



Press release

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LifeWatch AG reports above-market revenue growth of 9.1% and substantial improvement in profitability during first half 2015

Revenue growth of 9.1% to USD 52.5 million – above-market growth in core monitoring services resulting in market share gains – substantial increase in profitability as efficiency measures bear fruit – EBITDA margin of 13.8% achieved – net profit of USD 1.9 million vs. net loss of USD 4.7 million in H1 2014 – full-year guidance reiterated

Zug/Switzerland, August 20, 2015 – LifeWatch AG (SIX Swiss Exchange: LIFE), a leading developer and provider of medical solutions and remote diagnostic monitoring services in the digital health market, is pleased to report on good progress during the first half of 2015. In total, revenues during the first six months amounted to USD 52.5 million, an increase of 9.1% compared to the prior year period. Monitoring services (99.7% of revenues) grew by 12.1%, clearly outperforming the market average and thus resulting in market share gains. During the first half year, our US-based subsidiary LifeWatch Services Inc. signed 40 new or amended contracts, underpinning our brand and sales force successes. Device sales declined to USD 0.2 million due to delivery delays into the second half of 2015. The gross profit margin amounted to 52.8% versus 52.1% a year earlier. We expect the gross margin to continue to expand mid-term as on-going cost and efficiency measures, product mix improvements and new project launches take effect.

Substantial improvement in operating profitability

Our operating profitability improved substantially thanks to the positive impact of the restructuring and productivity measures that we implemented over the past year. As such, EBITDA during the first half year reached USD 7.2 million (H1 2014 LBITDA of USD -1.5 million), equivalent to an EBITDA margin of 13.8%, and EBIT amounted to USD 3.8 million (EBIT margin of 7.3%), marking the highest levels since the first half of 2009. Significant progress was achieved in Sales & Marketing thanks to sales force optimization and territory realignment, resulting in an 800 bps reduction to 18% of revenues (H1 2014: 26%). Likewise, the reorganization of the R&D activities during the second half of 2014 as well as the capitalization of some development costs led to a 300 bps reduction in R&D to 3.8% of revenues. Without capitalization, R&D expenses would represent 5.7% of revenues (H1 2014: 8%). Thanks to these substantial cost savings, together with slightly lower General & Administration costs, the absence of restructuring charges and despite a higher tax charge, LifeWatch was able to achieve a positive net income of USD 1.94 million during the first half of 2015, compared to a net loss of USD 4.72 million during the prior period. As a result of this good operating performance, the company generated a cash flow from operations of USD 4.2 million during the first six months of 2015, against a cash drain of USD 2.8 million during H1 2014. The equity ratio stood at 54.3% as of June 30, 2015 (53.4% as of December 31, 2014).

On-going development and market activities

As previously announced, development activities are continuing on both our cardiac and vital signs monitoring patches. The pilot trials for the vital signs monitoring system are on-going with two new clinics being added in September, one in the United States and one in Switzerland. The FDA's

enforcement of its new guidances on medical devices “*Design Considerations for Devices Indicated for Home Use*” and “*Mobile Medical Applications*” has resulted in unexpected minor delays in obtaining the requisite FDA clearances for LifeWatch’s cutting-edge technologies. Clearance for the vital signs monitoring system is however still expected later this year, allowing for a limited market release during the fourth quarter. The cardiac monitoring patch is currently being tested in a hospital environment. Here again, the new FDA guidance is somewhat delaying regulatory clearance, although we still anticipate a full market launch later this year.

Positive news was received in July regarding an 8% increase in the reimbursement rate from Medicare for our Telemetry offering (ACT) as of 2016. This should lead to improved revenues and profits of around USD 3.5 million in 2016. This change will further enhance our expected revenue growth for 2016 and beyond.

Furthermore, we are on track to launch our cardiac monitoring business in the Turkish market in the first half of 2016 and are currently in the process of establishing the necessary organization and infrastructure to meet this goal. This is a first step in the global expansion of our remote cardiac monitoring services. Although these development activities, as well as other opportunities currently under review, involve significant costs in the short-term, we believe they are necessary to enhance our future growth and thereby remain a leader in this rapidly growing digital health market.

Outlook

LifeWatch stands by its full-year 2015 guidance. The company is continuing its efforts to update and grow its core business while at the same time launching new products and entering new markets. Dr. Stephan Rietiker commented: “Our market growth and efficiency programs are progressing well and I am particularly excited about the prospects for our new products and of our new markets. We firmly believe that we are setting the stage for continued above average growth and increased profitability in the years to come.”

Key figures (unaudited, USD millions):

	H1 2015	H1 2014
Revenues	52.51	48.12
Gross profit	27.75	25.09
<i>As % of revenues</i>	<i>52.8%</i>	<i>52.1%</i>
EBITDA / (LBITDA)	7.23	(1.52)
<i>As % of revenues</i>	<i>13.8%</i>	<i>NA</i>
EBIT / (LBIT)	3.81	(4.13)
<i>As % of revenues</i>	<i>7.3%</i>	<i>NA</i>
Net income (loss)	1.94	(4.72)
<i>As % of revenues</i>	<i>3.7%</i>	<i>NA</i>
Earnings (loss) per share	0.14	(0.36)
Total fixed assets, net	16.22	13.02
Total assets	71.94	68.54
Total equity	39.04	34.82
<i>As % of total assets</i>	<i>54.3%</i>	<i>51%</i>
Net cash flow	0.02	(3.92)
Employees	612	561

Detailed reporting

The report on the first half 2015 can be found on our website using the following link:

http://irlifewatch.com/websites/lifewatch_ir/English/4020/interim-reports.html

The presentation on the first half 2015 is available under this link:

http://irlifewatch.com/websites/lifewatch_ir/English/5010/financial-presentations.html

Today's conference call

A conference call on LifeWatch's half-year results will be held today at 14.00 CET.

Dial-in numbers for the conference call:

CH: +41 22 580 59 70

GER: +49 69 2222 29 043

UK: +44 203 00 92 452

US: +1 855 402 77 66

Participant Pin Code: 60170589#

The live audio webcast and presentation slides will be available under following link:

<http://lifewatch200815-live.audio-webcast.com/>

For further questions:

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About LifeWatch AG:

LifeWatch AG, headquartered in Zug and listed on SIX Swiss Exchange (LIFE), Switzerland, is a leading healthcare technology and solution company, specializing in advanced digital health systems and wireless remote diagnostic 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 tel-emedicine products. For additional information, please visit www.lifewatch.com.

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