

SHL Telemedicine

Q3/9M 2012 Results
21 November 2012



Conference Call, 11.00 am CET - Dial-in numbers :
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SHL
Telemedicine

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SHL at a glance

Leading provider of technologically advanced telemedicine services and solutions

The services and solutions improve quality of life for SHL's subscribers and enable cost savings for the health services community

Technological innovation; ongoing development of IT based services and solutions

Listed on the Swiss Stock Exchange (SIX:SHLTN)

smarth^{heart}

Over
70,000
subscribers

B2C & B2B

25 years of
service

CHF

Telemedicine
Innovator

COPD

1.5 million
transmissions p.a.

ECG Monitoring



Medical Staff

Cardio
Sen'C

Diabetes



Business update

Germany – successful implementation of new strategy



IKK Sudwest (March 2012)

- Insures ~ 700 thousand people and active in the regions of Hessen, Rheinland-Pfalz and Saarland
- Telemedicine services to CHF patients (Chronic Heart Disease)
- ~ 1% of the population is eligible for the service
- Remuneration based on economic success
- Expect to save 30% to 50% of costs – SHL share anticipated at €1,500 to €2,500 p/patient p/year
- Recruitment of patients on track



AOK Bayern (May 2012)

- One of the largest health insurers in Germany with **over 4.3 million** insured
- Telemedicine services to COPD patients (Chronic Lung Disease)
- Estimated that **over 150 thousand** insured are suffering from COPD
- Recruitment of patients to COPD program with AOK initiated



Nicholas Teller, new non-executive Chairman

- Chief Executive Officer of the E.R. Capital Holding GmbH & Cie. KG. since 2008
- From 1982-2007, Head of Corporate & Markets Division, Member of the Board of Managing Directors and Head of Investment Banking in Commerzbank

Israel – strong consistent financial performance



- Market leader - generating over **NIS 80M** in revenues with EBITDA of **NIS 25M to 30M (over 30% margin)**
- Serves as an important knowledge base for the Company
- Over 70 thousand subscribers
- Highly loyal subscriber base, average time in service of ~ 8 years leading to long term recurring revenue
- Successful implementation of CHF programs with Clalit and Leumit (Israeli health insurers)
- Expect launching COPD and other programs with Israeli health insurers

Technology and Business Development



Technology:

- Received FDA clearance for the **smarth^eart**, world's smallest personal, mobile, hospital grade 12-lead ECG
- Received SFDA for the CardioSen'C
- Continued development of new devices and solutions for the telemedicine market and mHealth space



Business development:

- Investing significant efforts in assessing entry and expansion into new territories – expected in the coming months
- Looking for opportunities to return to the US from November 2012, once non-compete ends
- Expect these efforts will have a major effect on SHL's business in future years



Agreement with AOK Bayern



About AOK BAYERN

Facts and Figures:

Insured (total) ~4.2 M

Market share in Bavaria > 40 %

Employees ~10,000

Balance sheet EUR 12.3 bn

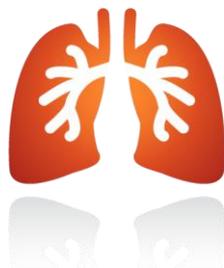
Network:

