

# Press Release

May 27, 2014

Rundbuckstrasse 6  
CH – 8212 Neuhausen am Rheinfall / Switzerland  
[www.lifewatch.com](http://www.lifewatch.com)

## **LifeWatch AG reports solid revenue growth in first quarter 2014 and is poised for further organic growth**

- **Key strategic findings are being addressed immediately: broadening the product and service offering, expanding the current technology globally, assessing an mHealth accessory device and moving towards becoming a fully-integrated biomedical informatics provider**
- **Necessary investments for a sound future total over USD 7 million in 2014**
- **Dr. Stephan Rietiker appointed CEO, effective June 1, 2014**
- **New management team aligned along global business functions**
- **Q1 2014 sales up 12.2%, operating results impacted by sales force investments**

*Neuhausen am Rheinfall/Switzerland, May 27, 2014* – LifeWatch AG (SIX Swiss Exchange: LIFE), a leading provider of medical solutions in remote cardiac monitoring, announces key findings of its in-depth strategic and operational review. The objectives being addressed include the broadening of the product and service offering, the expansion of the current technology globally, the assessment of developing a mHealth accessory device as well as the move towards a fully-integrated biomedical informatics provider. In order to implement these actions Dr. Stephan Rietiker, hitherto Delegate of the Board of Directors, has been appointed as Chief Executive Officer (CEO) as of June 1, 2014. Under his leadership, a new management team is being put in place and the organization is being adjusted to reflect a primary focus on the markets. Results in the first quarter 2014 were strong at the topline with revenues of USD 23.6 million, an increase of 12.2%. Operating results were, however, impacted by higher sales and marketing expenses and lower reimbursement rates, leading to an LBIT of USD 0.96 million and a net loss of USD 1.33 million in the period under review. We expect, however, marketing and sales expenses over the year as a percentage of sales to revert to a level similar to previous years.

### **Strategic and operational update**

LifeWatch possesses a comprehensive suite of heart and sleep diagnostic devices and corresponding services that have received impressive credentials in the USA. However, recent analysis revealed that next generation products need to be launched within the next 6–12 months, and that the offering needs to be broadened. In the past monitoring services were narrowly focused on cardiac monitoring. The future objectives include expanding monitoring to other disease areas, as well as chronic disease management, and leverage the technology and know-how globally. In research and development the in-depth examination revealed that product development was poorly aligned with market needs and suffered from a lack of global project management. An interdisciplinary project review committee is being set up. Initial priorities include the upgrading of current product technologies, the review of the medical phone situation and its envisioned transi-

tioning to a mHealth accessory device as well as improving the product design of the Vital Signs Patch (VSP). An additional area with promising potential is biomedical informatics. Given the long-term experience and rich base of patient data collected over the past 20 years, LifeWatch aims to capitalize on its know-how by combining sensing technologies with service and information to become a fully integrated biomedical informatics provider. In summary, LifeWatch is convinced that by utilizing the rich know-how and resources within the organization and investing more than USD 7 million this year in updating existing products and developing new products, a sound foundation can be established, which will allow the organization to fully unlock its potential for future profitable growth.

### **New management team**

In order to implement the strategic priorities, the leadership of the company needs to be strengthened. As such, Dr. Stephan Rietiker, hitherto Delegate of the Board of Directors, will take over as CEO as of June 1, 2014, and, thus, will not stand for election to the Board of Directors at the AGM 2013 to be held on May 28, 2014 in Zurich. At the same time, a new organizational structure is being set up along global business units to better focus on market needs. Within the new structure Roger Richardson is appointed as President Global Patient Services, Yair Tal as President mHealth, Dr. Dominik Aronsky as Chief Information & Informatics Officer and Stephanie Kravetz as Chief Legal Officer. Mike Turchi will succeed Kobi Ben Efraim as Chief Financial Officer. Kobi Ben Efraim has been LifeWatch's CFO since 2005 and will continue to serve the company in the function of Corporate Controller. Except for Dr. Aronsky who joins the Company from the department of Biomedical Informatics of Vanderbilt University, the members of the new management team come from within the organization and have substantial expertise with LifeWatch's operations. The new market-focused organization will result in faster communication and decision making processes as well as more interdisciplinary product development, thus enabling LifeWatch to serve physicians, patients and payors even better.

