



Press release

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LifeWatch reports on results for Full Fiscal Year 2009 and the Fourth Quarter 2009

- **Cost saving program drives strong margin growth, operational cash flow and profitability**
- **Brent Cohen named as Chief Executive Officer of LifeWatch AG**
- **Yacov Geva to focus on strategy and innovation as Chairman**
- **Accrual of special provision to meet repayment liability**

***Neuhausen am Rheinfall / Switzerland* – LifeWatch AG (SIX Swiss Exchange: LIFE), the leading provider of wireless cardiac monitoring services in the U.S., today announces strong results for Full Fiscal Year 2009 and the Fourth Quarter 2009.**

The following link will take you to the complete press release and to the Letter to Shareholders Full Fiscal Year 2009 and Q4 2009:

<http://production.investis.com/lifewatch/financial-publications>

Full Fiscal Year 2009 highlights are as follows:

- 2009 revenues reached USD 123.05 million (USD 128.1 million before repayment provision), up 46% in comparison with 2008
- ACT cardiac monitoring service revenues accounted for almost 75% of the total at USD 87.45 million (after repayment provision) compared with USD 35.81 million in 2008
- Gross profit reached USD 75.21 million, up 55% compared with USD 48.49 million in 2008
- EBITDA totalled USD 32.91 million (26.7% margin), compared with USD 15.29 million (18.1% margin) in 2008
- EBIT was USD 26.58 million, compared with USD 10.97 million in 2008
- Cash from operating activities in 2009 reached USD 31.84 million up from USD 9.89 million in 2008

Fourth Quarter 2009 highlights are as follows:

- Revenues in Q4 reached USD 27.03 million (USD 32.09 million before repayment provision) up 8.9% in comparison with Q4 2008

- ACT cardiac monitoring service revenues accounted for almost 75% of the total at USD 19.58 million (after repayment provision) compared with USD 14.01 million in Q4 2008
- Gross profit reached USD 15.67 million, compared with USD 14.41 million from Q4 2008
- EBITDA of USD 6.72 million with a 24.9% margin, versus USD 5.26 million and 21.2% margin in Q4 2008
- EBIT of USD 4.99 million versus Q4 2008 EBIT of USD 4.02 million
- Positive operational cash flow of USD 9.98 million, up 124% from Q4 2008
- 472 managed care contracts for LifeWatch Cardiac Monitoring Services, and 189 managed care contracts for Home Sleep testing services
- Successful completion of beta testing for NiteWatch Home Sleep Test services in December 2009

Further growth to be expected

We are confident of continued growth in the remote patient monitoring field. Patient enrollments are rising, due to the increasing prevalence of medical conditions such as Arrhythmia disorders, Atrial Fibrillation, Cryptogenic Stroke, and Syncope. Additionally, our entry into the Home Sleep Testing market with the NiteWatch service for testing for suspected Obstructive Sleep Apnea will provide additional revenues in 2010. Together with an aging population, the rising prevalence of chronic disease conditions and the tightened cost controls of many hospitals and healthcare providers in the U.S., the company has excellent growth opportunities in the future.

Provision for repayments

As a result of a change in the reimbursement environment, a potential liability has arisen due to certain insurance companies questioning reimbursement levels. These companies may make repayment claims against us in a limited number of cases. In order to remove the risk of negative surprises in the future we have taken a significant provision to cover this eventuality. This provision amounts to USD 5.06 million and has been deducted from revenues. The revenue figures for full year 2009 and Q4 2009 shown below have been reduced by this amount.

Monitoring Services

LifeWatch wireless cardiac monitoring services grew rapidly in 2009. Consolidated revenues for the company from its markets are reported below:

- U.S. – USD 120.74 million compared with USD 81.76 million in 2008
- Other markets – USD 2.31 million compared with USD 2.57 million in 2008

Revenues from LifeWatch Wireless Cardiac Monitoring Services reached USD 19.58 million in Q4 2009, compared with USD 14.01 million in Q4 2008, reflecting a strong increase

of almost 40%. The rising demand of the LifeStar™ ACT wireless monitoring service drove revenue in the fourth quarter, and demonstrates its superior benefits of higher diagnostic yield and faster time to treatment.

