



# Press Release

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## LifeWatch AG reports solid organic revenue growth in its monitoring services offering

**Neuhausen am Rheinfall/Switzerland, February 27, 2014** – LifeWatch AG (SIX Swiss Exchange: LIFE), the leading provider of wireless telemedicine, has announced its unaudited results for the fourth quarter 2013 and full fiscal year 2013. The company reports strong growth in its monitoring services offering during the fourth quarter and full fiscal year 2013, and signed a total of 104 new or amended contracts during 2013. Total revenues in 2013 surged 13.3% to USD 90.77 million with a gross profit margin of 58.7%. Due to higher expenses, operating profitability failed to keep up with revenue growth, resulting in an EBITDA of USD 4.59 million in FFY 2013 compared with USD 8.35 million in FFY 2012. Extraordinary costs for legal and finance expenses, a provision, a write-off as well as a one-off payment to the former CEO amounted to USD 3.77 million, of which USD 3.04 million in the fourth quarter alone. Without these extraordinary items, an EBIT of USD 4.71 million with an EBIT margin of 5.2% would have been achieved in FFY 2013. Net income for the reporting year reached USD 6.03 million compared to a net loss of USD 0.37 million in the previous year.

LifeWatch made significant progress during FFY 2013. U.S.-based LifeWatch Services, Inc. was able to sign a total of 104 new or amended contracts during the year. Our monitoring service revenues achieved higher growth in 2013, due to a focused sales strategy and the provision of improved resources, tools and training to our sales force. We have built on our core competencies which highlight the clinical benefits and diagnostic yield associated with LifeWatch products and services, which we believe aligns with the evolving healthcare landscape to insure the appropriate use and application of all diagnostics. Our offerings support the continuum of care through interoperability with our customized EMR/EHR solutions and clinical reporting.

Due to higher operating expenses, profitability failed to keep up with revenue growth. Our expansion and diversification strategies and the hiring of additional sales representatives across the organization resulted in higher Sales and Marketing expenses. General and Administration expenses rose by USD 6.42 million in 2013 as a result of both higher corporate costs and extraordinary expenses. Extraordinary costs of USD 3.77 million include legal and finance expenses amounting to USD 1.36 million, a one-off payment to the former CEO Dr. Yacov Geva amounting to USD 1.34 million, a provision of USD 0.85 million and a one-off inventory write-off in the amount of USD 0.22 million.

### Revenues

Q4 2013: revenues reached USD 24.41 million, corresponding to growth of 21.6% over Q4 2012. Monitoring services contributed over 98.9% to Q4 2013 revenues.

FFY 2013: revenues reached USD 90.77 million, reflecting growth of 13.3% from FFY 2012 revenues. Monitoring services contributed USD 89.21 million, up 12.2% on the previous year.

## **Gross Profit**

Q4 2013: gross profit came in at USD 14.16 million with a margin of 58.0%, compared with a gross profit of USD 11.47 million and a margin of 57.1% in Q4 2012.

FFY 2013: gross profit reached USD 53.32 million with a margin of 58.7%, compared with FFY 2012 gross profit of USD 46.03 million and a margin of 57.5%.

## **Operating Expenses**

Q4 2013 breakdown of operating expenses:

- Research and Development (R&D) expenses amounted to USD 2.01 million or 8.2% of revenues, compared with R&D expenses of USD 1.87 million, or 9.3% of revenues, in Q4 2012. The R&D expenses are directly associated with the investments in the LifeWatch V platform and the Vital Signs Patch.
- Sales and Marketing (S&M) expenses came in at USD 5.29 million or 21.7% of revenues, compared with USD 4.14 million or 20.7% of revenues in Q4 2012. The increased expenses are related to our expansion and diversification strategies.
- General and Administration (G&A) expenses increased to USD 9.36 million or 38.4% of revenues, compared with G&A expenses of USD 4.60 million or 22.9% of revenues in Q4 2012.

