

The Ypsomed Group is a leading developer and manufacturer of injection and infusion systems for self-medication and a renowned diabetes specialist with over 30 years' experience. As a leader in innovation and technology, Ypsomed is the preferred partner for pharmaceutical and biotech companies for the supply of pens, autoinjectors and infusion systems to administer liquid drugs. Ypsomed promotes and sells its product portfolio under the umbrella brands mylife™ Diabetescare directly to patients or through pharmacies and clinics and under YDS™ Ypsomed Delivery Systems as business-to-business to pharmaceutical companies.

Ypsomed has its headquarters in Burgdorf, Switzerland, and operates a global network of manufacturing sites, subsidiaries and distributors. The Ypsomed Group employs around 1 200 employees.

Annual Report 2015/16

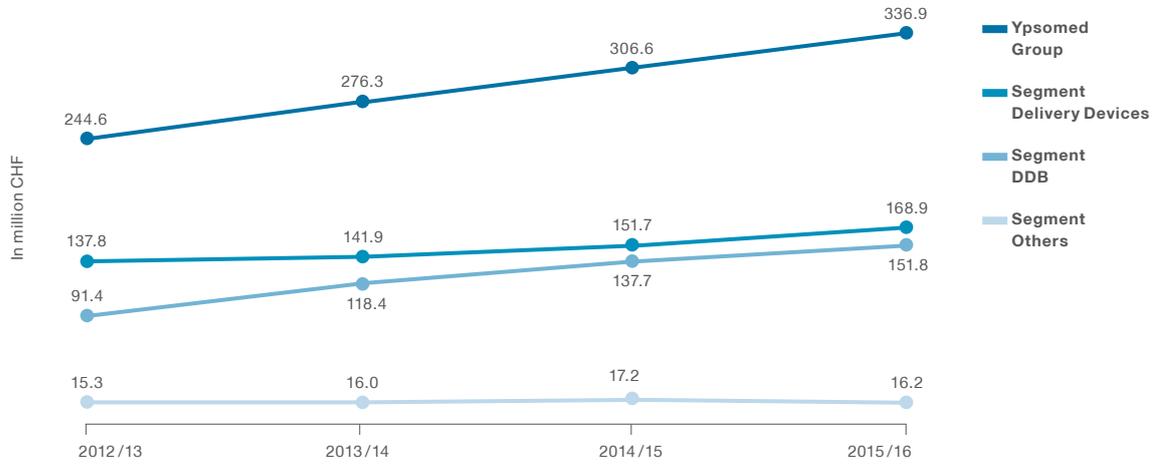
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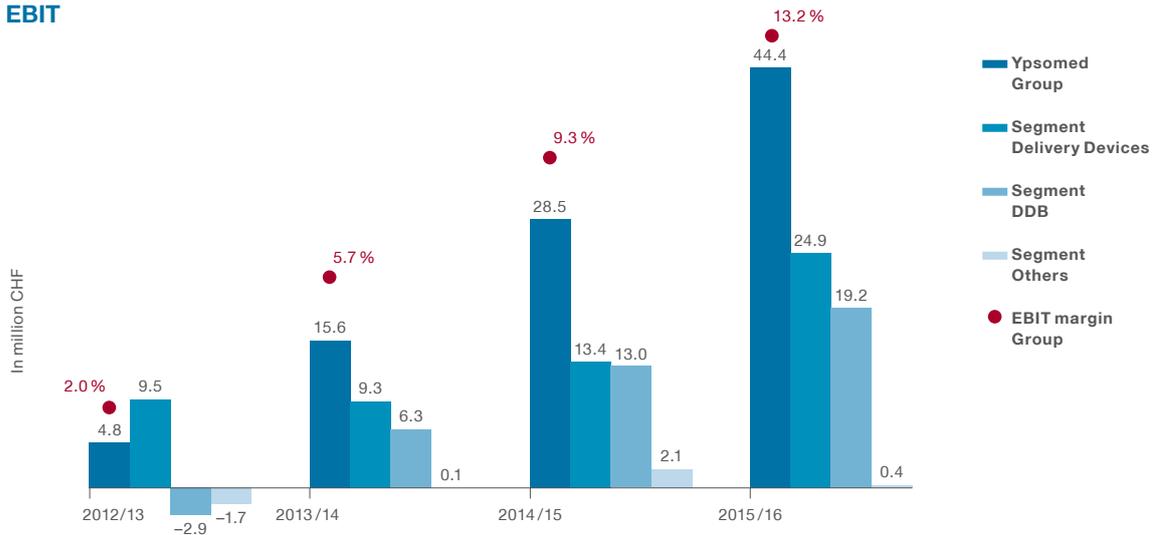


Key figures

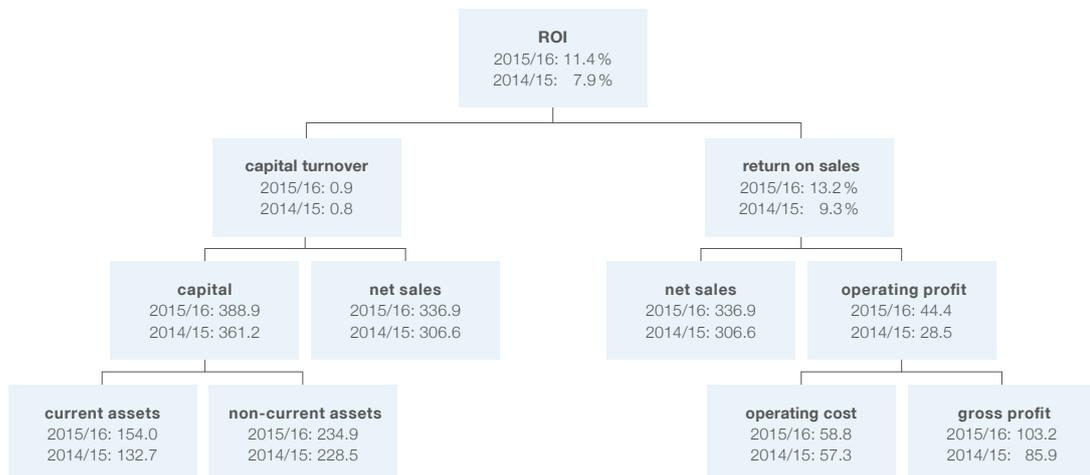
Sales of goods and services



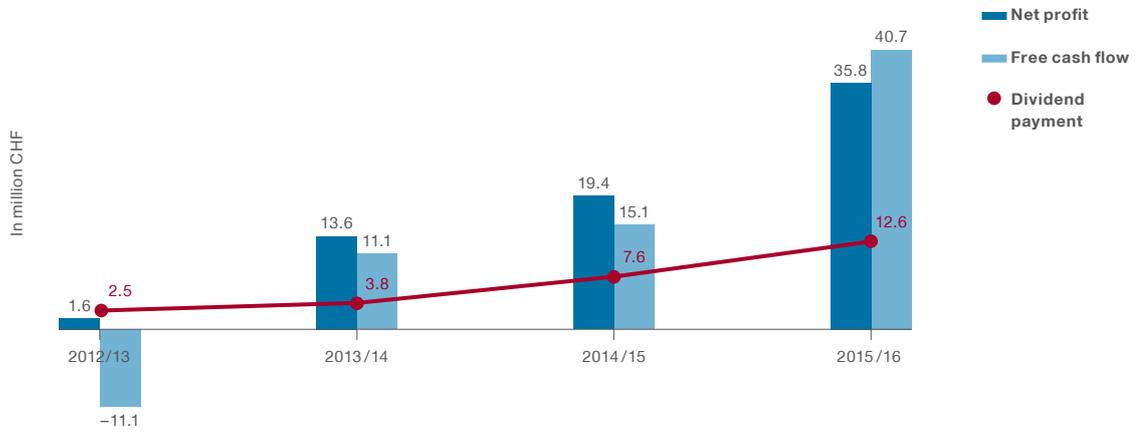
EBIT



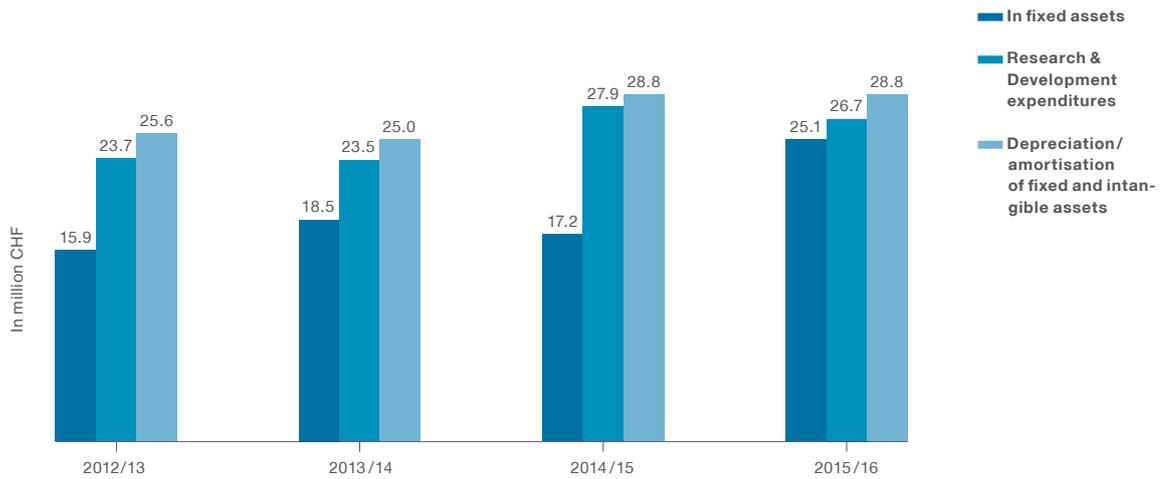
Return on Investment ROI



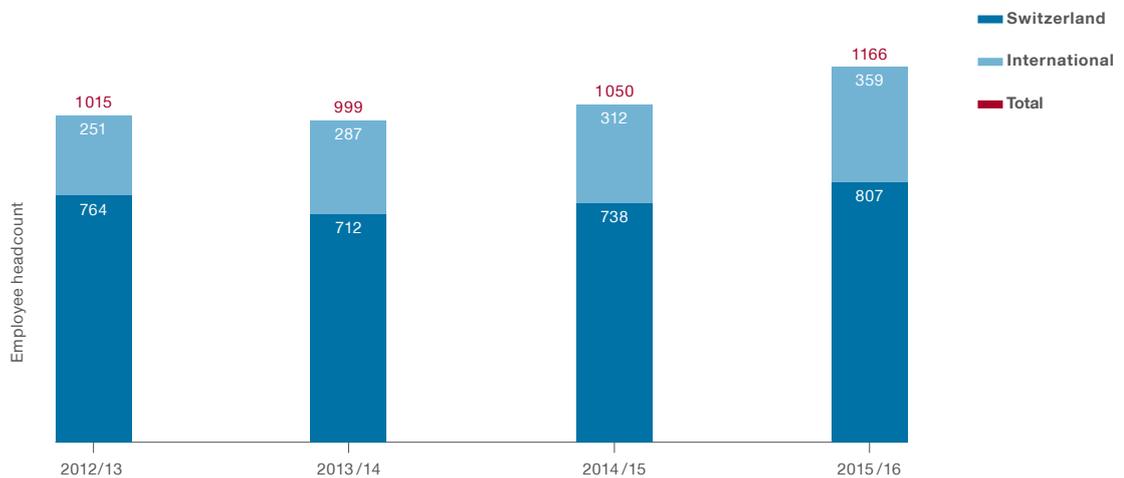
Net profit, free cash flow & dividend payment



Investments



Employee headcount





Letter to shareholders

A clear strategy

Dear shareholders,

We have just completed yet another successful financial year. As you will be able to read on the following pages, we were again able to increase net sales and net profit significantly – despite the strength of the Swiss Franc. We continue to be confident for the future and confirm our long-term forecast: if the Euro remains at an exchange rate of approximately CHF 1.10 and the US dollar below parity to the Swiss franc, then we will achieve an EBIT margin in the range of 20 % in three years. A further long-term goal is to become entirely independent financially from external sourcing of funding.

Despite this healthy financial basis and the positive financial outlook, we have no intention of resting on our laurels. Together with management, the board of directors has defined the following strategic cornerstones to remain successful in the long term.

Development and production

We will invest more in research and development. Our objective will always be to make therapy easier, safer and freer of complications for the users of our products. We will expand our range of platform products for injection systems further and add “smart” solutions. In the age of the Internet of Things, we see a future where infusion and injection systems communicate and interact via the Internet and among each other. In other words, Ypsomed needs to be truly ready for this coming generation of device technologies.

In all areas, we are consistently following lean management principles and have developed processes that adapt to a large number of customised pen and autoinjector variants moving from development into production.

Sales

Over the coming three years we will focus on our existing product portfolio. We will not invest in further business fields and will also not merge with other companies. Instead, we will concentrate on expansion into new markets for mylife™ Diabetes-care, the supply of pen and autoinjector systems to pharmaceutical customers, as well as the further improvement of our profitability.

Location

The decision to expand our Solothurn site proved correct. The free capacities in space and infrastructure had to be utilised to further reduce the fixed cost ratio. Expansion in Solothurn is also the safest variant in terms of the rapidly growing pen and autoinjector business. However, we are also evaluating new locations outside Switzerland for future growth. Decisive factors include actual overall taxation, the availability of skilled personnel and their salary expectations, the availability and price of land, as well as contributions from local business development in terms of tax exemption or investment subsidies.

“In three years we will achieve an EBIT margin of 20 %.”

Outlook

For the business year 2016/17 we expect an accelerated increase in turnover of approximately 12 % and operating results (EBIT) of approximately CHF 55 million. This confirms the adopted strategy. We are eagerly awaiting the next year and are confident in continuing the success of Ypsomed and to increase the value of the company further.

We are eagerly awaiting the next year and are confident in continuing the success of Ypsomed and to increase the value of the company further.

Dear shareholders, I greatly thank you for your confidence in us.



Dr. h. c. Willy Michel
President of the Board of Directors



Status report

Expectations exceeded

In the financial year 2015/16, the Ypsomed Group generated consolidated sales totaling CHF 336.9 million (previous year: CHF 306.6 million). Compared with the previous year, this represents an increase in sales of 9.9%. The operating results (EBIT) also increased by 55.7% compared to the previous year, from CHF 28.5 million to CHF 44.4 million, and lie considerably above our expectations of CHF 41 million. As a result, the profitability at the EBIT level lies at 13.2% (previous year: 9.3%). This is largely due to the growth in sales in the two segments Delivery Devices and Diabetes Direct Business, but also to improved cost efficiency in production and sales.

Currency exchange rates still have an impact

In this reporting period, the currency exchange effect again had a detrimental effect on our business figures. Overall, the currency exchange effect amounts to CHF 20.7 million at the net sales level. Growth year on year would have been approximately 17%. The currency exchange effect has a negative effect on the EBIT amounting to CHF 9.6 million. Instead of the current CHF 44.4 million, we would have achieved an EBIT of around CHF 54 million at an exchange rate of CHF 1.20, which equates to an EBIT margin of over 15%.

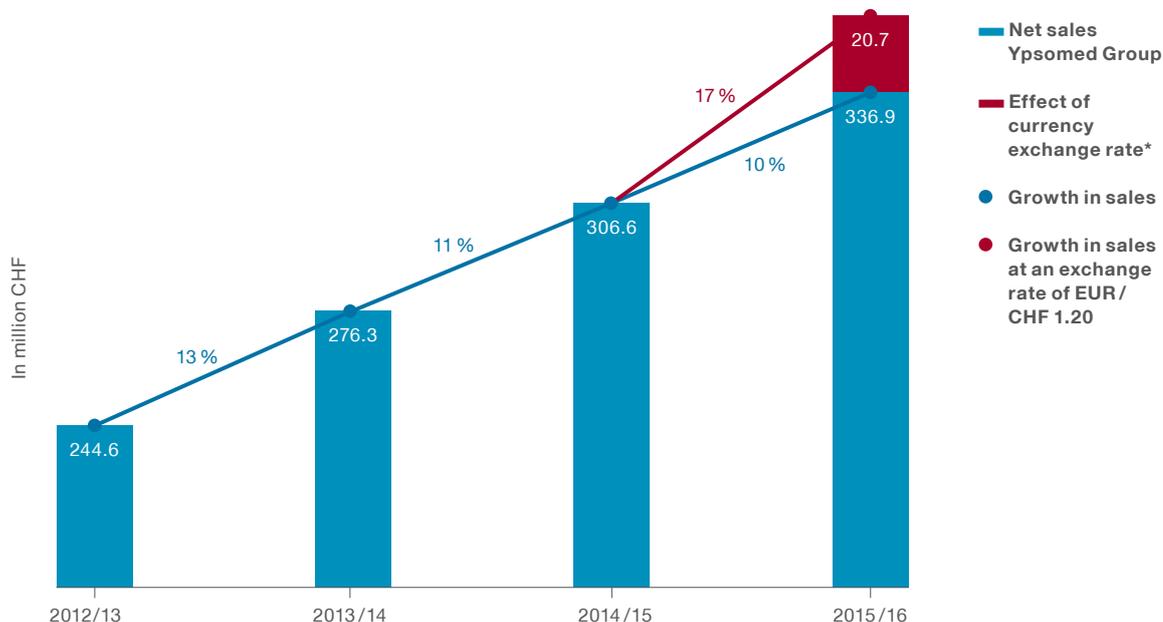
mylife™ Diabetescare

In the past financial year, direct dealer business with mylife™ products again attained new milestones.

The mylife™ OmniPod®, the first and currently only tubeless insulin patch pump in Europe, has continued its positive development. Rapid growth since its market launch in 2010 has continued and Ypsomed was able to expand the patient base by 40% within one year. Worldwide, the OmniPod® provides over 85 000 people suffering from diabetes with greater freedom in their treatment of diabetes. Until now, the insulin patch pump was available in eight European countries. The next expansion stage was defined during the reporting year: with France, Finland, Denmark, Ireland and Luxembourg, the mylife™ OmniPod® will be launched step by step in a further five markets. France is a key new market here. After years of negotiations, the French government regulated and communicated the reimbursement of the mylife™ OmniPod®. It is now a question of satisfying the great demand for the innovative product in the “Grande Nation”. With over 47 000 wearers of insulin pumps, this is the second-largest market for pumps in Europe.

The past financial year was also largely devoted to the mylife™ YpsoPump® and the preparations for launch. The market launch of the insulin pump system with all its components is well on track for the summer of 2016, despite some delays in obtaining marketing authorisation for the prefilled cartridge in combination with the mylife™ YpsoPump®.

Effect of currency exchange rate on sales



* Additional net sales which would have been realised at an exchange rate of EUR/CHF 1.20 (effective average exchange rate EUR/CHF 1.07).

The other products, such as pen needles, blood glucose test strips, and the specialised diabetes dealer DiaExpert grew above market average during the reporting period and all contributed to the positive increase in profitability.

“Our excellent reputation within the industry and our expanding platform portfolio have attracted a broad spectrum of new and existing customers.”

