



Press release

SHL Telemedicine reports fourth quarter and fiscal year 2010 financial results

- *Concludes a successful 2010 with another quarter of solid financial performance*
- *Revenues for the year reaching USD 50.3 million (USD 53.4 million at constant exchange rates*). Representing growth of 4.7% year over year at constant exchange rates **
- *EBITDA for the year of USD 11.4 million (22.7% of revenues).*
- *EBIT for the year of USD 6.0 million (11.9% of revenues).*
- *Net income for the year of USD 4.9 million (9.7% of revenues).*
- *Cautious short term outlook.*

Tel Aviv/Zurich, 30 March 2010 - SHL Telemedicine Ltd. (SIX Swiss Exchange: SHLTN), a leading provider and developer of advanced personal telemedicine solutions, today announced results for the fourth quarter and fiscal year 2010.

Business Review

Germany

In Germany it has been another year of continued aggressive consolidation of health insurers together with increased cost pressures to cut down on their deficits. This trend is expected to continue, with cost and deficit pressures expected to be felt even more in the coming years. As a consequence, SHL's value proposition of cost savings to health insurers is more valid than ever.

This is being evidenced in that SHL is in advanced negotiations with large German health insurers for significant high value contracts of more than USD 50 million each for the introduction of various telemedicine services to a large number of their insured who will potentially join SHL's services in the coming years.

The aggressive consolidation, with sometimes three to four mergers by one health insurer in a year, has resulted in the diminution of patients during the year as merging bodies canceled the agreements in place and started re-negotiations once the mergers have been implemented. One of these consecutive mergers by a health insurer is likely to lead to a diminution of a large number of patients during 2011. SHL is in discussions with this health insurer to coordinate the process, including timing of cessation of service.

In spite of the complex business environment described above SHL's German operations concluded the year with its 5th consecutive year of growth with revenues of USD 21.6 million, representing growth of 7.2% year over year at constant currency



exchange rates*. This reflects the continuing success, despite this complex environment, in gaining acceptance by the German health industry of SHL's cost savings proposition.

It is expected that this will be a year in which SHL will be investing great efforts in securing the major high value contracts that will enable its return to growth in the German market.

Israel

2010 was another good year for SHL's Israeli business, with revenues increasing to USD 22.3 million, representing growth of 0.9% year over year at constant exchange rates*.

In the course of the year, SHL signed further agreements with Israeli health insurers for the provision of telemedicine services to their insured, leading to a faster growth rate in the coming years and higher profitability.

Consumer markets in Germany and the UK

During the year SHL expended USD 3.8 million in introducing its personal cardiac service to the German and UK marketplace. This was carried out mainly through web based marketing campaigns inviting relevant audiences surfing the web to join the service. This initiative has shown good results and SHL is currently exploring various co-operations for distribution of its products to consumers. SHL expects these investments in 2011 to be significantly lower than in 2010.

Erez Alroy, Co-CEO of SHL, commented on the results: "Strong interest from German health insurers and the progress in negotiations of new large contracts gives us confidence that our B2B strategy will result in further expansion and sustainable long term growth in this market. We believe the consolidation amongst German health insurers is going to have a short term impact only."

Financial Highlights for the Fourth Quarter Ended December 31, 2010:

Revenues for the quarter amounted to USD 13.5 million compared to revenues of USD 13.1 million in Q4 2009. At constant exchange rates* revenues amounted to USD 13.0 million, representing a growth of 4.0% year over year.

EBITDA for the quarter amounted to USD 2.7 million (20.0% of revenues) compared to an EBITDA of USD 2.8 million (21.4% of revenues) in Q4 2009 with **operating profit** amounting to USD 1.4 million (10.4% of revenues) compared to USD 1.5 million (11.5% of revenues) in Q4 2009.

Net income for the quarter amounted to USD 0.9 million (USD 0.09 per share) down from USD 1.4 million (USD 0.13 per share) in Q4 2009.



Financial Highlights for 2010:

Revenues for the year increased over 2009, with operating and net profit remaining on par with 2009 results due to the effect of the significant expenditure of USD 3.8 million on introducing its personal cardiac services mainly to the German consumer market.

Revenues for the year amounted to USD 50.3 million compared to revenues of USD 47.9 million in 2009. At constant exchange rates* revenues amounted to USD 53.4 million, representing a growth of 4.7% year over year.

Gross profit for the year amounted to USD 33.3 million (66.2% of revenues) compared to USD 32.1 (67% of revenues) in 2009.

EBITDA for the year amounted to USD 11.4 million (22.7% of revenues) compared to an EBITDA of USD 11.6 million (24.2 % of revenues) in 2009 with **operating profit** amounting to USD 6.0 million (11.9% of revenues) compared to USD 6.7 million (14.0% of revenues) in 2009.