Both the LifeStar ACT E_x and LifeStar™ ACT III Platinum monitoring services, launched in 2009, are well received in the U.S. medical community. The ACT III Platinum 3-lead EKG was adopted for use in many specialized patient care programs due to its increased sensitivity and ability to detect many arrhythmia that other systems lack, as well as the exceptional patient care programs, which have proven invaluable to physicians in both the cardiology and neurology fields. The ACT E_x monitor, which blends a digital Holter and a 3-lead EKG cardiac event monitor, was also embraced by many of the leading U.S. heart institutions. Its unique ability to convert to a full EKG monitoring service when the Holter portion returns a negative test has demonstrated improved patient convenience and compliance, and has opened new niche patient monitoring markets.

LifeWatch Specialized Programs developed very successfully in Full Fiscal Year 2009:

- Atrial Fibrillation (AF) and stroke patient care program enrolments rose by 86% in 2009 compared with 2008. Both patient care programs are above the planned enrolment expectations.
- Revenues from LifeWatch's Federal division grew by 223% in 2009, contributing USD 5.92 million in revenues. LifeWatch is the only Independent Diagnostic Testing Facility (IDTF) with a GSA (General Service Administration) Schedule Contract for procurement of ACT wireless monitoring services in U.S. government agencies.
- The NiteWatch Home Sleep Test (HST) service beta site testing was successfully completed, and is now supported with 189 contracts. LifeWatch is in the process of ramping up the service.

Sales of Systems

Revenue from the Sales of Systems in Q4 2009 reached USD 1.2 million, compared with USD 1.6 million in the corresponding period of 2008. In Q1 2009, LifeWatch realigned its strategy in sales and marketing initiatives from 'sales of systems' to 'sales of services' to reflect this growing market trend.

Board of Directors appoints new Chief Executive Officer

The Board of Directors accepted and supports Dr. Yacov Geva's proposal to appoint current President and COO Brent Cohen as the new CEO of LifeWatch AG. With this nomination, Dr. Yacov Geva successfully concludes a carefully conducted succession process initiated several months ago, when Brent Cohen was first hired as external advisor and then appointed as President and COO. The Board promotes Brent Cohen to his new position on the grounds of his outstanding performance track record, his broad international business experience and his ability to provide vision and guidance as well as align and direct people. Brent Cohen will take over as CEO effective as of April 1, 2010.

The Board of Directors would like to thank Yacov Geva for his immeasurable work, effort and commitment he has put and will continue to put into LifeWatch: Having initially served as CEO for three years, and then as Chairman of the Board and CEO during the following 21 years, Dr. Geva has built LifeWatch as we know the company today. He will continue to serve LifeWatch as Chairman of the Board focusing on the strategic priorities that will continue to bring our company forward.

LifeWatch in 2010 and beyond

In 2010, under the leadership of Brent Cohen our new Chief Executive Officer, we intend to accelerate our efforts to exploit the domestic and global remote patient monitoring markets and to strengthen our foundation with profitable, long-term growth initiatives. We believe that LifeWatch is well-equipped – with the best people, products and services – to build on the opportunities that lie ahead, both in the near term and for the long-term. In 2010 our NiteWatch Home Sleep Test and LifeStar™ ACT wireless monitoring services will continue to drive growth of LifeWatch revenues. Although, as a result of the current uncertain pricing environment, we have decided to hold over full financial guidance until the release of our Q1 numbers in May 2010, we are confident that our service revenues for the full year will reach at least the same level as in 2009, with solid double digit EBIT margins. We will give more detail in May 2010 along with a fully updated strategic statement.

For further information please contact:

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