

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, 2014 or the balance sheet date of December 31, 2014. 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 specialist in telemedicine monitoring services and a leading developer and manufacturer of wireless healthcare and wellness related technologies and systems. The services and devices are used to assess a broad array of physiological functions that allow patients to be monitored and treated in their normal, everyday environment. The Group’s financial accounts reflect the Group structure and are based on four business segments – Monitoring Services, Sales of Systems, Mobile Health and other. For an overview of the organizational Group structure, please refer to page 17 of this Annual Report.

1.1.2 Listed company

| | |
|-----------------------|---|
| Company | LifeWatch AG, Neuhausen am Rheinfall, Switzerland |
| Listing | SIX Swiss Exchange, Main Segment |
| Ticker | LIFE |
| Market capitalization | CHF 165,415,640 as of December 31, 2014 |
| Treasury shares | 0.39% held by LifeWatch as of December 31, 2014 |
| Security number | 1281545 |

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 17 in the consolidated financial statements of this Annual Report.

1.2 SIGNIFICANT SHAREHOLDERS

On December 31, 2014, 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: http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html?fromDate=19980101&issuer=18933)

Dr. Yacov Geva, previous Chairman and Corporate CEO of LifeWatch, held directly and indirectly 16.82% of the voting rights in LifeWatch AG as disclosed on May 14, 2012.

Himalaya (Cayman Islands) TMT Fund held 15.26% of the voting rights in LifeWatch AG as disclosed on December 19, 2014.

Patrick Schildknecht, Martin Eberhard, Stephan Rietiker, Patrik Ringler, Roland Leutwiler, Oscar Weber, Adolf Köpfl, Peter Weber, Hans-Ulrich Greutert and Thomas Rühle are acting as an organised group and held directly and indirectly 26.5% of the voting rights in LifeWatch AG as disclosed on June 23, 2014.

Dominik Aronsky, Chief Information and Informatics Officer of LifeWatch, held 3.34% of the voting rights in LifeWatch AG as disclosed under Note 11 of the LifeWatch AG Statutory Financial Statements .

Significant changes since the year-end

As reported on February 4, 2015, Dr. Geva sold 1,977,282 shares in the company to a group of

Swiss Investors. This was Dr. Geva's entire shareholding at this time and consequently he ceased being a shareholder on this date.

LB (Swiss) Investment AG held in several funds, 3.104% and 10.486% of the voting rights in LifeWatch AG as disclosed on February 5, 2015.

2 CAPITAL STRUCTURE

2.1 SHARE CAPITAL AS OF DECEMBER 31, 2014

Ordinary share capital: CHF 17,482,953.80
13,448,426 registered shares of par value CHF 1.30 (fully paid-in)

Conditional share capital: CHF 88,388.30
67,991 registered shares of par value CHF 1.30 (for option plans in favor of members of the Board, members of the Executive Management Team, employees and consultants)

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 share capital: None

2.2 CONDITIONAL SHARE CAPITAL

Pursuant to the Articles of Incorporation as of May 11, 2004, the share capital of LifeWatch AG may be raised through the issue of no more than 2,750,000 registered shares, to be fully paid-in, by an amount of no more than CHF 3,575,000 by virtue of the exercise of option rights granted to members of the Board, members of the Executive Management Team, employees and consultants.

During the fiscal year ending December 31, 2014 the Company issued 210,228 shares. In 2013 the Company issued 107,550 shares, and in 2012 the Company issued 8,000 shares.

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).

Additionally, the share capital may be increased through the issue of no more than 1,000,000 fully paid-in registered shares, equal to 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, 2014, the Company does not have any authorized share capital.