### **First quarter 2014 results**

LifeWatch experienced strong growth of 12.2% during the first quarter with total revenues reaching USD 23.58 million, compared with USD 21.02 million during Q1 2013. During the quarter, 10 new or amended contracts were signed. However, due to Medicare reimbursement reductions this encouraging performance did not feed through to operational results with the gross profit margin falling from 59.1% to 55.4%. Gross profit, however, increased by 5.1% from USD 12.42 million in Q1 2013 to USD 13.06 million in Q1 2014. Operating expenses increased over-proportionally, as substantially higher sales and marketing expenses of USD 6.39 million, compared to USD 4.44 million during Q1 2013, were incurred mainly due to the holding of a national sales conference and the hiring of additional sales people. LifeWatch expects, however, that marketing and sales expenses over the year as a percentage of sales will revert to a level similar to previous years. Research and development expenses amounted to USD 1.87 million, vs USD 1.55 million Q1 2013. However, compared to the prior period, during Q1 2014, USD 0.28 million of software development has been capitalized as allowed under US GAAP accounting rules (Q1 2013: USD 0 million). The company will adopt this accounting practice for the first time in financial year 2014. At the EBIT level the result was negative with USD 0.96 million vs. a profit of USD 1.17 million in the prior period. Net loss during the first quarter 2014 was USD 1.33 million, compared to a net profit of USD 0.136 million during Q1 2013. With a negative cash flow from operations of USD 2.2 million during the first quarter, cash and cash equivalents as of March 31, 2014, amounted to USD 6.35 million and the equity ratio was at 52.3%.

## Outlook

Barring unforeseen events, we expect 2014 revenues to exceed USD 100 million with an improvement in EBIT and EBITDA despite the necessary investments in product development of more than USD 7 million during 2014. Since LifeWatch's operations are generally not subject to seasonal effects, the Board of Directors has decided to implement a half-yearly reporting.

Further details of the strategy and operational analysis will be presented at a media and analyst conference to be held at 10.00 am in Zurich today. The presentation can be downloaded on the company's website under the following link:

[http://irlifewatch.com/websites/lifewatch\\_ir/English/5010/financial-presentations.html](http://irlifewatch.com/websites/lifewatch_ir/English/5010/financial-presentations.html)

## Key Figures for Q1 2014 (unaudited, in USD millions)

	Q1 2014	Q1 2013	+/-
Revenues	23.58	21.02	+12.2%
Gross profit	13.06	12.42	+5.1%
As % of revenues	55.4%	59.1%	
EBIT / (LBIT)	(0.96)	1.17	
As % of revenues	N/A	5.6%	
Net income / (loss)	(1.33)	0.14	
Balance sheet total	71.79	60.99	+10.8
Total equity	37.53	35.18	+2.34
Equity ratio	52.3%	57.7%	
Employees at the end of period	550	496	

## For further questions:

LifeWatch AG

c/o Dynamics Group, Philippe Blangey / Doris Rudischhauser

Phone: +41 43 268 32 35

E-mail: [investor-relations@lifewatch.com](mailto:investor-relations@lifewatch.com)

## About LifeWatch AG:

LifeWatch AG, headquartered in Neuhausen am Rheinfall and listed on SIX Swiss Exchange (LIFE), Switzerland, is a leading healthcare technology and solution company, specializing in advanced telehealth systems and wireless remote patient monitoring services. LifeWatch's services provide physicians with critical information to determine appropriate treatment and thereby improve patient outcomes. LifeWatch AG has operative subsidiaries in the United States, in Switzerland and in Israel, and is the parent company of LifeWatch Services Inc., and LifeWatch Technologies, Ltd. LifeWatch Services, Inc. is a leading U.S.-based provider of cardiac monitoring services and home sleep testing of Obstructive Sleep Apnea (OSA). LifeWatch Technologies Ltd., based in Israel, is a leading developer and manufacturer of telemedicine products. For additional information, please visit [www.lifewatch.com](http://www.lifewatch.com).

**Sign up** for customized e-mail alerts and documentation requests at <http://www.irlifewatch.com/alert-service.aspx>

This press release includes forward-looking statements. All statements other than statements of historical facts contained in this press release, including statements regarding future results of operations and financial position, the business strategy, and plans and objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. LifeWatch AG has based these forward-looking statements largely on current expectations and projections about future events and financial trends that it believes may affect the financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances described may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. All forward-looking statements are based only on data available to LifeWatch AG at the time of the issue of this press release. LifeWatch AG does not undertake any obligation to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

THIS PRESS RELEASE IS NOT BEING ISSUED IN THE UNITED STATES OF AMERICA AND SHOULD NOT BE DISTRIBUTED TO UNITED STATES PERSONS OR PUBLICATIONS WITH A GENERAL CIRCULATION IN THE UNITED STATES. THIS PRESS RELEASE DOES NOT CONSTITUTE AN OFFER OF SECURITIES OF LIFEWATCH AG OR ANY OF ITS SUBSIDIARIES FOR SALE IN THE UNITED STATES, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES OF LIFEWATCH AG OR ITS SUBSIDIARIES IN THE UNITED STATES. IN ADDITION, THE SECURITIES OF LIFEWATCH AG AND ITS SUBSIDIARIES HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO U.S. PERSONS ABSENT FROM REGISTRATION UNDER OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE UNITED STATES SECURITIES LAWS. ANY PUBLIC OFFERING OF SECURITIES TO BE MADE IN THE UNITED STATES WILL BE MADE BY MEANS OF A PROSPECTUS THAT MAY BE OBTAINED FROM LIFEWATCH AG OR ITS SUBSIDIARIES, AS APPLICABLE, AND WILL CONTAIN DETAILED INFORMATION ABOUT THE ISSUER AND ITS MANAGEMENT AS WELL AS FINANCIAL STATEMENTS OF THE ISSUER.