

Corporate Governance

The Executive Management Team and the Board of Directors of LifeWatch AG (the Company) consider corporate governance to be essential for responsible, transparent, efficient and value-driven corporate management. Good corporate governance promotes confidence and trust in the Company by investors, financial markets, business partners, employees and the public. The Executive Management Team and the Board of Directors are continuously trying to improve the principles of corporate governance and actively ensure that they are applied and lived throughout the LifeWatch Group. The central elements of corporate governance are contained in the Articles of Incorporation and organizational regulations, and are based on the guidelines and recommendations set out in the “Swiss Code of Best Practice for Corporate Governance” published by Economiesuisse. For ease of reference, the order and numbering of the individual sections correspond to those used in the “Guidelines concerning information on corporate governance” published by SIX Swiss Exchange. Unless otherwise indicated, all information refers to fiscal year ending December 31, 2016 or the balance sheet date of December 31, 2016. Significant events that have occurred between the year end and the publication deadline for this report have also been included as appropriate.

1 Group Structure and Shareholders

1.1 Group Structure

1.1.1 LifeWatch 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. For an overview of the organizational Group structure, please refer to page 43 of this Annual Report.

1.1.2 Listed company

Company	LifeWatch AG, Zug, Switzerland
Listing	SIX Swiss Exchange, Main Segment
Ticker	LIFE
Market capitalization	CHF 189,398,157 as of December 31, 2016
Treasury shares	0.07% held by LifeWatch as of December 31, 2016
Security number	1281545
ISIN number	CH 0012815459

1.1.3 Non-listed companies

For an overview of affiliated and associated non-listed companies, belonging to the LifeWatch Group please refer to note 18 in the consolidated financial statements of this Annual Report.

1.2 Significant shareholders

On December 31, 2016, the Company knew of the following shareholders holding over 3% of the voting stock in LifeWatch AG based on their own declarations. Constantly updated information on significant shareholders is available at www.six-swiss-exchange.com under "Significant Shareholders" when entering LifeWatch's ticker symbol "LIFE" in the product search box.

(Link: <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=CARDGAG>)

Himalaya (Cayman Islands) TMT Fund held 15.33% of the voting rights in LifeWatch AG as disclosed by the shareholder to the company.

AEVIS Victoria SA held 11.94% of the voting rights in LifeWatch AG as per the shareholder register and as disclosed in their offering prospectus dated February 20, 2017.

LB (Swiss) Investment AG held 10.69% of the voting rights in LifeWatch AG as per the shareholder register.

Martin Eberhard held 3.50% of the voting rights in LifeWatch AG as per the shareholder register.

Significant changes since the year-end
None.

The rest of the shares are held by public shareholders.

The Company does not have any outstanding shareholders' agreements.

2 Capital Structure

2.1 Share Capital as of December 31, 2016

Ordinary share capital:	CHF 24,021,229.70 18,477,869 registered shares of par value CHF 1.30 (fully paid-in)
Conditional share capital:	CHF 1,300,000 1,000,000 registered shares of par value CHF 1.30 (for bond issues and similar obligations)
Authorized but unissued share capital:	None

2.2 Conditional Share Capital

During the fiscal year ending December 31, 2016 the Company issued 10,300 shares from the conditional capital designated for the exercise of option rights granted to members of the Board, members of the Executive Management Team, employees and consultants. The remainder of such conditional capital

was cancelled at the Shareholders Meeting in 2016. In 2015 and 2014 the Company issued 25,124 shares and 210,228 shares, respectively, from such conditional capital.

With respect to option rights granted to members of the Board, members of the Executive Management Team, employees and consultants of the Company or its affiliates, any pre-emptive rights and rights to advance subscriptions are excluded. The issue of such option rights is effected in accordance with one or more option plans to be adopted by the Board of Directors.

The acquisition of shares through the exercise of option rights granted to members of the Board, members of the Executive Management Team, employees and consultants of the Company or its affiliates as well as any subsequent transfer of the shares are subject to the restrictions in the Articles of Incorporation of the Company (see also "Limitations on transferability and nominee registrations" in this section of the Annual Report).

Pursuant to the Articles of Incorporation as of July 13, 2016, the share capital of LifeWatch AG may be raised through the issue of no more than 1,000,000 fully paid-up registered shares having a par value of CHF 1.30 by an amount of up to a maximum of CHF 1'300'000:

- a) through the exercise of option and/or conversion rights which are granted in relation to bond issues and similar obligations of the Company or its group companies
- b) through the exercise of option rights which are granted to the shareholders of the Company.

The rights of the shareholders to subscribe shares in priority are excluded. The shares, which are issued under this provision, shall be subject to the transfer restrictions in the Articles of Incorporation of the Company. The rights of the shareholders to subscribe in priority in the context of warrants and/or convertible bonds and/or similar financing instruments may be limited or excluded for no more than 1,000,000 of such new registered shares by resolution of the Board of Directors, provided that such option and/or conversion rights are issued:

- a) to finance the acquisition of enterprises, participations in such enterprises, divisions thereof or new investments of the Company

b) to issue warrants and/or convertible bonds and/or similar financing instruments on the international capital markets.

With reference to warrants and/or convertible bonds and/or similar financing instruments in respect of which the Board of Directors resolves to exclude the shareholders' right to subscribe in priority, the following shall apply:

- a) The shares shall be issued in accordance with the prevailing terms and conditions of the conversion and option rights, respectively. The warrants and convertible bonds or similar financing instruments shall be issued in accordance with market conditions.
- b) The exercise price for the conversion and option rights for the new registered shares must at least correspond to the market conditions prevailing at the time of the issue of the respective financing instrument.