2.4 CHANGES IN SHAREHOLDERS' EQUITY SINCE 2012

| CHF | 31.12.2014 | 31.12.2013 | 31.12.2012 |
|----------------------------|------------|------------|------------|
| Share capital | 17,482,984 | 17,209,657 | 17,069,842 |
| General reserve | 14,875,969 | 14,119,919 | 13,860,620 |
| Reserve for treasury stock | 1,104,621 | 1,104,621 | 1,104,621 |
| Retained earnings | 2,602,193 | 7,677,660 | 15,205,362 |

Changes in shareholders' equity during fiscal year 2012

During the fiscal year ending December 31, 2012 the Company issued 8,000 registered shares with a par value of CHF 1.30, amounting to CHF 10,400 of additional share capital due to the exercise of options. The general reserve increased to CHF 13,860,620 due to an amount of CHF 791,625 transferred from the reserve of treasury stock and an amount of CHF 14,006 of additional paid-in capital resulted from the issuance of the new shares mentioned above, as a result of the exercise of options. The reserve for treasury stock as of December 31, 2012 decreased to CHF 1,104,621.

Changes in shareholders' equity during fiscal year 2013

During the fiscal year ending December 31, 2013 the Company issued 107,550 registered shares with a par value of CHF 1.30, amounting to CHF 139,815 of additional share capital due to the exercise of options. The general reserve increased to CHF 14,119,919 due to an amount of CHF 259,299 of additional paid-in capital from the issuance of the shares mentioned above. The reserve for treasury stock as of December 31, 2013 remained unchanged and amounted to CHF 1,104,621.

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 general reserve increased to CHF 14,875,969 due to an amount of CHF 756,050 of additional paid-in capital from the issuance of the shares mentioned above. The reserve for treasury stock as of December 31, 2013 remained unchanged and amounted to CHF 1,104,621.

2.5 SHARES

In 2014 the share capital of LifeWatch AG was divided into 13,448,426 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 he acquired the shares in his own name and for his 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 outstanding as of December 31, 2014. The Company has several stock option plans, the essentials of which are disclosed and explained in the Financial Reporting section under Note 9e of this Annual Report. All of these options were granted to employees, directors, officers, consultants and members of the advisory board of the Company or its affiliates. Options granted under said plans are, if exercised, converted into registered shares of LifeWatch AG (subscription ratio 1:1) or common stock of LifeWatch Corp. (conditional upon listing, ratio 1:1). The options are not marketable and usually, unless otherwise stated in the notice of grant, vest within 4 years starting from the date of the grant. Each year, 25% of these options can be exercised. All options have durations of 10 years starting from the date of the grant. The Board of Directors has authority to approve deviations from the terms of the plans. The Board of Directors decided on July 13, 2005 to accelerate the vesting period of all the unvested LifeWatch options that had been granted to its Chairman and Vice Chairman prior to that date. The current exercise prices of all outstanding LifeWatch options range between USD 3.05 and USD 12.83. For further details please also refer to the financial reporting section under note 9e. The subscription ratio of these options is 1:1. If the total number of options outstanding at the end of 2014 (37,924 options) were fully exercised, this would represent 0.28% of the total number of shares. The conditional share capital of the Company as at December 31, 2014 is 67,991 shares which is more than sufficient to cover the exercise of these options.

3 DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS

The company had three non-executive members of the Board of Directors as at December 31, 2014. Two of these board members, Patrick Schildknecht and Thomas Rühle, are members of a publicized shareholder group which held 26.5% of the shares of the company as published on June 27, 2014. Dr. Yacov Geva, previous member of the Board of Directors and previous Corporate CEO was the only executive member of the Board of Directors in 2014. 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.

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.

Patrick Schildknecht

Member of the Audit 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

Member of the Compensation Committee

Chairman of the Audit 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.

Dr Stephan Rietiker

Born 1956, Swiss citizen, first election 2014, resigned 2014

Dr. Stephan Rietiker was elected a member of the Board of Directors at the Ordinary Shareholders Meeting 2012 which took place on January 30, 2014 and was immediately appointed Delegate of the Board of Directors to manage Company operations on an ad interim basis. He resigned from the Board of Directors at the Ordinary Shareholders Meeting 2013 which took place on May 28, 2014, to become Chief Executive Officer. For personal details, please refer to the section on members of the Executive Management Team on page 33 of this Annual Report.

The following members of the Board of Directors were either not re-elected (Dr. Yacov Geva and Urs Wettstein) or declined re-election (Kenneth R. Melani, M.D.) at the 2012 AGM held on January 30, 2014.

