



Press release

SHL Telemedicine Reports Third Quarter and Nine Months 2014 Financial Results.

U.S. market entry of smartheart™ device and services to commence beginning of 2015

Tel Aviv/Zurich, 19 November 2014 - SHL Telemedicine Ltd. (SIX Swiss Exchange: SHLTN, OTCPK: SMDCY), a leading provider and developer of advanced personal telemedicine solutions, today announced results for the third quarter and nine months ended 30 September 2014.

Operating Highlights:

- *Q3 revenue increased 35% to USD 10.0 million (USD 7.4 million in Q3 2013)*
- *EBITDA of USD 1.7 million (USD 0.7 million in Q3 2013) with EBIT of USD 0.2 million (LBIT of 0.6 million in Q3 2013)*
- *Net profit of USD 0.3 million (net loss of USD 1.2 million in Q3 2013)*
- *U.S. market entry to commence beginning of 2015 with revenues expected already in Q1 2015*
- *Revenues for the year to grow at over 35% year-over-year. Expecting revenues from international markets to reach 60% by 2016.*

Erez Alroy, Co-CEO of SHL, commented: “During the third quarter we continued to benefit from a well established customer base and strong brand recognition in Israel. We also remain pleased with our continued growth in Germany where we are the largest provider of telemedicine services.”

Alroy continued, “As part of our global expansion strategy we have been gradually increasing our investments in the U.S. market as we prepare to initiate sales activities there beginning of 2015. We have created a strong foundation for marketing and distributing our products, including establishing a nationwide network of physicians and full backend services. With over 700,000 heart attacks each year, the U.S. provides significant market opportunity for our smartheart devices and services, and therefore forms a major part of our vision for SHL’s future.”

“Our U.S. activity will initially be targeted at healthcare professionals and direct-to-consumers channels. Marketing of the smartheart™ to consumers is expected to commence in the first quarter of 2015. Our efforts to break into the healthcare professional market are already underway as we are in advanced negotiations with several large distributors and expect to sign agreements soon. Our global monitoring



centers will be a key aspect of our telehealth offering to these healthcare professionals, enabling them to perform and interpret ECGs in real-time, creating revenue-generating opportunities for them. We are also exploring other relevant channels including distribution opportunities through pharmacies and clinic chains,” concluded Alroy.

Business Review

In Germany, SHL continued to strengthen its position as a leading provider of telehealth services with another solid quarter.

In Israel, SHL has a loyal subscriber base generating long-term recurring revenues leading to another quarter of continued strong financial performance.

In Asia Pacific, SHL is continuing to invest in the commercial rollout of its telehealth services in India, while in Japan SHL is already providing services to dozens of clinics using the smartheart™ platform and providing telemedicine services through its global telemedicine call center in Tel-Aviv.

Financial Highlights

During the third quarter and the nine month periods, revenues increased considerably year over year primarily due to the growth in the Company’s German business. Even with the increased investments in geographical expansion, SHL's financial performance has improved significantly with improved gross profit and operating results.

During the quarter the USD has appreciated over the NIS and the Euro by some 7% leading to lower reported USD revenues and expenses, as compared to the first two quarters of 2014.

Revenues for the quarter grew by 35.1% (33.8% at constant exchange rates*) and amounted to USD 10.0 million compared to USD 7.4 million in Q3 2013. In the nine months of 2014 revenues grew by 41.1% (36.1% at constant exchange rates*) and amounted to USD 30.9 million compared to USD 21.9 million in the first nine months of 2013.

Gross profit for the quarter amounted to USD 5.6 million (56.0% of revenues) compared to USD 4.0 million (54.1% of revenues) in Q3 2013. Gross profit for the nine months amounted to USD 17.3 million (56.0% of revenues) compared to a gross profit of USD 11.5 million (52.5% of revenues) in the nine months of 2013.

EBITDA for the quarter amounted to USD 1.7 million (17.0% of revenues) with **EBIT** for the quarter amounting to USD 0.2 million (2.0% of revenues) this compared with an EBITDA of USD 0.7 million (9.5% of revenues) and an Operating Loss of USD 0.6 million in Q3 2013. For the nine months of 2014 EBITDA amounted to USD 5.3 million



(17.2% of revenues) with an EBIT of USD 0.7 million (2.3% of revenues), this compared with an EBITDA of USD 3.8 million (17.4% of revenues) and an EBIT of USD 0.0 million in the nine months of 2013.

Net Income for the quarter was USD 0.3 million (USD 0.02 per share) compared to a net loss of USD 1.2 million (USD 0.11 per share) for the third quarter of 2013. For the nine months net income amounted to USD 0.3 million (USD 0.03 per share) compared to a net loss of USD 1.5 million (USD 0.14 per share) in the nine months of 2013.