2.3 Authorized share capital

As of December 31, 2016, the Company does not have any authorized but unissued share capital.

2.4 Changes in Shareholders' Equity Since 2014

CHF	31.12.2016	31.12.2015	31.12.2014
Share capital	24,021,230	17,515,615	17,482,984
Reserve from capital contribution	53,582,618	16,305,675	15,980,590
Other legal reserve	1,048,462		
Retained earnings	-12,741,186	-	2,602,193
Treasury shares	-98,018	-115,242	-367,631

Changes in shareholders' equity during fiscal year 2014

During the fiscal year ending December 31, 2014 the Company issued 210,228 registered shares with a par value of CHF 1.30, amounting to CHF 273,296 of additional share capital due to the exercise of options. The Reserve from capital contribution increased to CHF 15,980,590 due to an amount of CHF 756,050 of additional paid-in capital from the issuance of the shares mentioned above.

Changes in shareholders' equity during fiscal year 2015

During the fiscal year ending December 31, 2015 the Company issued 25,124 registered shares with a par value of CHF 1.30, amounting to CHF 32,661.20 of additional share capital due to the exercise of options. The Reserve from capi-

tal contribution increased to CHF 16,305,675 due to an amount of CHF 188,413 of additional paid-in capital from the issuance of the shares mentioned above and CHF 136,673 as a result of profit realized on the transfer of Treasury shares to Board members.

Changes in shareholders' equity during fiscal year 2016

During fiscal year ending December 31, 2016 the company issued a total of 5,004,319 registered shares of a par value of CHF 1.30, amounting to CHF 6,505,614.70 of additional share capital through the issuance of 4,994,019 new registered shares offered for subscription in a rights issue and 10,300 shares due to the exercise of options. The Reserve from capital contribution increased to CHF 53,582,618 due to an amount of CHF 37,276,943 of additional paid-in capital from the issuance of the shares mentioned above.

2.5 Shares

At December 31, 2016 the share capital of LifeWatch AG was divided into 18,477,869 fully paid-in registered shares with a par value of CHF 1.30 each. All shares are entitled to dividends and carry a single vote. The Company maintains a stock ledger, listing the surname and first name (in the case of legal entities, the company name) and address of the holders and usufructuaries. Only persons or legal entities registered in the stock ledger shall be recognized as shareholders or usufructuaries by LifeWatch AG.

2.6 Profit sharing certificates

The Company has neither profit sharing certificates nor bonus certificates outstanding.

2.7 Limitations on Transferability

2.7.1 and 2.7.2 Limitations on transferability and nominee registrations of registered shares

The Articles of Incorporation of LifeWatch AG contain no transfer restrictions (Vinkulierung) with regard to the registered shares. However, pursuant to Art. 7 of the Articles of Incorporation of LifeWatch AG, the Board of Directors of LifeWatch AG may refuse to register an acquirer of LifeWatch AG shares as a shareholder with the registered right to vote if the acquirer, upon request, does not explicitly declare that they acquired the shares in their own name and for

their own account. The Board of Directors may cancel the registration retroactively to the time of the registration if such registration was based on false declarations.

2.7.3 Admissibility of nominee registrations

Concerning the voting rights of nominee shares, the following applies: LifeWatch AG shall register in its stock ledger any shares in LifeWatch AG held by a nominee (nominee shares) without voting rights, subject to any nominee shares for which the nominee:

- a) discloses to LifeWatch AG the name, citizenship, and address of the ultimate beneficial owner, and the number of nominee shares held by such beneficial owner, or
- b) explicitly declares that it acquired the nominee shares in its own name and for its own account.

Nominee shares for which the nominee discloses the above-mentioned information (under a and/or b), shall be registered in LifeWatch AG's stock ledger with voting rights as soon as reasonably possible after LifeWatch AG's receipt of the respective disclosure notice.

2.8 Convertible Bonds and Warrants/Options

LifeWatch AG has no convertible bonds or stock options outstanding as of December 31, 2016. Accordingly, there is no conditional share capital as at December 31, 2016 to cover the exercise of options. However, there is conditional capital for the issuance of not more than 1,000,000 shares through either a) the exercise of options and/or conversion rights which are granted in relation to bond issues and similar obligations of the Company or its group companies; and/or b) the exercise of option rights which are granted to the shareholders of the Company.

3 Directors

3.1 Members of the Board of Directors

The company had seven non-executive members of the Board of Directors as at December 31, 2016. All non-executive members of the Board of Directors are independent and were not previously members of the Executive Management Team of LifeWatch AG or any of its affiliates.

Robert Bider

Chairman of the Board

Chairman of the Executive Committee

Born 1947, Swiss citizen, first elected 2016

Robert Bider holds a PhD in Sciences and a Master in Industrial Management (MIM) from the Federal Institute of Technology, Zurich (ETHZ). Mr. Bider started his career in 1972 as Head of the Organization Department of the University Hospital, Zurich. In 1977, he became Head of the Consulting Department of the Swiss Hospital Institute. From 1985 to 2008, he was Chief Executive Officer of Hirslanden, where he devised and executed the expansion scheme of Hirslanden from a single hospital to the largest Swiss private hospital group with 1300 beds, over 100 centers of competence, 5'000 employees and a turnover of CHF 1.1 billion. He is Chairman of the Hirslanden Research Foundation, the Robert Bider Foundation, member of the Foundation for the Lucerne Symphony Orchestra and President of the Zurich Corporate Tennis Association. Mr. Bider is also Chairman of European Medical Network EMN AG and member of the non-executive Board of Median Kliniken. Further, he is on the board of Pioneer Medical Devices AG, Lumendi Ltd., Embru AG and Montana Capital Partners AG. He was Chairman of the Board of SENIOcare AG, the largest Swiss chain of nursing homes, from 2009 until it was sold to Swiss Prime Site in 2015. He was also a board member of Grand Resort Bad Ragaz, Medi-Clinic Switzerland AG, Medi-Clinic Corporation Ltd. and Rhino-Partners AG.