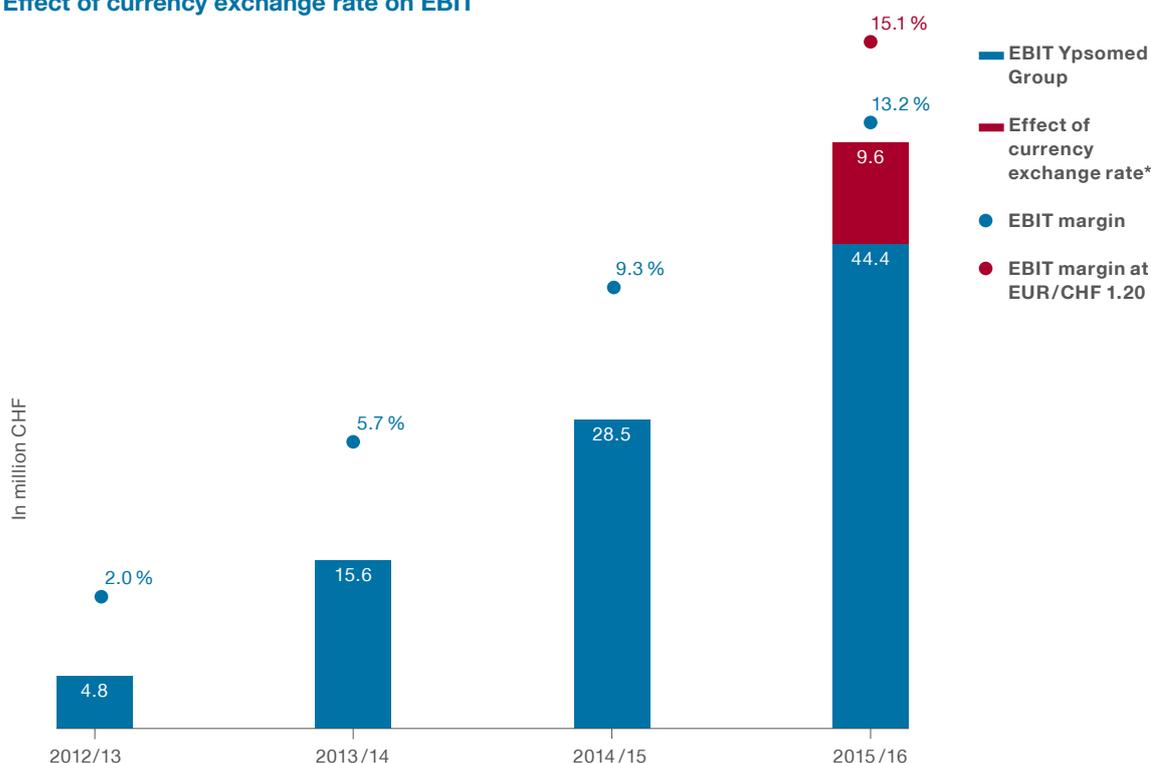
Ypsomed Delivery Systems

Our excellent reputation within the industry and our expanding platform portfolio have attracted a broad spectrum of new and existing customers. For the reporting period, Ypsomed Delivery Systems (YDS) counted some 50 active projects. In concrete terms, Ypsomed was able to announce the following new contracts and cooperations for the reporting year:

- As of the second half-year 2016, components for injection systems will be manufactured on an additional production line for Sanofi.
- Ypsomed entered into a comprehensive master agreement for pen systems and autoinjectors with Hanmi Pharmaceutical Co., Ltd. in South Korea in July 2015.
- Since June 2015, the YpsoPen® has been marketed in Poland under the name PolhuminPen. Our customer, Polfa Tarchomin, presently sells the reusable insulin pen together with its insulin Polhumin® on the Polish market.
- Diabetics in India will soon be able to use the YpsoPen® to administer insulin made by Lupin Limited.

Furthermore, the market for autoinjectors continues to grow, driven by demand for new, innovative medicinal products used in the treatment of diseases such as diabetes (via GLP-1 drugs), rheumatoid arthritis, cardiovascular diseases and migraine. Ypsomed has invested heavily in the development and setting up of manufacturing infrastructure for the YpsoMate® autoinjector. Based on current projects and forecasts, Ypsomed will become one of the most significant suppliers of autoinjectors over the next five years.

Effect of currency exchange rate on EBIT



*Additional EBIT which would have been realised at an exchange rate of EUR/CHF 1.20 (effective average exchange rate EUR/CHF 1.07).

Focus in the financial year 2016/17

Based on the results of the financial year 2015/16 and the development priorities in the individual business segments, we have defined the following focus of activities for the coming financial year.

“In future, we will digitalise our workflows and existing processes wherever possible.”

- **Marketing and sales:** over the next 12 months the focus in the mylife™ Diabetescare business will be directed at the successful launch of the mylife™ YpsoPump® as well as setting up new sales operations in Australia, Belgium, Czechia and Poland. Also, we will be integrating the majority of our subsidiaries into our central SAP software system by the end of the coming financial year. This will improve the workflow between our teams even more. This also leads to an improvement in the quality of service provided to practices and diabetes centres.
- **Development and product management for injection systems:** we will continue to expand our platform portfolio during the financial year 2016/17. Resources in concept development will be increased to drive product innovations in autoinjectors and infusion systems for insulin pens and other medicinal products. We will also intensify our work on improving the product life cycle, to add further services to our existing products, and invest more into conducting studies to obtain a better understanding of patients use our products.
- **Production:** in the area of manufacturing, our objective is to optimise existing processes, for example through intensified lean management, as well as the utilisation of existing capacities. We will also invest in expanding fully automated manufacturing equipment at our Swiss facilities. Furthermore, we are evaluating various options for expanding to a new production site by 2019.

- **Personnel:** in the area of human resources, we will devote ourselves to recruiting new skilled personnel during the financial year 2016/17 and to further strengthen our competences. A further focus will be on continuous further education and training opportunities at Ypsomed.
- **Digitalisation:** in future, we will digitalise our workflows and existing processes wherever possible. This includes internal procedures, external communications with our customers and users through intensified use of social media, as well as the consequent digitalisation of processes in sales.

Following a successful financial year 2015/16, we are now facing a new and challenging year. Our organisation will continue to grow and expand in all areas. Achieving our targets will be a challenge for all employees. The excellent spirit at Ypsomed gives me great confidence for the future.



A handwritten signature in dark ink, appearing to read 'Simon Michel', written in a cursive style.

Simon Michel
Chief Executive Officer

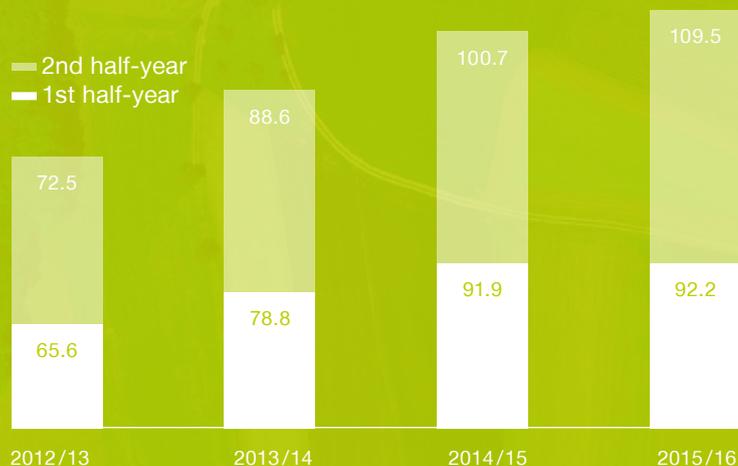


Comprehensive product portfolio as a basis for our success

With its mylife™ Diabetescare brand, Ypsomed operates successfully in the direct business with products and services for people with diabetes mellitus. The product portfolio includes:

- Insulin pumps
- Infusion sets
- Pen needles
- Blood glucose monitoring systems

Net sales mylife™ Diabetescare



mylife™ OmniPod® – patient base increased by about 40 %



Our home for 30 years: Burgdorf in the heart of the Emmental valley. We believe in our roots and intend to expand our base here in the future.



mylife™ Diabetescare

Being close to diabetes patients

With its mylife™ Diabetescare brand, Ypsomed operates successfully in the direct business with products and services for people with diabetes mellitus. Among others, the product portfolio includes:

- The mylife™ Clickfine® and Penfine® Classic pen needles as well as the mylife™ Clickfine® Auto-Protect™ safety pen needles, all manufactured by Ypsomed at the Solothurn site.
- The mylife™ Unio™ and mylife™ Pura® blood glucose meters, which are manufactured by the Taiwanese manufacturer Bionime according to

Ypsomed specifications and distributed via our sales organisations.

- The tubeless mylife™ OmniPod® insulin patch pump by the US manufacturer Insulet, for which Ypsomed holds the worldwide distribution rights (with the exception of the USA, Canada and Israel).
- The entirely newly developed mylife™ YpsoPump® insulin pump with the mylife™ YpsoPump Orbit®soft and Orbit®micro infusion sets.



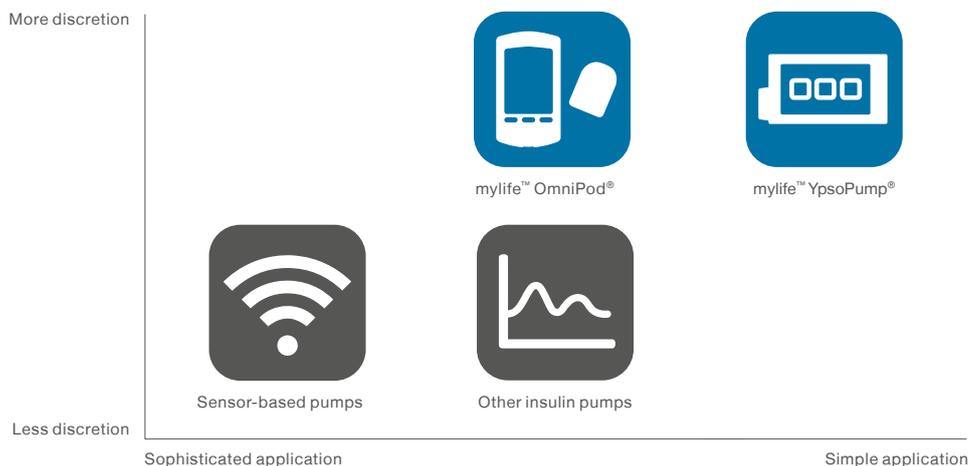
The market for insulin pumps in 2016

Major potential for easy-to-operate devices

For the first time in the history of therapy with insulin pumps, we have observed a clear segmentation of the market. On the one hand, more and more patients choose the freedom offered by the mylife™ OmniPod® patch pump. This latest segment in the pump market has meanwhile become firmly established with market shares of up to 20% in some countries. On the other hand, the tube-based pumps have displayed a trend towards even closer metabolic monitoring: in a first stage, these pumps achieved improvements via individually adaptable additional functions and algorithms. In the case of the sensor-based models, referred to technically as SAPs (sensor-augmented pumps), an additional sensor placed on the body for continuous blood glu-

cose monitoring (CGM). This sensor communicates with the insulin pump and may give even treatment recommendations in exceptional cases. In parallel, a broad field has opened up for insulin pumps which are extremely easy to handle and learn to use and which focus on the essential functions: insulin is administered in defined profiles which are easy to set and without complex additional functions. Extremely simple operation leads to fewer application errors. The mylife™ YpsoPump® was developed with this market segment in mind. Ypsomed is the only manufacturer of insulin pumps in the fortunate position of being able to offer ideal solutions for two of the three segments and is unique in this context.

Clear positioning due to simplicity and discretion in use





mylife™ YpsoPump® A milestone for Ypsomed

With the mylife™ YpsoPump® Ypsomed has launched a new, innovative insulin pump. It is the result of over 30 years of experience in diabetes management combined with cutting-edge technology and is tailored to current customers' needs. The finished product marks the peak of an intensive development phase (see box), which not only included the completely new central pump unit but also involved developing and matching all the components for an entire insulin pump system: the insulin pump, the infusion set, the lancing aid, options for self-filled or prefilled insulin cartridges as well as the software for therapeutic management.

Simplicity is the key

The focus is on patient needs. Multiple elaborate tests were conducted with pump users and medical professionals during the development phase. The result is an insulin pump which focuses on the essential functions. The new insulin pump system is easy to learn and provides physicians and users more time for therapy management. The symbol-based menu and the modern touch screen of the mylife™ YpsoPump® make it easy, intuitive and

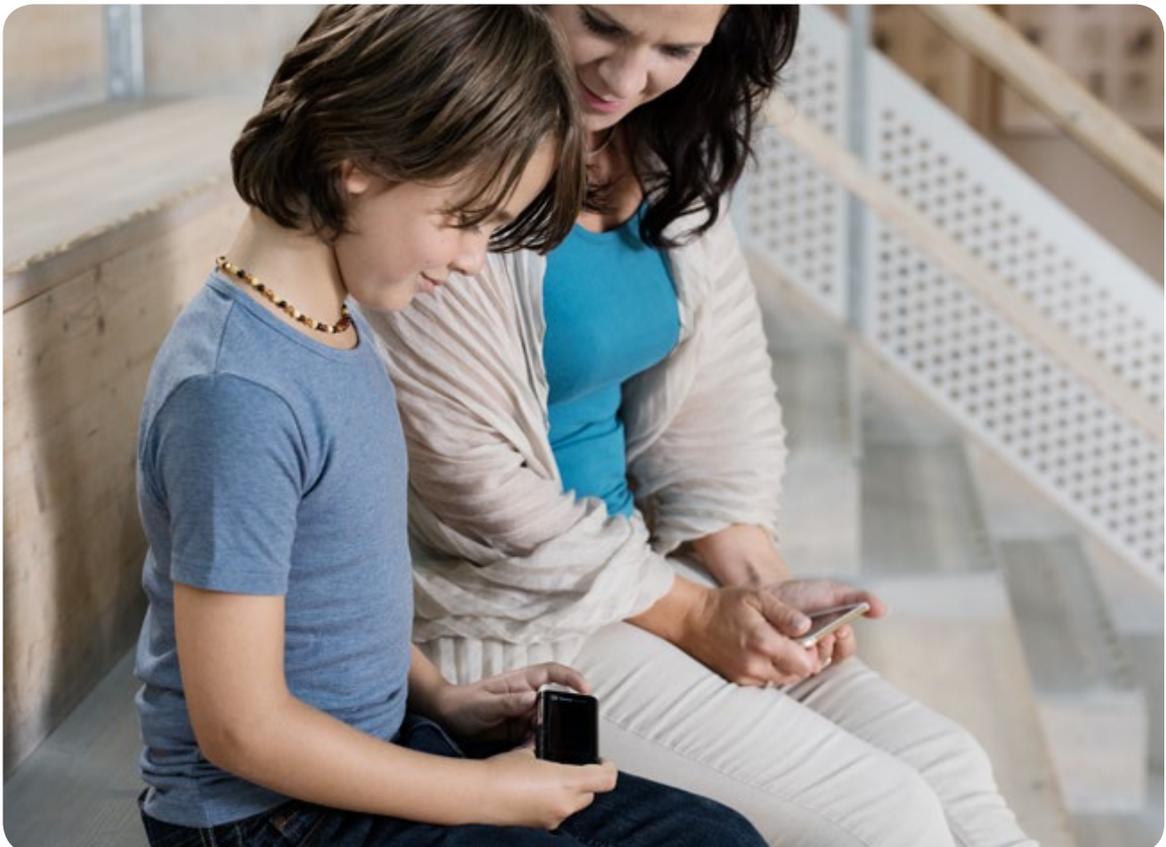
quick to operate for the user. The option of inserting prefilled insulin cartridges into the mylife™ YpsoPump® dispenses with the elaborate filling of empty cartridges.

In addition, the compact and lightweight design of the mylife™ YpsoPump® makes it a discreet companion in all everyday situations. It is this last point in particular that always led to spontaneous enthusiasm in user tests. The good impression was not only limited to spontaneous reactions, but was also confirmed in the major user study of the mylife™ YpsoPump®, where the pump was rated as being "excellent".

Infusion set: mylife™ YpsoPump® Orbit®

With the mylife™ YpsoPump® Orbit®, Ypsomed has an infusion set (this is what the tube with cannula which connects the pump to the body is called) that is presently unique on the market. The advantage being that the tube can be rotated by a full 360 degrees around the cannula. This rotating connection facilitates the choice of infusion site. Furthermore, patients no longer necessarily have to see the infusion site for connecting and disconnecting – the

Easy to train, easy to operate and discrete





mylife™ YpsoPump®

The intuitive insulin pump system



- 1 mylife™ YpsoPump®: winner of the Red Dot Design Award 2016
- 2 mylife™ YpsoPump® Orbit®
- 3 mylife™ Software
- 4 mylife™ Orbit® Inserter
- 5 Prefilled 1.6ml cartridge
Self-filled 1.6ml cartridge (mylife™ YpsoPump® Reservoir)



reddot design award
winner 2016

tube aligns itself automatically. Disconnecting the set to change the direction of the tube is now superfluous. The mylife™ YpsoPump® Orbit® is available in numerous versions and practically covers the needs of all patients and markets.

Placement aid: mylife™ Orbit® Inserter

As the placement of the infusion set by hand is unpleasant for some people, the manufacturers usually provide placement aids, so-called inserters. With the in-house development of the mylife™ Orbit® Inserter, Ypsomed has succeeded in developing a compact, lightweight and elegant solution with the round design fitting the hand perfectly. With the aid of the mylife™ Orbit® Inserter, patients can also reach difficult-to-access injection sites, e.g. on the back of the body.

Filling aid with empty cartridge: mylife™ YpsoPump® Reservoir

Although the quick-change prefilled insulin cartridges are one of the main advantages of the mylife™ YpsoPump® system, there are still patients who prefer to use the pump with an alternative rapid-acting insulin of their choice. The mylife™ YpsoPump® Reservoir is intended for these patients. This is an empty cartridge (the so-called reservoir) with a corresponding filling aid. The product offers an easy-to-handle filling system and allows bubble-free filling of the empty cartridge.

Therapy management: mylife™ Software

User-friendly software solutions are becoming increasingly important in diabetes therapy management to transfer and interpret the large digital data volumes. For this reason, the therapy data of the mylife™ YpsoPump® can be transferred directly via Bluetooth to the specifically developed mylife™ Software for computers and to the mylife™ App for mobile devices. It should also be mentioned that the mylife™ Software is not only restricted to the mylife™ YpsoPump®; it can also read the data of the mylife™ OmniPod® insulin patch pump as well as of the mylife™ blood glucose meters. Synchronisation via the mylife™ Cloud on the Internet not only gives patients permanent access to their diabetes diary, the secure data release also enables physicians to access the data directly and quickly. The mylife™ Software displays the data in a clearly structured manner and provides a basis for the exchange between patients and their physicians. The software displays therapy trends and provides an overview either of all the therapy data or broken down into individual graphs. The identical operating interface of the mylife™ Software for physicians and patients helps

to simplify discussing the therapy data and also makes telephone appointments considerably easier. The mylife™ App supports patients in recording their therapy data by allowing them to manually enter special events to the app at any time.

Extensive preparations supporting a professional market launch

The launch of the entire mylife™ YpsoPump® system will be subject to a staggered approach. The focus will be on a professional roll-out with the best possible support for prescribing physicians and clinics. The demands made by insulin pump therapy on pump manufacturers are varied and complex. We therefore continued with our groundwork of the past years at a high level of intensity. This included:

- Programmes for the introduction and training of medical professionals and patients with regard to the system. In future, we will be increasingly using digital tools such as e-learning and webinars.
- Further improvements in customer service to ensure the best possible support. This includes preparing extensive documentation, for example Q&A catalogues.
- Further development of the existing customer service and data management systems for the quantitative and qualitative recording of feedback, questions and ideas from users and prescribers. The obtained insights will, on the one hand, be applied to the continuous improvement of the processes for the information and sales phases, and, on the other hand, to the development of new products.

mylife™ YpsoPump® – focus on simplicity results in greater acceptance and therapy compliance

Insulin pumps have always been more demanding to operate and required more effort to learn than, for example, the widely applied intensified conventional pen therapy (ICT). Furthermore, the pump manufacturers attempt to differentiate their products by adding additional functions – which makes the devices more flexible and potentially better, but can make them more complex to operate. For some diabetics this could prove to be a psychological barrier for this form of therapy.

The mission: right from the start, a drastic lowering of this barrier was the declared objective for the new Ypsomed insulin pump. During the initial studies our development team was already totally focused on simple handling and an attractive design. It was always paramount to keep the pump as small and compact as possible, so that it could be worn comfortably in clothing or on the body with a carrier system. This was a major challenge for our engineers who came up with several innovations while reducing the size of the power unit, drive and electronics. Both wooden and stereolithographic models were used to illustrate possible housings. The next step was the industrial design of the new product in collaboration with renowned external partners. The suitability of the samples was tested regularly with patients, and the insights fed back to development.

Practical testing: the mylife™ YpsoPump® was tested for several weeks by test patients in terms of its suitability in practice. For example, one of the items highly appreciated on the final version of the mylife™ YpsoPump® was that it had no protruding buttons. This was largely due to the decision to use

a capacitive touch screen for the user control of the mylife™ YpsoPump®. This enabled the YpsoPump team of 2012 to benefit from major advances in technical progress: the user interface was designed entirely based on symbols. This made country-specific language variants obsolete, which led to cost advantages. The interactive design and the structure of the various symbol menus was also developed in cooperation with respected usability experts and then verified in elaborate studies. The result of all these efforts is remarkable: virtually everyone familiar with the fundamentals of therapy with insulin pumps was able to cope without requiring major training as soon as they held the pump in their hands.