Net income for the year amounted to USD 4.9 million (USD 0.46 per share) compared to USD 5.4 million (USD 0.51 per share) in 2009.

Cash flow generated from operations amounted to USD 3.0 million compared to USD 5.3 million in 2009. Cash, cash equivalents and marketable securities amounted at December 31, 2010 to USD 20.2 million compared to USD 20.1 million at the end of 2009.

SHL's **balance sheet** continues to be strong with assets amounting to USD 95.1 million, of which current assets amounted to USD 31.1 million, while total liabilities amounted to USD 20.4 million. **Equity** at December 31, 2010 stood at USD 74.7 million (78.5% of balance sheet).

Outlook 2011

The business outlook for Israel continues to be positive. However, as outlined above, with regard to the German market, it will be prudent to assume that the recruitment of new patients during 2011 based on new contracts will take time before they can be absorbed into SHL's network. This is unlikely to cover the expected immediate short term diminution of patients. As a result, SHL is likely to face a decline in revenues and profitability in 2011 over that of 2010 with growth expected to return by the second half of 2011 as major contracts in Germany are secured.



SHL Telemedicine – consolidated key figures

2010

| in USD million (except per share amounts) | 12M 2010 | 12M 2009 | % change | 12M 2010 (constant currency) | 12M 2009 (constant currency) | % change (constant currency) |
|---|----------|----------|----------|------------------------------|------------------------------|------------------------------|
| Revenues | 50.3 | 47.9 | 5.0% | 53.4 | 51.0 | 4.7% |
| Gross profit | 33.3 | 32.1 | 3.7% | 35.3 | 33.9 | 4.1% |
| % | 66.2% | 67.0% | | 66.1% | 66.5% | |
| EBIT | 6.0 | 6.7 | (10.4)% | 6.4 | 6.5 | (1.5)% |
| % | 11.9% | 14.0% | | 12.0% | 12.7% | |
| EBITDA | 11.4 | 11.6 | (1.7)% | 12.1 | 11.9 | 1.7% |
| % | 22.7% | 24.2% | | 22.7% | 23.3% | |
| Net income | 4.9 | 5.4 | (9.3)% | 5.2 | 5.2 | 0.0% |
| Basic EPS | 0.46 | 0.51 | (9.8)% | 0.49 | 0.50 | (2.0)% |

SHL Telemedicine – consolidated key figures

Q4 10

| in USD million (except per share amounts) | 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% |
| Gross profit | 8.9 | 9.1 | (2.2)% | 8.6 | 8.7 | (1.1)% |
| % | 65.9% | 69.5% | | 66.2% | 69.6% | |
| EBIT | 1.4 | 1.5 | (6.7)% | 1.5 | 1.4 | 7.1% |
| % | 10.4% | 11.5% | | 11.5% | 11.2% | |
| EBITDA | 2.7 | 2.8 | (3.6)% | 2.7 | 2.6 | 3.8% |
| % | 20.0% | 21.4% | | 20.8% | 20.8% | |
| Net income | 0.9 | 1.4 | (35.7)% | 1.0 | 1.3 | (23.1)% |
| Basic EPS | 0.09 | 0.13 | (30.8)% | 0.09 | 0.12 | (25.0)% |

* Constant currency - 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 2008 constant currency results (Q4 and 12M 08) 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
2010**

| | Israel | | Germany | | USA & ROW | |
|---|--------|------------|---------|------------|-----------|------------|
| | USD m | % of total | USD m | % of total | USD m | % of total |
| 12M 2010 | 22.3 | 44.4% | 21.6 | 42.9% | 6.4 | 12.7% |
| 12M 2009 | 20.9 | 43.6% | 21.2 | 44.3% | 5.8 | 12.1% |
| 12M 2010 (constant currency exchange rates) | 23.1 | 43.3% | 23.9 | 44.7% | 6.4 | 12.0% |
| 12M 2009 (constant currency exchange rates) | 22.9 | 44.9% | 22.3 | 43.7% | 5.8 | 11.4% |

**Revenues by geographic distribution
Q4 10**

| | Israel | | Germany | | USA & ROW | |
|--|--------|------------|---------|------------|-----------|------------|
| | USD m | % of total | USD m | % of total | USD m | % of total |
| Q4 2010 | 6.2 | 45.9% | 5.7 | 42.2% | 1.6 | 11.9% |
| Q4 2009 | 5.7 | 43.5% | 6.0 | 45.8% | 1.4 | 10.7% |
| Q4 2010 (constant currency exchange rates) | 5.9 | 45.4% | 5.5 | 42.3% | 1.6 | 12.3% |
| Q4 2009 (constant currency exchange rates) | 5.6 | 44.8% | 5.5 | 44.0% | 1.4 | 11.2% |

The comprehensive Annual Report 2010 is available under: <http://www.shl-telemedicine.com/investors-relations/>

IR Agenda 2011

May 25, 2011 Q1 results
 May 31, 2011 AGM
 August 10, 2011 Q2 Results
 November 16, 2011 Q3 Results



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.