Physicians >24,000

Hospitals ~400

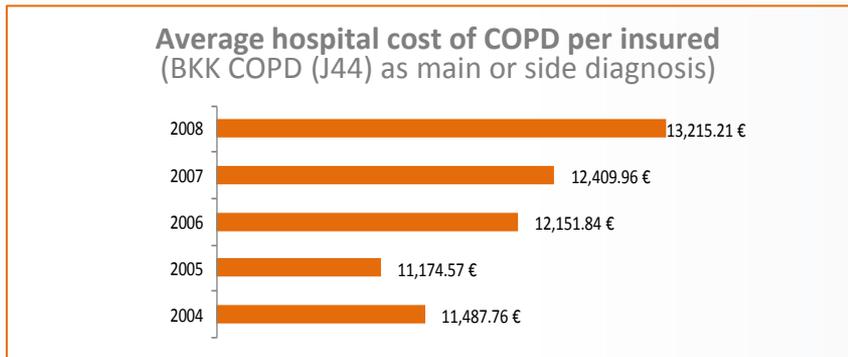
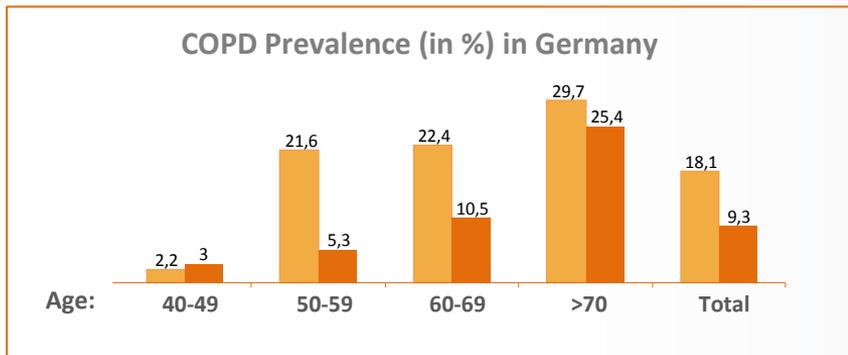


What is COPD?



- A life-threatening lung disease that interferes with normal breathing
 - In general the term COPD includes two main medical conditions: emphysema and chronic bronchitis
 - Severe COPD may prevent a person from doing even basic activities like walking, cooking, or taking care of himself
 - Most people who have COPD smoke or used to smoke
 - A major cause of disability
- The 5th leading cause of death worldwide
 - Currently, millions of people are diagnosed with COPD. Many more people may have the disease and not even know it
 - COPD has no cure yet, and doctors don't know how to reverse the damage to the airways and lungs
 - The only major cause of death with growing incidence rates
 - Is expected to become the third leading cause of death worldwide by 2030 (exceeded only by heart diseases and stroke)

COPD statistics overview



* Source – EFA – European Federation of allergy and airway
 Quelle: eigene Darstellung in Anlehnung an DRG-Routinedatensatz BKK, [2008]

Estimates of COPD prevalence rates in adults vary widely, and are estimated to be anywhere from **4% to 10%** in Europe

In Europe, COPD kills between **200,000 to 300,000** people each year

Its economic burden is estimated to be **EUR 102 billion per year** (European Lung Foundation, 2011)

It is estimated that there are over 3M people with COPD in Germany with around **200,000 COPD related hospital admissions a year**

COPD program – main terms

1

Program to initially include severe COPD patients:

- Suffer from limitation of airflow
- Have been hospitalized and are likely to have additional exacerbations in the future (acute event leading to hospitalization)

2

SHL to provide complete telemedicine solution to AOK BAYERN:

- COPD telemedicine system at patient's home
- Medical monitoring center in Dusseldorf providing around the clock service/care

COPD program – main terms (cont‘)

3

Recruitment of patients:

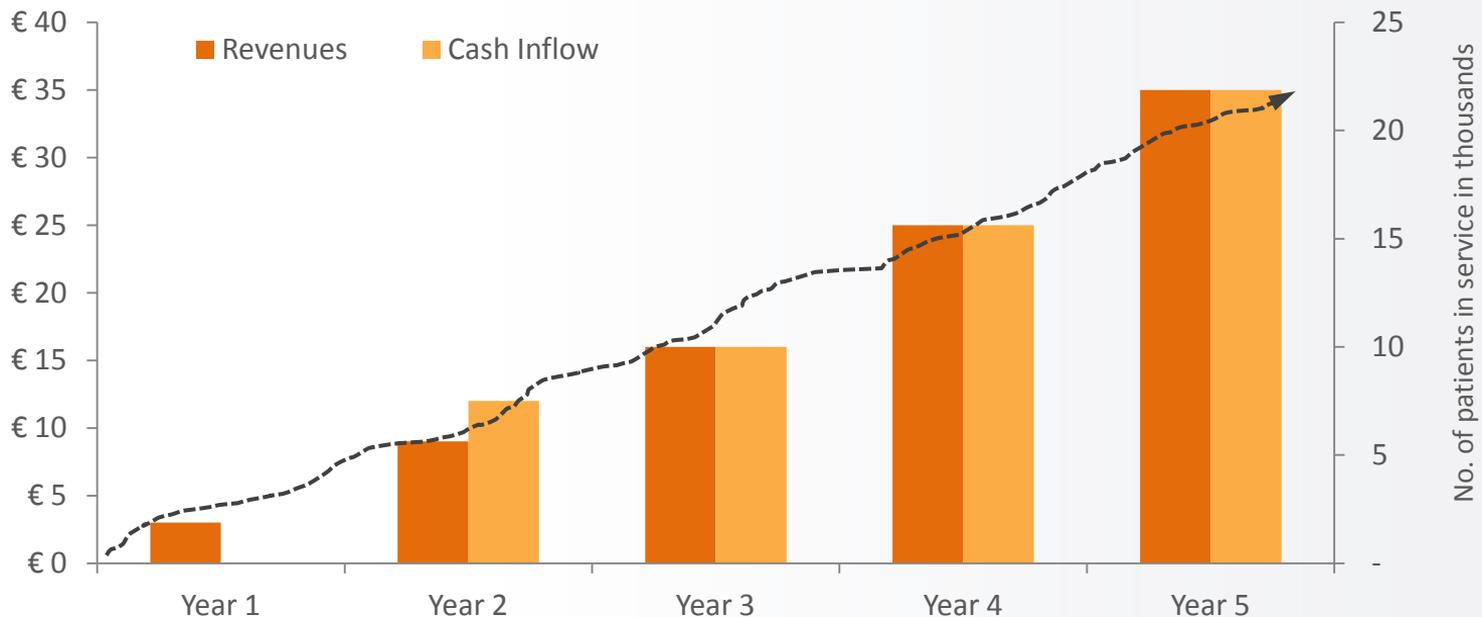
- Conducted based on agreed upon process
- Mutual effort with the aim of enlisting as many suitable patients, as fast as possible
- On going gradual build up

4

Remuneration – Economic success mechanism :

- A severe COPD patient costs over €10,000 p/year
- SHL expects to save 30% to 50% of costs – SHL share expected to be €1,500 to €2,500 p/patient p/year
- Determined by an independent evaluator
- First payment expected in 2014 - following conclusion of first evaluation
- Thereafter, ongoing monthly payments, updated according to annual evaluations
- Revenues recognized from day one

Example of financial effect (In Euro M)*



The above chart is an example assuming a certain recruitment rate and effective cost savings of € 2,000 p/patient p/year – actual results could differ



Condensed financial data

Financial highlights



- Decline in revenues and financial performance reflecting transition in Germany concurrently with cessation of revenues from Philips US
- Successful adjustment of expense base - 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.
- Expect revenues and financial performance to pick up gradually with execution of contracts in Germany
- Strong cash position with USD 25.6 M in cash and marketable securities
 - Means to support expansion plans and large scale contracts in Germany

Q3 2012 Results

USD millions	Q3 2012	Q3 2011	% change	Q3 2012 (constant currency)	% change (constant currency)
Revenues	6.5	10.2	(36.3%)	7.3	(28.4%)
COGS	2.9	3.8	(23.7%)	3.2	(15.8%)
Gross Profit	3.6	6.4	(43.8%)	4.1	(35.9%)
<i>% of revenues</i>	55.4%	62.7%		56.2%	
Operating expenses	4.4	5.3	(17.0%)	5.0	(5.7%)
EBIT / (LBIT)	(0.8)	1.1	n.a.	(0.9)	n.a.
<i>% of revenues</i>	n.a.	10.8%		n.a.	
EBITDA	0.2	2.3	(91.3%)	0.2	(91.3%)
<i>% of revenues</i>	3.1%	22.5%		2.7%	
Financial & other expenses	0.3	(0.6)	n.a.	0.3	n.a.
Taxes on income	-	0.3	n.a.	-	n.a.
Net income (loss)	(1.1)	1.4	n.a.	(1.2)	n.a.
EPS / (LPS)	(0.10)	0.14	n.a.	(0.11)	n.a.

