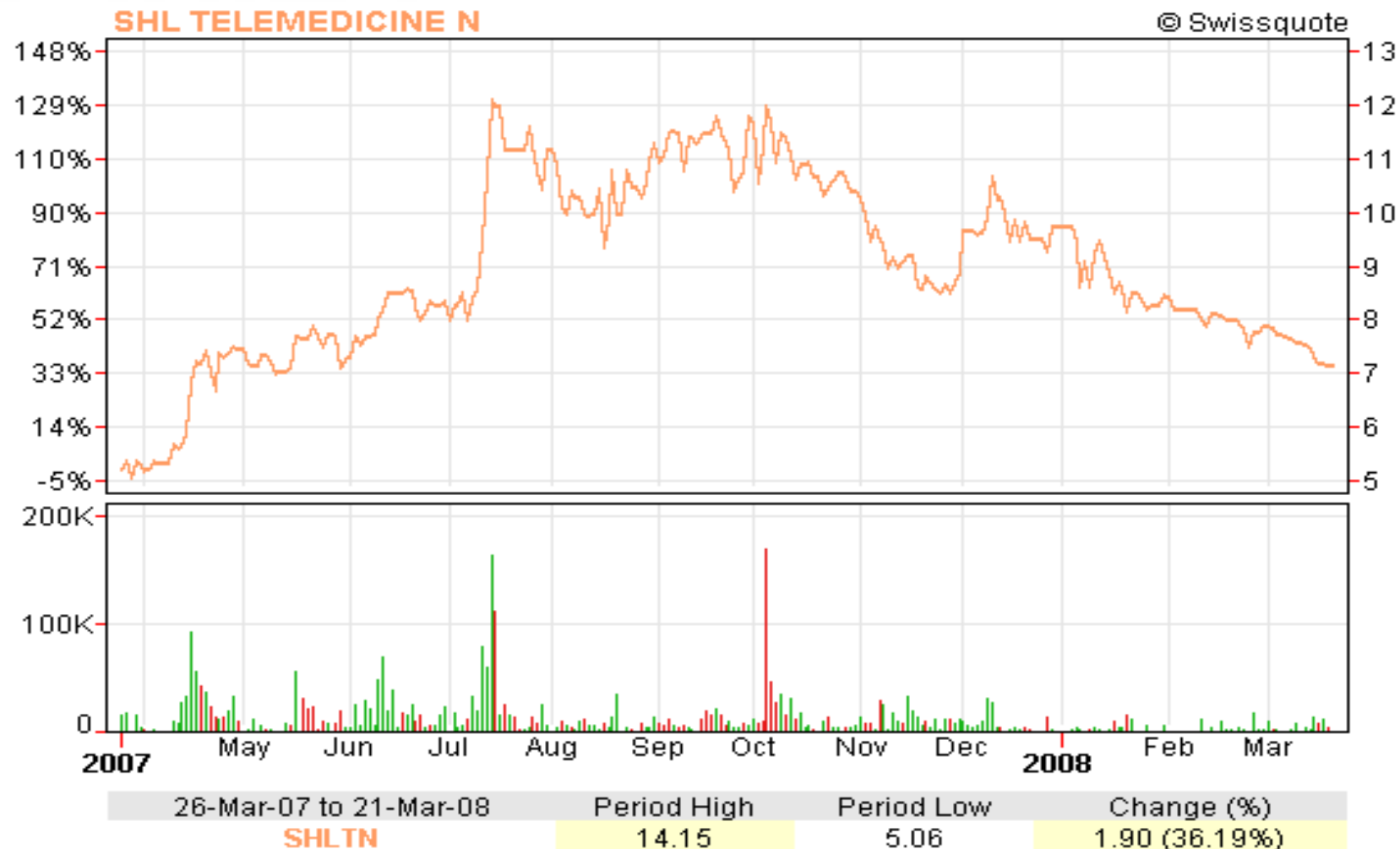
\* 2006 and 2007 pro-forma figures without the operations of Raytel

# Investment highlights



- IR Agenda
  - 26 March FY results 2007
  - 14 May Annual General Meeting
  - 14 May Q1 results
  - 13 August Q2 results
  - 11 November Q3 results
- 10,688,535 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 2007: 12.10/4.82
- Market capitalization high/low (CHF million) in 2007: 129.3/51.5
- Market capitalization 31.12.07 (CHF million) : 104.4
- No voting restrictions

# Share price development



**Thank You**