



Invitation to the

Ordinary General Meeting of Shareholders of

Lifewatch AG, Zug

On April 15, 2016 at 10.00 am (doors open at 09.30 am)

at Park Hyatt Zurich, Beethoven-Strasse 21, CH-8002 Zurich

### Agenda and Motions of the Board of Directors

#### 1. Annual Report, Statutory Annual Financial Statements and Auditors' Report 2015

Motion of the Board of Directors:

Approval of the Annual Report and the Statutory Annual Financial Statements for the business year 2015.

#### 2. Consolidated Financial Statements and Auditors' Report 2015

Motion of the Board of Directors:

Approval of the Consolidated Financial Statements for the business year 2015.

#### 3. Decision on the allocation of the balance sheet result

Motion of the Board of Directors:

Allocation of the annual loss of CHF 7,207,753.00 plus profit carry-forward of CHF 2,602,193.00 as follows:

Balance carried forward from 2014	CHF	2,602,193.00
Loss for the year 2015	CHF	(7,207,753.00)
Balance available for the General Meeting of Shareholders	CHF	0.00
Dividend to be distributed	CHF	0.00
Balance to be carried forward	CHF	(4,605,560.00)

#### 4. Discharge of the Board of Directors and the Executive Management Team

Comments:

Dominik Aronsky, the former Chief Information & Informatics Officer and Yair Tal, the former President of mHealth both left the company in 2015.

Motions of the Board of Directors:

- 4.1 Mr. Patrick Schildknecht should be granted discharge for his activities in the financial year 2015.
- 4.2 Mr. Thomas Rühle should be granted discharge for his activities in the financial year 2015.
- 4.3 Mr. Antoine Hubert should be granted discharge for his activities in the financial year 2015.
- 4.4 Dr. Stephan Rietiker should be granted discharge for his activities in the financial year 2015.
- 4.5 Mr. Mike Turchi should be granted discharge for his activities in financial year 2015.
- 4.6 Ms. Stephanie Kravetz should be granted discharge for her activities in financial year 2015.
- 4.7 Dr. Dominik Aronsky should be granted discharge for his activities in financial year 2015.
- 4.8 Mr. Stefan Vogt should be granted discharge for his activities in financial year 2015.
- 4.9 Mr. Yair Tal should be granted discharge for his activities in financial year 2015.

#### 5. Election of the members of the Board of Directors

Comments:

As indicated at last year's annual general meeting the Board of Directors initiated a structured search process for additional board members during the year. This search led to the identification of several qualified candidates and following an extensive interview process, the board is pleased to recommend the new board members detailed below:

Raymond W. Cohen, a citizen of the United States of America, a proven leader, board member, entrepreneur, team-builder and creator of shareholder value with more than 30 years of private and public company experience. Accredited public company director and currently CEO of Axonics Modulation Technologies, Irvine, CA, U.S.A.

Dr. Didier Hoch, M.D., a French citizen, a seasoned former senior executive with more than 25 years' experience in the European and Near Middle Eastern pharmaceutical industry. Currently Chairman of Biovision and CEO of Big Booster, an international accelerator for start-ups.

John Doulis, M.B., B.S., Grad Dip Health Inf., an Australian citizen, permanent US resident. A physician executive with post-graduate training in health informatics. Currently Chief Informatics and Information Officer, MedCare Investment Funds; President and Chief Executive Officer of Artemis Healthcare Group and Adjunct Professor of Management, Vanderbilt University Owen Graduate School of Management.

Additionally Antoine Hubert indicated in October 2015 that he would not be seeking re-election at this meeting.

#### Motions of the Board of Directors:

- 5.1 Re-election of Mr. Patrick Schildknecht to the Board of Directors for a term of one year until the end of the next Ordinary General Meeting in 2017.
- 5.2 Re-election of Mr. Thomas Rühle to the Board of Directors for a term of one year until the end of the next Ordinary General Meeting in 2017.
- 5.3 Election of Mr. Raymond W. Cohen to the Board of Directors for a term of one year until the end of the next Ordinary General Meeting in 2017.
- 5.4 Election of Dr. Didier Hoch, M.D. to the Board of Directors for a term of one year until the end of the next Ordinary General Meeting in 2017.
- 5.5 Election of John Doulis to the Board of Directors for a term of one year until the end of the next Ordinary General Meeting in 2017

### **6. Election of the Chairman of the Board of Directors**

#### Motion of the Board of Directors:

Re-election of Mr. Patrick Schildknecht as Chairman of the Board of Directors for a term of one year until the end of the next Ordinary General Meeting in 2017.