Dr Kenneth Melani

Born 1954, United States citizen, first election 2013, declined re-election 2014

Dr. Kenneth R. Melani is the former Chairman of the Board of Directors, is the former president and chief executive officer of Highmark, a health insurance company based in Pittsburgh and the largest health insurer in Pennsylvania. He graduated in 1975 with a chemistry degree and enrolled later in the Bowman Gray School of Medicine in North Carolina before specializing in adult internal medicine. In 1982, he started his own practice in Pennsylvania. Later he began to take on work for West Penn Cares, a company of West Penn-affiliated physicians, developing business opportunities with a commercial blood laboratory and in-home intravenous therapy devices. In 1989, he was appointed chief medical officer for Blue Cross of Western Pennsylvania. During this time, Blue Cross of Western Pennsylvania merged with Harrisburg's Pennsylvania Blue Shield and the company was re-christened Highmark. Kenneth Melani was awarded W&J College's "Entrepreneur of the Year Award" in 2009.

Dr Yacov Geva

Born 1949, United Kingdom citizen, first election 1989, not re-elected 2014

Dr. Yacov Geva was, up until January 30, 2014 a member of the Board of Directors and Corporate CEO since 1999. Dr. Yacov Geva is a co-founder of LifeWatch (former Card Guard AG and Card Guard Scientific Survival Ltd). Prior to co-founding LifeWatch Technologies Ltd (former Card Guard Scientific Survival Ltd), he served as a Chief Mechanical Engineer with Vishay Israel, a subsidiary of Vishay Intertechnology, USA, from 1979 to 1989. From 1976 to 1979, Dr. Yacov Geva was employed by the Koor Industries Group as a special projects manager for electronic communication projects. Dr. Yacov Geva is a graduate of the Technion-Israeli Insti-

tute of Technology, and holds a B.Sc. in Mechanical and Nuclear engineering. Furthermore, Yacov Geva holds a doctorate of business administration by the International School of Management, Paris and an honorary doctorate from Oxford Brooks University.

Urs Wettstein

Born 1955, Swiss citizen, first election 2000, not re-elected 2014

Urs Wettstein was non-executive Vice Chairman of the Board of Directors from LifeWatch AG's incorporation on July 13, 2001 until January 30, 2014. Urs Wettstein was an advisor and investor in numerous IPOs in Europe and operated an accounting, auditing and consultancy office in Zurich, Switzerland from 1983 to 2007. From 1976 to 1982, he was an auditor with Coopers & Lybrand AG, Zurich, and a tax consultant in the joint tax department of Coopers & Lybrand/Schweizerische Treuhandgesellschaft, Zurich. Urs Wettstein graduated as a Certified Public Accountant (Dipl. Wirtschaftsprüfer).

3.2 OTHER ACTIVITIES AND BUSINESS CONNECTIONS

Antoine Hubert is a member of the Board of Directors and Delegate of the Board of AEVIS Holding AG, a company quoted on the Swiss stock exchange. Apart from this position, neither Antoine Hubert nor any of the other members of the Board of Directors acted in any governing or supervisory bodies of important Swiss and foreign organizations, institutions or foundations in 2014.

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 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.

On March 27, 2006, LifeWatch Technologies Ltd. (former Card Guard Scientific Survival Ltd, Israel) signed a lease agreement with Ad Marom Assets and Initiation Ltd (Ad Marom Assets and Initiation Ltd, is a private Israeli company, of which 50% is held by the immediate past Corporate CEO of the Company and his family members and by the immediate past Vice Chairman of the Company [the “Landlord”]). According to the terms of the agreement, the Landlord intended to construct a building comprising about 6,000 square meters situated in Rehovot, Israel (the “Building”). LifeWatch Technologies Ltd intended to lease the Building for the term of 10 years, with an option to extend the lease for an additional period of 10 years. The Company had the right to rescind the agreement under certain conditions and exercised this right in March 2014. For further information please refer to Note 14d in the financial section of this Annual Report.

