



Press release

## **SHL Telemedicine reports third quarter and nine months 2012 results**

### **Recruitment of patients to COPD program with AOK Bayern initiated**

**Tel Aviv/Zurich, 21 November 2012** - SHL Telemedicine Ltd. (SIX Swiss Exchange: SHLTN), a leading provider and developer of advanced personal telemedicine solutions, today announced results for the third quarter of 2012.

### **Germany – closing and launch of Europe's largest COPD telemedicine program with AOK Bayern**

SHL is to provide, for a 5 year term, telemedicine services to those insured from AOK Bayern who suffer from severe COPD (Chronic Obstructive Pulmonary Disease), a life-threatening lung disease, which interferes with normal breathing and is very costly to treat.

Based on data published by the "European COPD Coalition", 4%-10% of European adults suffer from COPD. As a first step, included in the program will be those who are diagnosed as severe COPD patients, i.e. have a severe limitation of airflow and are likely to have exacerbations, a COPD acute event normally leading to hospitalization. Meanwhile, recruitment of these patients has started already and will be an ongoing process. Participation will not involve any additional costs for the patients.

The enhanced compliance to the medical treatment and ongoing care is expected to decrease the onset of exacerbations leading to improved quality of life, peace of mind and a decrease in hospital admissions and hospitalizations. It is estimated that in Germany a severe COPD patient costs over € 10 thousand per annum, of which SHL expects to reduce 30% to 50% of the costs. Payment to SHL is based on the evaluation of economic success as monitored by the Hamburg Center for Health Economics of the University of Hamburg. First evaluation is to be performed during Q4 2013.

**Erez Alroy, Co-CEO of SHL, commented:** "We were delighted to announce the closing and launch of the COPD program with AOK BAYERN, a milestone in SHL's history. Our third quarter results are quite similar to the results we have shown over the past two quarters and reflect the transition period we are witnessing in 2012. A change of trend and return to growth is expected in 2013. Recruitment for the COPD program has started and feedback from the insured is positive."

### **Financial Highlights**

During the period revenues and profit declined, as expected, stemming from SHL's operation in Germany and the cessation of revenues from Philips US. SHL has been successful in adjusting its expense base to accommodate for the reduced revenues and



operations in Germany, leading to a return to positive operating cash flow for the nine months of USD 2.5 million compared to cash used in operations of USD 4.4 million in the nine months of 2011.

**Revenues** for the third quarter amounted to USD 6.5 million compared to USD 10.2 million in Q3 2011. Revenues for the nine months amounted to USD 20.0 million compared to USD 33.3 million in the nine months of 2011. This represents a decline of 28.4% and 33.9%, at constant exchange rates\*, for the quarter and for the nine months, respectively.

**Gross profit** for the quarter amounted to USD 3.6 million (55.4% of revenues) compared to USD 6.4 million (62.7% of revenues) in the third quarter 2011. In the nine months of 2012 gross profit amounted to USD 10.9 million (54.5% of revenues) compared to USD 21.5 million (64.6% of revenues) in the nine months of 2011.

**EBITDA** for the quarter amounted to USD 0.2 million (3.1% of revenues) compared to an EBITDA of USD 2.3 million (22.5% of revenues) in Q3 2011. EBITDA for the nine months of 2012 amounted to USD 1.2 million (6.0% of revenues) compared to an EBITDA of USD 7.6 million (22.8% of revenues) in the nine months of 2011.

**LBIT** for the quarter amounted to USD 0.8 million compared to an EBIT of USD 1.1 million (10.8% of revenues) in Q3 2011. LBIT for the nine months of 2012 amounted to USD 2.1 million compared to an EBIT of USD 3.9 million (11.7% of revenues) in the nine months of 2011.

**Net loss** for the quarter amounted to USD 1.1 million (USD 0.10 per share) compared to a net profit of USD 1.4 million (USD 0.14 per share) in the third quarter of 2011. For the first nine months of 2012, SHL's net loss amounted to USD 3.3 million (USD 0.32 per share) compared to a net income of USD 3.6 million (USD 0.35 per share) in the nine months of 2011.

**Improved operating cash flow.** The successful adjustment of SHL's expense base led to an improved operating cash position as for the nine months of 2012 SHL generated an operating cash flow of USD 2.5 million compared to cash used in operations of USD 4.4 million in the nine months of 2011. In the quarter, cash used in operations amounted to USD 0.3 million compared to USD 2.4 million in the third quarter of 2011. Cash, cash equivalents and marketable securities at September 30, 2012 amounted to USD 25.6 million.

**Balance sheet.** SHL's assets at 30 September 2012 totalled USD 97.4 million with shareholders' equity amounting to USD 62.2 million (63.9% of balance sheet) compared to assets of USD 108.2 million and shareholders' equity of USD 66.6 million at 31 December 2011.