The final highlight: shortly before the product launch, the mylife™ YpsoPump® was honoured with the prestigious Red Dot Design Award. The task now in hand is to make the product available in sufficient quantities for our markets, together with the corresponding training and marketing materials. Ypsomed has engrained the lean approach throughout the entire value chain: based on the planning of the subsidiaries in the countries, the pumps are manufactured on a semi-automated production line in Burgdorf. The logistics are handled from the central warehouse in southern Germany from where demand is covered. And finally, the product will be launched with marketing activities targeted and adapted to the individual markets. The wearers of the insulin pumps can contact Ypsomed employees at any time via a hotline (24h/7 days) to benefit from a comprehensive care package after purchase.





mylife™ OmniPod®

Success expands to more countries

The mylife™ OmniPod®, the first and to-date only tubeless insulin patch pump in Europe, has become an indispensable part of the Diabetes Care business of Ypsomed. The rapid growth has continued unabated since its launch in 2010. Worldwide, the OmniPod® provides some 85 000 people suffering from diabetes with greater freedom in their treatment of diabetes. A lot has happened since the mylife™ OmniPod® was launched for the first time outside the USA in 2010 in Germany, the UK and the Netherlands.

13 countries are now “patched”

By the financial year 2014/15, the insulin patch pump was available in eight European countries. The next step followed during the reporting year: in February, the mylife™ OmniPod® product team achieved yet another milestone and launched the tubeless insulin pump in France, Finland, Denmark, Ireland and Luxembourg. Thus, mylife™ OmniPod® is now available in 13 countries. These areas are managed by the respective country affiliates with the exception of Ireland and Luxembourg. Ypsomed does not have subsidiaries in those countries. These countries are handled by the subsidiaries in the UK and Germany.

Sales of mylife™ OmniPod®



Active sales operations

Germany, United Kingdom, Netherlands, Switzerland, Austria, Norway, Sweden, Italy, France, Luxembourg, Finland, Denmark and Ireland

Planned sales from financial year 2016/17 onwards

Australia, Belgium, Czechia and Poland



France

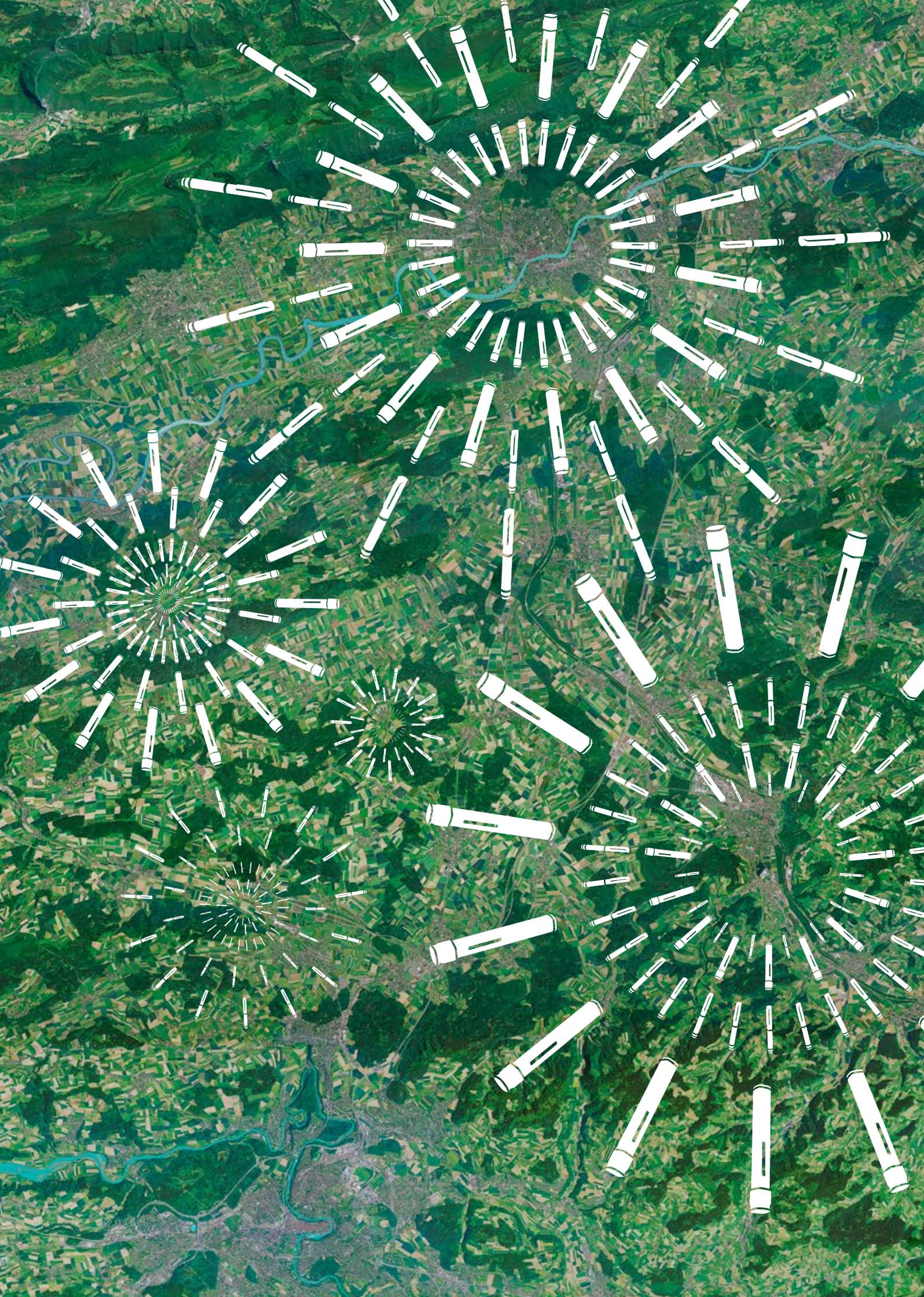
The second-largest insulin pump market in Europe



After years of negotiations, the French government regulated and communicated the reimbursement of the mylife™ OmniPod® at the beginning of 2016. This was greatly welcomed by the French subsidiary. Further strong growth is expected by adding the mylife™ OmniPod® to the product portfolio. It is now a question of satisfying the great demand for the innovative product in the “Grande Nation”.

Strongly regulated market with considerable potential

The French health system is based on a state health insurance which guarantees full cost reimbursement. Sales from manufacturers to patients are exclusively via delegated trade dealers, direct sales are prohibited. Experts estimate that there are over 45 000 wearers of insulin pumps in the French market. After Germany, this makes France the second-largest market for insulin pumps in Europe.



Unabated demand for injection systems

Our pharmaceutical and biotech customers purchase injection systems and corresponding services under the YDS brand – Ypsomed Delivery Systems. They do this via the industry leader, as Ypsomed is the world's largest developer and manufacturer of pens with which patients can administer themselves their liquid medication subcutaneously.

Net sales Ypsomed Delivery Systems



Ypsomed manufactured

2015/16

89 000 000 injection systems

2014/15

71 000 000 injection systems



With our Swiss manufacturing sites, we have a clear commitment to the region and rely on a strong partnership long-term.



Efficient and flexible

Unabated high demand for pens and autoinjectors

Our pharmaceutical and biotech customers purchase injection systems and corresponding services under the YDS brand – Ypsomed Delivery Systems. Ypsomed is the world’s largest independent developer and manufacturer of pens with which patients can administer themselves their liquid medication subcutaneously.

Successful platform strategy

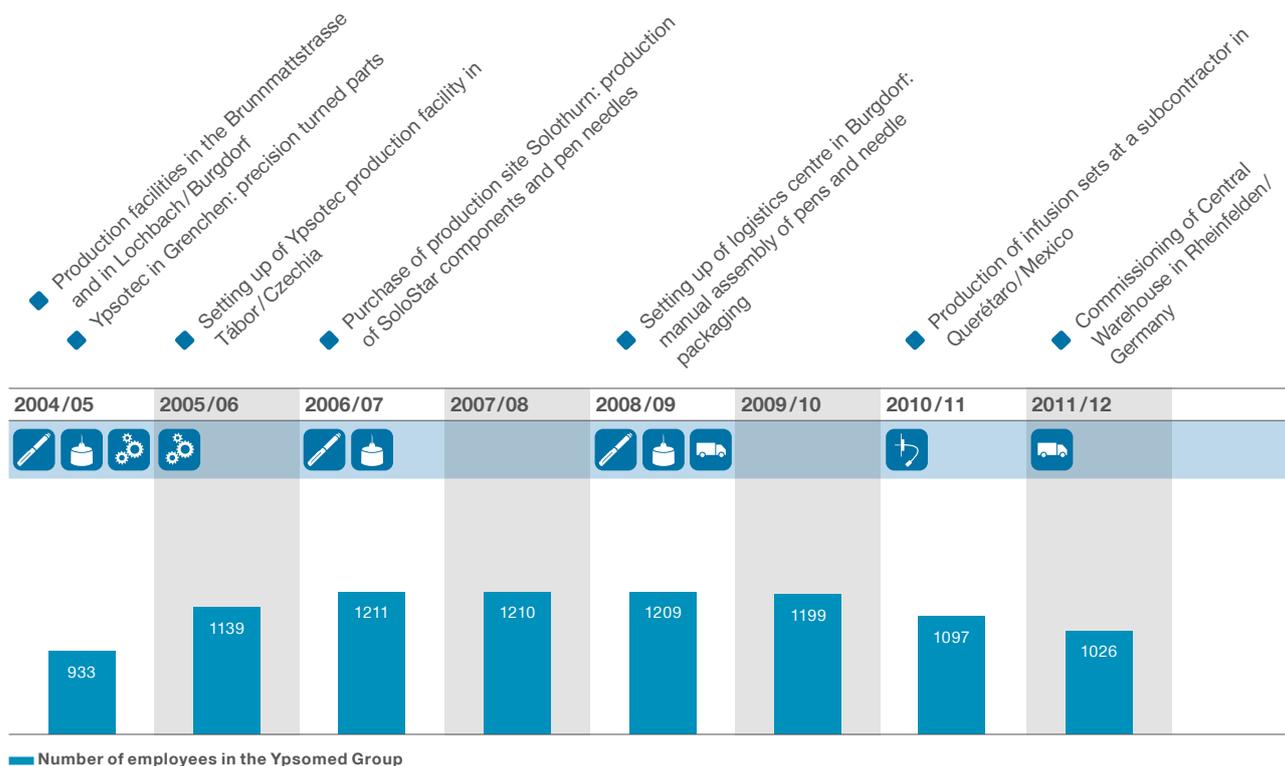
It is the platform strategy in particular, which attracts a broad spectrum of new and existing customers. Ypsomed offers these partners innovative injection systems which can be manufactured in large volumes on state-of-the-art production equipment. Every year, Ypsomed acquires a significant number of new projects, in particular for the “dial and dose” disposable UnoPen™ and the YpsoMate® disposable autoinjector, which is extremely easy to operate in just two steps (more about the YpsoMate® family of autoinjectors in the box on page 26). For the reporting period, Ypsomed counted some 50 active projects. A significant number of these projects is involved in bringing newly developed medicinal products from renowned major pharmaceutical and biotechnology companies to market with Ypsomed injection systems.

Communicated cooperation projects in 2015/16

As soon as pharmaceutical customers have received marketing approval and are ready to market, Ypsomed can communicate new contracts and co-operation projects:

- Ypsomed adds to the existing infrastructure of the Solothurn facility and creates around 100 new jobs over the coming years. The total investment volume in production plants is CHF 50 million. A significant part of this extension is yet another major project for our long-standing partner, Sanofi: components for injection systems will be manufactured on an additional production line as of the second half-year 2016. The annual capacity will be in the double-digit millions.
- Ypsomed entered into a comprehensive master agreement for pen systems and autoinjectors with Hanmi Pharmaceutical Co., Ltd. in South Korea in July 2015. Hanmi is working on three bioengineered proteins that are in various stages of development and approval.
- Diabetics in India will soon be able to use the YpsoPen® to administer insulin made by Lupin Limited. The YpsoPen® is an attractively priced

Ypsomed over the years – development in the number of employees and production capacities



and reusable pen developed in Burgdorf and produced in China. According to current estimates by the International Diabetes Federation over 65 million people in India have diabetes. By 2030, that number is expected to exceed 100 million.

- Since June 2015, the YpsoPen® has been marketed in Poland under the name PolhuminPen. Polfa Tarchomin, headquartered in Warsaw and one of the oldest pharmaceutical companies in the world, is currently marketing the reusable insulin pen together with its Polhumin® insulin exclusively on the Polish market. Negotiations are in place to expand cooperation to other countries.

Newly launched injection systems



- Expansion of Ypsotec production facility in Tábor/Czechia
- Pen production at a subcontractor in Suzhou/China
- Centralisation of needle production in Solothurn
- Expansion of production facilities in Burgdorf: Building of first production plant for YpsoMate® and mylife® YpsoPump® in Burgdorf
- Building of second production line for Sanofi in Solothurn
- Building of second production plant for UnoPen™ in Solothurn
- Expansion of second production Tábor/Czechia
- Building of second production facility in YpsoMate® in Burgdorf
- New construction of manufacturing site, location evaluation ongoing





Unabated demand for injection systems

Medicinal products are increasingly administered subcutaneously

The market for injection systems is growing. This holds particularly true for established therapies with subcutaneously administered medicinal products, such as insulin. On the one hand this is due to the growing ageing population, on the other due to increasing prosperity and the corresponding improvement in healthcare in the emerging markets. This brings with it a trend away from injectable drugs in vials to patient-friendly solutions such as injection pens.

Demand for insulin pens continues to grow

The worldwide market for insulin has meanwhile exceeded USD 20 billion, the number of patients dependent on insulin is well over 40 million. Today, more than 2 billion insulin cartridges with a three-millilitres fill volume are sold every year. In place of human insulin, long- and short-acting insulin analogues are being increasingly prescribed in the developing and emerging countries – which further increases the demand for insulin pens.

New medicinal products require novel injection devices

The market for prefilled syringes for biotechnologically manufactured protein-based medicinal products is also growing steadily. These are new product categories which are also used for treating diabetes, for treating autoimmune diseases such as rheumatoid arthritis and cardiovascular diseases. As a result, the demand for disposable auto-injectors for prefilled syringes is increasing steadily, as is the demand for dual-chamber cartridges. The

latter contain protein-based medicinal products which are not stable in a liquid state, which is why one chamber contains the medicinal product in powder or freeze-dried form and the other chamber contains the solvent. Both need to be mixed prior to injection. A task which is solved in an impressive manner by YDS's increasingly popular LyoTwist™ pen platform. However, research has been successful in part in developing new formulations for medicinal products. The result being that new oral medication is now available as substitute for existing subcutaneous therapies. Nonetheless, this trend is more than compensated by the growth in demand for medicinal products for the treatment of autoimmune diseases such as rheumatoid arthritis and psoriasis – all drugs which need to be administered subcutaneously.

LyoTwist™ – for the administration of medicinal products that are reconstituted prior to injection



YpsoDose™ – injector for administering larger volumes



Market for biosimilars demonstrates strong growth

The pharmaceutical market is undergoing radical changes. Keyword: patent expiry. Important patents for blockbuster drugs are expiring, generics and imitation products by biotech companies, so-called biosimilars, are competing with the original products. These will play a greater role in medical healthcare in the future. At present, many of these substances are in the development stage, for example, for long-acting insulins. A turnover of approximately USD 400 million was already achieved in the trendsetting European market in 2011, and all the signs indicate that this is just the beginning. The global market for biosimilars was estimated at USD 5.2 billion for 2015, and forecasts suggest more than quadrupling by 2020 with average growth rates of 40%. It is expected biosimilar insulins will play a major role, as will a number of peptide hormones and the most successful anti-TNF antibody treatments.

Large-volume injectors for larger volumes and viscous drugs

Worldwide, the major pharmaceutical companies are focusing their attention on biologically manufactured products, in particular on monoclonal antibodies. Due to their molecular size it is essential that they be administered subcutaneously. Injections are typically weekly, biweekly or even monthly. The trend to fewer injections implies that larger volumes of a medicinal product need to be injected. And very often, the viscosity of such drugs may be higher. Both factors increase the demand for new categories of injection devices such as the YpsoMate® and YpsoMate® 2.25 autoinjectors involving high forces or syringes with larger volumes (see page 26), and large-volume injectors. This implies a disposable injection device attached directly to the skin. Compared with an insulin pump which ensures infusion of a medicinal product over hours or days, the large-volume injector is intended for the administration of 3–10 ml of a medicinal product over a short period of time of 5–15 minutes.

YpsoMate® – a versatile family of autoinjectors

In its standard version, the Ypsomed autoinjector is 14.6 mm long and weighs approx. 33g with a filled syringe. Special features: autoinjector for prefilled syringes with easy operation in only two steps.

The task: easy to adapt to customer needs (size and configuration of the prefilled syringe, viscosity of the medicinal product, outer design of the injector), yet can go into production quickly based on the platform approach.

Implementation: prefilled disposable syringes made of glass or plastic are popular “primary packaging materials” among our pharmaceutical customers. Increasingly they contain medicinal products which patients only need to inject weekly or even less frequently. This is convenient in principle, however, the injection routine suffers. Autoinjectors are used to give users a simple and safe injection at all times. The prefilled syringes are assembled in the autoinjectors by the pharmaceutical partners. With the YpsoMate® platform, Ypsomed provides a very successful product range of autoinjectors. The simple operation in just two steps is especially worth mentioning for the YpsoMate®. The patient pulls off the injector cap which removes the sterile needle protector. In a second step, all the patient needs to do is push the injector onto the injection site which then automatically triggers the injection. No buttons need to be pressed at all. This was rated as being very positive in the YpsoMate® usability studies and has meanwhile become one of the main reasons for the success of our autoinjector.

Variants: the standard version of the YpsoMate® can in itself already be adapted flexibly to customer needs. This is compatible with all prefilled glass or plastic 1ml disposal syringes available on the market. And as the trend has been leaning towards even greater filling volumes for some years, Ypsomed also offers its autoinjector in a version for 2.25ml prefilled syringes. This variant of the YpsoMate® has proven of great interest to pharmaceutical partners. For certain products and indications, pharmaceutical companies require an injector which is clearly distinguished from its competitors from the outside and/or which is even easier to handle for certain patient groups. We manufacture the standard YpsoMate® with the option of an angular or round design and in various colour combinations. Using the YpsoMate® design variant al-

lows the creation of entirely customised outer housings. And finally, the fourth variant is the YpsoMate® Smart, which offers patients and medical staff additional benefits due to its connection to the online cloud. More information on our YDS Smart-devices strategy is given on page 28.

Production: to keep project run times and investments low for our customers, Ypsomed has invested in fully automated production plants for the YpsoMate® platform in Burgdorf Lochbach. Owing to the flexible structure, it is possible to manufacture customised versions of the YpsoMate® in large numbers for customers. And this at a fraction of the costs which would have incurred for an entirely new production plant. In other words, the pharmaceutical partner receives a unique autoinjector customised to his needs without having to sacrifice the benefits of the platform product.