3.3 ELECTIONS AND TERMS OF OFFICE

Please note that due to legal reasons and a conflict with a shareholder group no annual Shareholders Meeting of LifeWatch AG was held up in 2013. The meeting took place on January 30, 2014.

| Name | Position | First elected | Elected until Shareholders' Meeting |
|-----------------------|---|---------------|-------------------------------------|
| Dr. Kenneth R. Melani | Chairman ^{1) 2)} | 2013 | 2013 |
| Patrick Schildknecht | Chairman ^{1) 3)} Non-executive | 2013 | 2015 |
| Dr. Yacov Geva | Member / CEO ^{4) 5) 6)} | 1989 | 2013 |
| Urs Wettstein | Vice Chairman ^{4) 6)} Non-executive | 2000 | 2013 |
| Thomas Rühle | Member ¹⁾ Non-executive | 2013 | 2015 |
| Dr, Stephan Rietiker | Member ⁷⁾ Delegate of the Board | 2014 | 2014 |
| Antoine Hubert | Vice Chairman ⁸⁾ Non-executive | 2014 | 2015 |

¹⁾ Member of the Board of Directors of LifeWatch AG elected on the occasion of an Extraordinary Shareholders Meeting taking place on January 23, 2013

²⁾ Elected Chairman of the Board of Directors on July 7, 2013; retired from his position as a Member of the Board of Directors of LifeWatch AG on January 30, 2014

³⁾ Elected Chairman of the Board of Directors on the occasion of the Ordinary Shareholders Meeting 2012 meeting taking place on January 30, 2014

- ⁴⁾ Member of the Board of Directors of Card Guard Scientific Survival Ltd prior to the incorporation of LifeWatch AG in 2001, subsequently elected Director of LifeWatch AG
- ⁵⁾ Retired from his position as Chairman of the Board of Directors on July 7, 2013; acting as Corporate Chief Executive Officer of LifeWatch until being released of CEO function on January 30, 2014
- ⁶⁾ Member of the Board of Directors of LifeWatch AG who was not re-elected on the occasion of the Ordinary Shareholders Meeting 2012 meeting taking place on January 30, 2014
- ⁷⁾ Elected member of the Board of Directors on the occasion of the Ordinary Shareholders Meeting 2012 taking place on January 30, 2014 and appointed Delegate of the Board of Directors
- ⁸⁾ Elected member of the Board of Directors on the occasion of the Ordinary Shareholders Meeting 2012 taking place on January 30, 2014 and appointed Vice Chairman of the Board of Directors

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 out of the members of the Board of Directors.

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. Until January 30, 2014, Kenneth R. Melani, M.D., acted as Chairman and Urs Wettstein acted as Vice Chairman of the Board of Directors. For the rest of 2014 Patrick Schildknecht acted as Chairman and Antoine Hubert 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 about half a day. The duration of Board meetings held by telephone conference depends on the specific items to be discussed during the meetings, but on an 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 2014 the Board of Directors met five times physically for Board meetings with meetings lasting on average 4.4 hours, held 9 telephone conferences which lasted on average 1.2 hours and passed 3 circular resolutions. The Chairman, Kenneth R. Melani (up until January 30, 2014) and Patrick Schildknecht (from January 31, 2014 until December 31, 2014), 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 2014 LifeWatch AG had two committees, a Compensation Committee and an Audit 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.

3.4.2.1 Compensation Committee

The Compensation Committee consists of at least two non-executive members of the Board of Directors. Up until January 30, 2014, members of the Compensation Committee were Kenneth R. Melani (Chairman of the Compensation Committee), Thomas Rühle and Urs Wettstein. Pursuant to the new Art. 26a of the Articles of Incorporation Thomas Rühle and Antoine Hubert were elected members of the Compensation Committee on the occasion of the Ordinary Shareholders Meeting 2012 which took place on January 30, 2014. Thomas Rühle was elected Chairman of the Compensation Committee by the Board of Directors. At the Ordinary Shareholders Meeting 2013 which took place on May 28, 2014 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 2014, the Committee held 2 physical meetings lasting on average 1.4 hours.

