



Press Release

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LifeWatch is back to profitability

- Revenues increased by 12% to USD 22 m in the fourth quarter 2010
- EBIT of USD 1.9 m and EBITDA of USD 2.5 m in the fourth quarter 2010
- Net income of USD 3.3 m in the fourth quarter 2010
- Net income of USD 0.8 m in full fiscal year 2010

International conference call and audio web cast about LifeWatch AG results in 2010

- Tuesday, March 1, 2011 at 10:00 a.m. CET
- 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)
- Audio Webcast <https://services.choruscall.eu/links/lifewatch110301.html>

Neuhausen am Rheinfall/Switzerland – LifeWatch AG (SIX Swiss Exchange: LIFE), the leading provider of wireless telemedicine, today announces the results for the fourth quarter 2010 and full fiscal year 2010 and provides an outlook for 2011. LifeWatch marked the end of a challenging year with a return to growth and profitability in the fourth quarter of 2010. Revenues and ACT enrollments increased in Q4 compared to the prior quarter and both EBIT and EBITDA returned to positive levels. The Company continues to make improvements in all areas of its business.

Fourth Quarter 2010 Financial Highlights:

- Revenues of USD 21.9 million, a 11.9% increase from the prior quarter and a 19.1% decrease year-on-year
- EBIT and EBITDA of USD 1.9 million and USD 2.5 million, respectively, and a return to profitability
- Excluding one-off restructuring and other costs, EBIT and EBITDA were USD 2.6 million and USD 3.2 million, respectively
- Net Income of USD 3.3 million
- Negative operating cash flow of USD 1.5 million

- Cash, cash equivalents, marketable securities and structures of USD 37.9 million on December 31, 2010
- ACT enrollments of 18,598, a 2.3% increase from the prior quarter and 7.4% decrease year-on-year
- NiteWatch Home Sleep Test enrollments of 423, a 22.5% decrease from the prior quarter

Full Fiscal Year 2010 Financial Highlights:

- Revenues of USD 87.1 million, compared to USD 123.0 million in FFY 2009
- LBIT and EBITDA of USD 4.9 million and USD 0.4 million, respectively, compared to EBIT and EBITDA of USD 26.6 million and USD 32.9 million, respectively, in FFY 2009
- Excluding one-off restructuring and other costs, LBIT and EBITDA in FFY 2010 were USD 4.3 million and USD 0.9 million, respectively
- Net Income of USD 0.8 million, compared to USD 29.2 million in FFY 2009
- Operating cash flow of USD 8.4 million
- Cash, cash equivalents, marketable securities and structures of USD 37.9 million on December 31, 2010
- ACT enrollments of 77,388, a 4.1% increase from FFY 2009
- NiteWatch Home Sleep Test enrollments of 1,887

Service Enrollments

During Q4 2010, the Centers for Medicare & Medicaid Services (CMS) set national pricing guidelines for payment code 93229, which is the CPT payment code used by Medicare for payment for our ACT service. The national pricing went into effect on January 1, 2011 and the reimbursement levels have been in line with expectations. LifeWatch believes that this development will have a positive impact on its industry as it increases clarity and brings stability to the marketplace.

Enrollments for our ACT service were down 7.4% to 18,598 during Q4 2010 compared with 20,081 enrollments in Q4 2009. The decline in enrollments was primarily due to the impact of Reimbursement Denials. ACT enrollments in Q4 2010 grew 2.3% from the prior quarter, the first sequential increase in three quarters. NiteWatch enrollments declined 22.5% sequentially to 423 enrollments in Q4 2010 from 546 enrollments in the prior quarter. Enrollments have been affected by changes to the NiteWatch organization during the quarter. Total enrollments for ACT, NiteWatch, Event and Holter services grew at a 5.6% rate to 59,662 enrollments in Q4 2010 from 56,509 enrollments in Q4 2009. ACT enrollments for FFY 2010 were up 4.1% to 77,388 compared to 74,369 in FFY

2009. Total enrollments for ACT, NiteWatch, Event and Holter services grew at a 3.0% rate to 239,253 enrollments in FFY 2010 from 232,358 enrollments in FFY 2009.