### **7. Election of the Members of the Compensation Committee**

#### Motions of the Board of Directors:

- 7.1 Re-election of Mr. Thomas Rühle as a member of the Compensation Committee for a term of one year until the end of the next Ordinary General Meeting in 2017.
- 7.2 Election of Dr. Didier Hoch as a member of the Compensation Committee for a term of one year until the end of the next Ordinary General Meeting in 2017.
- 7.3 Election of Mr. John Doulis as a member of the Compensation Committee for a term of one year until the end of the next Ordinary General Meeting in 2017.

### **8. Amendments to the Articles of Incorporation**

#### Comments:

Following the arbitration award against the company totaling USD 18.7 million plus interest the Board of Directors is of the opinion that it may be advisable for the company to be able to raise additional capital in the near future in order to safeguard the liquidity of the company. In order to achieve this the Board of Directors therefore proposes that the company carry out an ordinary capital increase involving the issue of up to 5,000,000 new shares. This is equivalent to around 37% of the Company's current outstanding share capital. Part of the compensation the Company pays to the members of its Board of Directors and Executive Management Team and other groups of employees takes the form of share-based instruments (shares, prospective entitlements and options to purchase shares in the Company). To do this, conditional capital has to be defined in the Articles of Incorporation (Article 3<sup>bis</sup>). If conditional capital is not available then the company needs to purchase shares in the market, which reduces the cash resources of the company. This was the case for the 2015 board compensation. The previous pool of conditional capital has been reduced by the allocation and exercise of such options over recent years (up to the end of February 2015) to just 33,567 shares with a total nominal value of CHF 43,637.10. As the Board of Directors would like to continue using a compensation model that involves the use of equity, it proposes that the Company increase this conditional capital, and consequently the option of payment through the allocation of stock options/prospective entitlements, to a maximum of 670,000 shares with a total nominal value of a maximum of CHF 871,000.00. This is equivalent to just less than 5.0% of the Company's current outstanding share capital.

#### Motion of the Board of Directors:

- 8.1 Ordinary increase of the share capital from CHF 17,527,705.00 by maximum CHF 6,500,000.00 to maximum CHF 24,027,705.00 as follows:
  - (i) Total par value by which the share capital is to be increased: maximum CHF 6,500,000.00
  - (ii) Number, par value and type of the new shares: maximum 5,000,000 registered shares with a par value of CHF 1.30 each;
  - (iii) Issue amount: registered shares with a par value of CHF 1.30 each will be issued fully paid up at CHF 1.30 each;
  - (iv) Issue price: The board of directors shall be authorized to determine the issue price;
  - (v) The newly issued shares will be entitled to dividends once the capital increase is recorded in the commercial register;
  - (vi) Type of contributions: the issue price for the new registered share are to be paid in cash
  - (vii) Special benefits: None;
  - (viii) Registration constraints: Registration of new registered shares is subject to the constraints of art. 7 of the Articles of Incorporation.

- (ix) Subscription right: Safeguarding of the subscription right of the shareholders by allocation of corresponding subscription rights;
- (x) Coming into existence of the rights arising from the new shares: Coming into existence of the rights arising from the new shares (in particular the voting right and the rights connected therewith) only upon entry in the commercial register and the entry in the share register of the Company, respectively.

8.2 Amendment of Article 3<sup>bis</sup> para. 1 (Conditional Capital) as follows:

The share capital may be increased by a maximum of CHF 871,000.00 through the issuance of a maximum of 670,000 fully paid-up registered shares with a par value of CHF 1.30 each, through exercising conversion rights, options or other rights related to equity securities (hereinafter referred to jointly as "option rights") which are granted to employees, members of the Board of Directors, management, advisors and the Board of Advisors of the Company or its Group Companies, subject to Article 26b of the Articles of Incorporation.