3.4.2.2 Audit Committee

The Audit Committee consists of at least two non-executive members of the Board of Directors. Up until January 30, 2014, members of the Audit Committee were Patrick Schildknecht (Chairman of the Audit Committee) and Urs Wettstein. Following the Ordinary Shareholders Meeting 2012 which took place on January 30, 2014, The Audit Committee consisted of Antoine Hubert (Chairman of the Audit Committee) and Patrick Schildknecht. The main activities of the Audit Committee are the review of risk management and internal controls of the Company, monitoring of financial reporting and audit review. The Audit 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 Committee meets at least once a year. In fiscal year 2014, the Audit Committee held 2 telephone conferences, which lasted on average 1 hour.

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
- 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 Groups 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 VIS-À-VIS THE EXECUTIVE MANAGEMENT TEAM

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-exec-

utive Chairman of the Board of Directors and member of the Audit Committee, Patrick Schildknecht, maintained very regular contact (multiple times per week) with the CEO, Dr. Stephan Rietiker in order to be kept fully updated on developments in the business and regularly asked for reports from the Executive Management Team on topics on which he wished additional information. The Chairman, Patrick Schildknecht also ensured the proper information flow between the Executive Management Team and the Board of Directors. 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 (formerly Kobi Ben Efraim), attended all meetings of the Board of Directors at which financial matters were discussed and participates at all meetings of the Audit Committee, reviewing the Company's financial performance and reporting, 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, Swiss citizen, appointed June 1, 2014, joined in 2014

Dr. Stephan Rietiker received his medical doctorate from the University of Zurich in 1982 and is also qualified to practice medicine in the United States. He spent five years practicing internal medicine before moving into the Healthcare industry. He began his career with Roche in 1987 and thereafter held several senior positions in marketing / general management with Boehringer Mannheim and then 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, including LifeWatch, AG. In June 2014, following a four month period as an Executive Board Member and Interim CEO of LifeWatch AG, the

Board appointed Dr. Rietiker as the Company's CEO. Dr. Rietiker has also been a Senior Advisor to Brown Brothers Harriman's Corporate Finance team from 2006 – 2014. In 2014 he was appointed Board Member of California based LoneStar Heart, a company developing breakthrough therapies against advanced heart failure.

Mike Turchi, Chief Financial Officer

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

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.

Stephanie J. Kravetz, Chief Legal Officer

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

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.

Dr Dominik Aronsky, Chief Information & Informatics Officer

Born 1964, Swiss citizen, appointed June 1, 2014, joined in 2014

Dr. Dominik Aronsky, MD, PhD, FACMI is a physician informaticist. His expertise and interests include the development, implementation, and evaluation of clinical information systems with a special emphasis on clinical decision support systems, knowledge management, and the application of artificial intelligence to support real time patient care. Prior to joining Life-

Watch he was an Associate Professor of Biomedical Informatics and Emergency Medicine at Vanderbilt University, Nashville, TN (USA), and a consultant in the biomedical informatics domain. He is on the board of directors of Apogee Informatics Inc. (USA), Clinerion AG (Switzerland) and Semedly AG (Switzerland). Dr. Aronsky worked for the company on a consulting basis from February 2014 until his appointment as Chief Information & Informatics Officer.

Yair Tal, President mHealth until January 31, 2015

Born 1967, Israeli citizen, appointed June 1, 2014, joined in 2008

Yair Tal received his BSc. in Engineering from Tel Aviv University in 1989, and his MBA from the Technion Israel Institute of Technology Haifa, in 2001. He began his engineering career in the technological division of the Intelligence Unit of the Israel Defense Forces in 1989, where for six years he held several positions, designing and managing engineering projects. Following his IDF service, he spent 10 years managing R&D projects in various fields for organizations including LSI Logic, Gilat Satellite Networks and Lycium Networks. In 2005, he took on the role of Vice President of Research and Development at Resolute Networks, where he managed the development of several product lines. Mr. Tal joined LifeWatch in 2008 as Vice President of Research and Development and was appointed General Manager of LifeWatch Technologies, Ltd. in Israel in 2010, a role which he held until his departure. Since 2011, he has additionally focused on business development activities for LifeWatch's mobile health business unit and now serves as President of mHealth.