Patrick Schildknecht

Member of the M&A and Investment Committee

Born 1972, Swiss citizen, first election 2013

Patrick Schildknecht is the owner and president of SK Holding AG in Euthal, an investment company with several subsidiaries in retail trading as well as in the property development and building materials sectors. He started his career with the door manufacturer Portico S.A. in San Jose, Costa Rica. After returning to Switzerland in 1999 he worked five years as a strategy consultant with Arthur D. Little in Singapore and Switzerland. In 2004 he directed, as owner and CEO, Sycrilor Industries S.A. in Le Noirmont, a precision forge for the luxury goods and medical industry. Since then Patrick Schildknecht has acted as member of the Board of Directors in several public and private companies. In 1998 Patrick Schildknecht achieved a master of business administration at the University of Zurich.

Antoine Hubert

Chairman of the M&A and Investment Committee

Member of the Compensation Committee

Member of the Executive Committee

Born 1966, Swiss citizen, first election 2014

Antoine Hubert is founder and Delegate of the Board of AEVIS Holding AG as well as one of the two main shareholders of the firm. AEVIS Holding SA invests in the healthcare sector, life sciences and personal care services. AEVIS's main shareholdings are Genolier Swiss Medical Network, the second largest group of private clinics in Switzerland, and Swiss Healthcare Properties AG, a company specialized in medical real estate, Nescens SA, a brand dedicated to better-aging, and AS Ambulances Services SA. Prior to acquiring a stake in Clinique de Genolier in 2002 and founding Genolier Swiss Medical Network in 2004, Antoine Hubert was mainly active in the property and real estate industry and has set up various businesses and served as a director to several companies in different industries.

Thomas Rühle

Chairman of the Compensation Committee

Born 1960, German citizen, first election 2013

Thomas Rühle was Vice President Europe of Sanofi Pasteur MSD from 2005 till 2011. Previously, he acted as Chairman for the region Germany at Sanofi Pasteur MSD. Prior to Sanofi Pasteur MSD he held several marketing positions at leading pharmaceutical companies. Thomas Rühle holds a degree in economics of the BA Karlsruhe. Today he is engaged as a private investor in several health and logistic companies.

Raymond W. Cohen

Member of the Compensation Committee

Member of the Audit and Risk Committee

Member of the M&A and investment Committee

Born 1959, U.S. citizen, first elected 2016

Raymond W. Cohen is an accredited public company director and medical device veteran with over 30 years of operating and board level experience. Mr. Cohen currently serves as the CEO and a board member of Axonics Modulation Technologies, Inc. Irvine, CA, USA. Mr. Cohen is a member of several boards of Directors; he is Chairman of the Board of Lombard Medical Inc. Didcot, UK, Chairman of the Board of BioLife Solutions Inc., Bothell, WA, a Board member of Spectrum Pharmaceuticals Inc., Henderson, NV, a Board member of JenaValve Technology, Irvine, CA, and Chairman of the Board, Syncroness, Inc., Westminster, CO.

Antoine Kohler

Vice Chairman

Chairman of the Audit and Risk Committee

Member of the Executive Committee

Born 1956, Swiss citizen, first elected 2016

Antoine Kohler holds a law degree from the University of Geneva. Following postgraduate studies at the Graduate Institute of International Studies, Geneva, Antoine Kohler has been practicing law as a qualified attorney in Geneva since 1983. He is a senior partner of the law firm Perréard de Boccard SA, with offices in Geneva and Zurich. Antoine Kohler is member of several boards of Directors; he is amongst others a board member of AEVIS VICTORIA SA, Fribourg and certain AEVIS group companies, Chairman of the Board of Airopack Technology Group AG, Baar, Deputy Chairman of Mitsubishi UFJ Wealth Management Bank (Switzerland) Ltd., Geneva, and a board member of Sixt Leasing (Schweiz AG), Urdorf, and Sixt rent-a-car AG, Basel. Up until 2015 Antoine Kohler was also Chairman of Cicor Technologies Ltd, Boudry.

Jinsheng Dong

Member of the Audit and Risk Committee

Born 1972, Chinese citizen, first elected 2016

Jinsheng Dong holds an EMBA of China Europe International Business School (CEIBS) 2014 and a bachelor in economics of Beijing Technology and Business University 1996. He began his career with China Oil and Foodstuffs Import and Export from 1996–1999, following which he held leading positions in the marketing area of China Hewlett-Packard. From 2000–2014 he served as Sales Manager, Sales Director and Support Sales General Manager of China Hewlett-Packard. In 2014 he joined the management board of Zhuhai Hokai Medical Instruments Co., Ltd, where he is responsible for the division of mobile health products. He is also a Board member and third largest shareholder of Beijing Hospmail Technology Co., Ltd., a subsidiary of Zhuhai Hokai Medical Instruments.

3.2 Other Activities and Business Connections

Apart from the positions mentioned under each Board Members profile, no members of the Board of Directors acted in any governing or supervisory bodies of important Swiss and foreign organizations, institutions or foundations in 2016.

