

Press Release



March 17, 2016

Baarerstrasse 139
CH – 6300 Zug / Switzerland
www.lifewatch.com

LifeWatch reports better than expected full 2015 Financial Results

- Revenue of USD 106.63 million, which is 8.3% above 2014; the cardiac monitoring business in the US grew by 9.8%
- EBITDA of USD 14.4 million equivalent to a margin of 13.5%; adjusted EBITDA of USD 15.6 million equivalent to a margin of 14.6%
- Outlook: double-digit growth in 2016 with improved EBIT and EBITDA

Zug, Switzerland, March 17, 2016 – LifeWatch AG (SIX Swiss Exchange: LIFE), a market leader in the development and sale of digital health solutions, primarily for remote cardiac monitoring and sleep apnea diagnostics, today released its full 2015 financial results. LifeWatch realized revenue of USD 106.63 million, an 8.3% improvement on last year (2014: USD 98.47 million). This is slightly better than previously announced. Monitoring services contributed USD 105.56 million, up 9.8% on the previous year (2014: USD 96.13 million). Revenues were the second highest in the history of the company and continued the growth trend, which started in 2013; revenues in 2015 were 33% higher than in 2012 and this without acquisitions.

In 2015 LifeWatch saw the first full year effect of the restructuring of the Research and Development (R&D) activities in Israel and the realignment of the sales force in the US, both of which took place during 2014. As a result, selling and marketing expenses in 2015 were 17% below 2014 despite increased sales volumes. R&D expenses were reduced by more than 26% although roughly half of this was the result of capitalizing software development costs. Sales and marketing costs as a percentage of sales came down from 23.0% in 2014 to 17.6% in 2015. Similarly, R&D costs as a percentage of sales reduced from 5.6% in 2014 to 3.9% in 2015 and this in spite of several very important on-going product development projects.

General and administration costs as a percentage of sales remained stable at 25.5% in 2015 (2014: 25.5%).

The positive impact of the lower costs in selling, marketing and R&D activities led to improved EBIT and EBITDA figures with EBIT and EBITDA reaching USD 6.34 million and USD 14.37 million, respectively. This represents an EBIT and EBITDA margin of 5.9% and 13.5% respectively (2014: 0.3% and 6.6%, respectively). These unadjusted numbers are considerably better than originally indicated, mainly as a result of the non-consolidation of the Turkish joint venture. One factor had a negative impact on both EBITDA and EBIT during 2015, namely the write-off of our remaining LifeWatch V telephone inventory. This cost the company USD 1.2 million. LifeWatch had hoped to use the LifeWatch V telephone inventory for the launch of our Vital signs monitoring system, but the delay to this project means that this inventory is no longer at the required technological level. If an adjustment was made for this factor, then the EBIT and EBITDA margins would have been 7.1% and 14.6%, respectively.

The net profit of USD 1.62 million (2014: net loss USD 2.73 million) is lower than expected as a result of a high tax of USD 3.41 million (2014: USD 2.54 million). The fully-diluted earnings per share in 2015 amounted to USD 0.12, compared with a loss per share of USD 0.21 in 2014.

Positive Operating Cash Flow

LifeWatch's operations provided cash in the amount of USD 9.15 million, compared with USD 4.09 million provided from operations in business year 2014. The balance of cash, cash equivalents and marketable securities amounted to USD 7.4 million at the end of the reporting year, compared with USD 7.09 million at the end of 2014. Net cash however reduced from USD 1.74 million in 2014 to negative USD 0.72 million in 2015 as a result of continuing investment in the core business, the acquisition of Flexlife and the start-up cost for our Turkish joint venture.

Laying the foundations for future growth

As indicated in last year's annual report, 2014 was a year of consolidation. 2015 has seen this consolidation continue with a clear turnaround in the company's results. 2015 also saw the launch of several projects to update and enhance the company's internal IT systems. Most of this work should be complete in 2016 thereby providing the company with a flexible, state-of-the-art IT infrastructure, which will allow further organic growth worldwide.