Stefan Vogt, Chief Commercial Officer from January 1, 2015

Born 1965, Swiss and German citizen, joined 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 Yacov Geva, Chief Executive Officer until January 30, 2014

Born 1949, United Kingdom citizen, appointed in 1999, joined 1986

Dr. Yacov Geva, a co-founder of the Company, was Chief Executive Officer since 1999. From 1999 till July 2013 he has also acted as Chairman of the Board of Directors. For personal details, please refer to the section on members of the Board of Directors on page 26 of this Annual Report.

Kobi Ben Efraim, Chief Financial Officer until May 31, 2014

Born 1955, Israeli citizen, appointed February 2005, joined in 2001

Kobi Ben Efraim was appointed Chief Financial Officer of LifeWatch AG in February 2005. Prior to this, he was acting Chief Financial Officer of the Company from October 1, 2003. He joined LifeWatch as Director of Finance & Accounting in January 2001, and has over 20 years of experience in finance and accounting in the Israeli high tech industry. Prior to LifeWatch, from 1996 to 2000 he was employed with the DSPC Group (a NASDAQ-traded company), where he held a number of positions, including Chief Accountant of DSPC. In 1995, Mr. Ben Efraim was Deputy Controller in charge of tax and accounting at El-Op in Israel. From 1992 to 1994, he was Financial Manager and Controller at Elmo Motion Control Ltd (a privately owned industrial company in Israel). Kobi Ben Efraim was a member of the Board of Directors of LifeWatch Corp. He holds a B.A. degree in Economics and Accounting from the University of Tel Aviv, and is a Certified Public Accountant (IL).

Roger Richardson, President Global Patient Services until August 12, 2014

Born 1959, United States citizen, appointed June 1, 2014, joined in 2012

Roger Richardson has credentials as a Registered Respiratory Therapist, Respiratory Pediatric and Perinatal Care Specialist, and Registered Pulmonary Function Technologist which were obtained during his degree in Respiratory Applied Sciences and post-secondary educational clinical training at Vanderbilt University Medical Center. He is also the holder of credentials from the National Board of Respiratory Care and has been awarded Distinguished Service Awards from the Health Occupation Students of America and the affiliates of the American Association for Respiratory Care. Mr. Richardson has over 25 years of experience as a senior leader within the national and international healthcare arenas. Mr. Richardson began his career as a Director of Cardiopulmonary Services for Hospital Corporation of American and has worked internationally with Linde Gas Therapeutics and with the Cleveland Clinic Foundation.

4.2 OTHER ACTIVITIES AND FUNCTIONS

None of the members of the Executive Management Team in 2014 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

Other than the consulting contracts for Dr. Dominik Aronsky and Stefan Vogt mentioned in section 4.1 above, 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 CONVOCACTION 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.

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 2013 and 2014 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 need to be replaced after a maximum of seven years as required by Swiss law.

7.2 AUDITING AND ADDITIONAL FEES

During 2014, PwC charged the LifeWatch Group fees of USD 431,524 relating to auditing services for LifeWatch AG and its subsidiaries and the consolidated financial statements. Additional fees of USD 247,670 were also charged relating to tax advice to the various LifeWatch Group companies and USD 23,252 for due diligence services to LifeWatch AG.

7.3 EXTERNAL AUDIT INFORMATION

The Audit 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 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 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 co-ordina-

tion with the Audit Committee and management and their provision of practical recommendations. In fiscal year 2014, the Audit Committee held two telephone conferences with the external auditors to discuss such matters with each meeting lasting an average of one hour.

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 and documentation under http://irl.lifewatch.com/websites/lifewatch_ir/English/9510/alert-service.html (push system). A variety of other information including corporate structure, products, services, press releases, etc. is also provided on LifeWatch's website at www.lifewatch.com. Official notices by the Company are published in the Swiss Official Gazette of Commerce.

IMPORTANT DATES

March 31, 2015 – Publication of Annual Results 2014

April 29, 2015 – Ordinary General Meeting of Shareholders, Zurich

August 20, 2015 – Analyst Conference Results HY 2015

FOR FURTHER QUESTIONS:

LifeWatch AG

c/o Dynamics Group, Philippe Blangey / Doris Rudischhauser

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