The Articles of Association of the Company contain the following provision relating to other activities of the Board of Directors and the Executive Management Team:

The members of the Board of Directors and the members of Executive Management shall not occupy or exercise more than the following number of positions in the highest managing or supervising body of other entities that are obliged to be entered into the commercial register or a comparable foreign register and that are neither controlled by, nor that control the Company:

- 4 positions in publicly listed companies whereby positions in several different companies that form part of the same group of companies are regarded as one position; and
- 8 paid positions with other entities, whereby positions in several different companies that form part of the same group of companies are regarded as one position; and
- 8 unpaid positions, whereby mere expense recovery is not deemed to be compensation and positions in several different companies that form part of the same group of companies are regarded as one position.

3.3 Elections and Terms of Office

The 2015 AGM took place on April 15, 2016.

Name	Position	First elected	Elected until Shareholders' Meeting
Robert Bider	Chairman ¹⁾ Chairman of the Executive Committee Non-executive	2016	2016
Patrick Schildknecht	Member ²⁾ Member of the M&A and Investment Committee Non-executive	2013	2016
Thomas Rühle	Member ³⁾ Chairman of the Compensation Committee Non-executive	2013	2016
Antoine Hubert	Member ⁴⁾ Chairman of the M&A and Investment Committee and a Member of the Executive Committee and the Compensation Committee	2014	2016
Raymond W. Cohen	Member ⁵⁾ Member of the Compensation Committee, the Audit and Risk Committee and the M&A and Investment Committee Non-executive	2016	2016
Antoine Kohler	Vice Chairman ⁵⁾ Chairman of the Audit and Risk committee Member of the Executive Committee Non-executive	2016	2016
Jinsheng Dong	Member ⁵⁾ Member of the Audit and Risk Committee Non-executive	2016	2016

¹⁾ Elected member of the Board of Directors on the occasion of the Ordinary Shareholders Meeting taking place on April 15, 2016 and appointed Chairman of the Board of Directors

²⁾ Member of the Board of Directors of LifeWatch AG elected on the occasion of an Extraordinary Shareholders Meeting taking place on January 23, 2013, and Chairman of the Board of Directors until the Ordinary Shareholders' Meeting on April 15, 2016

³⁾ Member of the Board of Directors of LifeWatch AG elected on the occasion of an Extraordinary Shareholders' Meeting taking place on January 23, 2013

⁴⁾ Elected member of the Board of Directors on the occasion of the Ordinary Shareholders' Meeting taking place on January 30, 2014

⁵⁾ Elected member of the Board of Directors on the occasion of the Ordinary Shareholders' Meeting taking place on April 15, 2016

According to the Articles of Incorporation, the Board of Directors of LifeWatch AG consists of at least three members. The Shareholders' Meeting will appoint the members of the Board of Directors for a term of office of no more than one year. The Shareholders Meeting shall further elect the Chairman of the Board of Directors from the members of the Board of Directors. Patrick Schildknecht retired as Chairman of the board at the annual general meeting held on April 15, 2016, at which the new Chairman, Robert Bider, and the additional members of the Board of Directors were elected.

Furthermore, the Articles of Association also contain provisions whereby the Shareholders Meeting elects a Compensation Committee consisting of two or more members. The members of the Compensation Committee are elected individually. Only members of the Board of Directors are eligible for election.

In order to ensure that Shareholders can be independently represented at a Shareholders Meeting, the Company's Articles of Association contain the following provisions:

- The Shareholders Meeting elects an independent shareholder representative.
- If the Company has no independent shareholder representative, the Board of Directors designates an independent shareholder representative for the next Shareholders Meeting.

LifeWatch AG was granted, in 2013, exception from compliance with the nationality requirement for the majority of the members of the Board of Directors pursuant to Art. 708 para 1 CO.

3.4 Internal Organizational Structure

The Board of Directors constitutes itself. It shall elect among its members a Vice Chairman and shall appoint a secretary, who need not be a member of the Board. Patrick Schildknecht acted as Chairman of the Board of Directors until the Shareholders' Meeting on April 15, 2016. Robert Bider was elected as a Member and Chairman of the Board at that meeting and held the position for the remainder of the year. Antoine Hubert acted as Vice Chairman up until the Shareholders' Meeting on April 15, 2016. For the rest of 2016 Antoine Kohler acted as Vice Chairman. The Board of Directors has the ultimate responsibility for the business strategy and the direction of the business of LifeWatch AG as well as the issuance of the necessary instructions.

3.4.1 Allocation of tasks within the Board of Directors

The most important duties of the Board of Directors, according to the Swiss Code of Obligations and the Articles of Incorporation of LifeWatch AG are:

- the strategic direction and the determination of the organization
- the regulation of accounting, financial control and financial planning
- the appointment and removal of the persons entrusted with management and representation of the Company
- the ultimate supervision of the persons entrusted with management of the Company
- the preparation of the business report and the compensation report as well as the preparation of the Shareholders Meeting and the implementation of the resolutions adopted by the Shareholders Meeting
- the examination of the professional qualifications of the qualified auditors

Decisions by the Board of Directors are taken in accordance with the majority requirements set forth in the Swiss Code of Obligations. Board meetings, at which the members of the Board of Directors meet physically, usually last for a day. The duration of Board meetings held by telephone conference depends on the specific items to be discussed during the meetings, but on average they last for about one hour.