**SHL Telemedicine – consolidated key figures**  
**Q3 2012**

in USD million (except per share amounts)	<b>Q3 2012</b>	<b>Q3 2011</b>	<b>% change</b>	<b>Q3 2012 (constant currency)</b>	<b>% change (constant currency)</b>
Revenues	6.5	10.2	(36.3%)	7.3	(28.4%)
Gross profit	3.6	6.4	(43.8%)	4.1	(35.9%)
%	55.4%	62.7%		56.2%	
EBITDA	0.2	2.3	(91.3%)	0.2	(91.3%)
%	3.1%	22.5%		2.7%	
EBIT/(LBIT)	(0.8)	1.1	n.a.	(0.9)	n.a.
%	n.a.	10.8%		n.a.	
Net income (loss)	(1.1)	1.4	n.a.	(1.2)	n.a.
%	n.a.	13.7%		n.a.	
Basic EPS/(LPS)	(0.10)	0.14	n.a.	(0.11)	n.a.

**SHL Telemedicine – consolidated key figures**  
**9M 2012**

in USD million (except per share amounts)	<b>9M 2012</b>	<b>9M 2011</b>	<b>% change</b>	<b>9M 2012 (constant currency)</b>	<b>% change (constant currency)</b>
Revenues	20.0	33.3	(39.9%)	22.0	(33.9%)
Gross profit	10.9	21.5	(49.3%)	11.9	(44.7%)
%	54.5%	64.6%		54.1%	
EBITDA	1.2	7.6	(84.2%)	1.3	(82.9%)
%	6.0%	22.8%		5.9%	
EBIT/(LBIT)	(2.1)	3.9	n.a.	(2.3)	n.a.
%	n.a.	11.7%		n.a.	
Net income (loss)	(3.3)	3.6	n.a.	(3.7)	n.a.
%	n.a.	10.8%		n.a.	
Basic EPS/(LPS)	(0.32)	0.35	n.a.	(0.35)	n.a.

\* Constant currency - In order to enable meaningful comparison between the 2012 and 2011 results, 2012 results are also presented at constant currency exchange rates. These are calculated by translating the 2012 results using the average 2011 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  
Q3 2012**

	Israel		Germany		USA & ROW	
	USD m	% of total	USD m	% of total	USD m	% of total
Q3 2012	5.2	80.0%	1.3	20.0%	0.0	0.0%
Q3 2011	5.6	54.9%	3.5	34.3%	1.1	10.8%
Q3 2012 (constant currency exchange rates)	5.8	79.5%	1.5	20.5%	0.0	0.0%
% change in constant currency	3.6%		(57.1%)		(100.0%)	

**Revenues by geographic distribution  
9M 2012**

	Israel		Germany		USA & ROW	
	USD m	% of total	USD m	% of total	USD m	% of total
9M 2012	16.2	81.0%	3.8	19.0%	0.0	0.0%
9M 2011	17.2	51.7%	12.1	36.3%	4.0	12.0%
9M 2012 (constant currency exchange rates)	17.7	80.5%	4.3	19.5%	0.0	0.0%
% change in constant currency	2.9%		(64.5%)		(100.0%)	

**Conference Call, today, 11.00 am CET**

SHL will hold a call to discuss the Q3 results today at 11.00 am CET. 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 or +972 3763 1173

Slides are available at:

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

**IR Agenda 2013**

March 20, 2013 2012 results and publication of annual report



### **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).

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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.



<b>Balance-Sheets</b> (USD thousands)	<b>30.9.2012</b>	<b>30.9.2011</b>	<b>31.12.2011</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Cash and cash equivalents	10,872	6,743	16,911
Short term deposit	-	12,458	-
Restricted cash	-	102	-
Available-for-sale investments	14,767	16,447	16,383
Trade receivables	20,698	16,134	19,003
Prepaid expenses	1,671	1,782	1,710
Other accounts receivable	1,711	1,622	1,712
<b>Current Assets</b>	<b>49,719</b>	<b>55,288</b>	<b>55,719</b>
<b>Long-term Assets</b>	<b>11,588</b>	<b>19,284</b>	<b>15,561</b>
<b>Fixed Assets, net</b>	<b>14,915</b>	<b>16,708</b>	<b>15,708</b>
<b>Intangible Assets, net</b>	<b>21,222</b>	<b>21,582</b>	<b>21,208</b>
<b>Total Assets</b>	<b>97,444</b>	<b>112,862</b>	<b>108,196</b>
Credit from banks and current maturities	5,404	9,695	9,441
Deferred revenues	105	952	114
Trade payables	867	1,148	999
Income tax payable	-	1,077	-
Provisions	2,490	2,613	2,485
Other accounts payable	4,810	4,137	5,495
<b>Current Liabilities</b>	<b>13,676</b>	<b>19,622</b>	<b>18,534</b>
Long-term loans	19,839	23,591	22,139
Deferred revenues	925	-	-
Employee benefit liabilities	817	868	810
Deferred taxes	-	154	150
<b>Long-term Liabilities</b>	<b>21,581</b>	<b>24,613</b>	<b>23,099</b>
<b>Total liabilities</b>	<b>35,257</b>	<b>44,235</b>	<b>41,633</b>
<b>Equity:</b>			
Issued capital	31	31	31
Additional paid-in capital	94,217	93,793	93,894
Treasury shares	(2,709)	(1,665)	(2,201)
Foreign currency translation reserve	(481)	2,876	788
Capital reserve for available-for-sale investments	390	(113)	8
Accumulated deficit	(29,261)	(26,295)	(25,957)
<b>Total Equity</b>	<b>62,187</b>	<b>68,627</b>	<b>66,563</b>
<b>Total Liabilities and Equity</b>	<b>97,444</b>	<b>112,862</b>	<b>108,196</b>