Future of the injection system business

Characterised by the disposable pen and autoinjector

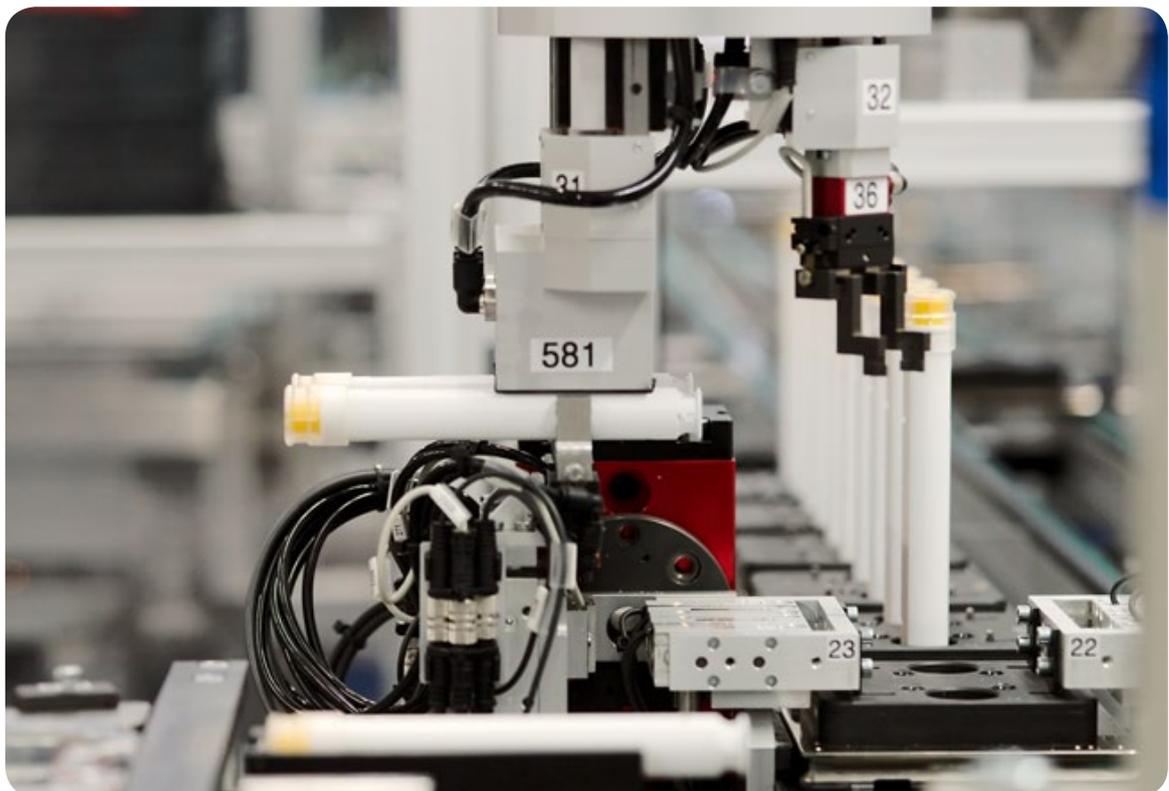
Right from the beginning, Ypsomed focused on self-treatment requiring an injection device. In the 1990s and 2000s, this was limited to insulin and other hormones. The very first injection devices were reusable pens where patients used to insert the cartridges containing the medicinal product into the pen themselves. Over the past 15 years, the trend has been clearly away from reusable pens to disposable pens. In addition, a host of therapeutic areas were developed for the use of injection systems. Primarily this relates to easier handling for patients. Another reason is the necessity of ensuring that the correct drug reservoir is used with the right injection device to avoid dosing errors or the mix-up of medications. This has become increasingly important since even higher-concentrated insulins (so-called U200, U300 and U500) have become available. Today, reusable pens are mainly used in developing and emerging countries, where the costs of disposable pens would increase the costs of therapy to levels which neither the patient nor the health system could afford. In the USA, Europe and other industrial nations, disposable injection pens are meanwhile preferred for administering medicinal products such as insulin, GLP-1 as well as the hormones HGH (treatment of growth disorders), FSH (treatment of infertility) and PTH (treatment of osteoporosis). Ypsomed was active in all these therapeutic

fields right from the start and will therefore remain a preferred partner for many pharmaceutical companies with regard to manufacturing injection devices for single- and dual-chamber cartridges.

YpsoMate® – another leading force

The market for traditional reusable autoinjectors is now only of limited importance, mainly for frequent injections as used in the treatment of multiple sclerosis. However, the market for disposable autoinjectors continues to grow, driven by demand for medicinal products which require fewer injections, for example those used in the treatment of autoimmune diseases, diabetes (via GLP-1 drugs), cardiovascular diseases and migraine. Ypsomed has invested heavily in the development and setting up of production plants for the YpsoMate® autoinjector (see also box on page 26). Based on current projects and forecasts, Ypsomed will become one of the most significant suppliers of disposable autoinjectors during the next five years.

Fully automated YpsoMate® production plant in Burgdorf





YDS Smartdevices

Ypsomed takes injection devices to the cloud

Ypsomed has identified a long-term and significant demand by its customers for injection devices with intelligent electronic and software-based additional functions to support the therapy. The desired improvements vary, but are mostly intended to provide greater and more precise data on the success of a certain therapy and to improve patient compliance (adherence). The potential here is massive: non-compliance in the USA alone is estimated by the New England Healthcare Institute to cost the US healthcare system approximately USD 290 billion annually.

Innovation is a top priority

Ypsomed is in a good position to optimally confront these challenges with innovative solutions. Connected devices that are equipped to communicate with a smartphone, for example via Bluetooth, are not the only priority here. Right from the start, Ypsomed has taken this one step further to smart devices which are capable of retrieving relevant therapeutic parameters and transferring them in a suitable form. Owing to our 30 years of experience, including the then world's first electronic injection pen, Ypsomed has the necessary know-how for developing smart injection devices. In the past years this was expanded significantly by the development project for the mylife™ YpsoPump®: the new Ypsomed insulin pump communicates with the computer or the smartphone via Bluetooth and can transfer all relevant therapeutic data at any time to the specially developed mylife™ Software or the therapeutic management software of partners. The mylife™ Software is available for desktop computers, as smartphone App and for the cloud and can read the data of Ypsomed blood glucose meters as well as those of competitors. To save costs and keep time to market as short as possible, Ypsomed uses appropriate and tested components from the con-

sumer electronic industry wherever possible in the development of smart injection devices. For example, in the case of a “smart” injection pen, this allows us to cover requirements such as connectivity, data handling and their control with quickly available standard components. This enables us to focus our attention fully on our core competence: the creation of interfaces between mechanical systems and electronic systems. Well thought-out integration results in a perfect transfer of the injection pen status, i.e. prior to/after use, filling level, time and volume of dosage.

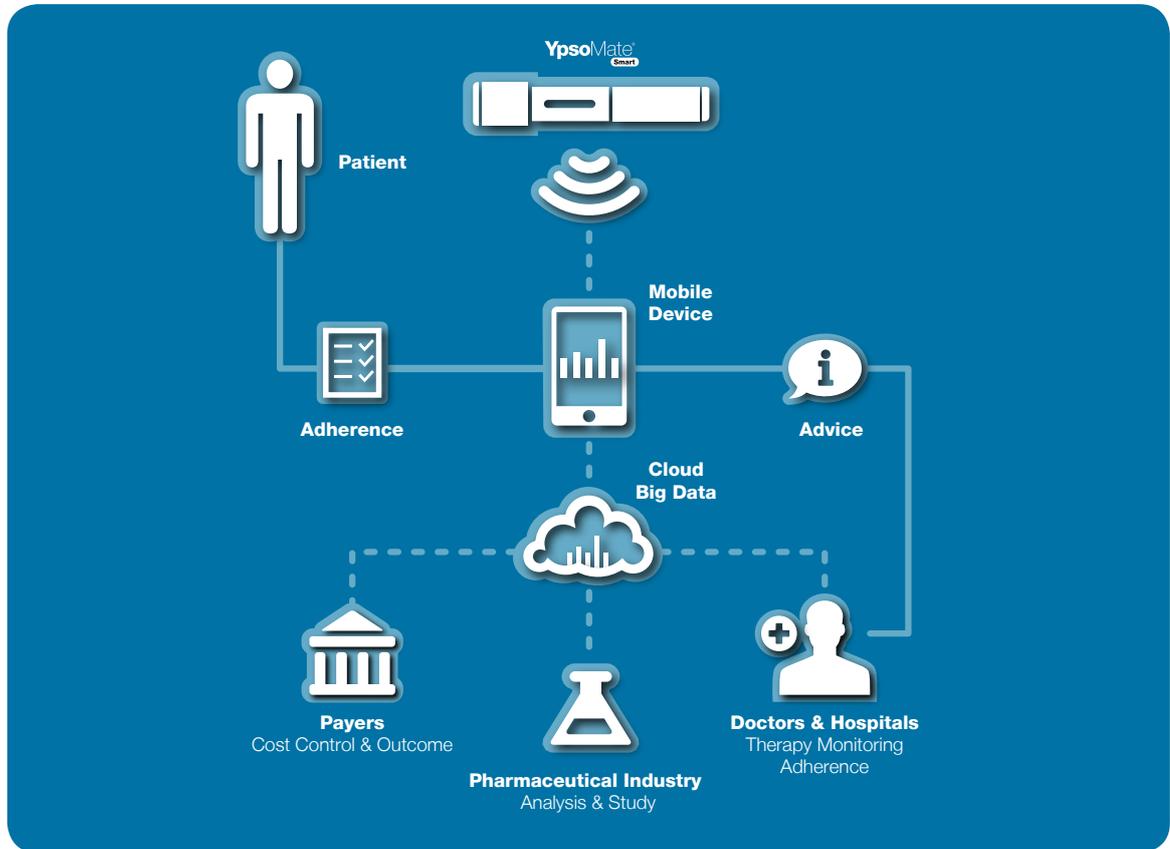
Ground-breaking cooperation with Thinfilm

The next important step in this pioneering field was taken in 2015: at the PDA Conference last autumn, Ypsomed announced a collaboration with the Nor-

YpsoMate® Smart – first of a kind



Concept Smartdevices



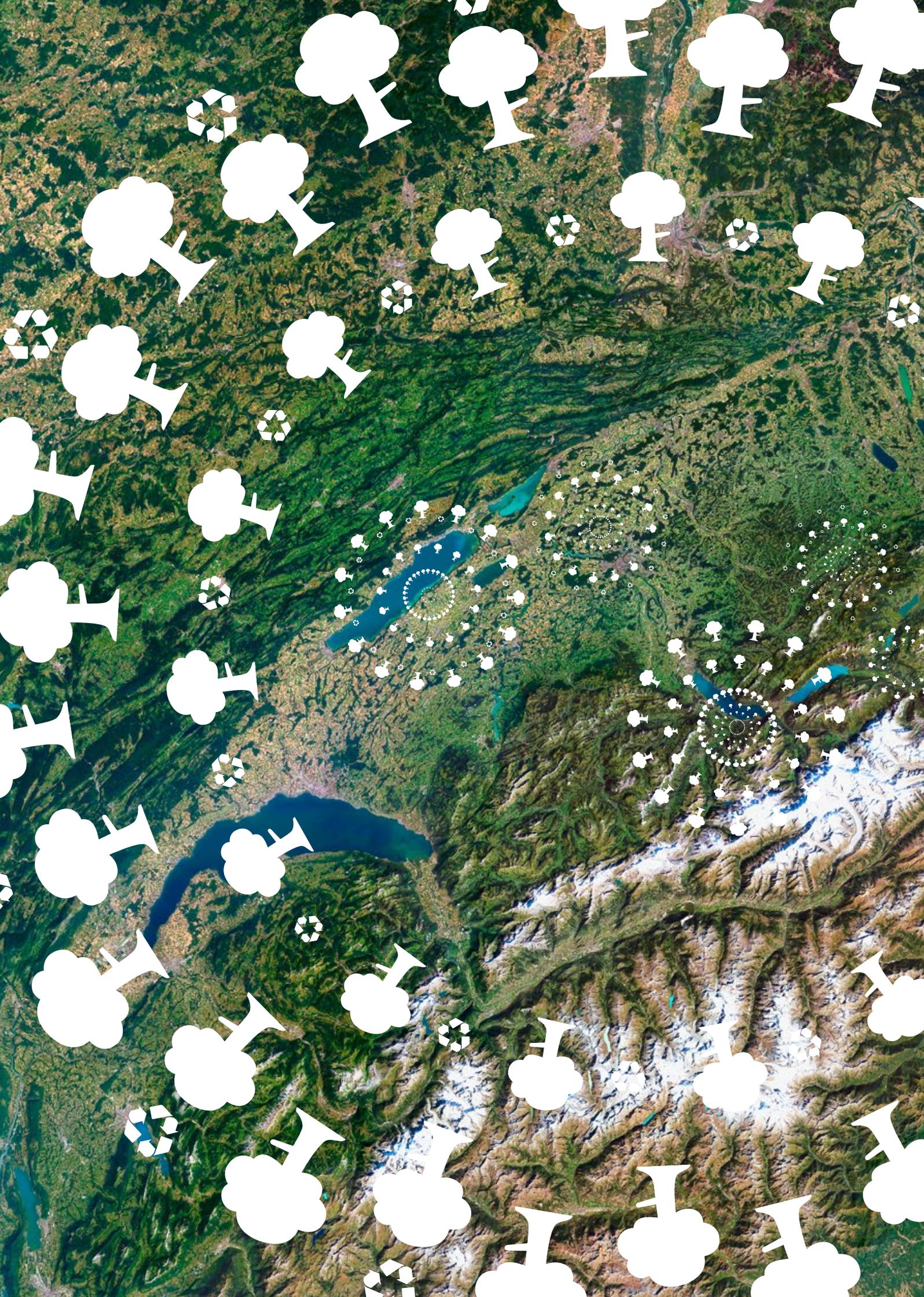
wegian company Thinfilm. Thinfilm is a leading provider of printed electronics or electronic circuits that are manufactured inexpensively with conventional printing techniques. Ypsomed and Thinfilm intend to jointly realise the YpsoMate® Smart as a further Ypsomed platform product. The YpsoMate® Smart will originate from the YpsoMate® autoinjector that has proven very successful with customers (see box page 26), and which will be able to transmit its current status to smartphones via NFC (Near Field Communication) using an inexpensive smart label. This enables pharmaceutical partners to develop a variety of exciting applications: for example, corresponding multimedia operating instructions are able to be displayed by scanning the autoinjector with the smartphone prior to use. And following administration of a medication, the patient is able to reliably send a confirmation to the treating physician that the injection was successful.

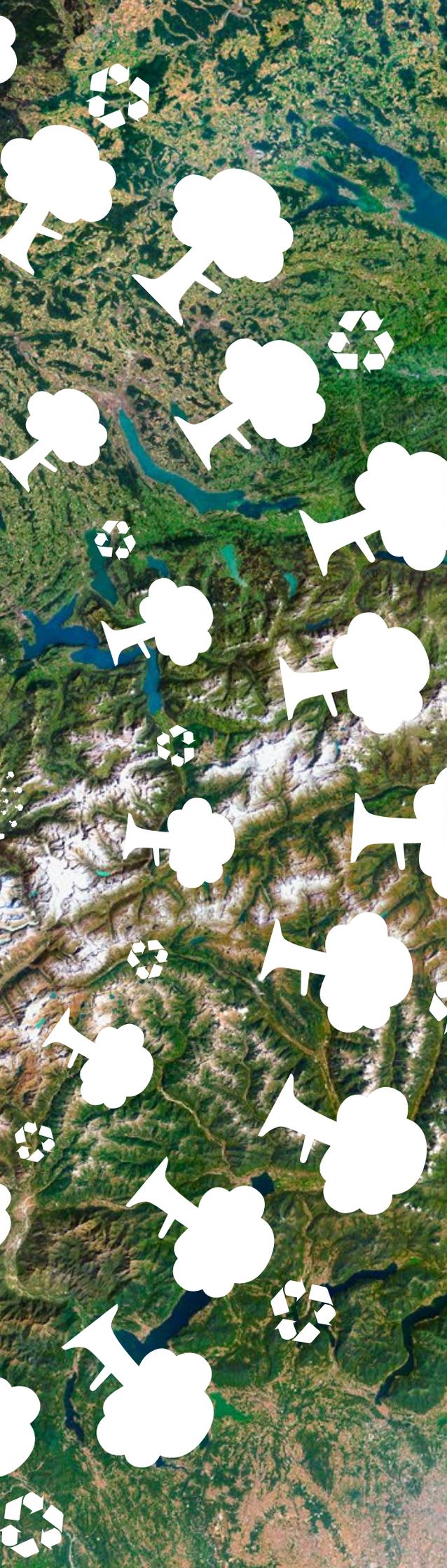
In addition to its autoinjectors, Ypsomed also has concepts for upgrading the UnoPen™ injection pen to a smart device by using innovative, cost-efficient technology. The challenge to be mastered here is that the UnoPen™ – consistent with the industry trend – is a disposable device that is disposed of after an application period of a few days or weeks. In a first step, the prevailing concepts are

focused on a reusable addition to the pen, with the final outcome being radical cost optimisation where the smart components can be fitted individually to every UnoPen™.

The future is created now

Connected devices represent the future of self-injection. Since its presentation at the PDA, the YpsoMate® Smart case study has created keen and continued interest. This confirms that Ypsomed is not only on the right track, but is, in fact, one of the pioneers.





Sustainability and social responsibility

Ypsomed pursues a long-term and entrepreneurial focus with the implementation of its company objectives. We are oriented towards the needs of patients and customers, such as pharmaceutical companies, physicians and medical staff. Furthermore, Ypsomed is equally obliged to its employees, society and the environment and always includes economic, ecological and social aspects in its considerations.

Introduction of new apprenticeship trades

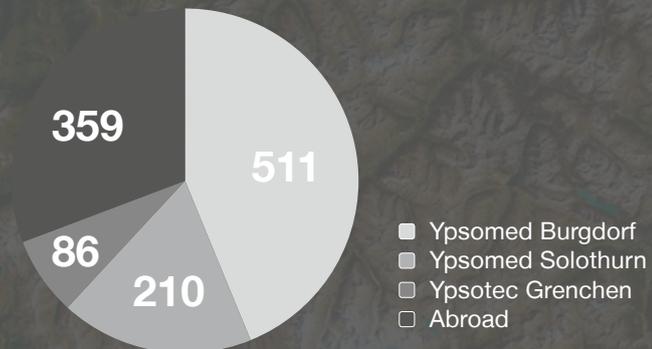
2016

12 apprenticeships

2015

9 apprenticeships

Structure of employees



Switzerland stands for quality, innovation, reliability and stability – values which are also key to Ypsomed.



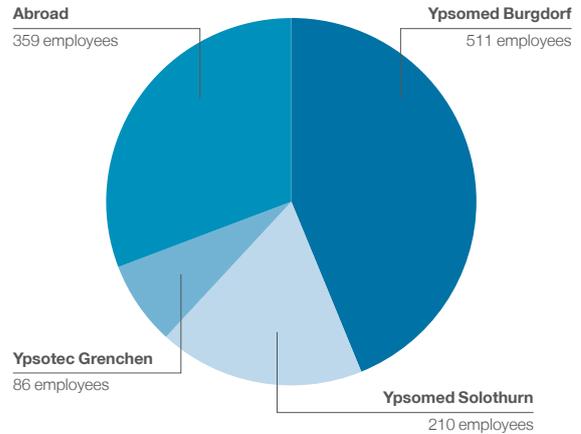
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Structure of employees

Since 31 March 2016, the Ypsomed Group employed a total of 1166 staff, 807 of these in Switzerland and 359 abroad. The numbers for the previous year amounted to 1050, 738 and 312 employees.

Structure of employees as per 31 March 2016



Vocational education and training

Four additional apprenticeship trades established

In the area of occupational training we look back on a varied and intensive year with many highlights and innovations.

Ypsomed apprentices achieve top results in apprenticeship diplomas

Nine apprentices successfully completed their basic training in July 2015. Same as in the previous year, the average grades achieved by apprenticeship graduates were 4.9. The grades of the final results ranged between 4.6 and 5.5.

With an overall grade of 5.5, polymechanic Manuel Fuhrer came top in the Emmental-Oberaar-gau district examinations, and Mathias Vogt was the best designer with a grade of 5.4. We are proud that we were able to gain both graduates as full-time employees at Ypsomed in Burgdorf. In addition, another three graduates decided to continue their careers at Ypsomed.

Introduction of new apprenticeship trades

The positive growth of Ypsomed allows us to offer new occupational apprenticeships. In August 2015, our first mediamatics student started her basic apprenticeship year at the ICT Occupational Training Centre in Bern. Overall, nine persons again embarked on basic training as part of first and second-chance education. This includes the occupations of computer sciences, basic business administration, designer, logistics and polymechanics.

Further occupational training in Solothurn

As of August 2016, we will offer three additional types of occupational training: plant operator, plastics processor and polymechanic, with a focus on maintenance work. The preliminaries are well on track. The occupational inspector for the Canton of Solothurn has already given the go-ahead and suitable vocational trainers have been recruited.

These measures will help us to successfully circumvent the looming lack of skilled manpower as well as giving the young generation a sustainable professional career at Ypsomed.

