



Press Release

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LifeWatch AG to report on promising Fourth Quarter 2011 and Full Fiscal Year 2011 Financial Results

- § Revenues increased by 18% to USD 22.24 million in the fourth quarter 2011
- § EBIT of USD 0.09 m and EBITDA of USD 1.08 million in the fourth quarter 2011
- § Positive operating cash flow of USD 7.07 million in the fourth quarter 2011
- § Completed cost reductions of over USD 15 million annually
- § Another 25 million covered lives and 111 contracts in FFY 2011

Analyst and media conference, international live conference call and audio web cast on LifeWatch Q4 2011 and FFY 2011 financial results

- § Wednesday, February 29, 2012 at 10.00 a.m. CET at Zunfthaus zur Safran, Zurich/Switzerland
- § 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 web cast <https://services.choruscall.eu/links/lifewatch120229.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 2011 and full fiscal year 2011. LifeWatch marked up the end of a difficult year with a return to growth and positive EBIT and EBITDA in the fourth quarter 2011. The Company continues to make improvements in all areas of its business and is rolling out its promising strategy for an enforced product and geographical diversification.

Fourth Quarter 2011 Financial Highlights:

- Revenues of USD 22.24 million, an increase of approximately 18% from Q3 2011
- EBIT of USD 0.09 million, compared with LBIT of 19.84 in Q3 2011
- EBITDA of USD 1.08 million, versus an LBITDA of USD 18.37 million in Q3 2011
- Net loss of USD 0.55 million versus net loss of USD 20.4 million in Q3 2011

- Positive operating cash flow of USD 7.07 million, versus negative operating cash flow in Q3 2011
- Cash, cash equivalents, marketable securities and structures of USD 13.93 million, compared with USD 7.20 million recorded in Q3 2011

Full Fiscal Year 2011 Financial Highlights:

- Revenues of USD 82.24 million, compared with USD 87.09 million in FFY 2010
- Successfully completed cost reductions of over USD 15 million annually
- LBIT and LBITDA of USD 28.22 million and USD 22.92 million respectively, compared with LBIT of USD 4.85 million and EBITDA of USD 0.39 million, respectively, in FFY 2010
- Excluding restructuring and other costs, LBIT and EBITDA in FFY 2011 were USD 4.55 million and USD 0.76 million, respectively
- Net loss of USD 31.97 million, compared with net income of USD 0.83 million in FFY 2010
- Negative operating cash flow of USD 8.45 million
- Cash, cash equivalents, marketable securities and structures of USD 13.93 million on December 31, 2011

Business Update

The civil OIG investigation had a big impact on our FFY 2011 results. As published in our Q3 2011 letter to shareholders, LifeWatch cooperated fully with the OIG and the DOJ throughout the investigation. We are finalizing the settlement to be paid over five years, and in Q3 2011, the Company booked a provision in a cumulative amount of USD 18.50 million which is related to this issue. LifeWatch will disclose further details once the settlement is completed with the OIG and DOJ.

Technology Update

LifeWatch has entered into a joint development agreement with the U.S. American medical technology developer Ansar Group on a break-through testing technology which will be deployed on a wide range of LifeWatch wireless cardiac monitors in the coming months. For the first time in the wireless cardiac monitoring industry, the treating physician will be able to measure individual parasympathetic and sympathetic responses of their patient. This information will be significant in providing additional clinical data for patients with Atrial Fibrillation, Syncope (fainting), Congestive Heart Failure, Cardiac Autonomic Neuropathy (associated with increased risk of mortality and morbidity), and Hypertension. These conditions together affect an estimated 99 million Americans.

An additional subset of patients who could benefit from this test includes millions of Americans who are currently prescribed Beta blockers.

Managed Care

For fiscal 2011, LifeWatch signed 111 agreements, of which 51 were for NiteWatch Home Sleep Test services, and 60 for Ambulatory Cardiac Telemetry (ACT) services. Since 2010, LifeWatch has negotiated 367 contracts for these two services alone. Among the biggest private insurance companies that LifeWatch contracted recently for its services were the East Coast Carrier Magnacare in New York (850,000 covered lives) and the West Coast based carriers Blue Shield of California (3.5 million covered lives) and Heritage Provider Network (550,000 covered lives) from Southern California.

Home Sleep Testing

In January of 2012, Kaiser Health News (a nonprofit news organization providing in-depth coverage of health care policy and politics), cited the rising costs of diagnosing Obstructive Sleep Apnea (OSA) in the U.S. due to the overuse of sleep labs. Currently about 80% of the sleep tests are performed at sleep labs, with 20% performed in the home. As insurance companies are becoming more aware of the cost benefits of diagnosing OSA with Home Sleep Tests, we believe the U.S. market will experience a paradigm shift from Sleep Labs to the less expensive non-attended home sleep testing. The national rates for OSA are also rising, as a result of the increase of obesity in the general population, which is expected to drive growth.

Joint Venture and Expansion into New Geographies

In November 2011, LifeWatch and Tracker AG entered into a joint venture to develop and distribute innovative products and solutions in the field of telemedicine and monitoring services in Switzerland and neighboring European healthcare markets. Their first jointly developed product, the LifeTracker Mobile, is an innovative mobile phone targeted to health and wellness conscious consumers over 55 years of age. LifeTracker products use M2M technology (machine to machine) that enables an automated information exchange between different devices such as mobile phones and blood pressure monitors. Further product specific options are on track to be launched in the first half of 2012.

Revenues

Revenues for Q4 of 2011 reached USD 22.24 million, an improvement of approximately 18% from Q3 of 2011. Revenues for FFY 2011 reached USD 82.24 million, a decrease of about 6% from FFY 2010 of USD 87.08 million. The decrease in FFY revenues is mainly due to the reduction in reimbursement rates, a decrease in ACT enrollments due to tighter reimbursement requirements,

and the impact of the civil investigation led by the Office of the Inspector General (OIG) on our sales force.

Gross Profit

Gross profit during this reporting quarter improved to USD 13.48 million with a margin of 60.6%, compared with a gross profit of USD 8.81 million (46.9% margin) in Q3 2011. Gross margins improved due to the increased revenues in Q4 2011, cost savings associated with the termination of the Medical Policy Appeal Program (MPAP), and a reduction in headcount. Gross profit in FFY 2011 reached USD 43.44 million with a margin of 52.8% compared to gross profit of USD 43.71 million with a margin of 50.2% in FFY 2010. The cost cutting measures introduced in Q2 of 2011 had a positive impact on FFY gross profit margin.

Net Income/Loss

Net loss for the fourth quarter was USD 0.55 million compared to a net loss of USD 20.40 million recorded in Q3 2011. Fully-diluted loss per share was USD 0.04 in the fourth quarter of 2011 compared with fully-diluted loss per share of USD 1.64 reported for the Q3 of 2011. Net loss for FFY 2011 was USD 31.97 million compared to a net income of USD 0.83 million recorded in FFY 2010. Fully-diluted loss per share was USD 2.56 in FFY 2011 compared with fully-diluted earnings per share of USD 0.06 reported for FFY 2010.

Outlook 2012

We remain cautiously optimistic for FFY 2012. The healthcare cuts proposed in the U.S. have been postponed until 2015; however we still face competition from new entry level companies in our cardiac monitoring services business. And our long-term growth strategy of product and geographical diversification look promising.

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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 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 cardiac monitoring service provider, and manufacturer of telecardiology products. LifeWatch is also introducing a new program for Home Sleep Testing of Obstructive Sleep Apnea (OSA) patients under the brand name NiteWatch. 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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