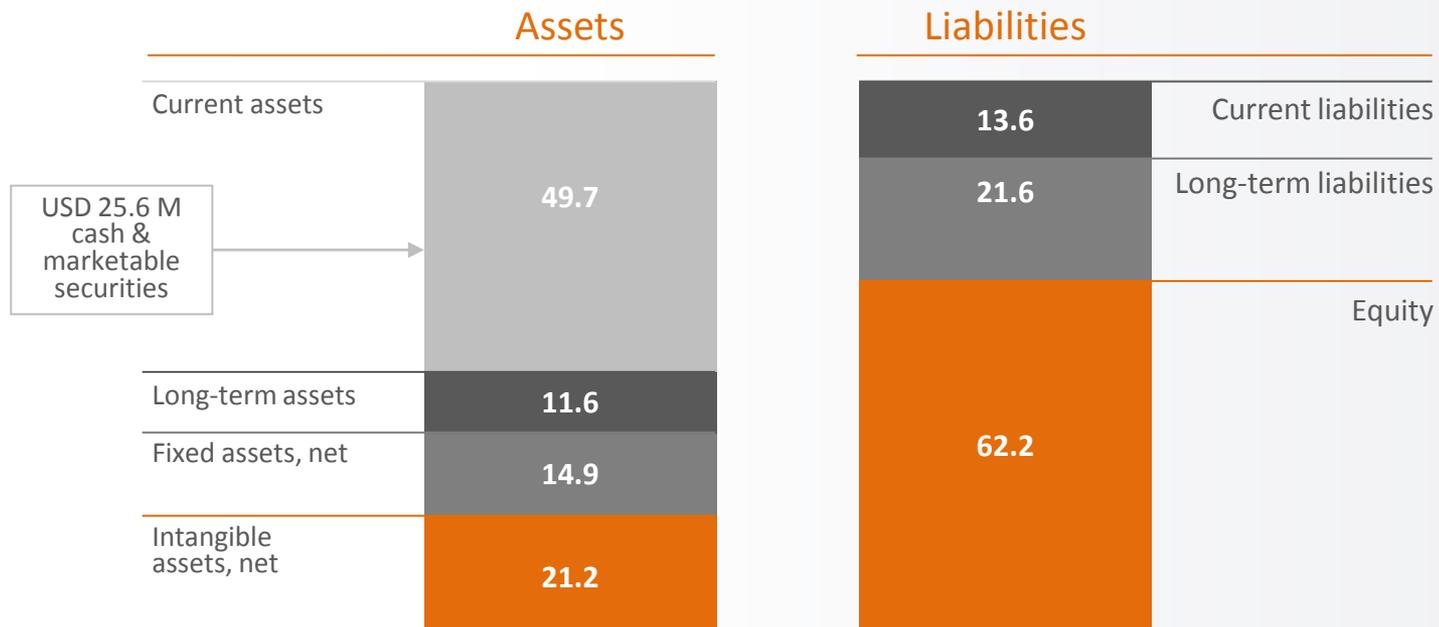
* **Constant currency exchange rates** - In order to enable meaningful comparison between the 2012 and 2011 results, 2012 results are also presented at constant currency exchange rates. These are calculated by translating the 2012 results using the average exchange rates used for calculating the 2011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

