



Press Release

August 23, 2011

Rundbuckstrasse 6
CH – 8212 Neuhausen am Rheinfall / Switzerland
www.lifewatch.com

LifeWatch to announce results for the second quarter 2011

- Continuous enrollment growth in all services lines
- New NiteWatch Sales approach leads to 50% more growth
- San Francisco Call Center with new Medicare IDTF provider number
- Important cost savings initiatives of USD 15 m annually on track
- In total 33 new contracts

International conference call about LifeWatch AG results in the second quarter 2011

- Tuesday, August 23, 2011 at 10:00 a.m. CEST
- Dial-in number: +41 (0)91 610 56 00 (Europe) / +44 (0)203 059 58 62 (UK) / +1 (1) 866 291 41 66 (USA – Toll-free)

Neuhausen am Rheinfall/Switzerland – LifeWatch AG (SIX Swiss Exchange: LIFE), the leading provider of wireless telemedicine, today announces the results for the second quarter 2011. LifeWatch's financial results are still affected by the difficult reimbursement environment in the U.S. healthcare market but the Company achieved important operational improvements.

Second Quarter 2011 Financial Highlights:

- ACT enrollments rose 6.6% compared to Q2 2010
- NiteWatch enrollments increased 50.4% over Q2 2010
- 16 new managed care contracts for ACT Services
- 17 new managed care contracts for NiteWatch services
- Revenues decreased 13.4% to USD 20.15 million, versus USD 23.27 million in Q2 2010
- Gross margin decreased to 43.8%, compared to 51.0% in Q2 2010
- LBIT of USD 8.55 million, compared to EBIT of USD 0.12 million in Q2 2010
- LBITDA of USD 7.02 million, compared to EBITDA of USD 1.57 million in Q2 2010
- Cash, cash equivalents, marketable securities and structures amounted to USD 11.53 million
- Accounts receivable this quarter include USD 9.00 million for Medicare services provided at our San Francisco call center, which will be collected in Q3 2011

Management analysis

The difficult reimbursement and overall economic environment in the U.S.A. and in the healthcare market continued to impact our business and our revenues. This difficult environment has compelled the company to implement major restructuring and cost savings initiatives of approximately USD 15 million annually. The company is on its way to complete the cost savings initiatives by mid-October 2011. The restructuring will include more automation, outsourcing and other measures which will reduce the labour costs and other expenses significantly. We expect these measures to have a relative impact on our 2011 fiscal results, and a positive impact on our 2012 results. In mid-February 2011 we opened our third call center in San Francisco and applied for a Medicare provider number, which is the normal administrative process. From mid-February until August, the Company provided services to Medicare patients in the amount of USD 12.5 million. On August 10, 2011 we received this Medicare provider number for the San Francisco call center, which will now enable the Company to collect for these services.

R&D

The company is investing heavily in the development of two new breakthrough products that will be ready for launch in the second half of 2012. We believe these new products will completely change the business direction, financial situation and total positioning of the company, and further diversify our offerings.

Gross Profit, LBIT and LBITDA

- Gross profit was USD 8.82 million (43.8%), compared to gross profit of USD 11.87 million (51.0%) in Q2 2010. The lower gross margin is mainly attributable to 1) the decline in reimbursement, while fixed costs for the provision of monitoring services remained the same; and 2) overlapping payroll expenses related to hiring and training staff at our San Francisco call center which took longer than anticipated.
- LBIT was USD 8.55 million, compared to EBIT of USD 0.12 million in Q2 2010. The operational expenses were affected by the cost items below:
 - Investment in R&D developing new products and services
 - Expenses for legal services including intellectual property protection of the Company
 - Expenses related to restructuring and other
- LBITDA was USD 7.02 million, compared to EBITDA of USD 1.57 million in Q2 of 2010.

Net Loss

LifeWatch reported a net loss of USD 10.07 million in Q2 2011, compared to a net profit of USD 1.87 million recorded a year ago. Loss per share was USD 0.81 (fully diluted), compared to earnings per share of USD 0.14 (fully diluted) in the second quarter of 2010.

ACT Monitoring Services

ACT enrollments rose 6.6% over Q2 2010; however a lower Average Selling Price (ASP) had a negative impact on ACT revenues. We expect the ASP for ACT services to rise in Q3 2011 as we have terminated the provision of services when there is no insurance coverage.

NiteWatch

During this reporting quarter, enrollments for our NiteWatch Home Sleep Test service grew 50.4%, compared to Q2 2010. The growth is due to the implementation of a multi-faceted sales approach. We also received 17 new managed care contracts. LifeWatch will continue its investments into this service line.

Outlook 2011

Given the current environment, we will not meet our previously announced forecast for 2011. The Company has lowered the fiscal revenue forecast to USD 80 - 82 million. For the remainder of the fiscal year the Company will focus on completing the restructuring and cost savings initiatives in order to return to profitability.

For further information please contact:

Kobi Ben Efraim, Chief Financial Officer, LifeWatch AG
Tel +41 52 632 00 50 | Fax +41 52 632 00 51 | E-mail kobibe@lifewatch.com

Sensus Investor & Public Relations, Zürich:
Tel +41 43 366 55 11 | Fax +41 43 366 55 12 | E-mail lifewatch@sensus.ch

Sign-up for customized E-mail alerts and documentation requests is available at <http://production.investis.com/lifewatch/alert-service/>

About LifeWatch AG:

LifeWatch AG, headquartered in Neuhausen am Rheinfall, Switzerland and listed on SIX Swiss Exchange (LIFE), is the leading healthcare technology and solutions company, specializing in advanced telemedicine systems and wireless remote patient monitoring services. LifeWatch provides services to high-risk and chronically ill patients, health conscious consumers and wellness programs. LifeWatch has subsidiaries in the United States, the Netherlands, Japan, the United Kingdom, Switzerland and Israel. LifeWatch AG is the parent company of LifeWatch Services, Inc., a leading US-based wireless remote telemedicine provider. LifeWatch services include Home Sleep Testing for Obstructive Sleep Apnea patients under the brand name NiteWatch. For additional information, please visit www.lifewatch.com and www.nitewatchservices.com.

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, 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. PER-

SONS ABSENT 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.