Experience industrial professions close up at the IB Live

Nearly 2400 pupils from the seventh and eighth grades of the greater Solothurn area visited Ypsomed from 6 to 9 May 2015 as part of the IB Live in Solothurn. This career event is governed by the motto "Apprentices explain their professions to future junior apprentices". Together with six other companies in the Solothurn region, we presented the occupational careers in our companies live to the pupils. Supported by their vocational trainers, our apprentices gave insights on the various occupational careers at Ypsomed in their own environment and their own language. A total of 21 occupational careers were presented close up at the IB Live by the companies involved – next to Ypsomed this included AEK Energie, Fraisa, Carrosserie Hess, Itema, Stahl Gerlafingen and Vogt-Schild Druck.

The variety of occupational apprenticeships at Ypsomed continues to expand



Children get a first impression of work on National Future Day

For the first time, Ypsomed's participation at the National Future Day last November included offers for the so-called MINT professions (mathematics, informatics, natural sciences and technology). At the Burgdorf site, children accompanied their contact person (mother/father, aunt/uncle or godparents) at work for half a day and were able to get a first impression of a working day. The second half of the day was spent building a toy car with a drive under the supervision of our apprentices and then racing them. After this tremendous success, we plan to hold a similar programme with a company presentation and a guided tour of production at the Solothurn site at the next Future Day in November 2016.

Tinkering workshop: playful insights into a professional world

Another basic-level insight into the professional world is offered by our tinkering workshop: during the 2015 summer holidays interested senior-grade pupils at the Burgdorf school helped to construct a marble run and learned about the vagaries of engineering, giving them playful insights into the challenges of MINT professions. Highly interested pupils have already applied for a trial in one of our technical professions. As a result of the success, the workshop will again be offered during this year's summer holidays.



Human resources policy

Permanent advanced development and improvement

Our career model with management, project leader and professional careers has continued to prove itself as a primary tool in personnel development. During the financial year 2015/16, 19 persons or 3% of all employees had advanced into new functions as part of this career model. Of these, 16 persons followed a professional career and 3 persons a management career.

Continuous advanced training of employees is essential for a medical engineering company such as Ypsomed. The employees are given advanced training, mainly in-house, in important areas, such as quality management, safety and computer sciences. This includes regular impulse presentations during lunch breaks on a variety of topics, for example innovation management or design thinking. Ypsomed also offers its employees the option of English language courses. Some 60 persons are presently making use of this offer.

To be successful as a company, we depend on the full work commitment of every single employee. Anyone missing leaves a gap. Clearly defined roles and codes of behaviour prevent unnecessary absences and thus increase our efficiency. The correct handling of absences is a management task

and is part of the management system. The results are abundantly clear: in 2006, prior to introducing the currently applicable management of absences, Ypsomed employees were absent for an average of 12.2 days per annum due to illness or accidents. Since then, days of absence have dropped continuously, by around 40% since 2006.

Permanent advanced development and improvement is essential for a company like Ypsomed to be successful. Every single employee can make an important contribution to the success of Ypsomed with his/her ideas. To this purpose, our company has a clearly defined and well-used process which was digitalised and relaunched at the beginning of 2016 under the name “Ypsomed OpenMind” using the Hype ideas management software. This allows involving Ypsomed employees more actively, more directly and more targeted in the internal development of improvements and innovations.



HRplus project

Sustainable availability of a skilled workforce

In the financial year 2015/16 we embarked on the HRplus project, a holistic programme to ensure sustainable availability of a skilled workforce. This covers the development and implementation of the following topics:

- Expansion of occupational training: creating more apprenticeships and establishing additional occupational professions (see above).
- Promoting catch-up education: supporting motivated employees without professional qualifications in acquiring subsequent diplomas (see below).
- Promoting dual studies: creating part-time jobs and stimuli to allow qualified apprentices to participate in graduate courses and stay with Ypsomed on the long run (see below).
- Establishing career alternatives: promoting meaningful alternative job offers for managers prior to retirement.

- Flexible retirement: providing options for reducing work loads stepwise from the age of 60 as well as working beyond retirement age.

Promoting dual studies and catch-up education

As part of HRplus, information events were held at the end of 2015 in Burgdorf and Solothurn on the topics of “Promoting dual studies” and “Catching up on education”. In dual studies, the employees spend both time in practice and studying. This not only widens one’s own horizon, but also opens the door for a successful career at Ypsomed. In this context, Ypsomed also sponsors attending vocational matriculation and technical colleges in a more targeted manner. By promoting catch-up training for plant operators leading to a professional qualification according to Article 32, employees without an apprenticeship diploma, but with the necessary practical experience, can obtain a Swiss federal vocational certificate within two years. The participants of both programmes will start in August 2016.



Corporate social responsibility

Holistic support for employees and society

In the financial year 2015/16, Ypsomed was again heavily involved in the area of corporate social responsibility. The most important commitments included:

- Promoting innovation: as part of the Ypsomed Innovation Fund, Ypsomed offers financial contributions to support innovative companies in Espace Mittelland.

Two We”, a sustainability programme offered by the SV Group.

- Sports: Ypsomed supports participating employees in selected sports events, both from a financial and organisational point of view. For example, in May 2015, 34 Ypsomed employees took part in the Grand Prix of Bern, the largest public running event in German-speaking Switzerland.

All Ypsomed participants at the Bern Grand Prix 2015



- Family-friendly corporate culture and sustainable employment of parents: to give some examples, this is accounted for by flexible work time models, part-time work and parental leave. Places in day care centres subsidised by Ypsomed in Burgdorf and Solothurn ensure that Ypsomed employees can combine job and family better.
- Promoting health: we actively support the health of our employees with a well-managed absence management system, a permanent focus on workplace ergonomics, free access to the fitness centre and indoor swimming pool, prophylactic influenza vaccination and free social counselling.
- Catering for employees: the restaurant for employees, the “Schlossblick”, at the Burgdorf headquarters operates on the principle of “One

Six Ypsomed runners took part in the Burgdorf town run. Ypsomed sponsored the starting money for the employees as well as uniform jerseys with the Ypsomed logo.

- Mobility: Ypsomed promotes public transport and finances half-fare public transport tickets for all employees from the charges collected for the company parking spaces.
- “Bike to work” event: nine teams from Ypsomed participated in this annual Switzerland-wide event to promote cycling in 2015. In June 2015, a total of 36 employees travelled by bicycle on an average of 85% of the workdays, covering 7 758 kilometres.



Energy consumption and business travel

Ypsomed responds to environmental protection

The consumption of electricity at Ypsomed is at a constant level as in the previous year, but has increased slightly due to increased production volumes. A further increase is foreseeable as production capacities are being expanded continuously.

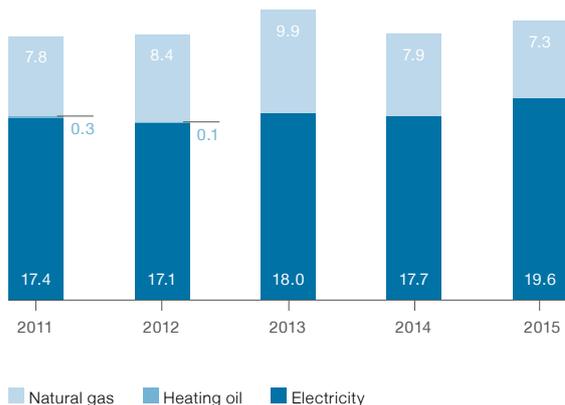
The consumption of natural gas has decreased in comparison to the previous year. This is due to the mild winter and the resulting reduction in heating. Heating oil is used as stand-by for natural gas at all Ypsomed sites, the volume of heating oil has meanwhile reached a negligible level and was reduced by a further 40 % compared with last year. Consumption in 2015 was a mere 1 100 litres.

By implementing the Energy Ordinance for Bulk Users, we take on our responsibility as a company and respond appropriately to environmental protection.

Increased business travel due to increased business

Business travel in private vehicles has increased by over 100 %. This increase is largely due to the production of the UnoPen™ plant at Sortimat: during these nearly four months, our employees travelled regularly to the plant manufacturer in Germany in their own cars in order to manufacture the first pens on the new plant.

Energy in thousand megawatt hours (MWh)*

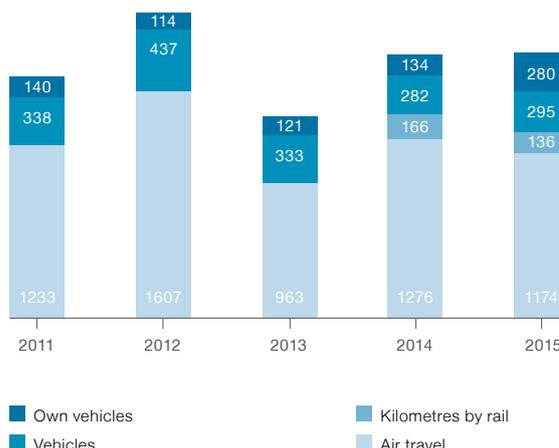


* Companies in Switzerland

Increased efficiency is clear goal in energy consumption

Since April 2016, we have implemented the Energy Ordinance for Bulk Users, part of the government's Energy Strategy 2015. This regulation stipulates achieving a 20 % increase in efficiency in energy consumption within ten years. We will meet our obligation within the framework of the universal target agreement with the state, and may use the label "Energy and CO₂ reduced" as of next year. The first measures will be implemented by the end of 2016 and are effective as of 2017 for the state. The entire catalogue of measures will be implemented by 2026.

Business travel in thousand kilometres*



Travel with SBB (Swiss Railways) has dropped by nearly 4 %, whereas mileage by management remained at the same level as in the previous year. The number of air miles has increased further, primarily due to increased worldwide commitment in the Delivery Systems sector. Increased sales in the handled countries and the newly established subsidiaries in the Diabetes Care sector require appropriate presence of our employees on site.



Operational safety

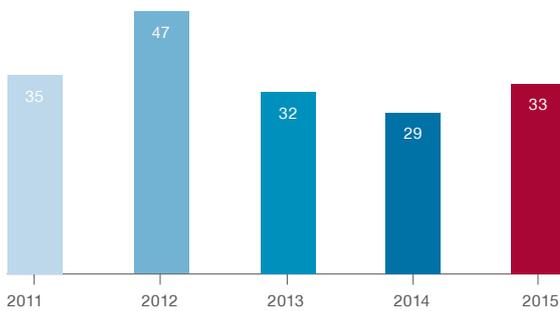
Consistent risk management

Accident statistics

At 33 accidents per 1000 employees, the number of accidents has increased slightly versus the previous year (29 accidents per 1000 employees in 2014). In absolute terms, the number of occupational accidents increased from 21 to 24. Of these 24 accidents, 17 were minor accidents. 8 accidents

– usually falls or needle prick injuries with our pen needles – led to absence from work. The managers in production were made aware of both topics. To reduce the risk of needle prick injuries, we have introduced additional work instructions and retrained the employees affected. It remains a future concern to investigate occupational accidents to avoid repetitions and to keep the number of accidents as low as possible.

Occupational accidents per 1000 employees

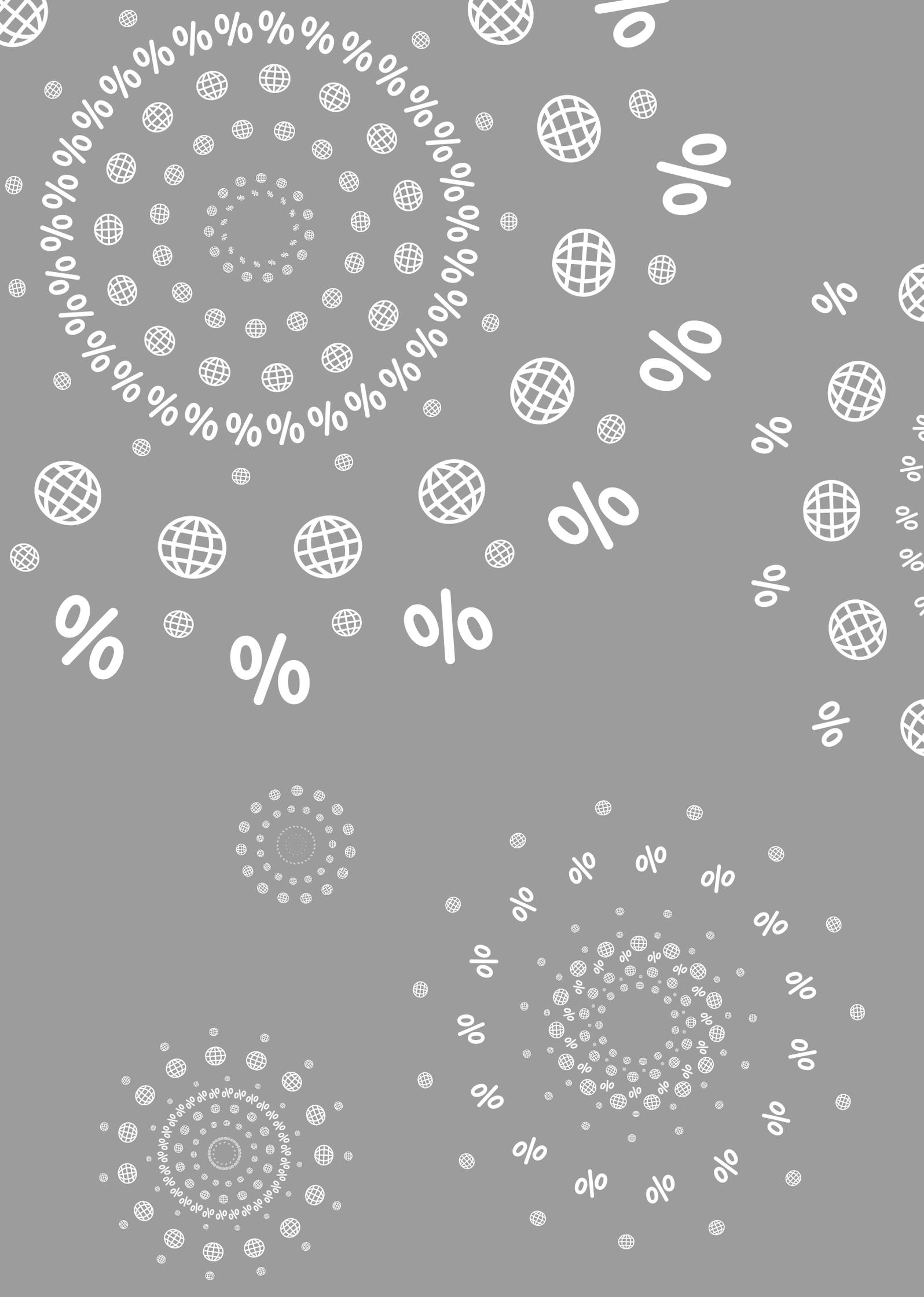


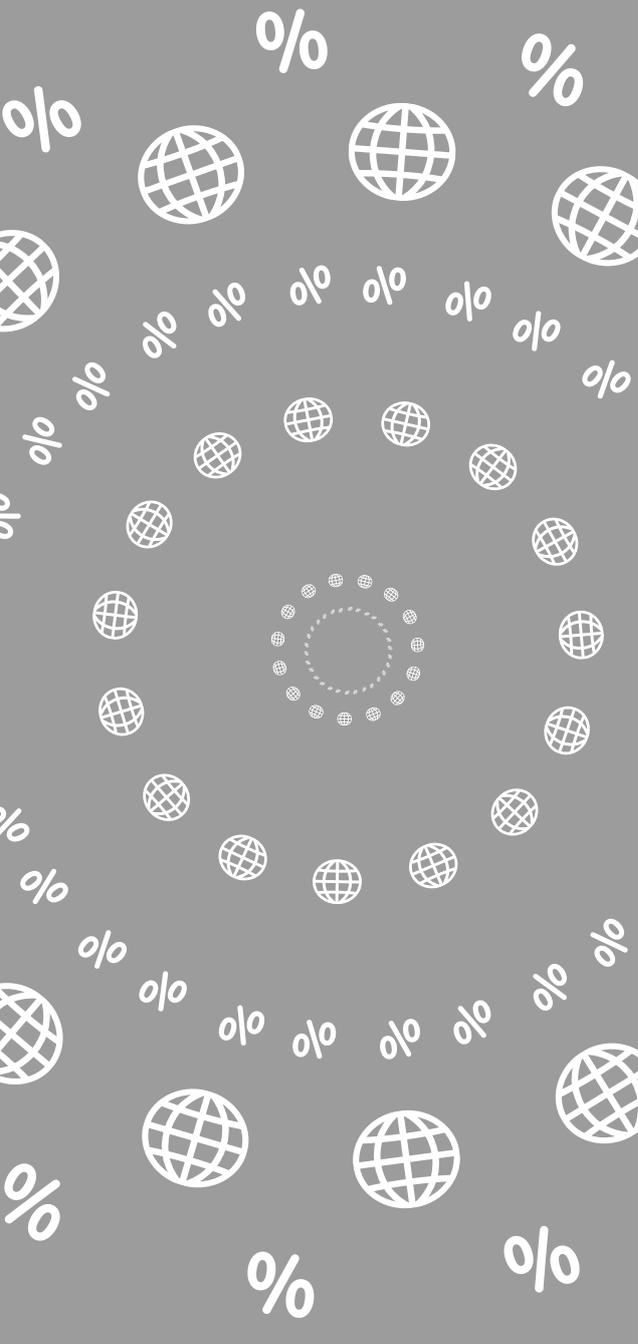
Company medical services

Ypsomed is extremely well organised to offer employees and visitors the greatest possible safety. 18 company paramedics (secondary job) are on call at the Ypsomed sites Burgdorf and Solothurn as a first-line response to emergencies. Their basic training lasts nine days. All company paramedics attend an annual refresher course.

Our safety precautions comply highest standards







Net profit increased by nearly 85 %

In the financial year 2015/16, the Ypsomed Group generated consolidated sales totaling CHF 336.9 million (previous year: CHF 306.6 million). Compared with the previous year, this represents an increase in sales of 9.9%. The operating results (EBIT) also increased by 55.7% compared to the previous year, from CHF 28.5 million to CHF 44.4 million. Profitability at the EBIT level has now risen to 13.2% (previous year: 9.3%).

Sales in CHF million



EBIT trend in CHF million



Europe is our most important market, particularly for the diabetes care business. The comprehensive mylife™ product portfolio distinguishes us as experts in diabetes.



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Segment Delivery Devices: good results due to platform products and projects

In the Delivery Devices segment we showed a growth in sales of 11.3% to CHF 168.9 million (previous year: CHF 151.7 million). Thus the road to success of the past year continues in this segment. The following factors contributed to the success:

- The market for glucagon-like peptide-1 (GLP-1), a diabetes drug that is becoming increasingly important for the treatment of type 2 diabetes, continues to experience strong growth. Following the successful market launch in the financial year 2014/15, additional sales were generated in the current financial year with our pharma partners GlaxoSmithKline and AstraZeneca.
- The development and industrialisation revenues were increased by approximately CHF 8 million through various customer projects for our platform products UnoPen™, FixPen™ and our autoinjectors. In future, revenues from these customer projects will generate increasing sales for the pen systems.
- Despite a volume growth of approximately 6%, the components for the SoloStar®, which are manufactured in Solothurn exclusively for our partner Sanofi, showed a decline in sales compared to the previous year. Lower selling prices and currency exchange rates in particular offset the effect of higher sales volumes.
- The business with our pen needles showed a volume growth of approximately 3%. Here too, the growth in volume was offset by the currency exchange rate, resulting in a sales decline around CHF 4.0 million.

Following discussions with one of our pharma partners on the interpretation of acceptance criteria, we made provisions for possible guarantee claims of CHF 1.4 million in the financial year. These discussions refer to older batches of a single product. We implemented optimised solution approaches in our development and industrialisation projects as well as in production, resulting in a special depreciation of CHF 1.7 million on tools and pen platforms.

The EBIT for the Delivery Devices segment for the financial year 2015/16 amounted to CHF 24.9 million. This represents an increase of nearly 85% or CHF 11.5 million on a year on year basis. This excellent result is largely due to the mentioned sales increases in the area of GLP-1 products and the projects for other platform products. Production was further optimised as was the utilisation of capacities, both of which led to lower pro rata fixed costs.

