



Press release

## **SHL Telemedicine reports first quarter 2011 financial results**

- *Revenues for the quarter of USD 11.5 million.*
- *EBITDA for the quarter of USD 2.5 million (21.7% of revenues).*
- *EBIT for the quarter of USD 1.4 million (12.2% of revenues).*
- *Net income for the quarter of USD 1.0 million (8.7% of revenues).*
- *SHL launches smartheart at TechCrunch Disrupt Battlefield in NY, world's most coveted innovation contest.*

**Tel Aviv/Zurich, 25 May 2011** - SHL Telemedicine Ltd. (SIX Swiss Exchange: SHLTN), a leading provider and developer of advanced personal telemedicine solutions, today announced results for the first quarter of 2011.

**Erez Alroy, Co-CEO of SHL, commented:** "The results in the first quarter are as expected, with solid operations both in Israel and Germany. We continue investing significant efforts in our B2B activity in Germany, concentrating on closing the major high value contracts of over USD 50M each with large German health insurers. As we have stated at our year end conference, we expect these to materialize during the second half of the year, leading to renewed growth by year end."

**Erez Alroy added:** "We are extremely pleased that we have been selected to present our new telemedicine technology, the "smartheart" at this week's TechCrunch Disrupt Battlefield Conference in New York, where only 25 selected companies and startups from around the world have been chosen to participate and present their innovations. We are planning to introduce smartheart to the market by the upcoming fall."

Smartheart is SHL's latest innovation in the field of cardio telemedicine. Smartheart is a device that will transform smartphones such as iPhones, Androids and Blackberries into a Hospital-Grade ECG. Within 30 seconds, any end-user is able to record a Hospital-Grade ECG and transmit it to his Doctor, Cardiologist, upload it to his Personal Health Record or send it to a hospital and get a medical diagnosis in real time. Smartheart can be used by anyone, anywhere, anytime, whether at home, in the office or on the road. Smartheart is the world smallest Hospital-Grade ECG that can be used by a non-professional end-user, is slightly bigger than an iPhone 4 and weighs slightly less than an iPhone 4.



### **Financial Highlights**

**Revenues** for the quarter amounted to USD 11.5 million compared to revenues of USD 12.4 million in the first quarter of 2010. This represents a decline of 8.9% quarter over quarter at constant exchange rates\* stemming from the decline, as expected, in SHL Germany's revenues.

**Gross profit** percentage for the quarter increased to 66.1% of revenues to USD 7.6 million compared to 65.3% of revenues in Q1 2010 which amounted to USD 8.1 million on the increased revenues.

**EBITDA** for the quarter amounted to USD 2.5 million (21.7% of revenues) compared to an EBITDA of USD 3.1 million (25.0 % of revenues) in Q1 2010 with **operating profit** amounting to USD 1.4 million (12.2% of revenues) compared to USD 1.7 million (13.7% of revenues) in Q1 2010.

**Net income** for the quarter amounted to USD 1.0 million (USD 0.1 per share) compared to USD 1.6 million (USD 0.15 per share) in Q1 2010.

**Cash flow** used in operations amounted to USD 0.1 million compared to USD 0.6 million of cash generated in Q1 2010. Cash, cash equivalents and marketable securities amounted at March 31, 2011 to USD 23.6 million compared to USD 20.2 million at the end of 2010. Cash reserves increased due mainly to the receipt of a further payment from Philips of USD 3.5 million in respect of the Raytel transaction in 2007.

SHL's **balance sheet** continues to be strong with assets amounting to USD 98.5 million compared to USD 95.1 million at the end of 2010. **Equity** at March 31, 2011 stood at USD 77.3 million compared to USD 74.7 million at December 31, 2010.

### **About TechCrunch Disrupt**

TechCrunch Disrupt NYC 2011(<http://disrupt.techcrunch.com>) is the premiere innovation competition where only 25 companies and startups were invited this year, after careful selection of over 500 applicants, to launch their products on technology's biggest stage in front of an all-star panel consisting of the biggest innovators, angels, VCs and influencers in the Tech community.



**SHL Telemedicine – consolidated key figures  
Q1 2011**

in USD million (except per share amounts)	Q1 2011	Q1 2010	% change	Q1 2011 (constant currency)	% change (constant currency)
Revenues	11.5	12.4	(7.3)%	11.3	(8.9)%
Gross profit	7.6	8.1	(6.2)%	7.5	(7.4)%
%	66.1%	65.3%		66.4%	
EBIT	1.4	1.7	(17.6)%	1.4	(17.6)%
%	12.2%	13.7%		12.4%	
EBITDA	2.5	3.1	(19.4)%	2.6	(16.1)%
%	21.7%	25.0%		23.0%	
Net income	1.0	1.6	(37.5)%	1.1	(31.3)%
Basic EPS	0.10	0.15	(33.3)%	0.10	(33.3)%

\* Constant currency - In order to enable meaningful comparison between the 2011 and 2010 results, 2011 results are also presented at constant currency exchange rates. These are calculated by translating the 2011 results using the average 2010 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  
Q1 2011**

	Israel		Germany		USA & ROW	
	USD m	% of total	USD m	% of total	USD m	% of total
Q1 2011	5.7	49.6%	4.3	37.4%	1.5	13.0%
Q1 2010	5.5	44.4%	5.4	43.5%	1.5	12.1%
Q1 2011 (constant currency exchange rates)	5.4	47.8%	4.4	38.9%	1.5	13.3%

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

SHL will hold a call to discuss the Q1 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