The Internal Regulations of LifeWatch AG stipulate that the Board of Directors must meet at least four times a year. During fiscal year 2016 the Board of Directors met 6 times physically for Board meetings with meetings lasting on average 5.2 hours and held 11 telephone conferences which lasted on average 55 minutes. The Chairman determines the agenda and items for discussion at the Board meeting, however, all members of the Board of Directors can request to add further items to the agenda. All Board members receive extensive documents as preparation prior to the meetings. Such documents include particularly, but not exclusively, consolidated financial statements of the Group (balance sheets, statements of operations, statements of cash flows and notes to the financial statements). Members of the Executive Management Team, such as the Chief Financial Officer, or external consultants, such as the independent Group auditors, may be invited to attend the meetings of the Board of Directors.

3.4.2 Committees

In 2016, LifeWatch AG had four committees, a Compensation Committee, an Audit and Risk Committee, an M&A and Investment Committee and an Executive Committee. The members of these committees give specific recommendations to the entire Board of Directors. However, decision authority remains with the entire Board of Directors. The Board of Directors or the committees also engage external consultants, specialized attorneys and/or auditors to address specific topics, whenever required.

3.4.3 Compensation Committee

The Compensation Committee consists of at least two non-executive members of the Board of Directors. At the Ordinary Shareholders Meeting 2014, which took place on April 29, 2015 Thomas Rühle and Antoine Hubert were both re-elected to the Compensation Committee with Thomas Rühle also being re-elected as Chairman of the Compensation Committee by the Board of Directors.

The Compensation Committee proposes to the entire Board of Directors the compensation policy (including option programs) for all employees, including the members of the Executive Management Team, the members of the Board of Directors and consultants of the Company. In addition, the Compensation Committee supervises the administration of the share option plans of LifeWatch AG. The decision authority with regard to compensation remains with the entire Board of Directors. The Committee holds meetings as often as business requires, but at least once a year. In fiscal year 2016, the Committee held one physical meeting lasting 0.75 hours.

3.4.4 Audit and Risk Committee

The Audit and Risk Committee consists of at least two non-executive members of the Board of Directors. At the first physical Board Meeting following the Shareholders Meeting of April 15, 2016 the Board of Directors, elected Antoine Kohler, Raymond W. Cohen and Jinsheng Dong to the Audit and Risk Committee with Antoine Kohler being elected as Chairman. The main activities of the Audit and Risk Committee are the review of risk management and internal controls of the Company, monitoring of financial reporting and audit review. The Audit and

Risk Committee gives specific recommendations to the Board of Directors. The responsibility for the approval of the financial reporting and the financial statements and the decision authority remain with the entire Board of Directors.

The Audit and Risk Committee shall ensure the follow-up on findings and identified actions of the auditors and report at least once per year its findings and actions undertaken to the entire Board. The Chairman of the Audit and Risk Committee shall upon discovery immediately inform the Chairman of the Board of major findings where the importance of the matter requires attention without delay.

The Committee meets at least once a year. In fiscal year 2016, the Audit and Risk Committee held two telephone conferences and two physical meetings lasting on average 0.5 hours.

3.4.5 M&A and Investment Committee

The M&A and Investment Committee consists of at least two non-executive members of the Board. At the first physical Board Meeting following the Shareholders Meeting of April 15, 2016 the Board of Directors elected Raymond W. Cohen, Patrick Schildknecht and Antoine Hubert to the M&A and Investment Committee with Antoine Hubert being elected as Chairman.

The principal duties of the M&A and Investment Committee are the evaluation of any M&A or investment proposals and is, without limitation, responsible:

- a) for evaluating any acquisition or disposal of assets or other investment opportunity, including any takeover or merger proposed by Executive Management, and making an appropriate recommendation to the full board;
- b) for evaluating any takeover or merger approach made by third parties and making an appropriate recommendation to the full board
- c) for periodic review of the charter of the M&A and Investment Committee

It meets as required, however, typically once a year before a scheduled Board meeting. Apart from the members of the Corporate Management, the M&A and Investment Committee may also seek independent advice from external experts deemed to be appropriate in order to carry out its duties. The M&A and Investment Committee did not meet during 2016.

3.4.6 Executive Committee

The Executive Committee consists of at least two non-executive members of the Board. At the first physical Board Meeting following the Shareholders Meeting of April 15, 2016 the Board of Directors elected Robert Bider, Antoine Kohler and Antoine Hubert to the Executive Committee with Robert Bider being elected as Chairman.

The principal duties of the Executive Committee are the organizing of Board of Directors meetings including setting dates and times, sending an invitation with agenda and ensuring adequate documentation is provided.

It meets at least four times a year, typically well before each, to be scheduled, Board meeting. The Executive Committee met telephonically 8 times in 2016 for an average of 20 minutes.

3.5 Definition of Areas of Responsibility

The responsibility of the Board of Directors with respect to the non-transferable and irrevocable tasks is as defined by the Swiss Code of Obligations. The Board of Directors' main responsibilities are:

- to formulate the general Group strategy and the industrial and service concept behind the Group based on the recommendations of the Executive Management Team
- to decide on any acquisition, sale, foundation or liquidation of subsidiaries
- to define the Group's financing strategy including decisions on collective means of financing as well as to determine accounting, financial control and planning schemes
- to approve the financial statements
- to define the Group's organizational structure and its organizational regulations
- to appoint and dismiss members of the Executive Management Team
- to approve the annual, respectively business, report and the consolidated financial statements, conduct the annual Shareholders Meeting and execute its decisions

Apart from these main tasks, the Board of Directors delegates the power to manage the Company's day-to-day business activities to the Chief Executive Officer, who together with the Executive Management Team is responsible for the overall management of LifeWatch AG.