## 9. Approval of the total compensation to be paid to the Board of Directors for 2015, 2016 and 2017

### Comments:

The compensation of the members of the Board of Directors consists of a function-specific basic fee in the form of a yearly fixed number of shares in LifeWatch Ltd., blocked for five years and individual committee fees paid in cash. Each Ordinary General Meeting has to prospectively approve the total compensation for the Board of Directors for the financial year following the ordinary Shareholders Meeting in the form of an amount in Swiss francs. The fact that the compensation for the Board of Directors is paid out in the form of shares, whereas the Ordinary General Meeting approves the total compensation for the Board of Directors as a Swiss franc amount may lead to a discrepancy between the total amount in Swiss francs approved by the Ordinary General Meeting as the total compensation for the Board of Directors and the value of the shares actually allocated to the Board of Directors, if the share price increases between the Ordinary General Meeting and the time the shares were allocated. Given that, the amount approved by the Ordinary General Meeting as total compensation for the Board of Directors may be exceeded, depending on the development of the share price with the result that the total compensation has to be approved again.

This model was chosen in order to unite, as much as possible, the interests of the shareholders, the company and the Board of Directors. On the one hand, the Board of Directors wished to protect the relatively modest liquidity of the company, whilst on the other hand linking the compensation to the long-term development of the company. The Board of Directors plans to carry out a review of this system in 2016.

**Compensation for 2015:** The Ordinary General Meeting 2014 approved a total maximum compensation for the 2015 financial year of CHF 730,000, based on the assumption of five members of the Board of Directors.

Given the significant increase in the share price since the 2015 maximum compensation was fixed, it could have been expected that the maximum compensation amount for 2015 needed amending. This would have been the case if the Board of Directors had been extended to five persons as assumed in 2014. Since the Board of Directors however remained at three members the originally approved amount of CHF 730,000 proved sufficient (actual compensation CHF 696,018). However given these circumstances we propose that the general meeting approves the 2015 total maximum compensation amount.

In view of the increase of the share price between the Ordinary General Meeting 2014, approving the total compensation of the Board of Directors for 2015 and given that the Board of Directors consisted of three instead of the projected five members, the Board of Directors has taken the decision to have the compensation for 2015 approved again by the General Meeting, despite the fact that the initially approved total compensation for 2015 of CHF 730,000 has not been exceeded (total compensation paid is CHF 698,018). In view of that the Board of Director requests the General Meeting to approve the total compensation for 2015.

**Compensation for 2016 and 2017:** The Ordinary General Meeting for the business year 2014 has approved a total compensation for the Board of Directors for 2016 of CHF 600,000. The allocation of shares to the Board of Directors for 2016 and 2017 will be decreased in view of the actual share price. Based on the proposal to elect five members of the Board of Directors during the Ordinary General Meeting, the Board of Directors proposes to increase the total maximum compensation for 2016 from CHF 600,000 which was authorized at the Ordinary General Meeting for the business year 2014 to CHF 700,000. As regards the compensation for five members of the Board of Directors in 2017, the total maximum compensation is proposed to be CHF 700,000 as well. This compensation is based on a share price of CHF 16 per share. Should the share price rise further, then the compensation would have to be adjusted and resubmitted to shareholders for approval.

The actual compensation paid for 2016 will be disclosed along with a breakdown of all components in the 2016 Compensation Report.

### Motion of the Board of Directors:

- 9.1 Approval of the total compensation of CHF 696,018 for the Board of Directors for the financial year 2015.
- 9.2 Approval of the total compensation for the Board of Directors for the financial year 2016 in the maximum amount of CHF 700,000.
- 9.3 Approval of the total compensation for the Board of Directors for the financial year 2017 in the maximum amount of CHF 700,000.
- 10. Approval of the fixed and variable compensation to be paid to the Executive Management Team

### Comments:

The compensation paid to the members of the Executive Management Team consists of a fixed component and a variable performance-related component.

The variable performance related component will be paid 50% in cash with the other 50% being allocated to performance plan units. Performance plan units consist of shares in the Company, with the number of shares being determined by using the average share price for the 30 days prior to the annual general meeting in the year for which the bonus is earned. These performance plan units then vest over 3 years and eventual payments under the plan can vary from 0% and 200% depending on future EBITDA results. In case of a change of control all performance plan units will immediately vest.

The 2014 Ordinary General Meeting approved a maximum amount of CHF 2,100,000 as fixed Executive Management Team compensation for the financial year 2015 and the 2015 Ordinary General Meeting approved a maximum amount of CHF 2,100,000 for the financial year 2016. The Executive Management Team consisted of four individuals (varied between four and six) for the whole of 2015 and it is the intention that it contains five or six individuals during 2016 and 2017.