Segment Diabetes Direct Business: all lines of business contributed to profitability

The Diabetes Direct Business segment again demonstrated vigorous growth during the financial year 2015/16. Compared to the previous year, net sales increased from CHF 137.7 million to CHF 151.8 million, which equals a growth in sales of 10.3%.

The patient base for the mylife™ OmniPod®, the tubeless insulin patch pump, was expanded as forecast by approximately 40% in the past financial year. Nearly half of this growth performance in sales is derived from the new mylife™ OmniPod® markets Norway, Sweden and Italy. The investment into these markets is now paying dividends as the need and demand for this product is considerable.

In terms of blood glucose monitoring systems, we were able to achieve positive volume growth with our long-standing partner Bionime. Following a cautious start at the beginning of the financial year, sales increased, particularly during the last quarter. This is primarily due to compliance of the mylife™ Pura® and mylife™ Unio™ blood glucose monitoring systems with the new quality standard in terms of accuracy, precision, performance evaluation and influencing parameters (standard ISO 15197:2013). Despite the positive growth in volume, currency exchange rates had a negative effect on net sales.

The specialised diabetes dealer DiaExpert also demonstrated above-average growth in single digits in local currency, however, this was offset by the currency exchange rate.

The operating result in the Diabetes Direct Business area increased by 47.3% year on year to a total of CHF 19.2 million (previous year: CHF 13.0 million). All sectors in this segment contributed to the growth in profitability. Last year saw invest-

ments into new distribution markets and these have now contributed to the increase in profitability. The increase in profitability is also the result of more efficient utilisation of the sales and distribution structures, so that these have only increased marginally when compared to the growth and new markets. The result was also influenced positively by releasing a provision from the previous year to the amount of CHF 0.7 million. Process risks relating to an international distribution network were averted.

Segment Others: Ypsotec holds its own in a difficult foreign currency environment

The Ypsomed subsidiary, Ypsotec (segment Others), continues to assert itself in a difficult and highly competitive market. The production facility in Tábor, Czechia, in particular, helped to achieve a positive result. The segment Others generated total net sales of CHF 16.2 million. However, compared with the previous financial year, net sales decreased by CHF 1.0 million or 5.8 %. The EBIT is CHF 0.4 million compared to CHF 2.1 million in the previous year. However, the previous year was affected positively by the sale of property which is no longer being used for operations to the amount of CHF 1.5 million.

Net profit increased by 85 %

The financial result for the financial year 2015/16 was impacted negatively by CHF 1.2 million. Of these, CHF 0.5 million are due to interest paid (CHF 0.8 million in the previous year), and CHF 0.7 million due to losses in currency exchange rates as well as value adjustments on the holding in Bionime. For the financial year 2014/15, currency exchange losses and value adjustment for this holding still amounted CHF 4.1 million.

The tax burden on profits before taxes was also reduced to 17.1 % from 18.3 % in the previous year. This effect is mainly due to different levels in profits in the companies as a result of being subject to differing taxation levels.

Thus, the net profit for the financial year 2015/16 amounts to a total of CHF 35.8 million. Compared to the previous year at CHF 19.4 million, this represents an increase of 84.6 %. The net profit margin is 10.6 % versus 6.3 % in the previous year. The earnings per share amount to CHF 2.84 (previous year: CHF 1.54).

Buoyant investment activities

In the financial year 2015/16, Ypsomed generated an operative cash flow of CHF 76.7 million from business activities. This represents an increase of approximately 85 % or CHF 35.3 million. A total of CHF 36.2 million was invested during the reporting year. Of these, CHF 25.2 million were invested in fixed assets. Owing to the market success of the injection systems, Ypsomed was able to expand its production capacities. Investments were made into tools, new assembly and printing plants for pen platform products, mainly the UnoPen™ and YpsoMate®, as well as a new production infrastructure for components for our pharma partner Sanofi. Ypsotec also expanded at its location in Czechia. They added seven new machines to their milling and turning machinery pool to now 26 machines. CHF 11.0 million were invested into intangible assets. The majority, some CHF 9 million, were invested into the development of various pen platforms as well as the development of the mylife™ YpsoPump®. The remaining approximately CHF 2 million were invested into new software.

Within the space of one year, the free cash flow has more or less trebled from CHF 15.1 million to CHF 40.7 million.

An autonomous company as a result of financial independence

Ypsomed's balance sheet has been extremely solid for many years and currently shows yet another increase versus the previous year in equity ratio of 68.9 % (previous year: 66.6 %). Liabilities to external financial institutions were reduced by CHF 22 million. This corresponds to our strategy of being financially independent. We will continue to further reduce our debt during the coming periods.

Motion at the Annual General Meeting: increasing the dividend to CHF 1.00 per share

The Ypsomed Board of Directors will put a motion before the Annual General Meeting to increase the dividend by 66 %. For the past financial year 2015/16, the shareholders are to be paid a dividend of CHF 1.00 per registered share (previous year: CHF 0.60), exempt from withholding tax, from reserves arising from capital contributions. The Annual General Meeting of the Ypsomed Holding AG will be held in Burgdorf on Wednesday 29 June 2016.



Consolidated income statement

(Audited Swiss GAAP FER figures) in thousand CHF

	Notes	1 April 2015 – 31 March 2016	in %	1 April 2014 – 31 March 2015	in %
Sales of goods and services	19	336 922	100.0 %	306 632	100.0 %
Cost of goods and services sold		-233 735	-69.4 %	-220 782	-72.0 %
Gross profit		103 187	30.6 %	85 850	28.0 %
Marketing and sales expenses		-46 418	-13.8 %	-44 679	-14.6 %
Administration expenses		-15 782	-4.7 %	-15 530	-5.1 %
Other operating income		5 390	1.6 %	5 717	1.9 %
Other operating expenses		-1 942	-0.6 %	-2 812	-0.9 %
Operating profit	19	44 435	13.2 %	28 546	9.3 %
Financial income	16	3 420	1.0 %	3 180	1.0 %
Financial expenses	17	-4 658	-1.4 %	-7 993	-2.6 %
Profit before income taxes		43 197	12.8 %	23 733	7.7 %
Income taxes	18	-7 385	-2.2 %	-4 339	-1.4 %
Net profit		35 812	10.6 %	19 395	6.3 %
Earnings per share (basic and diluted) in CHF	23	2.84		1.54	
Operating profit		44 435		28 546	
Depreciation and impairment of fixed assets		21 247		21 308	
Depreciation and impairment of intangible assets		7 588		7 514	
EBITDA (operating profit before depreciation and amortisation)		73 270	21.7 %	57 369	18.7 %



Consolidated balance sheet

(Audited Swiss GAAP FER figures) in thousand CHF

Assets	Notes	31 March 2016	in %	31 March 2015	in %
Cash and cash equivalents	3	25 507	6.6 %	16 243	4.5 %
Trade receivables	4	52 713	13.6 %	45 343	12.6 %
Other current assets		5 715	1.5 %	5 600	1.6 %
Prepayments and accrued income		8 206	2.1 %	4 428	1.2 %
Current income tax assets		83	0.0 %	93	0.0 %
Inventories	5	49 095	12.6 %	51 781	14.3 %
Customer machinery		7 044	1.8 %	10	0.0 %
Total current assets		148 363	38.2 %	123 498	34.2 %
Financial assets	6	8 151	2.1 %	8 591	2.4 %
Deferred income tax assets	18	5 627	1.4 %	9 169	2.5 %
Fixed assets	7	153 752	39.5 %	150 946	41.8 %
Intangible assets	8	72 978	18.8 %	69 007	19.1 %
Total non-current assets		240 508	61.8 %	237 713	65.8 %
Total assets		388 871	100.0 %	361 211	100.0 %
Liabilities and equity					
Financial liabilities	10	34 000	8.7 %	56 000	15.5 %
Current liabilities to major shareholder	10	5 000	1.3 %	0	0.0 %
Trade payables		19 968	5.1 %	15 484	4.3 %
Prepayments from customers		12 350	3.2 %	2 189	0.6 %
Current income tax payable		2 966	0.8 %	1 854	0.5 %
Other payables		4 533	1.2 %	3 336	0.9 %
Accrued liabilities and deferred income		23 682	6.1 %	20 243	5.6 %
Provisions	11	2 826	0.7 %	1 521	0.4 %
Total current liabilities		105 325	27.1 %	100 628	27.9 %
Non-current liabilities to major shareholder	10	10 000	2.6 %	15 000	4.2 %
Other non-current financial liabilities		14	0.0 %	470	0.1 %
Provisions	11	2 803	0.7 %	2 710	0.8 %
Deferred income tax liabilities	11	2 892	0.7 %	1 766	0.5 %
Total non-current liabilities		15 709	4.0 %	19 946	5.5 %
Share capital	12	178 994	46.0 %	178 994	49.6 %
Capital reserves		162 647	41.8 %	170 114	47.1 %
Own shares / Translation exchange differences		-13 213	-3.4 %	-12 067	-3.3 %
Goodwill acquired offset		-322 892	-83.0 %	-322 892	-89.4 %
Retained earnings		262 300	67.5 %	226 488	62.7 %
Total equity		267 836	68.9 %	240 637	66.6 %
Total liabilities and equity		388 871	100.0 %	361 211	100.0 %



Consolidated statement of cash flows

(Audited Swiss GAAP FER figures) in thousand CHF

	Notes	1 April 2015– 31 March 2016	1 April 2014– 31 March 2015
Net profit		35812	19395
Depreciation of fixed and intangible assets		27 117	26 076
Loss from impairment (+)/Reversal of impairment (-)	7/8/16/17	2 159	4 482
Change in provisions (incl. deferred income taxes)		6 082	2 231
Other expenses/income that do not affect the fund ¹		-511	1 858
Gain (-)/loss (+) of fixed and financial assets		-181	-1 601
Increase (-)/decrease (+) in trade receivables		-6 600	-12 999
Increase (-)/decrease (+) in other receivables and prepayments and accr. income		-3 793	769
Increase (-)/decrease (+) in inventories		3 319	-2 176
Increase (-)/decrease (+) in customer machinery		-7 035	20
Increase (+)/decrease (-) in trade payables		5 143	-699
Increase (+)/decrease (-) in prepayments from customers		10 161	-1 253
Increase (+)/decrease (-) in other payables and accr. liabilities and deferred income		5 013	5 277
Cash flow from operating activities		76 687	41 381
Purchases of financial assets		0	-956
Purchases of fixed assets	7	-25 154	-17 212
Disposals of fixed assets	7	221	5 218
Purchases of intangible assets	8	-11 045	-13 282
Cash flow from investing activities		-35 977	-26 232
Repayment of financial liabilities to major shareholder	10	0	-5 000
Proceeds (+)/repayment (-) from borrowings		-22 000	-6 500
Purchase (-)/disposals (+) of own shares	12	-2 085	1 118
Distribution of capital reserves		-7 576	-3 784
Cash flow from financing activities		-31 662	-14 167
Effect of foreign currency translation		216	-902
Total cash flow		9 264	80
Cash and cash equivalents as of 1 April		16 243	16 164
Cash and cash equivalents as of 31 March		25 507	16 243
Net increase (+)/decrease (-) in cash and cash equivalents		9 264	80

¹ Includes foreign currency effects on transactions between Group companies.



Consolidated statement of changes in equity

(Audited Swiss GAAP FER figures) in thousand CHF

	Share capital	Group reserves and share premium	Treasury shares	Cumulative translation reserve	Goodwill offset	Retained earnings	Total
Balance as of 1 April 2014	178 994	173 492	-2 337	-6 188	-322 892	207 093	228 162
Net profit						19 395	19 395
Distribution of dividends from capital contribution reserves		-3 784					-3 784
Disposal of own shares		406	1 621				2 027
Purchase of own shares			-919				-919
Translation exchange differences				-4 244			-4 244
Balance as of 31 March 2015	178 994	170 114	-1 635	-10 432	-322 892	226 488	240 637

	Share capital	Group reserves and share premium	Treasury shares	Cumulative translation reserve	Goodwill offset	Retained earnings	Total
Balance as of 1 April 2015	178 994	170 114	-1 635	-10 432	-322 892	226 488	240 637
Net profit						35 812	35 812
Distribution of dividends from capital contribution reserves		-7 576					-7 576
Disposal of own shares		110	261				371
Purchase of own shares			-2 456				-2 456
Translation exchange differences				1 049			1 049
Balance as of 31 March 2016	178 994	162 647	-3 830	-9 383	-322 892	262 300	267 836



Basis for the consolidated financial statements

1. General information

Ypsomed Holding AG is a limited company (Aktiengesellschaft) established on 29 December 2003 under Swiss law with registered offices in Burgdorf (canton of Berne, Switzerland).

Operating in the field of medical technology, the Ypsomed Group is a leading independent manufacturer of injection pens for pharmaceutical and biotech companies, as well as a supplier of pen needles. Ypsomed's core manufacturing business consists of developing and marketing products and services allowing patients to administer their own medication. The Group operates production sites in Burgdorf, Solothurn, Grenchen (all CH) and Tábor (CZ) and has a sales and distribution network across Europe. The shares of Ypsomed Holding AG have been traded on SIX Swiss Exchange since 2004 and since 2007 on the BX Berne eXchange.

The company was created as a result of the split-up of the Disetronic Group in 2003. Disetronic had been founded in 1984 to develop, manufacture and sell infusion pumps and had expanded into the injection systems business in 1986.

The consolidated financial statements were approved for issue by the Board of Directors on 19 May 2016 and recommended for acceptance to the General Meeting of Shareholders of 29 June 2016.

2. Fundamental accounting and assessment methods

Basics

The consolidated financial statements have been prepared in accordance with the Swiss accounting and reporting recommendations of Swiss GAAP FER according to the principle of "true and fair view". They are based on the financial statements of the company prepared for the same reporting period using consistent accounting policies. The first-time application of Swiss GAAP FER 31 did not lead to any adjustments in the balance sheet or in the income statement. The adjustments that were required are described in the notes to the financial statements. The Group's reporting currency is the Swiss Franc (CHF). The period under review comprises twelve months and ends 31 March.

The accompanying consolidated financial statements are published in German and English. The German version is legally binding.

All figures included in these financial statements and notes to the financial statements are rounded to the nearest CHF 1000 except where otherwise indicated.

Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or tradable can also determine whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained. They are de-consolidated from the date that control ceases.

Subsidiaries are recognised using the purchase method. The consideration encompasses the compensation transferred in exchange for obtaining control over the identifiable assets, liabilities and contingent liabilities of the company acquired. The compensation encompasses cash payments as well as the fair market value of both the transferred assets, the incurred or assumed liabilities and, in addition, the equity instruments as of the trade date that have been issued by the Group. The net assets acquired, comprising identifiable assets, liabilities and contingent liabilities, are recognised at their fair value. Goodwill is recognised as of the acquisition date and is measured as the excess of the consideration transferred as described over and above the fair value of the identified net assets. If the Group does not acquire 100% of the shares of a company, the minority interest in equity is to be disclosed separately under the equity.

Transactions, balances and gains on transactions between subsidiaries are eliminated. Losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Associates

Associates are those companies that are significantly influenced but not controlled by the Group. This normally applies to investments in which the Group owns between 20% and 50%. Investments in associates are accounted for using the equity method. The Group's investment in associates includes goodwill identified on acquisition. Ypsomed does not currently have any investments in associates.

Foreign currency translation

Foreign currency transactions are translated to the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income as financial income or expenses.

In the consolidated financial statement, assets and liabilities of foreign subsidiaries are converted into Swiss francs at year-end exchange rates. Equity is converted with historical exchange rates. The

statement of comprehensive income and the statement of cash flows are translated at annual average exchange rates. The effects of this conversion as well as foreign exchange gains and losses arising from the translation of non-currency congruent financed equity-like corporate loans denominated in foreign currencies are to be recognised in the equity, with no effect on the income statement.

Cash

Cash and cash equivalents comprise cash on hand, demand deposits and time deposits with a residual term to maturity from the balance sheet date of 90 days at the most. They form the basis of the consolidated statement of cash flows.

Trade receivables / other receivables

Trade receivables and other receivables are valued at par value less impairment, if any. An allowance is set aside if objective indications show that receivables cannot be collected. Allowances are based on individual valuations.

Inventories

Raw materials and merchandise purchased are recognised at cost, semi-finished and finished goods at their cost of conversion. Discounts are recognised as a reduction in the purchase price. Manufacturing costs include the associated direct production costs and production overheads. If the acquisition or manufacturing costs are higher than the net market value, an impairment loss is recorded on the income statement in the current period to write the inventories down to the net market value (lower of cost or market principle). Net market value is equivalent to the current market price less the usual sales deductions, marketing costs and administrative costs yet to be incurred. Inventories that cannot be sold are written off in full. The costs of inventories are determined by using the FIFO method.

Customer machinery / prepayments from customers

Ypsomed receives prepayments from pharma partners in order to acquire production machinery for these pharma partners. Ypsomed coordinates the manufacturing of the machinery with suppliers and makes contractual advance payments to the suppliers. After installation and successful test runs, the machinery is accepted by Ypsomed. From a legal and commercial viewpoint, once the machinery has been accepted by Ypsomed the title is transferred to the pharma partners. The advance and final payments made by Ypsomed to suppliers are disclosed in the consolidated balance sheet as current assets until acceptance of the machinery. The prepayments from customers are recognised in

current liabilities. Once the machinery is accepted, the advance and final payments from Ypsomed are settled with the prepayments from the customer.

Fixed assets

Fixed assets are carried at historical acquisition or manufacturing cost, with depreciation calculated using the straight-line method based on the following estimated useful lives:

■ Land	no depreciation
■ New buildings	30 to 40 years
■ Special buildings	20 to 30 years
■ High voltage current, sanitary, lifts	20 years
■ Heating/ventilation/air-conditioning, floors	10 to 15 years
■ Production machinery	8 to 12 years
■ Measuring & inspection equipment	3 to 8 years
■ Software & hardware	3 to 4 years
■ Furniture, vehicles	5 to 8 years

Depreciation is included in the following income statement categories: manufacturing costs of goods sold, marketing and distribution costs, administration costs and other operating expenses. Should an asset be impaired as a result of impairment testing, the corresponding impairment charge is included in depreciation and reported separately as an impairment loss.

Value-enhancing expenditures are capitalised if the market value or the value in use increases as a result.

Long-term leasing contracts, which are, in substance, equivalent to the purchase of assets with long-term financing (financial leasing), are recognised at the beginning of the lease as an asset and measured at net market value/acquisition cost or, if lower, at the present cost of the leasing payments. The asset is depreciated in line with its useful economic life.

Investment properties are reported at cost of acquisition minus depreciation. The period of depreciation is calculated according to the category of asset.

Intangible assets

Goodwill

Net assets taken over in an acquisition are to be valued at actual values and any surplus of acquisition cost over the newly valued net assets is to be designated as goodwill (purchase price allocation). The goodwill is to be offset at the date of acquisition. The effects of a theoretical capitalisation are to be disclosed in the notes.

Development costs

Development costs are capitalised if an intangible asset can be identified, finished, marketed or used internally, if it is controlled by the Ypsomed Group, if it is expected to provide the Ypsomed Group with an economic benefit over several years and if its costs can be reliably determined.

Capitalised development costs are amortised straight-line over their useful economic life of seven to nine years after the beginning of marketing. The amortisation is included in the manufacturing costs of products and services sold. Costs accrued for development projects are tested for impairment on an annual basis.

Other intangible assets

Patents are carried at acquisition cost and amortised over their estimated useful lives of 15 to 20 years. Amortisation is included in the costs of research and development that are integrated in the manufacturing costs of products and services sold. Software is capitalised on the basis of the costs incurred to acquire the software and bring the software to use. These costs are amortised over the estimated useful life of three to four years using the straight-line method. Amortisation is mainly included in administration expenses. Intangible assets, such as brand names or customer relationships that were acquired through a business combination and can be identified separately, are reported if they fulfil the definition of an intangible asset. The acquisition costs of such intangible assets correspond to their fair value at the time of acquisition. The value thereafter is measured at acquisition cost minus accumulated amortisation and depreciation. The useful life is estimated at five to eight years. Amortisation is included in marketing and distribution costs.

Financial assets

Financial assets are recognised at acquisition cost less impairment, if any. Impairment is recorded in profit or loss for the current period.