3.6 Information and Control Instruments

The Board of Directors is regularly informed of significant matters involving the Company's business and receives regular reports from the Board Committees, the Chairman, as well as from the Executive Management Team. Regular written reports are also provided: LifeWatch runs a Management Information System (MIS), which provides financial information and comparative operational analyses, including monthly, semi-annual, and annual statements, regional revenue breakdowns and employee numbers of all LifeWatch subsidiaries. Every member of the Board of Directors received summary information and analyses on a monthly basis as well as prior to the Board meetings during the fiscal year. In addition, the non-executive Chairman of the Board of Directors, Patrick Schildknecht and subsequently Robert Bider, maintained regular contact with the CEO, Dr. Stephan Rietiker, in order to be kept fully updated on developments in the business, and regularly requested reports containing additional information from the Executive Management Team. In addition, the CEO, Dr. Stephan Rietiker, also regularly briefed the members of the Board of Directors on operations and other activities of the Company and its subsidiaries. The Chief Financial Officer, Mike Turchi and subsequently Andrew Moore, attended all meetings of the Board of Directors at which financial matters were discussed and participated at all meetings of the Audit and Risk Committee, reviewing the Company's financial performance as well as reporting and monitoring the internal and external audit processes and assessing the internal risk management and processes.

4 Executive Management Team

4.1 Members of the Executive Management Team

Details on the members of the Executive Management Team of LifeWatch AG are shown below:

Dr. Stephan Rietiker

Chief Executive Officer

Born 1956, Dual citizen of Switzerland and the United States, joined in 2014, appointed June 1, 2014.

Dr. Stephan Rietiker received his medical doctorate from the University of Zurich in 1982 and also qualified to practice medicine in the United States. He spent five years practicing internal medicine before moving into the Healthcare industry. Dr. Rietiker began his career with Roche in 1987 and thereafter held several senior positions in marketing / general management with Boehringer Mannheim and Schering Plough. Subsequently, he became Vice President and General Manager Europe for Covance Central Laboratory Services. In 2001, he was appointed President and CEO of Sulzer Medica (later Centerpulse) and was instrumental in resolving a landmark legal settlement in a major U.S. litigation. He was also responsible for restructuring the company which ultimately led to its acquisition by Zimmer in 2003. After a year as CEO and Director at Pendragon Medical AG, he took on the role of Executive Director and CEO at IMI Intelligent Medical Implants in 2004. In 2006, Dr. Rietiker left IMI and incorporated AurigaVision AG, a Switzerland based investment platform that focuses on promising developmental-stage healthcare companies. This activity led to his involvement with LifeWatch AG where he initially served as Executive Board Member and Interim CEO. After four months, he permanently was appointed CEO of LifeWatch AG, a position he still holds today. Dr. Rietiker also served as a Senior Advisor to Brown Brothers Harriman's Corporate Finance team from 2006–2014. And, since 2014, Dr. Rietiker has been serving on the Board of Directors for California-based LoneStar Heart, a company developing breakthrough therapies against advanced heart failure.

Mike Turchi

Chief Financial Officer until March 31, 2016

Born 1960, United States citizen, joined in 2000, appointed June 1, 2014

Mike Turchi joined LifeWatch Services in 2000, and has more than 20 years of experience in the financial and business arena. Prior to LifeWatch, Mr. Turchi served as Controller for Baldwin Cooke. He holds a Bachelor of Science in Accounting from the University of Wyoming, an MBA with Honors from Lake Forest Graduate School of Management and is a member of Illinois' CPA Society and AICPA.

Andrew Moore

Chief Financial Officer from April 01, 2016

Born 1957, Swiss and British national, joined in 2014

Andrew Moore holds a Bachelor's Degree in Statistics and Operational Research from the University of Leeds and is a qualified English Chartered Accountant (FCA), qualified English Tax Advisor (CTA) and a certified European Financial Analyst (CEFA). He started his career with Price Waterhouse before spending more than 20 years in banking, fifteen of which were with Credit Suisse in both London and Zurich. At Credit Suisse he initially acted as the CFO of a subsidiary in London before going on to hold senior positions in both investment and private banking in Zurich. In 2000 Mr. Moore moved into the private equity / venture capital field and focused on the healthcare sector. Following nearly 4 years as the Chief Investment Officer for two stock exchange quoted investment companies, Mr. Moore then held CFO / Managing Director positions in 3 different early stage companies, one of which was listed on AIM in London. Following the sale of the business of the AIM listed company Mr. Moore held several project-based mandates.

Stephanie J. Kravetz

Chief Legal Officer

Born 1966, United States citizen, joined in 2011, appointed June 1, 2014

Stephanie J. Kravetz received her Bachelor's Degree in Psychology and Chemical and Biological Sciences from the University of Minnesota in 1988 and a Doctorate in Jurisprudence from William Mitchell College of Law in St. Paul, Minnesota, in 1991. She is admitted to the bar in both Minnesota and Illinois. Ms. Kravetz spent more than 15 years as a national litigator with the law firm Robins, Kaplan Miller and Ciresi L.L.P., practicing in the areas of medical devices, pharmaceutical, healthcare and biotechnology. Among her clients were Fortune 500 companies, including Medtronic, Inc. as well as individual clients. After leaving private practice, Ms. Kravetz joined the LifeWatch Group of Companies in 2011. She served the company in multiple capacities including Of Counsel and General Counsel for LifeWatch Services, Inc. before accepting her current position in March 2014 as Chief Legal Officer and Secretary at LifeWatch AG, where she is responsible for the company's global legal affairs. Ms. Kravetz also holds certifications in healthcare compliance and corporate business compliance and directs the global governance as well as risk and compliance strategies for the LifeWatch Group of Companies. Ms. Kravetz is also the author of numerous published articles on legal-medical and compliance topics.