Slides are available at  
<http://www.shl-telemedicine.com/investors-relations/financial-reports/>



## **IR Agenda 2011**

July 26, 2011           AGM  
August 24, 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](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>31.3.2011</b>	<b>31.3.2010</b>	<b>31.12.2010</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Cash and cash equivalents	6,121	2,147	2,609
Available-for-sale investments	17,522	18,412	17,603
Trade receivables	9,865	4,255	7,984
Inventory	-	599	-
Other current assets	2,864	2,909	2,883
<b>Current Assets</b>	<b>36,372</b>	<b>28,322</b>	<b>31,079</b>
<b>Non-Current Assets</b>	<b>21,325</b>	<b>25,253</b>	<b>24,592</b>
<b>Fixed Assets, net</b>	<b>18,567</b>	<b>17,250</b>	<b>17,953</b>
<b>Intangible Assets, net</b>	<b>22,246</b>	<b>19,842</b>	<b>21,440</b>
<b>Total Assets</b>	<b>98,510</b>	<b>90,667</b>	<b>95,064</b>
Credit from banks	7,522	1,837	2,362
Deferred revenues	1,916	6,478	5,155
Trade payables	1,629	1,250	1,996
Income tax payable	1,128	2,937	1,059
Provisions	2,734	3,371	2,567
Other accounts payable	5,295	6,086	6,207
<b>Current Liabilities</b>	<b>20,224</b>	<b>21,959</b>	<b>19,346</b>
Employee benefit liabilities	816	651	796
Deferred taxes	208	424	226
<b>Non-current Liabilities</b>	<b>1,024</b>	<b>1,075</b>	<b>1,022</b>
<b>Total liabilities</b>	<b>21,248</b>	<b>23,034</b>	<b>20,368</b>
Equity attributable to SHL shareholders:			
Issued capital	31	31	31
Additional paid-in capital	93,535	92,969	93,406
Treasury shares	(1,573)	(1,567)	(1,573)
Foreign currency translation reserve	7,494	2,603	5,787
Available-for-sale reserve	(258)	(122)	58
Accumulated deficit	(21,967)	(26,281)	(23,013)
<b>Total Equity</b>	<b>77,262</b>	<b>67,633</b>	<b>74,696</b>



<b>Liabilities and Equity</b>	<b>98,510</b>	<b>90,667</b>	<b>95,064</b>
<b>Statements of Income</b> (USD thousands, except per share data)	<b>Q1 2011</b>	<b>Q1 2010</b>	<b>2010</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Revenues	11,492	12,374	50,252
Depreciation and amortization	640	568	2,287
Cost of revenues	3,300	3,674	14,692
<b>Gross Profit</b>	<b>7,552</b>	<b>8,132</b>	<b>33,273</b>
Research and development costs	244	393	1,597
Selling and marketing expenses	2,837	3,794	14,747
General and administrative expenses	3,081	2,220	10,945
<b>Operating income</b>	<b>1,390</b>	<b>1,725</b>	<b>5,984</b>
Financial income	507	880	1,315
Financial expenses	(600)	(641)	(1,247)
<b>Income before taxes on income</b>	<b>1,297</b>	<b>1,964</b>	<b>6,052</b>
Taxes on income	251	371	1,191
<b>Net income</b>	<b>1,046</b>	<b>1,593</b>	<b>4,861</b>
Exchange differences from foreign currency translation	<b>1,707</b>	<b>1,106</b>	<b>4,290</b>
Transfer to the statement of income of available-for-sale investments	<b>(17)</b>	<b>333</b>	<b>280</b>
Net loss from available-for-sale investments	<b>(299)</b>	<b>(730)</b>	<b>(497)</b>
<b>Total comprehensive income</b>	<b>2,437</b>	<b>2,302</b>	<b>8,934</b>
<b>Basic and diluted profit per share</b>	<b>0.10</b>	<b>0.15</b>	<b>0.46</b>



<b>Statements of Cash Flows (USD thousands)</b>	<b>Q1 2011</b>	<b>Q1 2010</b>	<b>2010</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Net income	1,046	1,593	4,861
Adjustment required to reconcile net income to net cash provided by (used in) operating activities	(1,128)	(969)	(1,853)
<b>Net Cash provided by (used in) Operating Activities</b>	<b>(82)</b>	<b>624</b>	<b>3,008</b>
Purchase of fixed assets	(578)	(905)	(3,469)
Acquisition of business activities	(278)	(113)	(435)
Investment in intangible assets	(583)	(551)	(2,240)
Proceeds from sale of fixed assets	-	10	27
Purchase of available-for-sale investments	(680)	(9,080)	(16,139)
Proceeds from sale of available-for-sale investments	852	8,826	18,012
<b>Net Cash used in Investing Activities</b>	<b>(1,267)</b>	<b>(1,813)</b>	<b>(4,244)</b>
Proceeds from exercise of options	18	-	216
Short-term bank credit, net	5,025	1,547	1,793
Treasury shares purchased	-	-	(6)
<b>Net Cash provided by Financing Activities</b>	<b>5,043</b>	<b>1,547</b>	<b>2,003</b>
Effect of exchange rate changes on cash and cash equivalents	(182)	(50)	3
<b>Increase in cash and cash equivalents</b>	<b>3,512</b>	<b>308</b>	<b>770</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,609</b>	<b>1,839</b>	<b>1,839</b>
<b>Cash and Cash equivalents at the end of the period</b>	<b>6,121</b>	<b>2,147</b>	<b>2,609</b>