The establishment of the joint venture in Turkey as well as the completion of our MCT 1-Lead patch and Universal Gateway projects will also bring benefits in 2016. First revenues are expected from both Turkey and the MCT 1-lead patch in 2016, whereas the Universal Gateway should lead to considerable cost savings in 2016 and beyond.

In addition to the internal developments mentioned above, the company also acquired, in November 2015, Flexlife Health Inc., a company offering remote patient monitoring services in the area of coagulation measurement. Furthermore, in early January 2016 LifeWatch signed an agreement with AliveCor Inc. to utilize the AliveCor® Mobile ECG technology in its cardiac monitoring business. Both of these developments result from the company's commitment to use the most innovative technologies available rather than developing everything in-house (Make or Buy Decision). Such decisions can help broaden our product offering, whilst at the same time shortening the time to market. The Flexlife INR offering will be launched in March 2016 and should contribute significantly to revenue in 2016 and beyond. The AliveCor® Mobile ECG technology will be launched once system integration has been completed and is expected to contribute to revenues in the second half of 2016.

Outlook 2016

The company is well positioned to deliver growth in its core business particularly given the introduction of the MCT 1-Lead patch in Q2 2016 and the 8% Medicare price increase that came into effect on January 1, 2016. Furthermore, with the launches of the Flexlife INR offering in Q2 2016 and our cardiac monitoring business in Turkey in Q3 2016, the company will be taking its first step into co-morbidities and achieving geographical diversification.

The turnaround achieved in 2014 and 2015, together with the new products and markets being introduced in 2016, have set the stage for continued growth over the next few years. LifeWatch therefore, expects that revenues will continue to grow at above market growth rates and that the adjusted EBIT, EBITDA and Net Income figures will show an improvement in comparison to 2015.

Key Figures for Fiscal Year 2015 (unaudited, in USD millions)

	FFY 2015	FFY 2014
Revenues	106.63	98.47
Gross profit	55.59	53.18
As % of revenues	52.1%	54.0%
EBITDA / (LBITDA)	14.37	5.95
As % of revenues	13.5%	6.0%
EBIT / (LBIT)	6.34	0.3
As % of revenues	5.9%	0.3%
Net income / (loss)	1.62	-2.73
As % of revenues	1.5%	-2.8%
Total fixed assets, net	16.35	14.92
Total equity	39.33	36.88
Employees at the end of period	612	580

Detailed reporting

The 2015 Annual Report will be available on the LifeWatch website via the following link:

http://irlifewatch.com/websites/lifewatch_ir/English/4010/annual-reports.html

Calendar:

April 15, 2016 Ordinary General Meeting in Zurich
August 18, 2016 Analyst Conference Results HY 2016

A press and analyst meeting will take place today at 11.00 in Zurich.

Dr. Stephan Rietiker, CEO, and Andrew Moore, designated CFO, will comment on the results of the 2015 financial year and provide an update on current projects.

The Live Audio Webcast and the presentation slides can be found under the following link:

<http://lifewatch170316-live.audio-webcast.com>

The dial-in numbers to join by telephone are detailed below:

CH: +41 22 580 59 70

GER: +49 69 2222 29 043

UK: +44 203 009 2452

USA: +1 855 402 7766

Participants Pin-Code: 60170589#

For further questions:

LifeWatch AG

c/o Dynamics Group, Philippe Blangey / Doris Rudischhauser

Phone: +41 43 268 32 35 / +41 79 410 81 88

E-mail: investor-relations@lifewatch.com

About LifeWatch AG:

LifeWatch AG, headquartered in Zug and listed on SIX Swiss Exchange (LIFE), Switzerland, is a leading healthcare technology and solution company, specializing in advanced digital health systems and wireless remote diagnostic 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 tel-emedicine products. For additional information, please visit www.lifewatch.com.

Sign up for customized e-mail alerts and documentation requests at <http://www.irlifewatch.com/alert-service.aspx>

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, the 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. PERSONS ABSENT FROM 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.