Cash Flow improved in the quarter with positive operating cash flow of USD 0.1 million compared to a negative operating cash flow of USD 0.9 million in the previous quarter and compared to a negative operating cash flow of USD 0.4 million in Q3 2013. Cash used in operations during the nine months amounted to USD 3.2 million compared to USD 2.5 million, excluding one-time payment of USD 5.2 million received in the first quarter of 2013. Cash, cash equivalents and marketable securities amounted to USD 19.5 million at September 30, 2014.

Balance sheet. SHL's assets at 30 September 2014 totalled USD 96.4 million with shareholders' equity amounting to USD 63.9 million (66.3% of balance sheet) compared to assets of USD 108.5 million with shareholders' equity amounting to USD 68.9 million at 31 December 2013. The decrease in the reported shareholders' equity and total assets is mainly attributable to the appreciation of the USD against the NIS resulting in a corresponding decrease of the foreign currency translation reserve in the equity section in the amount of USD 4.9 million.

SHL Telemedicine – consolidated key figures – Q3 2014

in USD million (except per share amounts)	Q3 2014	Q3 2013	% change	Q3 2014 (constant currency)	% change
Revenues	10.0	7.4	35.1%	9.9	33.8%
Gross profit	5.6	4.0	40.0%	5.5	37.5%
%	56.0%	54.1%		54.5%	
EBIT/(LBIT)	0.2	(0.6)	n.a.	0.1	n.a.
%	2.0%	n.a.	n.a.	1.0%	
EBITDA	1.7	0.7	142.9%	1.7	128.6%
%	17.0%	9.5%		16.2%	
Net Income (Loss)	0.3	(1.2)	n.a.	0.3	n.a.
Basic EPS (LPS)	0.02	(0.11)	n.a.	0.02	n.a.



SHL Telemedicine – consolidated key figures 9M 2014

in USD million (except per share amounts)	9M 2014	9M 2013	% change	9M 2014 (constant currency)	% change
Revenues	30.9	21.9	41.1%	29.8	36.1%
Gross profit	17.3	11.5	50.4%	16.7	45.2%
%	56.0%	52.5%		56.0%	
EBIT	0.7	0.0	n.a.	0.7	n.a.
%	2.3%	n.a.	n.a.	2.3%	
EBITDA	5.3	3.8	39.5%	5.1	34.2%
%	17.2%	17.4%		17.8%	
Net Income (Loss)	0.3	(1.5)	n.a.	0.2	n.a.
Basic EPS (LPS)	0.03	(0.14)	n.a.	0.02	n.a.

* Constant currency - In order to enable meaningful comparison between the results, they are also presented at constant currency exchange rates. These are calculated by translating the 2014 results using the average 2013 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 14

	Israel		Germany	
	USD m	% of total	USD m	% of total
Q3 2014	6.0	60.0%	4.0	40.0%
Q3 2013	6.0	81.1%	1.4	18.9%
Q3 2014 (in constant currency)	6.0	60.6%	3.9	39.4%
% change in constant currency	0.0%		178.6%	

Revenues by geographic distribution – 9M 14

	Israel		Germany	
	USD m	% of total	USD m	% of total
9M 2014	18.2	58.9%	12.7	41.1%
9M 2013	17.5	79.9%	4.4	20.1%
9M 2014 (in constant currency)	17.5	58.7%	12.3	41.3%
% change in constant currency	0.0%		179.5%	



Conference Call, today, 16.00 CET / 10.00am ET

SHL will hold a call to discuss the Q3 results today at 16.00 CET / 10:00am ET. Erez Alroy, Co-CEO, and Eran Antebi, CFO, will host the call. Dial-in numbers are as follows:

From Europe	+41 (0)58 310 50 00
From UK	+44 (0)203 059 58 62
From Israel	Toll free: 1 80 921 44 27 Local: +972 3763 1173
From US	Toll free: +1 866 291 41 66

Slides are available at

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

IR Agenda

March 25, 2015 FY results 2014 announcement and publication of annual report

About SHL Telemedicine

SHL Telemedicine is engaged in developing and marketing personal telemedicine systems and the provision of medical call center services, with a focus on cardiovascular and related diseases, to end users and to the healthcare community. SHL Telemedicine offers its services and personal telemedicine devices to subscribers utilizing telephonic and Internet communication technology. The Company operates in Israel, Germany, India and the United States in one business segment, Telemedicine services. SHL is listed on the SIX Swiss Exchange (SHLTN, ISIN: IL0010855885, Security No.: 1128957) and has an ADR program listed over-the counter; Symbol: SMDCY. For more information please visit our web site at 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.