9M 2012 Results

USD millions	9M 2012	9M 2011	% change	9M 2012 (constant currency)	% change (constant currency)
Revenues	20.0	33.3	(39.9%)	22.0	(33.9%)
COGS	9.1	11.8	(22.9%)	10.1	(14.4%)
Gross Profit	10.9	21.5	(49.3%)	11.9	(44.7%)
<i>% of revenues</i>	54.5%	64.6%		54.1%	
Operating expenses	13.0	17.6	(26.1%)	14.2	(19.3%)
EBIT / (LBIT)	(2.1)	3.9	n.a.	(2.3)	n.a.
<i>% of revenues</i>	n.a.	11.7%		n.a.	
EBITDA	1.2	7.6	(84.2%)	1.3	(82.9%)
<i>% of revenues</i>	6.0%	22.8%		5.9%	
Financial & other expenses	0.8	(0.4)	n.a.	0.9	n.a.
Taxes on income	0.4	0.7	(42.9%)	0.5	(28.6%)
Net income (loss)	(3.3)	3.6	n.a.	(3.7)	n.a.
EPS / (LPS)	(0.32)	0.35	n.a.	(0.35)	n.a.

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30.09.2012 Balance Sheet



In USD million per September 2012

Q3 2012 Cash Flow Statements

USD millions	Q3 2012	Q3 2011	Diff	2011
Cash provided by (used in) Operating activities	(0.3)	(2.4)	2.1	(3.5)
Cash used in Investing activities (ex. marketable securities)	(1.6)	(1.1)	(0.5)	(4.9)
Cash provided by (used in) financing activities	(1.2)	19.9	(21.1)	25.1
Effect of exchange rate changes	0.3	(2.7)	3.0	(3.6)
Increase (decrease) in cash, cash equivalents & marketable securities	(2.8)	13.7	(16.5)	13.1
Cash, cash equivalents & marketable securities at beginning of period	28.4	22.1	6.3	20.2
Cash, cash equivalents & marketable securities at end of period	25.6	35.8	(10.2)	33.3

9M 2012 Cash Flow Statements

USD millions	9M 2012	9M 2011	Diff	2011
Cash provided by (used in) Operating activities	2.5	(4.4)	6.9	(3.5)
Cash provided by (used in) Investing activities (ex. marketable securities)	(3.2)	(4.2)	1.0	(4.9)
Cash provided by (used in) financing activities	(6.6)	26.3	(32.9)	25.1
Effect of exchange rate changes	(0.4)	(2.1)	1.7	(3.6)
Increase (decrease) in cash, cash equivalents & marketable securities	(7.7)	15.6	(23.3)	13.1
Cash, cash equivalents & marketable securities at beginning of period	33.3	20.2	13.1	20.2
Cash, cash equivalents & marketable securities at end of period	25.6	35.8	(10.2)	33.3

Thank you



Investor Information

- IR Agenda 2012:
20 March 2013 - 2012 FY results
- 10,810,560 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), 2012 9.0/5.28
- Market cap high/low (CHF m), 2012 97.1/57.0
- Market cap 30.09.12 (CHF m) 80.4
- No voting restrictions



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.

Market drivers

Demographic Trends

- Aging population in developed countries
- Increased prevalence of chronic conditions

Growing Healthcare Costs

- Financial crisis – leading to structural change

Health Consumerism

- Become more involved in your own health
- Growing consumer expenditure

Rising Economic Power

- Rising economic power of developing countries
- Closing gaps by adopting innovative healthcare solutions

SHL today and tomorrow



Today

Operations - **Israel:** market leader, strong financial performance

Germany: successful implementation of new strategy, 2 significant long-term B2B contracts signed

Offering - Sales/marketing direct to consumer (B2C) and to health insurers (B2B)

Geographies - Israel and Germany

Indications - Cardiac events and congestive heart failure (CHF), Chronic obstructive pulmonary disease (COPD)



Tomorrow

Operations - Execution of new B2B contracts in Germany, leveraging operations, leading to significant growth. Additional significant contracts expected

Offering - New product initiatives – smartheart (announced FDA approval in June)

Geographies - Additional territories with strategic alliances

Indications - Other chronic conditions ...