



Press Release

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LifeWatch AG: Results for the second quarter 2012 confirm turnaround

- EBIT of USD 0.04 million and EBITDA of USD 1.04 million
- Reduction of total direct and departmental expenses of USD 5.4 million
- 30% Headcount reduction
- Improved gross margin of 55.1%
- Additional 17 new contracts for ACT and HST respectively

International analyst and media conference and audio web cast on LifeWatch Q2 2012 financial results

- Wednesday, August 22, 2012 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 Æ Toll-free)
- Audio web cast <http://services.choruscall.eu/links/lifewatch120822.html>

Neuhausen am Rheinfall/Switzerland Æ LifeWatch AG (SIX Swiss Exchange: LIFE), the leading provider of wireless telemedicine, today announces the results for the second quarter 2012. The Company continues to improve operating profit on EBIT and EBITDA level and its gross margin. Total department expenses were reduced to 54.9% of revenues. Furthermore LifeWatch succeeded in closing 17 additional contracts for its ACT services and Home Sleep Testing, respectively.

Second Quarter 2012 Financial Highlights

- Revenues of USD 19.06 million, compared with USD 20.15 million in Q2 2011.
- Gross margin was 55.1% compared with 43.8% in Q2 2011.
- Total departmental expenses were 54.9% of revenues compared with 86.2% in Q2 2011:
 - R&D expenses decreased by approximately USD 0.52 million
 - S&M expenses decreased by USD 1.63 million compared with Q2 2011
 - G&A expenses decreased by USD 0.49 million from Q2 2011

- EBIT of USD 0.04 million compared with LBIT of USD 8.55 million in Q2 2011.
- EBITDA of USD 1.04 million compared with LBITDA of USD 7.02 million in Q2 2011.

Managed Care Updates:

LifeWatch continues to prove to providers the value of our cost effective health monitoring services.

- 17 new contracts for ACT Services
- 17 new contracts for NiteWatch services.

These new agreements represent over 6 million covered lives and further validate the awareness of payors to provide coverage for innovative and cost-effective technologies that offer the potential for better clinical outcomes.

Monitoring Services Updates

In March 2012 LifeWatch announced a joint development with U.S. medical technology developer Ansar on a innovative Parasympathetic & Sympathetic (P&S Monitoring) platform that can be used together with the ACT III wireless cardiac monitoring system. A total of 8 clinical sites are currently evaluating the Ansar with ACT monitoring platform, and a further 20 clinics are very interested in assessing this technology. The Company is engaged in embedding the Ansar platform on an innovative wearable sensor for improved user-friendliness.

The Elite software-defined technology and cardiac monitoring service, which was launched in Q1 2012, has been widely embraced by physicians who value the streamlined enrolment and billing processes. The remotely programmable feature, which allows the platform to operate as an ACT telemetry system, a 24-48 hour Holter, or a cardiac event monitor with auto-detect/auto-send functionality, eliminates the need for a patient to travel back and forth to a physician in order to be fitted with an additional monitor, thus shortening the time to a potential diagnosis.

Technology Update

LifeWatch unveiled the LifeWatch V, the first-of-its-kind healthcare smartphone, at two launch events in June and July of 2012. The health and wellness platform generated strong interest from pharma companies, cellular service providers, distributors and consumers around the world. With the services embedded on LifeWatch V platform LifeWatch plan to target this solution to both consumers and to those with chronic diseases in new geographies. The LifeWatch V operates on an android operating system that embeds a multitude of miniature medical sensors and wellness-related applications on the smartphone which communicates through a cloud-based ecosystem. By using the barely visible sensors on the phone's frame, patients as well as health-conscious

consumers can track, capture, collect and analyze their health and medical measurements anywhere anytime. The sensors include a 1-lead ECG, body temperature, blood glucose, heart rate, blood oxygen saturation, body fat percentage and stress levels as well as drug titration and a special diet software program. The LifeWatch V wirelessly interacts with a cloud-based environment allowing users direct access to a wide range of valuable complementary medical and wellness related services. The Company is expecting partial regulatory approvals by the end of 2012 and is in discussions with a number of multi-national companies.

Q2 2012 Revenues

Revenues this quarter reached USD 19.06 million, a decrease of 5.4% over Q2 2011. On August 1st, the company hired a seasoned professional, Mark Bogart, as Executive Vice President of Sales at LifeWatch Services, Inc., our US-based monitoring services business. Mr. Bogart brings considerable knowledge and business experience in our industry, having led sales organizations in two similar cardiac monitoring companies over the past 15 years.

Gross Profit, EBITDA and LBIT

- Gross profit was USD 10.49 million in Q2 2012, showing an improved margin of 55.1%, compared with gross profit of USD 8.82 million, with a margin of 43.8% in Q2 2011.
- EBITDA was USD 1.04 million in Q2 2012, compared to LBITDA of USD 7.02 million in Q2 2011.
- EBIT dramatically improved to reach USD 0.04 million this quarter, compared with LBIT of USD 8.55 million in Q2 2011.

The improved results are mainly a result of the decrease in headcount and other operating expenses.

Net Loss

LifeWatch reported a net loss of USD 1.38 million compared to a net loss of USD 10.07 million in Q2 2011. Our net loss was mainly affected by non cash, deferred income tax expenses related to LifeWatch Services Inc. Loss per share was USD 0.11 (fully diluted), compared to a loss per share of USD 0.81 (fully diluted) reported in the second quarter of 2011.

Outlook 2012

LifeWatch has made considerable progress in improving its profitability in 2012. The very challenging reimbursement environment of the U.S. healthcare system and the unforeseeable impact of the presidential elections in autumn 2012 do not allow any reliable and precise forecast for full fiscal year 2012. Although the Company will cope with these strong conditions, we are actively evaluating our new service and technology offerings and strategic partnerships in order to create more

service and geographical diversification. Thus the Company will improve its revenue streams and lower its reliance on reimbursed-based business.

Yacov Geva, Chairman and CEO says: ~~We~~ We feel that with our a proven track record in technological innovations and remote medical monitoring and services we are well positioned to meet the challenges of a fast moving industry and to target new business opportunities and geographies. We believe that we have a unique experience in combining technological innovations with providing specific medical related services. While we also have a lot of experience in regulated markets, our new LifeWatch V health and life style offering targets non regulated markets such as consumer health and new geographies with high revenue potential.+

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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 US-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.

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

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