Balance-Sheets (USD thousands)	30.9.2014	30.9.2013	31.12.2013
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Cash and cash equivalents	3,988	9,021	8,732
Short term investments	15,506	17,958	19,661
Trade receivables	13,592	13,664	10,479
Inventory	1,920	547	869
Other current assets	6,620	6,680	8,014
Current Assets	41,626	47,870	47,755
Non-Current Assets	10,397	12,479	11,632
Property and equipment, net	14,335	15,587	15,982
Intangible assets, net	30,023	23,769	33,146
Total Assets	96,381	99,705	108,515
Credit from banks and current maturities	9,537	10,251	10,477
Deferred revenues	449	114	330
Trade payables	1,164	1,225	1,433
Other accounts payable	3,990	3,763	4,568
Other liabilities	915	-	2,504
Current liabilities	16,055	15,353	19,312
Long-term loans	14,519	18,770	18,205
Deffered revenues	1,117	1,278	1,283
Employee benefit liabilities	800	1,054	805
Non-current liabilities	16,436	21,102	20,293
Total liabilities	32,491	36,455	39,605
Equity:			
Issued capital	31	31	31
Additional paid-in capital	95,112	94,802	95,014
Treasury shares	(2,558)	(2,956)	(2,774)
Foreign currency translation reserve	1,236	5,176	6,148
Capital reserve for available-for-sale investments and actuarial gains	871	1,066	1,633
Accumulated deficit	(30,802)	(34,869)	(31,142)
Total equity	63,890	63,250	68,910
Total liabilities and equity	96,381	99,705	108,515



Statements of Income					
(USD thousands, except per share data)	Q3 14	Q3 13	9M 14	9M 13	2013
Revenues	<u>Unaudited</u> 10,011	<u>Unaudited</u> 7,393	<u>Unaudited</u> 30,928	<u>Unaudited</u> 21,941	<u>Audited</u> 29,674
Depreciation and amortization	619	566	1,785	1,688	2,127
Cost of revenues	3,813	2,856	11,820	8,715	11,607
Gross Profit	5,579	3,971	17,323	11,538	15,940
Research and development costs, net	640	577	1,882	1,590	2,206
Selling and marketing expenses	2,849	2,095	8,568	6,482	8,787
General and administrative expenses	1,926	1,935	6,273	3,518	10,341
Gain from almeda acquisition	-	-	(137)	-	(8,492)
Operating income (loss)	164	(636)	737	(52)	3,098
Financial income	810	256	1,514	730	1,072
Financial expenses	(381)	(789)	(995)	(1,841)	(2,631)
Income (loss) before taxes on income	593	(1,169)	1,256	(1,163)	1,539
Taxes on income (Tax benefit)	335	39	916	332	(693)
Net income (loss)	258	(1,208)	340	(1,495)	2,232
Other Comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Actuarial gain	-	-	-	-	233
Other Comprehensive income to be reclassified to profit or loss in subsequent periods					233
Transfer to the statement of income in respect of available-for-sale investments	(234)	122	(779)	103	146
Gain (loss) on available-for-sale investments	(70)	52	17	115	406
Foreign currency translation reserve	(4,977)	1,554	(4,912)	3,116	4,088
	(5,281)	1,728	(5,674)	3,334	4,640
Total comprehensive income (loss)	(5,023)	520	(5,334)	1,839	7,105
Basic and diluted income (loss) per share	0.02	(0.11)	0.03	(0.14)	0.22



Statements of Cash Flows (USD thousands)	Q3 2014	Q3 2013	9M 2014	9M 2013	2013
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Net income (loss)	258	(1,208)	340	(1,495)	2,232
Adjustment required to reconcile net income (loss) to net cash provided by (used in) operating activities	(177)	783	(3,517)	4,242	400
Net Cash provided by (used in) Operating Activities	81	(425)	(3,177)	2,747	2,632
Purchase of property and equipment	(942)	(430)	(1,805)	(1,348)	(2,200)
Investment in intangible assets	(366)	(516)	(1,144)	(1,502)	(1,878)
Restricted cash	1,367	-	-	-	-
Acquisition of almeda	1,149	-	1,149	-	2,920
Proceeds from sale of property and equipment	-	10	-	24	29
Purchase of short-term investments	(8,481)	(2,147)	(13,537)	(5,260)	(8,511)
Proceeds from sale of short-term investments	4,613	2,841	17,142	4,495	6,402
Net Cash provided by (used in) Investing Activities	(2,660)	(242)	1,805	(3,591)	(3,238)
Proceeds from exercise of options	5	24	70	165	486
Short-term bank credit, net	(429)	826	(429)	1,044	1,053
Payment of long-term loans	(912)	(831)	(2,779)	(2,411)	(3,267)
Treasury shares purchased	-	-	-	(36)	(36)
Net Cash provided by (used in) Financing Activities	(1,336)	19	(3,138)	(1,238)	(1,764)
Effect of exchange rate changes on cash and cash equivalents	(251)	212	(234)	490	489
Decrease in cash and cash equivalents	(4,166)	(436)	(4,744)	(1,592)	(1,881)
Cash and cash equivalents at the beginning of the period	8,154	9,457	8,732	10,613	10,613
Cash and Cash equivalents at the end of the period	3,988	9,021	3,988	9,021	8,732