For further information please contact:

- Erez Alroy, Co-CEO, Phone: +972 3561 22 12, ereza@shl-telemedicine.com
- Assistant: Pauline Shavit, Phone: +972 3561 22 12, pauline@shl-telemedicine.com
- Martin Meier-Pfister, IRF Communications, Phone: +41 43 244 81 40, shl@irfcom.ch

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.

| Balance-Sheets (USD thousands) | 31.12.2010 | 31.12.2009 |
|--|-------------------|-------------------|
| Cash and cash equivalents | 2,609 | 1,839 |
| Available-for-sale investments | 17,603 | 18,251 |
| Trade receivables | 7,984 | *) 5,577 |
| Inventory | - | 600 |
| Other current assets | 2,883 | 2,951 |
| Current Assets | 31,079 | 29,218 |
| Non-Current Assets | 24,592 | 23,241 |
| Fixed Assets, net | 17,953 | 17,341 |
| Intangible Assets, net | 21,440 | 19,628 |
| Total Assets | 95,064 | 89,428 |
| Credit from banks | 2,362 | 483 |
| Deferred revenues | 5,155 | *) 7,558 |
| Trade payables | 1,996 | 2,209 |
| Income tax payable | 1,059 | 2,951 |
| Provisions | 2,567 | *) 4,006 |
| Other accounts payable | 6,207 | *) 5,950 |
| Current Liabilities | 19,346 | 23,157 |
| Employee benefit liabilities | 796 | 617 |
| Deferred taxes | 226 | 353 |
| Non-current Liabilities | 1,022 | 970 |
| Total liabilities | 20,368 | 24,127 |
| Equity attributable to SHL shareholders: | | |
| Issued capital | 31 | 31 |
| Additional paid-in capital | 93,406 | 92,939 |
| Treasury shares | (1,573) | (1,567) |
| Foreign currency translation reserve | 5,787 | 1,497 |
| Available-for-sale reserve | 58 | 275 |
| Accumulated deficit | (23,013) | (27,874) |
| Total Equity | 74,696 | 65,301 |
| Liabilities and Equity | 95,064 | 89,428 |



| Statements of Income (USD thousands, except per share data) | 2010 | 2009 |
|--|---------------|---------------|
| Revenues | 50,252 | 47,890 |
| Depreciation and amortization | 2,287 | 2,317 |
| Cost of revenues | 14,692 | 13,521 |
| Gross Profit | 33,273 | 32,052 |
| Research and development costs | 1,597 | 1,223 |
| Selling and marketing expenses | 14,747 | 14,036 |
| General and administrative expenses | 10,945 | 10,142 |
| Operating income | 5,984 | 6,651 |
| Financial income | 1,315 | 1,848 |
| Financial expenses | (1,247) | (1,107) |
| Other expenses, net | - | (333) |
| Income before taxes on income | 6,052 | 7,059 |
| Taxes on income | 1,191 | 1,682 |
| Net income | 4,861 | 5,377 |
| Exchange differences from foreign currency translation | 4,290 | 471 |
| Transfer to the statement of income of available-for-sale investments | 280 | (835) |
| Gain (loss) from available-for-sale investments | (497) | 1,176 |
| Total comprehensive income | 8,934 | 6,189 |
| Basic and diluted profit per share | 0.46 | 0.51 |



| Statements of Cash Flows (USD thousands) | 2010 | 2009 |
|--|----------------|----------------|
| Net income | 4,861 | 5,377 |
| Adjustment required to reconcile net income to net cash provided by operating activities | (1,853) | (117) |
| Net Cash provided by Operating Activities | 3,008 | 5,260 |
| Purchase of fixed assets | (3,469) | (5,356) |
| Acquisition of business activities | (435) | (1,228) |
| Investment in intangible assets | (2,240) | (1,602) |
| Proceeds from sale of fixed assets | 27 | - |
| Purchase of available-for-sale investments | (16,139) | (14,776) |
| Proceeds from sale of available-for-sale investments | 18,012 | 16,612 |
| Net Cash used in Investing Activities | (4,244) | (6,350) |
| Proceeds from exercise of options | 216 | 22 |
| Short-term bank credit, net | 1,793 | (216) |
| Treasury shares purchased | (6) | (162) |
| Net Cash provided by (used in) Financing Activities | 2,003 | (356) |
| Effect of exchange rate changes on cash and cash equivalents | 3 | 20 |
| Increase (decrease) in cash and cash equivalents | 770 | (1,426) |
| Cash and cash equivalents at the beginning of the period | 1,839 | 3,265 |
| Cash and Cash equivalents at the end of the period | 2,609 | 1,839 |