

Press release

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LifeWatch achieves volume growth of 13.1% in the first half of 2014

LifeWatch continued to expand as sales reached USD 48.12 million in H1 2014, an increase of 10.2% versus H1 2013. Higher expenses resulted in a net loss of USD 4.72 million in H1 2014. Based on the on-going operational improvements and a more focused sales approach a turnover in excess of USD 100 million and a positive operating result for FY 2014 is targeted.

In total, revenues surged by 10.2% to USD 48.12 million in the first six months of 2014, compared to USD 43.68 million in the first half of 2013. 99% of revenues were generated by our US-based subsidiary. The volume increase was higher than the revenue increase as a result of an 8% price decrease by Medicare. Gross profit margin amounted to 52.1% versus 59.3% a year earlier. The margin drop is attributable to one-off costs of USD 1.84 million. Adjusted for these one-time effects, a gross margin of 56.0% would have resulted. Furthermore, the initiated optimization process together with increased Sales and Marketing and General and Administration costs had an impact on profitability and resulted in an operating loss of USD 4.13 million compared to an EBIT of USD 2.71 million in H1 2013. As a result of the corrective action taken we expect this reduction in profits to be temporary.

On-going operational improvements

We expect that the various streamlining activities initiated thus far will bear fruit as of the second half of this year and especially next year. The objectives being addressed include the broadening of the product and service offering, the expansion of the current technology globally, the assessment of developing a mHealth accessory device as well as the move towards becoming a fully-integrated biomedical informatics provider.

The following measures and strategies have already been implemented:

- a) restructuring and redefinition of the Israeli R&D operation,
- b) realignment of US sales territories and regions to improve efficiency as well as refocusing of the sales commission plan,
- c) implementation of a global Governance, Risk and Compliance program,
- d) structural changes including realigning the business along global lines and
- e) establishment of a senior management leadership and training program.

In addition we are in the process of updating and standardizing our financial reporting systems.

Vital Signs Patch on track for launch in 2015

LifeWatch signed 19 new or amended agreements for NiteWatch Home Sleep Test services and Ambulatory Cardiac Telemetry (ACT) services during the first half of 2014. We further expect to launch the Vital Signs Patch (VSP) in the first half of 2015, following marketing clearance from the FDA. This potentially game changing technology is an easy to use sensor worn on a patient's upper chest. Once activated, the system provides automation and alerts of key vital signs via continuous wireless monitoring.

Outlook

LifeWatch expects to exceed its goal of USD 100 million in revenues in 2014, with an improvement in EBIT and EBITDA. We are confident of growing revenues by strengthening our market share in existing markets as well as globalizing our service offerings.

Dr Stephan Rietiker commented: "I strongly believe in our company's people, technology and service offering and I am working, together with my team, to bring the company to the next level. I also firmly believe that this year of transition will set the stage for the future and I am excited about the prospects for the company."

Key figures (unaudited, USD millions):

	H1 2014 adjusted	H1 2014	H1 2013
Revenues	48.12	48.12	43.68
Gross Profit	26.93	25.09	25.92
As % of revenues	56.0%	52.1%	59.3%
EBITDA / (LBITDA)	1.45	(1.52)	4.32
As % of revenues	3.0%	NA	9.9%
EBIT / (LBIT)	(1.16)	(4.13)	2.71
As % of revenues	NA	NA	6.2%
Net income (loss)	(1.75)	(4.72)	8.88
Earnings per share (basic)		(0.36)	0.68
Total fixed assets, net		13.02	7.76
Total Assets		68.54	69.28
Total equity		34.82	44.12
As % of assets		51%	64%
Net Cash Flow		(3.92)	4.97
Employees		561	535

Adjustments to H1 2014 figures

USD millions

LifeWatch V Healthphone inventory write-off	1.19
One-off costs for improved phone contract	0.40
Memory cards purchase	0.25
Adjustment to Gross Profit	1.84
Disputed billings	0.38
Israel restructuring	0.25
Legal reserve	0.50
Total adjustment *	2.97

* to EBITDA (LBITDA), EBIT (LBIT) and Net Income (Loss)

Detailed reporting

The report on the first half 2014 can be found on our website using the following link:

http://irlifewatch.com/websites/lifewatch_ir/English/4020/quarterly-reports.html

Today's conference call

A conference call on our half-year results will be held today at 14.00 CET.

Dial-in will be as follows:

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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 a leading healthcare technology and solution company, specializing in advanced telehealth systems and wireless remote patient monitoring services. LifeWatch's services provide physicians with critical information to determine appropriate treatment and thereby improve patient outcomes. 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. For additional information, please visit www.lifewatch.com.

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