Impairment of assets

All assets are reviewed as of each balance sheet date for indications of impairment. If there are indications that an asset may be impaired, the recoverable amount of the asset is determined and the

impairment loss is estimated. Should the estimated recoverable amount of the asset, which is equivalent to the higher of net market value and the useful value of the asset, be lower than the asset's book value, an adjustment is made to the income statement to reduce the book value of the asset to the estimated recoverable amount in the same period in which the impairment was discovered. Net market value is the price obtainable between independent third parties less the associated selling expenses. Useful value is based on the estimated future cash flows resulting from the use of the asset, including any possible cash flow at the end of the useful life, discounted using an appropriate long-term interest rate.

Financial liabilities

Financial liabilities are measured at its nominal amount.

Provisions

Provisions are established when a legal or de facto obligation arising from previous events exists that will likely result in a cash outflow and this cash outflow can be reliably estimated. The provisions established represent the best possible estimate of the final obligation. Long-term provisions are discounted to their present values, provided that the impact is material. The subdivision into short-term and long-term provisions is based on whether utilisation is assumed to be probable within one year or at a later time.

Possible obligations whose existence requires confirmation by future events, or obligations whose amount cannot be reliably estimated, are disclosed in the notes to the financial statements as contingent liabilities.

Pension benefit obligations

The pension benefit obligations of the Group companies in respect of old age, death and disability comply with the statutory provisions and regulations in the respective countries. The employees of the Swiss companies have a legally independent pension fund for retirement, death and disability. The pension funds are financed by employer and employee contributions (defined contribution plan). The actual economic impact of pension plans on the company is calculated as of the balance sheet date. An economic benefit is capitalised provided it will be available to reduce the company's future

pension expenses. An economic obligation is recognised as a liability if the conditions for establishing a provision are met. Any unconditionally available employer contribution reserves are recognised as assets. The economic impacts of surpluses or deficits in the pension funds on the Group, as well as a change in any employer contribution reserves, are recognised as profit or loss and reported as personnel expenses in addition to the contributions deferred to the reporting period.

Current income taxes

Income taxes are calculated based on reported profits and in conformity with the tax laws prevailing in the individual countries and recognised in profit or loss of the current period.

Deferred taxes are taken into account on temporary differences between tax bases and the carrying amounts in the consolidated financial statements and are calculated using the liability method based on effective or expected effective local tax rates. Deferred tax assets are recognised for loss carry-forwards where it is highly probable that they can be offset against future taxable income. The changes in deferred tax assets and liabilities are recognised in the consolidated income statement. Taxes on transactions that are reported in equity are also recognised in equity.

Net sales and sales recognition

Net sales

Sales consists of all sales proceeds attained from the delivery of goods and the provision of services to third parties after deducting discounts, rebates, cash discounts and value-added taxes. Sales proceeds are always included in the income statement as soon as the delivery of the goods has taken place and benefit and risk have been transferred to the buyer or the service has been rendered. Net sales also comprises income from the provision of research, development, industrialisation and marketing services.

Other operating income

Other operating income primarily includes rental income arising from the leasing of properties owned by the Ypsomed Group, licencing income arising from the use of Ypsomed assets by external third parties and proceeds from the disposal of property, plant and equipment.

Long-term contracts

Development and industrialisation projects are accounted for according to the percentage-of-completion method (PoCM). Services and costs are correspondingly considered according to the degree of completion (cost-to-cost method) so that

any profit is taken into consideration proportionally. The degree of completion for the services provided is calculated by determining the difference between the costs incurred and the costs expected for the whole order.

Long-term contracts are accounted for under inventories, customer machinery and prepayments from customers.

Research and development costs

Research costs are routinely included in the manufacturing costs of the products and services sold.

Development costs are capitalised if an intangible asset can be identified, finished, marketed or used internally, if it is controlled by the Ypsomed Group, if it is expected to provide the Ypsomed Group with an economic benefit over several years and if its costs can be reliably determined.

Capitalised development costs are amortised straight-line over their useful economic lives. The amortisation is included in the manufacturing costs of products and services sold. Costs accrued for development projects are tested for impairment on an annual basis.

Borrowing costs

Borrowing costs are charged directly to the income statement.

3. Risk assessment

The management of the Ypsomed Group carries out a comprehensive risk assessment at least once a year. This standardised process is based on a risk inventory that encompasses the relevant risk categories such as strategic risks, management risks, general risks in the operating business, legal risks, systemic risks, financial risks (including market, credit and liquidity risks) and event risks (including political, regulatory, fiscal and external risks). The fundamental risks are assessed with regard to probability of occurrence and impact and both management and the Board of Directors decide on measures to be taken and monitor their implementation according to predetermined criteria.

4. Legal risks

The Ypsomed Group develops, manufactures and sells innovative medical technical devices based on technical expertise and technologies protected by intellectual property rights. The Group is either owner of the required rights or licence holder of the property rights of a third party. In the medical devices market, disputes over patent rights and patent infringements occur fairly frequently and can involve costly and time-intensive patent infringement suits.

The development, manufacture and sale of med-tech products involve product liability risks and can lead to product recalls. There is no guarantee that the present liability insurance is sufficient to cover all damage cases connected with the development, manufacture and sale of medical products and that the insurance companies will still be prepared in future to insure Ypsomed Group business activities against liability risks at viable conditions.

The risk of patent infringement or product liability claims by a third party, risks in connection with the recall of products and negative developments in the reimbursement of costs of Ypsomed products through state-prescribed cost-saving measures in the area of healthcare or by health insurance schemes as well as problems with authorisation and upholding of authorisation of drugs used together with Ypsomed products can also result in lasting detrimental effects, not only on the business performance of the Ypsomed Group, but also on its financial situation and competitive position in the marketplace.

5. Key estimates and assumptions

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles assumes that management makes certain estimates and assumptions which have an impact on the reported carrying amounts of assets and liabilities shown in the balance sheet on the balance sheet date and income and expenses accounted for in the period under review. These estimates and assumptions are based on future expectations and are held reasonable at the time of preparation of the financial statements. The actual amounts can deviate from these assumptions. The most important influential factors on positions based on estimates and assumptions are expressed as follows:

Capitalised development expenses

The development expenses are capitalised when the requirements for the capitalisation are met. Ypsomed's estimation of future economic benefits is based on management's assumptions with regard to the economic baseline conditions, expect-

ed prospective cash flows, the discount rates to be applied and the expected period of time in which economic benefits are targeted. Capitalised development expenses amount to CHF 68.5 million as of 31 March 2016 (prior year: CHF 65.2 million).

Provisions for warranties

When determining the provisions for warranties, management takes into account currently marketed own products and sets the provisions necessary to cover all callable claims based on the maturity and characteristics of the products as well as experience. Provisions for warranties as of 31 March 2016 amount to CHF 2.6 million (prior year: CHF 1.3 million).

Income taxes

When accruals for income taxes are made for a period, uncertainties regarding final tax payments remain. Estimates that vary from the definitive tax amount have an impact on current and deferred income taxes. In particular, with the capitalisation of deferred tax assets from losses carried forward, the value of these tax loss carry-forwards and the tax rates to be applied must be estimated. Deferred income tax assets related to tax loss carry-forwards as of 31 March 2016 amount to CHF 3.8 million (prior year: CHF 7.2 million).



Notes to the consolidated financial statements

In thousand CHF, unless otherwise stated

Subsequent events

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on 19 May 2016, no major events oc-

curred which could adversely affect the validity of the annual financial statements for 2015/16 or which would have to be disclosed.

1. Consolidation scope

	Interest held capital/ votes	Share capital	Research & Development	Production	Marketing & Sales	Financing & Services
Ypsomed Holding AG, CH-Burgdorf		CHF 178993807				■
Ypsomed AG, CH-Burgdorf	100%	CHF 10000000	■	■	■	■
Ypsomed Distribution AG, CH-Burgdorf	100%	CHF 6000000			■	
TecPharma Licensing AG, CH-Burgdorf	100%	CHF 100000				■
Ypsotec AG, CH-Grenchen	100%	CHF 1000000		■	■	
Ypsotec s.r.o., CZ-Tábor	100%	CZK 33200000		■	■	
Ypsomed GmbH, DE-Liederbach	100%	EUR 100000			■	
DiaExpert GmbH, DE-Liederbach	100%	EUR 50000			■	
Feelfree GmbH, DE-Liederbach	100%	EUR 25000			■	
Ypsomed AB, SE-Bromma	100%	SEK 10000000			■	
Ypsomed S.A.S., FR-Paris	100%	EUR 1000000			■	
Ypsomed BV, NL-Vianen	100%	EUR 50000			■	
Ypsomed India Private Ltd., IN-New Delhi	100%	INR 62801470			■	
Ypsomed Limited, GB-Escrick	100%	GBP 300000			■	
Ypsomed GmbH, A-Wien	100%	EUR 35000			■	
Ypsomed S.r.l., IT-Varese	100%	EUR 50000			■	
Ypsomed Pty Ltd., AUS-Sydney	100%	AUD 1			■	
Ypsomed Medical Devices Co., Ltd., CN-Peking	100%	CHF 500000				■

The foundation of the subsidiary in Australia is the only change to the consolidated companies within the business year 2015/16.

2. Foreign currencies

	Balance sheet year-end rates		Income statement average rates	
	31 March 2016	31 March 2015	2015/16	2014/15
Euro (EUR)	1.09	1.05	1.07	1.18
US Dollar (USD)	0.96	0.97	0.97	0.93
Swedish krona (100 SEK)	11.84	11.25	11.49	12.77
Norwegian krone (100 NOK)	11.60	12.01	11.75	13.97
Danish krone (100 DKK)	14.68	13.99	14.38	15.81
Czech koruna (100 CZK)	4.04	3.80	3.96	4.27
Indian rupee (100 INR)	1.45	1.56	1.49	1.52
British pound (GBP)	1.38	1.44	1.47	1.50
Australian Dollar (AUD)	0.74		0.72	
Chinese yuan renminbi (100 CNY)	14.93	15.69	15.37	15.12

3. Cash and cash equivalents

	31 March 2016	31 March 2015
Cash	241	227
Postal accounts	712	1979
Bank accounts	24554	14038
Total	25507	16243

4. Trade receivables

	31 March 2016	31 March 2015
Trade receivables	53096	45566
Provision for bad and doubtful debts	-383	-223
Total	52713	45343

	2015/16	2014/15
Provision for bad and doubtful debts		
At 1 April	223	303
Addition	216	66
Use	-46	-127
Reversal	-19	9
Currency translation differences	9	27
At 31 March	383	223

5. Inventories

	31 March 2016	31 March 2015
Raw materials and supplies	5184	3958
Goods in process	13756	12291
Finished products	33209	37930
Gross inventories	52150	54179
Valuation allowance	-3055	-2398
Total	49095	51781

6. Financial assets

	31 March 2016	31 March 2015
Bionime Corp. Taiwan and Insulet Corp. USA	8058	8499
Other financial assets	93	92
Total	8151	8591

7. Fixed assets

	Land and buildings	Machinery and equipment	Other fixed assets	Assets under construction	Buildings for investment purposes	Total
Cost						
At 1 April 2014	78 933	220 964	12 780	16 274	20 509	349 460
Additions	563	4 498	1 451	10 613	1 395	18 521
Disposals		-3 860	-251		-4 004	-8 115
Transfers	196	10 852	520	-14 241	539	-2 134
Currency translation differences	-328	-688	-340	-30		-1 386
At 31 March 2015	79 363	231 767	14 160	12 616	18 439	356 346
Accumulated depreciation						
At 1 April 2014	-32 435	-141 616	-10 795	0	-4 178	-189 023
Depreciation	-2 551	-15 008	-1 446		-755	-19 759
Impairment		-1 549				-1 549
Disposals		3 860	239			4 098
Transfers		150	12			161
Currency translation differences	30	384	258			672
At 31 March 2015	-34 955	-153 779	-11 733	0	-4 932	-205 400
Net book value at 1 April 2014	46 498	79 348	1 985	16 274	16 332	160 437
Net book value at 31 March 2015	44 408	77 988	2 427	12 616	13 507	150 946
Cost						
At 1 April 2015	79 363	231 767	14 160	12 616	18 439	356 346
Additions	51	6 315	1 286	16 594	75	24 319
Disposals	-26	-9 831	-2 319			-12 175
Transfers	-79	7 820	144	-8 515	130	-500
Currency translation differences	126	270	118	13		526
At 31 March 2016	79 435	236 340	13 388	20 708	18 644	368 515
Accumulated depreciation						
At 1 April 2015	-34 955	-153 779	-11 733	0	-4 932	-205 400
Depreciation	-2 556	-15 641	-1 152		-780	-20 129
Impairment		-1 119				-1 119
Disposals	26	9 817	2 293			12 135
Transfers	79	-362	281			-2
Currency translation differences	-10	-147	-91			-249
At 31 March 2016	-37 417	-161 231	-10 403	0	-5 712	-214 763
Net book value at 1 April 2015	44 408	77 988	2 427	12 616	13 507	150 946
Net book value at 31 March 2016	42 018	75 110	2 986	20 708	12 932	153 752

There are no fixed assets pledged to secure loans and there are no long-term leasing agreements (financial leasing). Gains from the sale of fixed assets in the 2015/16 financial year amounted to CHF 0.2 million (prior year: CHF 1.6 million). Gains from the

sale of fixed assets are included in the income statement under other operating income. We implemented optimised solution approaches in our production, resulting in a special depreciation of CHF 1.1 million on tools.

8. Intangible assets

Cost	Development costs	Patents	Software	Client base	Total
At 1 April 2014	71 687	660	14 426	12 459	99 231
Additions	12 075		1 207		13 282
Disposals					
Transfers			2 001		2 001
Currency translation differences			-134	-720	-854
At 31 March 2015	83 761	660	17 500	11 739	113 660
Accumulated amortisation					
At 1 April 2014	-12 974	-264	-12 982	-11 716	-37 936
Amortisation	-4 363	-132	-1 245	-577	-6 317
Impairment	-1 197				-1 197
Disposals					
Currency translation differences			116	680	796
At 31 March 2015	-18 534	-396	-14 111	-11 613	-44 653
Net book value at 1 April 2014	58 712	396	1 444	743	61 296
Net book value at 31 March 2015	65 227	264	3 390	126	69 007
Cost					
At 1 April 2015	83 761	660	17 500	11 739	113 660
Additions	8 825		2 063	157	11 045
Disposals			-660	-331	-991
Transfers			501		501
Currency translation differences			40	198	238
At 31 March 2016	92 586	660	19 445	11 762	124 453
Accumulated amortisation					
At 1 April 2015	-18 534	-396	-14 111	-11 613	-44 653
Amortisation	-4 957	-132	-1 770	-129	-6 988
Impairment	-600				-600
Disposals			660	331	991
Currency translation differences			-34	-191	-225
At 31 March 2016	-24 091	-528	-15 255	-11 602	-51 476
Net book value at 1 April 2015	65 227	264	3 390	126	69 007
Net book value at 31 March 2016	68 495	132	4 191	160	72 978

Due to a development project being shelved, CHF 0.6 million (prior year: CHF 1.2 million) was impaired. Development costs capitalised include CHF 5.2 million (prior year: CHF 39.5 million) for products in the development phase, CHF 4.9 million (prior

year: CHF 3.1 million) for products in the industrialisation phase, CHF 39.0 million (prior year: CHF 0.0 million) for products in the pre-launch phase and CHF 19.4 million (prior year: CHF 22.6 million) for products in the phase of commercialisation.

9. Goodwill not reported in the balance sheet

Acquired goodwill – the difference between acquisition costs and the recalculated current value of all net assets acquired – is offset directly against equity at the time of acquisition of a participation or

business. Theoretical capitalisation of goodwill and amortisation over five years would produce the following stated values under assets and scheduled amortisation of goodwill in the income statement:

Cost	2015/16	2014/15
At 1 April	323 712	325 126
Additions before taxes	0	0
Accumulated currency translation differences	215	-1 414
At 31 March	323 927	323 712
Accumulated amortisation		
At 1 April	-319 409	-317 283
Amortisation, scheduled amortisation over 5 years	-2 720	-3 551
Change in accumulated currency translation differences	-215	1 425
At 31 March	-322 344	-319 409
Net book value at 1 April	4 303	7 843
Net book value at 31 March	1 583	4 303
Net profit and equity would change as follows:		
Net profit	35 812	19 395
Scheduled amortisation over 5 years	-2 720	-3 551
Tax effects	605	767
Net profit/net loss on reporting goodwill	33 696	16 611
Equity at 31 March		
Equity at 31 March	267 836	240 637
Effect of reporting goodwill in the balance sheet	1 583	4 303
FX effects on goodwill	0	-12
Equity on reporting goodwill at 31 March	269 419	244 929

10. Financial liabilities

	31 March 2016	31 March 2015
Loan from Techpharma Management AG, Burgdorf		
Current	5 000	0
Non-current	10 000	15 000
Fixed advances banks (current)	34 000	56 000

Since 1 April 2010 the interest has been based on the CHF 12-month LIBOR rate as published by the Swiss National Bank plus a margin of 0.5 %, but at least 0.7 %. At any time, Ypsomed Holding AG is eligible to amortise the loan in full or part. Techpharma Management AG for its part may call for an amortisation of CHF 5.0 million per annum by applying a term of notice of three months. In the 2016/17 financial year a repayment of CHF 5.0 million will be due. The loan is due for repayment on 31 March 2020. Techpharma Management AG is

controlled by Willy Michel. In the 2015/16 financial year, interest amounting to CHF 0.1 million (prior year: CHF 0.1 million) was paid on the loan. The fixed advances by the banks to Ypsomed Holding AG and Ypsomed AG were granted for a period up to two months. The average rate of interest is 0.7 %. The maximum credit line for fixed advances amounts to CHF 67.5 million. Interest to the amount of CHF 0.4 million (prior year CHF 0.7 million) was paid during the business year 2015/16 for fixed advances.

11. Provisions

	Taxes	Warranties	From pension plans	Restructuring	Other	Total
At 1 April 2014	1 069	857	0	0	1 380	3 306
Additions	738	743	19		2 110	3 610
Release	-37	-59			0	-96
Utilisation		-200			-596	-795
Currency translation differences	-4		-2		-21	-25
At 31 March 2015	1 766	1 340	17	0	2 874	5 997
of which current	0	1 144	0	0	377	1 521
At 1 April 2015	1 766	1 340	17	0	2 874	5 997
Additions	1 125	1 520	28		1 156	3 829
Release		-219			-720	-939
Utilisation					-373	-373
Currency translation differences	1		1		5	7
At 31 March 2016	2 892	2 641	46	0	2 942	8 521
of which current	0	2 441	0	0	385	2 826

Warranties

There is a risk that medical products developed, distributed and produced by Ypsomed could have material defects or product faults, resulting in legal liability and product liability in particular, as well as other liabilities, such as the withdrawal or recall of products. Provisions are recorded based on management's best estimate and relate to guarantees and also to replacement costs for withdrawn products. The company's management bases these provisions on the estimated potential guarantee claim for each product. Following discussions with one of our pharma partners on the interpretation of acceptance criteria, we made provisions for possible guarantee claims of CHF 1.4 million in the financial year. These discussions refer to older batches of a single product.

Ypsomed holds insurance policies with third parties to cover material damages, interruption of operation, product liability and other risks, with worldwide cover. Ypsomed believes that its insurance cover and provisions with regard to business activities and the associated operative risks involved with this are appropriate and sensible. However, events can arise that are not covered or only partly covered by insurance policies or provisions made by Ypsomed. The closing of an insurance contract, covering product liability, depends on the development of the insurance market and, in particular, on the general development of the pharmaceutical industry, in which high claims for compensation are typical. Although no such losses are presently expected at Ypsomed, there is no guarantee that the company might not be subjected to damage claims in the future that are in excess of the cover available.

Provisions for warranties cover any guarantee claims that may occur for products on the market. The provisions extend for the average life of the products, which is between one and four years, depending on the product, and are also determined by the best possible assessment of the risk of a claim for each product category.

Other provisions

The other provisions are based on estimates and are designated for complying with the waste disposal requirements for the mid-term planned refurbishment of properties. These also include provisions for seniority gifts to employees. In this context, CHF 1.2 million were added to the provisions and CHF 0.4 million were used during the reporting year. As per 31 March 2016, the provisions for seniority gifts amounted to CHF 2.3 million (prior year: CHF 1.6 million). In addition, during the reporting year CHF 0.7 million of provisions for legal costs relating to the international distribution network were dissolved.