Stefan Vogt

Chief Commercial Officer until August 16, 2016

Born 1965, Swiss and German citizen, joined in 2015, appointed in 2015

Stefan Vogt holds a Masters Degree in Economics from the University of Zürich, and a Bachelor Degree of Business Administration from the University in Freiburg i.B. He started his career in telecommunications with AT&T, where for 6 years he held positions in Sales and Marketing both in Europe and the U.S. In 1997 he joined SBC in Switzerland as Product Marketing Director, where he helped build the now 2nd largest telecom company in Switzerland. After working for Swisscom from 2003 to 2005, Mr. Vogt switched to the medical device industry in 2005, joining Institute Straumann as Vice President of Global

Marketing. After leaving Straumann in 2007 he founded and built several companies in the medical device and dental industries. Mr. Vogt is President of the Board of Directors at the Swiss Dental Group AG (Switzerland), and sits on the Board of Directors at privateCare AG (Switzerland). Stefan Vogt worked for the company on a consulting basis from August 2014 until his appointment as Chief Commercial Officer.

Dr. Christoph Heinzen

Chief Operations & Technology Officer from September 14, 2016

Born 1966, Swiss citizen, joined 2015

Dr. Christoph Heinzen received his PhD in bioprocess engineering from the Technical University ETH of Zurich in 1996 and his postgraduate degree in economics from ETH in Zurich in 1997. He began his career with The Boston Consulting Group in 1997 and managed several projects within the pharmaceutical and healthcare sectors. Subsequently, he became General Manager and CEO of Inotech AG, a start-up biotech company in Basel. He set-up a GMP bio-manufacturing facility and provided, as a contract manufacturer, clinical trial material for biotech and pharmaceutical companies. In 2009, he was appointed Head of Project Management at Spirig AG, a Swiss based dermatological company, where he was responsible for defining a new corporate strategy. After the acquisition of Spirig by Galderma SA (a subsidiary of Nestlé Skin Health) in 2013, he was appointed Head of Development of OTC products and was responsible for well-established Galderma brands such as Cetaphil®, Excipial® and Daylong®. In May 2015, he was appointed Head of the Project Management Office at LifeWatch AG in Zug and was promoted to Executive Vice President of Operations and Technology, responsible for R&D, IT and Operations in October 2015. In September 2016, the Board of LifeWatch AG promoted Dr. Heinzen to the Executive Management Team as Chief Operations and Technology Officer.

4.2 Other activities and functions

None of the members of the Executive Management Team in 2016 acted in any governing or supervisory bodies of important Swiss and foreign organizations, institutions or foundations. Nor do any of the members of the Executive Management Team have permanent management or consultancy functions for important Swiss or foreign interest groups and none of them hold any official functions or political posts. Please also see the limitation on the number of permitted activities of Executive Management Team members included in the Company's Articles of Association and shown in Section 3.2 above.

Management contracts

No agreements pertaining to the provision of managerial services exist between LifeWatch AG and other companies or natural persons outside the LifeWatch Group of companies.

5 Shareholders' Participation Rights

5.1 Voting-rights and representation restrictions

Each share entitles to one vote. A shareholder with the registered right to vote who does not personally participate in the Shareholders Meeting may be represented by proxy. The holder of the proxy need not to be shareholder.

5.1.1 Voting-rights restrictions

LifeWatch AG does not have any special voting rights restrictions. The exercise of rights according to the Articles of Incorporation is the following:

- The Company shall only accept one representative per share.
- The right to vote and rights relating thereto under a registered share may be exercised vis-à-vis the Company only by persons registered in the stock ledger with the right to vote.
- The Board of Directors may refuse to register an acquirer as a shareholder with the registered right to vote if the acquirer, upon request, does not explicitly declare that he acquired the shares in his own name and for his own account.

- The Board of Directors makes sure that the shareholders may give:
 1. instructions to the independent shareholder representative with respect to each motion contained in the invitation concerning agenda items; and
 2. general instructions to the independent shareholder representative with respect to unannounced motions to agenda items, to new motions pursuant to art. 26d para. 3 of the Articles of Incorporation (dismissed compensation) as well as to new agenda items pursuant to art. 700 para. 3 CO.
- The Board of Directors further makes sure that the shareholder may submit their proxies and their instructions, also by electronic means, to the independent shareholder representative at the latest until 48 hours prior to the start of the Shareholders Meeting as mentioned in the invitation. Compliance with this term is determined based on the receipt of the proxy and the instructions by the independent shareholder representative. The Board of Directors determines the procedures for giving proxies and instructions by electronic means.
- The independent shareholder representative is obligated to vote the shares for which it received proxies in accordance with the instructions given. If he or she has received no instructions with respect to votes, he or she abstains from voting the respective shares.
- If the independent shareholder representative is not in a position to act or if the Company has no independent shareholder representative, the proxies and instructions given are regarded as given to the independent shareholder representative determined by the Board of Directors.

The Board of Directors may cancel the registration retroactively to the time of the registration if such registration was based on false declarations.