<b>Statements of Income</b>					
(USD thousands, except per share data)	<b>Q3 12</b>	<b>Q3 11</b>	<b>9M 12</b>	<b>9M 11</b>	<b>2011</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Revenues	6,465	10,214	20,024	33,308	42,374
Depreciation and amortization	383	595	1,448	1,864	2,467
Cost of revenues	2,490	3,524	7,688	9,939	12,925
<b>Gross Profit</b>	<b>3,592</b>	<b>6,365</b>	<b>10,888</b>	<b>21,505</b>	<b>26,982</b>
Research and development costs, net	375	320	1,199	946	1,334
Selling and marketing expenses	1,984	2,262	5,399	7,736	9,566
General and administrative expenses	1,996	2,699	6,337	8,896	11,910
<b>Operating income (loss)</b>	<b>(763)</b>	<b>1,084</b>	<b>(2,047)</b>	<b>3,927</b>	<b>4,172</b>
Financial income	395	1,326	1,233	2,014	4,650
Financial expenses	(591)	(701)	(2,026)	(1,576)	(4,033)
<b>Income (loss) before taxes on income</b>	<b>(959)</b>	<b>1,709</b>	<b>(2,840)</b>	<b>4,365</b>	<b>4,789</b>
Taxes on income	4	261	464	706	792
<b>Net income (loss)</b>	<b>(963)</b>	<b>1,448</b>	<b>(3,304)</b>	<b>3,659</b>	<b>3,997</b>
<b>Other Comprehensive income:</b>					
Foreign currency translation reserve	421	(6,172)	(1,269)	(2,911)	(4,999)
Transfer to the statement of income in respect of available-for-sale investments	47	24	(133)	96	(130)
Gain (loss) on available-for-sale investments	275	60	515	(267)	80
	743	(6,088)	(887)	(3,082)	(5,049)
<b>Total comprehensive income (loss)</b>	<b>(220)</b>	<b>(4,640)</b>	<b>(4,191)</b>	<b>577</b>	<b>(1,052)</b>
<b>Basic and diluted profit (loss) per share</b>	<b>(0.10)</b>	<b>0.14</b>	<b>(0.32)</b>	<b>0.35</b>	<b>0.38</b>



<b>Statements of Cash Flows</b> (USD thousands)	<b>Q3 12</b>	<b>Q3 11</b>	<b>9M 12</b>	<b>9M 11</b>	<b>2011</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Net income (loss)	(963)	1,448	(3,304)	3,659	3,997
Adjustment required to reconcile net income (loss) to net cash provided by (used in) operating activities	632	(3,870)	5,824	(8,098)	(7,500)
<b>Net Cash provided by (used in) Operating Activities</b>	<b>(331)</b>	<b>(2,422)</b>	<b>2,520</b>	<b>(4,439)</b>	<b>(3,503)</b>
Purchase of fixed assets	(1,084)	(532)	(1,620)	(2,125)	(2,535)
Acquisition of business activities	-	-	-	(278)	(278)
Capitalization of development costs	(517)	(587)	(1,548)	(1,790)	(2,048)
Restricted cash	-	(102)	-	(102)	-
Short-term deposit	-	(13,492)	-	(13,492)	-
Purchase of available-for-sale investments	(324)	(1,020)	(6,977)	(5,778)	(7,971)
Proceeds from sale of available-for-sale investments	393	928	8,455	6,196	7,874
<b>Net Cash used in Investing Activities</b>	<b>(1,532)</b>	<b>(14,805)</b>	<b>(1,690)</b>	<b>(17,369)</b>	<b>(4,958)</b>
Proceeds from exercise of options	3	-	62	21	21
Short-term bank credit, net	(329)	(1,933)	(4,014)	4,486	4,644
Long-term loans received	-	29,296	-	29,296	29,296
Payment of long-term loans	(706)	(506)	(2,155)	(506)	(1,254)
Dividend paid	-	(6,941)	-	(6,941)	(6,941)
Treasury shares purchased	(207)	(28)	(508)	(92)	(628)
<b>Net Cash provided by (used in) Financing Activities</b>	<b>(1,239)</b>	<b>19,888</b>	<b>(6,615)</b>	<b>26,264</b>	<b>25,138</b>
Effect of exchange rate changes on cash and cash equivalents	68	(472)	(254)	(322)	(2,375)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(3,034)</b>	<b>2,189</b>	<b>(6,039)</b>	<b>4,134</b>	<b>14,302</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>13,906</b>	<b>4,554</b>	<b>16,911</b>	<b>2,609</b>	<b>2,609</b>
<b>Cash and Cash equivalents at the end of the period</b>	<b>10,872</b>	<b>6,743</b>	<b>10,872</b>	<b>6,743</b>	<b>16,911</b>