FFY 2013 breakdown of the operating expenses:

- Research and Development (R&D) expenses were USD 7.75 million or 8.5% of revenues, compared with USD 6.91 million or 8.6% of revenues for FFY 2012. The R&D expenses are related to the investments in the Vital Signs Patch and LifeWatch V health smartphone products mentioned previously.
- Sales and Marketing (S&M) expenses stood at USD 19.55 million or 21.5% of revenues, compared with S&M expenses of USD 16.57 million or 20.7% of revenues in FFY 2012. The increase in S&M expenditures reflects the hiring of additional sales representatives across the organization.
- General and Administration (G&A) expenses were USD 25.07 million or 27.6% of revenues, compared with G&A expenses of USD 18.65 million or 23.3% of revenues in the previous year.

## **Operating result**

Q4 2013: LBIT was USD 2.51 million, compared with an EBIT of USD 0.85 million in Q4 2012. The LBITDA reached USD 1.31 million, compared with an EBITDA of USD 1.78 million and a margin of 8.9% in Q4 2012.

FFY 2013: EBIT was USD 0.94 million with a margin of 1.0%, compared with an EBIT of USD 4.37 million and a margin of 5.5% reported in FFY 2012. The EBITDA amounted to USD 4.59 million and a margin of 5.1%, compared with an EBITDA of USD 8.35 million and a margin of 10.4% in FFY 2012.

## **Net Income/Loss**

Q4 2013: net loss was USD 3.39 million, compared with net income of USD 0.47 million in Q4 2012. The fully-diluted loss per share was USD 0.26 in Q4 2013, compared with earnings per share of USD 0.03 in Q4 2012.

FFY 2013: net income was USD 6.03 million, compared with a net loss of USD 0.37 million in FFY 2012. The fully-diluted earnings per share were USD 0.45, compared with a loss per share of USD

0.03 in FFY 2012.

### Operating Cash Flow

Q4 2013: LifeWatch operations provided cash in the amount of USD 0.01 million, compared with USD 1.13 million in cash used in Q4 2012. The balance of cash, cash equivalents, marketable securities and structures amounted to USD 10.23 million at the end of the quarter, compared with USD 5.95 million at the end of Q4 2012.

FFY 2013: LifeWatch operations provided cash in the amount of USD 8.26 million, compared with USD 7.75 million used in operations in FFY 2012. The balance of cash, cash equivalents, marketable securities and structures amounted to USD 10.23 million at the end of the year, compared with USD 5.95 million at the end of 2012.

### Outlook

The new Board of Directors initiated an in-depth analysis of LifeWatch's current and future strategy. The results will be presented prior to the next shareholders' meeting. The Board continues to believe in LifeWatch's strong growth potential based on both its qualified, highly motivated staff and the innovative technology platform.

### Key Figures for Q4 2013 and Full Fiscal Year 2013 (unaudited, in USD million)

	Q4 2013	Q4 2012	FFY 2013	FFY 2012
Revenues	24.41	20.07	90.77	80.11
Gross profit	14.16	11.47	53.32	46.03
As % of revenues	58.0%	57.1%	58.7%	57.5%
EBITDA / (LBITDA)	(1.31)	1.78	4.59	8.35
As % of revenues	N/A	8.9%	5.1%	10.4%
EBIT / (LBIT)	(2.51)	0.85	0.94	4.37
As % of revenues	N/A	4.2%	1.0%	5.5%
Net income / (loss)	(3.39)	0.47	6.03	(0.37)
As % of revenues	N/A	2.3%	6.6%	N/A
Total fixed assets, net	12.05	7.84	12.05	7.84
Total equity	41.55	34.93	41.55	34.93
Employees at the end of period	544	492	544	492

### For further questions:

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**About LifeWatch AG:**

LifeWatch AG, headquartered in Neuhausen am Rheinfall and listed on SIX Swiss Exchange (LIFE), Switzerland, is the leading healthcare technology and solution company, specializing in advanced telehealth systems and wireless remote patient monitoring services. LifeWatch services cater to individuals, ranging from high-risk and chronically ill patients to consumers of health and wellness products. 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. The company is planning to introduce the LifeWatch V, an Android-based smartphone with medical sensors and apps that uses a cloud-based service platform. For additional information, please visit [www.lifewatch.com](http://www.lifewatch.com).

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