5.2 Statutory Quorums

A resolution of the Shareholders Meeting adopted by at least two thirds of the represented share votes and the absolute majority of the represented par value of shares is required for:

1. the change of the purpose of the Company
2. the creation of shares with privileged voting rights
3. the restriction of the transferability of registered shares
4. an increase of capital, authorized or subjected to a condition
5. an increase of capital out of equity, against contributions in kind, or in anticipation of a subsequent acquisition of assets, and the granting of special benefits
6. the limitation or withdrawal of pre-emptive rights
7. the change of the registered office of the Company
8. the dissolution of the Company with or without liquidation Shareholders' Meeting

5.3 Convocation of the Shareholders Meeting

The Shareholders Meeting shall be called by the Board of Directors and, if needed, by the auditors. One or more shareholders with the registered right to vote, who own shares of the Company representing at least 10% of the share capital of the Company may request that a Shareholders Meeting be held. Such request must be submitted to the Board of Directors in writing setting forth the items to be discussed and the proposed motions by the shareholders requesting the meeting.

5.4 Agenda

Notice to the Shareholders Meeting is given by way of publication of the invitation in the Swiss Official Gazette of Commerce (SHAB) at least twenty days before the day of the Shareholders Meeting. The notice shall state the day, time and place of the meeting, the agenda, the proposed motions of the Board of Directors and the proposed motions of the shareholders who have requested the Shareholders Meeting or that an item be included on the agenda. Registered shareholders will also receive a written invitation to the Shareholders Meeting by the Company. One or more shareholders with the registered right to vote who own shares in the Company representing at least one million Swiss Francs of the share capital of the Company may request no later than 60 days before the day of the meeting that an item be included in the agenda. Such request must be made in writing and specify the proposed motions.

5.5 Inscription into the share register

The record date for registration of the shareholders' voting rights is defined by the Board of Directors. As of the record date, the shareholders' register remains closed for registration of shareholders' voting rights. The record date for registration for the Shareholder Meeting to be held on April 26th, 2017 has been set as April 21st, 2017, i.e. shareholders not registered by April 21st, 2017 will not be able to vote at the Shareholder Meeting.

6 Changes of Control and Defence Measures

6.1 Duty to make an offer

The Company's Articles of Incorporation do not contain any rules on opting-out or opting-up in order to cancel or restrict the obligation to submit an offer pursuant to the Federal Act on Stock Exchanges and Securities Trading.

In the event of a change of control, the five-year blocking period for the shares allotted to members of the Board of Directors will be lifted. Any unvested shares will become vested pro rata temporis. Furthermore, any performance units allocated to the Executive Management Team will vest immediately. There are otherwise no change-of-control clauses included in agreements or compensation plans that benefit members of the Board of Directors, the Company's Executive Management Team, or the LifeWatch Group.

7 Auditors

7.1 Duration of the mandate and term of office of the lead auditor

The auditors are appointed by vote of the Annual General Meeting of Shareholders for a term of one-year. Since fiscal year 2002 and also in fiscal years 2014, 2015 and 2016 the Company has retained the services of PricewaterhouseCoopers AG (PwC), Birchstrasse 160, CH-8050 Zurich, Switzerland as its statutory auditors. Since fiscal year 2008 PwC has also acted as the Group auditors. The lead auditor at PwC, Switzerland, Michael Abresch, has been responsible for the audit mandate since 2010 and will be replaced in 2017 after serving for the maximum period of seven years as required by Swiss law.

7.2 Auditing and additional fees

During 2016, PwC charged the LifeWatch Group fees of \$812,824 relating to auditing services for LifeWatch AG and its subsidiaries and the consolidated financial statements. Additional fees of \$207,077 were also charged relating to tax and consulting advice to the various LifeWatch Group companies.

During 2015, PwC charged the LifeWatch Group fees of \$587,482 relating to auditing services for LifeWatch AG and its subsidiaries and the consolidated financial statements. Additional fees of \$228,496 were also charged relating to tax and consulting advice to the various LifeWatch Group companies.

7.3 External Audit Information

The Audit and Risk Committee of the Board of Directors monitors and periodically assesses the performance, compensation and independence of the external auditors and once a year submits a recommendation to the Board of Directors on whether PwC should be proposed for re-election at the Annual General Meeting. The Audit and Risk Committee of the Board of Directors also annually assesses the extent of the external auditing, the auditing plans and the respective programs. Furthermore, in order to assess the performance of PwC, the Audit and Risk Committee have regular contact with the CEO and CFO. Criteria used to assess the auditors' performance include an evaluation of: their technical and operational competence, their independence and objectivity, the efficiency of the audit process including the communication and coordination with the Audit and Risk Committee and management and their provision of practical recommendations. In fiscal year 2016, the Audit and Risk Committee held two telephone conference calls with the external auditors to discuss such matters.

8 Information policy

LifeWatch is committed to communicating in an open, transparent and effective manner with its shareholders, customers, employees and any other interested parties and will treat all parties equally.

LifeWatch AG publishes its earnings on a semi-annual basis and these earnings reports together with any other potentially market relevant information are available on the website (pull system) of the Company at www.lifewatch.com (under Investor Relations and Financial Publications). The earnings reports contain a detailed summary of events during the reported period as well as condensed consolidated financial reporting including balance sheet, statement of income, cash flow statement, changes in shareholders' equity and segment information. Additionally, LifeWatch publishes any price-sensitive information in accordance with the SIX Swiss Exchange rules for ad-hoc publicity and organizes analyst and media conferences or conference calls with the financial community to further discuss their reported earnings or any other matters of importance. Furthermore any interested party can sign up for customized e-mail alerts a under below mentioned adress (push system). A variety of other information including corporate structure, products, services, press releases, etc. is also provided on LifeWatch's website Official notices by the Company are published in the Swiss Official Gazette of Commerce.

Important Dates

March 22, 2017	Publication of Annual Report 2016
April 26, 2017	Ordinary General Meeting of Shareholders, Zurich
August 24, 2017	Analyst Conference Results HY 2017

For further questions:

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