A maximum amount of CHF 2,100,000 is proposed as fixed Executive Management Team compensation for the financial year 2017 for prospective approval at this Ordinary General Meeting. In addition to the base salaries, this maximum amount also includes other expenses (including social security and pension fund contributions) and unforeseen expenses. The actual compensation paid for 2016 will be disclosed in the 2016 Compensation Report.

The variable performance-related compensation for the members of the Executive Management Team proposed retrospectively for 2015 is CHF 380,000. This amount is lower than 2014 as a result of fewer Executive Management Team members and significantly lower bonus awards.

The variable performance-related compensation for the financial year 2016 will be determined retrospectively and submitted to the General Meeting for approval in 2017.

Motion of the Board of Directors:

- 10.1 Approval of the fixed compensation for the Executive Management Team for the financial year 2017 in the maximum amount of CHF 2,100,000.
- 10.2 Approval of the variable compensation for the Executive Management Team for the financial year 2015 in the maximum amount of CHF 380,000.

## 11. Election of the independent proxy

Motion of the Board of Directors:

Election of the previous independent proxy Mr. Yves Endrass lic. iur., attorney at Stiffler & Partner, Rechtsanwälte, Dufourstrasse 101, P.O. Box 1072, CH-8034 Zurich as the Company's independent proxy for the financial year 2015 until the end of the Ordinary General Meeting in 2017.

## 12. Election of the statutory auditors

Motion of the Board of Directors:

Re-election of PricewaterhouseCoopers AG, Zurich, as statutory auditors for the financial year 2016.

## General Information

### Annual Report

The Annual Report, Statutory Annual Financial Statements and Consolidated Financial Statements, the Report of the Auditors and the minutes of the Ordinary General Meeting of April 29, 2015, will be available from March 24, 2016 onwards, at our Company headquarters in Zug for inspection by shareholders and can also be viewed at <http://www.lifewatch.com>. Copies of these documents can be ordered from our Company from the above date onwards, fax: +41 52 632 00 51.

### Eligibility to vote/Admission Cards

Shareholders entered in the shareholders' register before April 13, 2016, which is the first day on which the share register is closed, will receive an invitation along with a reply and proxy form (registration/power of attorney for the Ordinary General Meeting) and an instruction form for the independent proxy (see below for more information on the independent proxy). These shareholders will receive an admission card provided that they request one by using their reply form. Admission cards will be sent starting April 1, 2016. Shareholders may also obtain their admission cards after the doors open before the General Meeting by presenting their reply form.

No entries will be made in the share register from April 13, 2016, up to and including April 15, 2016.

### Granting Power of Attorney

Shareholders who are unable to attend the General Meeting in person may appoint a third party or the independent proxy to represent them. Mr. Yves Endrass lic. iur., attorney at Stiffler & Partner, Rechtsanwälte, Dufourstrasse 101, P.O. Box 1072, CH-8034 Zurich, e-mail [unab.lifewatch@sharecomm.ch](mailto:unab.lifewatch@sharecomm.ch), was elected as the independent proxy as defined in Article 689c CO and Article 8 of the Ordinance Against Excessive Compensation in Listed Stock Companies (VegüV) at the last Ordinary General Meeting.

When granting powers of attorney to third parties, the admission cards must be signed and forwarded to the proxy.

When granting power of attorney to the independent proxy, it is not necessary to order an admission card; instead, shareholders must send the filled-out and signed power of attorney along with their instructions directly to the independent proxy at the above address. Powers of attorney and instructions may also be issued to the independent proxy electronically until the deadline on April 13, 2016, at 12.00. The relevant information on setting up a shareholder's account can be found on the reply form. If no instructions are given, the independent proxy will abstain from voting.

### Organizational information

The Ordinary General Meeting of LifeWatch Ltd. will be held in the Ballsaal I & II at the Park Hyatt Zurich, Beethoven-Strasse 21, CH-8002 Zurich. The Park Hyatt Zurich is easy to get to in 15 minutes on foot from Zurich's main station (HB) or on public transportation (take tram 6, 7, and 13 from the main station, HB to the tram stop Stockerstrasse. At the tram stop, turn right into Beethoven-Strasse where you will see Park Hyatt Zurich on your right).

We are pleased to invite participating shareholders to refreshments following the Ordinary General Meeting.

Zug, March 23, 2016

For the Board of Directors  
Patrick Schildknecht, Chairman