New software version

LifeWatch recently released a new version of its ACT software. The new release includes several improvements to the previous version including:

- Enhanced and more descriptive ACT cell phone messaging
- Simplified customer activation process
- Support of current generation mobile phones with battery life improvement of 25 – 30%
- New format for daily summary reports and end of session reports

New iPhone application

The Company also recently released an iPhone application, a complementary product to the previously released iPad application. Similar to the iPad application in scope and function, the iPhone application provides yet another value-added feature to physicians and cardiologists.

NiteWatch

As discussed last quarter, NiteWatch has underperformed in 2010 and a new plan was being developed to “re-launch” the service. To lead our efforts, the Company appointed Rafi Heumann, a veteran of LifeWatch, as business leader for NiteWatch. Along with Rafi, the Company has hired talented individuals to join the NiteWatch team including Amy Holstead, a former NovaSom executive that will focus on NiteWatch sales.

Sales Force

LifeWatch has implemented several meaningful changes to the sales organization. The Company is aggressively looking to hire talented individuals and recently has been successful in filling 5 out of the 8 Director of Sales positions. LifeWatch has also hired 15 sales representatives since the beginning of Q4 2010. As of the end of January 2011, the U.S. sales force in the U.S. included nearly 90 sales reps.

Third Call Center in the USA

In February 2011, LifeWatch opened a new office in San Francisco, CA. The office will house approximately 50 – 60 employees when fully staffed by the end of summer 2011 and will primarily be devoted to clinical call center operations. The Company now operates call centers in 3 time zones providing redundancy, flexibility and a competitive advantage in the marketplace.

Revenues

Revenues decreased 19.1% to USD 21.9 million in Q4 2010 from USD 27.0 million in Q4 2009. The decrease in revenues was primarily due to Reimbursement Denials and the overall reduction in reimbursement rates. Revenues in Q4 2010 grew 11.9% from the prior quarter, primarily due to an increase in enrollments and improvement in the ACT average selling price. Revenues for FFY 2010 decreased 29.2% to USD 87.1 million from USD 123.0 million in FFY 2009.

Gross Profit

Gross profit was USD 13.3 million in Q4 2010 with a margin of 60.9%, compared with USD 15.7 million with a 58.0% margin in Q4 2009. While gross profits in Q4 2010 decreased compared to Q4 2009 reflecting a lower revenue base, gross margins increased due to the impact of efficiency initiatives. Gross profit in Q4 2010 grew 42.1% from the prior quarter largely due to increases in enrollments, revenues and the ACT average selling price. Gross profit in FFY 2010 was USD 43.7 million with a margin of 50.2%, compared with USD 75.2 million with a 61.1% margin in FFY 2009. The decrease in gross profit and gross margins is largely attributable to the decrease in the overall average selling prices and the impact of Reimbursement Denials.

Net Income

Net Income for the fourth quarter of 2010 was USD 3.3 million, compared with net income of USD 5.9 million recorded in Q4 2009. Fully-diluted earnings per share were USD 0.25 in the fourth quarter of 2010 compared with fully-diluted earnings per share of USD 0.45 reported for the fourth quarter of 2009. Net Income for FFY 2010 was USD 0.8 million, compared with net income of USD 29.2 million recorded in FFY 2009. Fully-diluted earnings per share were USD 0.06 in FFY 2010 compared with fully-diluted earnings per share of USD 2.22 reported for FFY 2009.

Outlook 2011

While 2010 has been a challenging year for LifeWatch, we concluded the year on a positive note and expect to continue the momentum throughout 2011 and beyond. Our outlook for FFY 2011 is USD 100 – 105 million of revenue, EBIT margin of 10% plus and EBITDA margin of 15% plus. As part of its long-term growth strategy, LifeWatch will continue to prudently invest in new services and geographies.

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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.

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