12. Share capital

Share capital (in thousand CHF)	2015/16	2014/15
At 1 April	178 994	178 994
At 31 March	178 994	178 994
Shares issued at 31 March	12 649 739	12 649 739
Treasury shares at 31 March	36 922	22 341
Shares outstanding at 1 April	12 627 398	12 614 726
Purchases	18 151	11 635
Average price in CHF	135.3	79.0
Disposals	3 570	24 307
Average price in CHF	105.1	83.8
Shares outstanding at 31 March	12 612 817	12 627 398

Ypsomed Holding AG was founded on 29 December 2003 with original share capital of CHF 250 000, consisting of 2 500 shares with a nominal value of CHF 100 each. Today a total of 12 649 739 shares exists, each with a par value of CHF 14.15. As of 31

March 2016, the Ypsomed Group and the employee pension fund held 53 378 treasury shares in total (prior year: 38 797). The average price of the shares disposed and bought is similar to the market price.

Conditional share capital (in thousand CHF)	2015/16	2014/15
At 1 April	2 264	2 264
At 31 March	0	2 264

At the Ordinary General Meeting of Shareholders of 1 July 2015 it was decided, that the contingent capital is cancelled.

Authorised share capital (in thousand CHF)	2015/16	2014/15
At 1 April	0	42 450
At 31 March	0	0

On 26 June 2014, the authorised capital expired in full. On 1. July 2015, the General Meeting of Shareholders decided to cancel the authorised capital. Correspondingly, Ypsomed Holding AG does not have any authorised capital as at 31 March 2016.

Non-distributable reserves

Non-distributable reserves in the Group's shareholders' equity amounted to CHF 89.5 million at the end of the year under review (CHF 89.5 million in 2013).

13. Long-term contracts

	2015/16	2014/15
Revenue from development and industrialisation services (PoC method)	3 333	3 389

Long-term contracts in the balance sheet	31 March 2016	31 March 2015
Trade receivables	1 992	387
Inventories	315	0
Prepayments from customers	5 060	2 189

14. Personnel expenses

	2015/16	%	2014/15	%
Wages and salaries	91 200	85.4	85 397	84.9
Social security expenses	14 384	13.5	13 767	13.7
Other personnel expenses	1 205	1.1	1 434	1.4
Total	106 789	100.0	100 598	100.0

Personnel at 31 March (full-time equivalents)	31 March 2016	31 March 2015
Switzerland	778	708
Germany	175	172
Netherlands	9	9
France	24	23
Scandinavia	11	7
Czechia	66	57
United Kingdom	28	17
Austria	6	4
India	11	9
Italy	6	4
China	2	2
Total	1 116	1 013
Headcount	1 166	1 050

15. Employee pensions

Within the Group, there are various employee pension plans, of which most employees are members. For the companies abroad and one company in Switzerland, there are pension plans for which the obligation to provide benefits such as retirement, death or invalidity benefits lies with a state institution and/or an insurance company. For the pension plan for two companies in Switzerland representing a proportion of 67 % of the Group's workforce as at 31 March 2016, there is a separate pension scheme set up in accordance with the Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and independent of the Group. As at 31 March 2016, the pension scheme held a value fluctuation reserve of CHF 26.9 million (prior year: CHF 28.9 million). The surplus in the value fluctuation reserve, i.e. the amount by which the re-

serves exceed the target value of 14.6 % of assets, stands at CHF 6.3 million (prior year: CHF 9.5 million). This corresponds to a calculated level of cover within the meaning of Art. 44 of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV2) of 123.1 % based on a technical interest rate of 2.75 % and BVG 2010 (prior year: 127.5 %, technical interest rate 2.75 % and BVG 2010). The board responsible for the pension scheme has decided not to use the surplus in the value fluctuation reserve to reduce contributions. This surplus thus does not represent an economic benefit within the meaning of Swiss GAAP FER 16 and was therefore not capitalised. Pension costs as part of personnel expense correspond to the standard contribution payments by the Group companies involved.

	Surplus/deficit	Economical benefit/ economic obligation		Contributions concerning the business period	Pension benefit expenses within personnel expenses	
	31.03.2016	31.03.2016	31.03.2015	2015/16	2015/16	2014/15
Pension institutions with surplus	6325	0	0	4007	4007	3747
Pension institutions without own assets	0	0	0	854	854	435

Per end of the financial years 2014/15 and 2015/16, there were no employer contribution reserves existing.

16. Financial income

	2015/16	2014/15
Interest income	6	15
Foreign exchange gains	3268	2913
Other financial income	146	253
Total	3420	3180

17. Financial expenses

	2015/16	2014/15
Interest expenses	490	845
Impairment	440	1736
Foreign exchange losses	3612	5338
Other financial expenses	116	75
Total	4658	7993

The impairment in the current year resulted from a decrease in the market value of a financial asset.

18. Income taxes

	2015/16	2014/15
Current income taxes	2 692	4 124
Deferred income taxes	4 693	214
Total	7 385	4 339
Weighted average tax rate in %	17.1 %	18.3 %

The Group benefits from reduced tax rates for individual companies. These rates are subject to annual changes. Changes to these tax rates and differenc-

es in the allocation of profits to these companies affect the effective tax rate.

	31 March 2016	31 March 2015
Capitalised deferred tax assets	5 627	9 169
of which temporary differences	1 791	1 951
of which not yet utilised tax-loss carryforwards	3 836	7 219

Tax-loss carryforwards are only recognised if it is probable that the associated tax benefits can be realised.

The change in not yet utilised tax-loss carryforwards corresponds to the offset with realized profits.

19. Segment information

For the purposes of company management, the Ypsomed Group is organised into business sectors according to products and services. The “Delivery Devices” segment comprises the product groups pen systems, pen needles, infusion sets and other injection mouldings produced by Ypsomed. The “Di-

abetes Direct Business” business segment covers the direct trade in a range of diabetes articles. “Others” contains the business segment precision turned parts and currently unused real estate for operational purposes. Intersegmental sales are executed at arm’s length.

Financial year 2014/15	Delivery Devices	Diabetes Direct Business	Others	Eliminations	Group
Sales of goods and services to third-party customers	151 735	137 665	17 231		306 632
Intersegmental sales			1 952	-1 952	0
Total sales of goods and services	151 735	137 665	19 183	-1 952	306 632
Operating profit	13 440	13 022	2 085		28 546
Investments in fixed and intangible assets	25 946	775	3 774		30 494
Depreciation/Amortisation/Impairment	24 858	1 383	2 581		28 822
Financial year 2015/16	Delivery Devices	Diabetes Direct Business	Others	Eliminations	Group
Sales of goods and services to third-party customers	168 885	151 806	16 231		336 922
Intersegmental sales			1 527	-1 527	0
Total sales of goods and services	168 885	151 806	17 758	-1 527	336 922
Operating profit	24 905	19 175	355		44 435
Investments in fixed and intangible assets	32 673	902	2 624		36 199
Depreciation/Amortisation/Impairment	23 596	702	2 819		27 117

Sales of goods and services are reported by geographical location	Sales of goods and services	
	2015/16	2014/15
Switzerland	22 326	20 947
Europe	246 930	252 038
North America	40 745	25 714
Rest of the world	26 921	7 932
Total	336 922	306 632

Sales of goods and services are reported by geographical location in accordance with the invoice address. The sales of injection systems to biotech

and pharmaceutical partners are made mainly to their European group companies. These companies market the products worldwide.

20. Contingent liabilities

The Group has contingent liabilities of kCHF 833 (prior year: kCHF 638) toward third parties arising in the ordinary course of business. Ypsomed does

not anticipate that any material liabilities will arise from the contingent liabilities.

21. Contractual obligations

	31 March 2016	31 March 2015
Contractual purchase commitments for products	57 281	38 161
Contractual obligations from rental contract with Techpharma Management AG until 31.12.2019	3 400	4 306
Contractual obligations from service contract with GBUK Healthcare until 31.03.2017	971	964
Contractual obligations from rental contract of the Dutch subsidiary	164	–
Contractual obligations from rental contract of the German subsidiaries	1 981	2 287
Contractual obligations from rental contract of the Austrian subsidiary	26	–
Total contractual obligations	63 825	45 539

The rental contract between Ypsomed AG and Techpharma Management AG, a company controlled by Willy Michel, was signed at arm's length. Rental interest is based on an independent rental value estimate and amounts CHF 906 570 annually plus VAT. It is linked to the consumer price index. The rental contract arranges for small and normal maintenance work on the building to be paid by the

tenant up to a maximum amount of 2% of the annual rent per calendar year. As at 31 March 2016, contractual obligations for the purchase of fixed assets amount to CHF 4.0 million (prior year: CHF 1.9 million), for the purchase of intangible assets to CHF 0.7 million (prior year: CHF 0.2 million) and for material and other purchase to CHF 0.5 million (prior year: CHF 3.9 million).

22. Transactions with related parties

Related Group parties are Techpharma Management AG, Adval Tech Group, Finox AG and employee pension funds. Services are remunerated in line with industry standards. Receivables from related parties amounted to kCHF 0 (prior year: kCHF 3) on the balance sheet date. Liabilities amounted to

kCHF 13 (prior year: kCHF 4). In the year under review, the following transactions were made with related parties:

	2015/16	2014/15
Techpharma Management AG (interest according to Note 10)	105	128
Techpharma Management AG (compensation for rented business premises)	907	907
Techpharma Management AG (amounts in accordance with service contract)	29	37
Adval Tech Group	1 889	900
Finox AG	-578	-61
Finox AG	6	9
Total	2 358	1 920

Willy Michel (i.e. his company Techpharma Management AG) has been renting out the building on Buchmattstrasse in Burgdorf (Ypsomed Nord) to Ypsomed since 1 January 2006. The parties signed a rental contract set at an indexed market rent based on a rental assessment performed by an independent party. The rental contract can be terminated on 31 December 2019 conditional upon 24 months' notice and after this on any month. See Corporate Governance "Rental contract" on page 85. Willy Michel (i.e. his company Techpharma Management AG) and Ypsomed have concluded a framework service contract that can be terminated by either side at any time. This contract allows for Techpharma Management AG to provide occasional services to the Ypsomed Group (e.g. hotel, catering and transport services) as well as selected management support services (including temporary personnel leasing) and, for its part, for the Ypsomed Group to offer oc-

casional services to Techpharma Management AG (e.g. management and IT support, including temporary personnel leasing). The services are invoiced at normal market conditions. The mutual supply of temporary personnel is invoiced at the personnel cost rate. This contract was discussed and approved by the Board of Directors, in whose opinion this is a cooperation agreement at normal market conditions. See also Corporate Governance "Other contractual relationships" on page 86. In June 2007, Ypsomed AG and Adval Tech Holding AG signed an agreement on strategic cooperation in tool construction. The services purchased are in line with normal market conditions. A licencing agreement has existed between Ypsomed Holding AG and two of its subsidiaries, on the one hand, and Finox AG, on the other hand, since December 2011. See also Corporate Governance "Contractual relationship with Finox AG" on page 86.

23. Earnings per share

Earnings per share are calculated by dividing net profit by the weighted monthly number of shares outstanding during the period. The average number

of treasury shares is deducted from the number of shares issued.

	2015/16	2014/15
Net profit in thousand CHF	35 812	19 395
Number of outstanding shares weighted on a monthly basis	12 624 859	12 624 614
Earnings per share in CHF (diluted and undiluted)	2.84	1.54

24. Compensation statement and significant shareholders

See the notes to the financial statements 2015/16 of Ypsomed Holding AG from page 68 and the Compensation Report from page 97.



Report of the group auditors



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To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, 19 May 2016

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Ypsomed Holding Inc., which comprise the statement of income, balance sheet, cash flow statement, statement of changes in equity and notes (pages 42 to 63), for the year ended 31 March 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Thomas Nösberger
Licensed audit expert
(Auditor in charge)

Yves Jordi
Licensed audit expert



Balance sheet of Ypsomed Holding AG – statutory financial statements

In thousand CHF

Assets	31 March 2016	31 March 2015
Cash	312	233
Other short-term receivables	20	21
Total current assets	332	254
Investments	325 221	325 221
Impairment investments	-2 176	-1 736
Long-term receivables group companies	172 208	193 405
Total non-current assets	495 253	516 890
Total assets	495 585	517 144

Liabilities and equity	31. März 2016	31. März 2015
Payables from goods and services third parties	5	24
Short-term financial liabilities to bank	27 000	45 000
Short-term financial liabilities to major shareholder	5 000	0
Accrued liabilities and deferred income	845	959
Short-term income taxes payable	22	94
Total current liabilities	32 871	46 077
Long-term financial liabilities to major shareholder	10 000	15 000
Total non-current liabilities	10 000	15 000
Total liabilities	42 871	61 077
Share capital	178 994	178 994
Legal contribution reserves		
Capital contribution reserves	164 744	172 320
Disagio	-150	-150
Legal reserve		
General legal reserves	50	50
Free reserves		
Retained earnings	106 488	101 328
Net profit	6 417	5 161
Own shares	-3 830	-1 635
Total shareholders' equity	452 713	456 067
Total liabilities and shareholders' equity	495 585	517 144



Income statement of Ypsomed Holding AG – statutory financial statements

In thousand CHF

	1 April 2015– 31 March 2016	1 April 2014– 31 March 2015
Operating expenses		
Administrative expense	875	964
Cost of services sold	700	700
Total operating expenses	1575	1664
Operating result	-1575	-1664
Financial income		
Interest income	1	0
Interest income investments	1839	4148
Dividend income	6945	5249
Income own shares	114	409
Foreign exchange gains	0	13
Total financial income	8900	9819
Financial expense		
Interest expense	-400	-691
Expenses own shares	-4	-4
Impairment investments	-440	-1736
Foreign exchange losses	-3	-0
Other financial expenses	-14	-14
Total financial expenses	-861	-2444
Financial result	8038	7375
Profit before taxes	6463	5711
Taxes	-46	-550
Profit	6417	5161

Proposal for the appropriation of retained earnings

The Board of Directors proposes to the General Meeting of Shareholders that the retained earnings be appropriated as follows:

In thousand CHF

	31 March 2016	31 March 2015
Retained earnings	106488	101328
Net profit for business year	6417	5161
Retained earnings at disposal of the General Meeting of Shareholders	112906	106488
Allotment from capital contribution reserves	12613	7576
Distribution of dividend from capital contribution reserves¹	-12613	-7576
Carried forward to the next year	112906	106488

¹ The Board of Directors proposes to the General Meeting of Shareholders a tax free distribution of capital contribution reserves in the amount of CHF 1.00 per share. The total distribution based on the actual share capital as per 31 March 2016 will be approximately CHF 12.6 million (prior year: CHF 7.6 million).



Notes to the financial statements of Ypsomed Holding AG

General

For the first time, the annual financial statement was prepared according to the provisions of the Swiss Accounting Standards (32. Title Swiss Code of Obligations). To ensure comparability, the numbers for the previous year in the balance sheet, the profit & loss report and the appendix were adapted to the new classification rules. Additional information in the appendix to the annual financial statement, the cash flow statement and the situation report was dispensed with in accordance with Art. 961d OR as Ypsomed Holding AG prepares a consolidated financial statement in accordance with a recognised standard for financial accounting.

Valuation principles

This annual financial statement was prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (Art. 957–963 b OR, applicable as of 1 January 2013).

Assets

Assets are valued no higher than the purchasing costs. All changes in values are posted in the profit and loss results. No provisions are made for a fluctuation reserve.

Investments

Investments are valued at acquisition costs less impairment. Value adjustments affecting net income are included in the results for the period. The value adjustment on investments in Bionime Corp. amounted to CHF –2.2 million as per 31.03.2016, CHF –1.7 million in the previous year.

Liabilities

Liabilities are valued at their nominal value.

Foreign currency translation

All assets and liabilities in foreign currencies are translated to the exchange rates applicable at the reporting date. The translation of income and expenses in foreign currencies as well as all transactions in foreign currencies are made at the exchange rates applicable on the respective transaction dates. The resulting differences in exchange rates are included in the profit and loss account.

Number of full-time jobs

Ypsomed Holding AG does not employ any staff in the business year 2015/16.

Financial expenditure

Value adjustment was due to a lower market valuation of the investments in Bionime.

Share capital

The share capital amounting to CHF 178 993 806 (prior year: CHF 178 993 806) consists of 12 649 739 (prior year: 12 649 739) registered shares with a nominal value of CHF 14.15 each (prior year: CHF 14.15).

Significant shareholders and shareholder groups

	31 March 2016		31 March 2015	
	Number of shares	Capital and vote share	Number of shares	Capital and vote share
Shareholder group Michel family	9200957	72.7 %	9502337	75.1 %
Patinex AG¹	–	–	556847	4.4 %

¹ Patinex AG disclosed that their shareholding fell below the threshold limit of 3 % on 8 September 2015. No notifiable holdings have been reported as per 31 March 2016.

Own shares

	31 March 2016		31 March 2015	
	Number of shares	Ø price	Number of shares	Ø price
Own shares at the beginning	22341		35013	
Purchase of own shares	18151	135.3	11635	79.0
Disposal of own shares	–3570	105.1	–24307	83.8
Own shares held	36922		22341	

Investments	31 March 2016		31 March 2015	
	Capital and vote share	Book value (CHF)	Capital and vote share	Book value (CHF)
Ypsomed AG, CH-Burgdorf	100%	277 180 644	100%	277 180 644
Ypsotec AG, CH-Grenchen	100%	13 643 520	100%	13 643 520
TecPharma Licensing AG, CH-Burgdorf	100%	18 161 816	100%	18 161 816
Ypsomed Distribution AG, CH-Burgdorf	100%	6 000 000	100%	6 000 000
Bionime Corporation, Taiwan	8.2%	8 047 715	10.2%	8 488 196
Insulet Corporation, Bedford, MA, U.S.A.	0.0%	10 638	0.0%	10 638
Total Investments		323 044 332		323 484 813

Indirect and substantial investments	Holding by	Capital and vote share	
		31 March 2016	31 March 2015
Ypsomed GmbH, D-Liederbach	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed B.V., NL-Vianen	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed S.A.S., F-Paris	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed AB, SE-Helsingborg	Ypsomed AG, CH-Burgdorf	100%	100%
Feelfree GmbH, D-Liederbach	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed India Private Ltd., IN-New Delhi	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Ltd., UK-North Yorkshire	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed GmbH, A-Wien	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Italia Srl, IT-Varese	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Medical Devices Co. Ltd., CN-Beijing	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Australia Pty Ltd., AU-Sydney	Ypsomed AG, CH-Burgdorf	100%	100%
DiaExpert GmbH, D-Liederbach	Ypsomed GmbH, D-Liederbach	100%	100%
Ypsotec s.r.o., CZ-Tabor	Ypsotec AG, CH-Grenchen	100%	100%

Claim subject to subordination clause against subsidiaries

	31 March 2016	31 March 2015
Claim subject to subordination clause against subsidiaries	21 114 892	32 100 000

In addition, there is a letter of comfort with an unlimited amount in favour of a group company.

Securities, reserve for guarantees and collateral order in favour of third parties

	31 March 2016	31 March 2015
Credit Suisse, CH-Zurich Guarantee in the context of credit business for Ypsomed AG	22 500 000	37 500 000

Long-term receivables group companies

In thousand CHF	31 March 2016	31 March 2015
Ypsomed AG, CH-Burgdorf	140067	151540
Ypsotec AG, CH-Grenchen	11027	9765
Ypsomed Distribution AG, CH-Burgdorf	21115	32100
Total Darlehen gegenüber Beteiligungen	172208	193405

Investments held by members of the Board of Directors and Executive Management

As of 31 March, members of the non-executive and executive boards, Executive Management and people closely related to them held the following shares. No Ypsomed share options were held.

Share ownership of Board of Directors	Shares as of 31 March 2016	Shares as of 31 March 2015
Willy Michel, Chairman *	8749489	8717746
Techpharma Management AG as related party to Willy Michel, Chairman	157059	478682
BV Holding AG as related party to Willy Michel, Chairman	10000	22500
Total of Willy Michel and Techpharma Management AG and BV Holding AG	8916548	9218928
Anton Kräuliger, Vice Chairman	5100	5100
Prof. em. Dr. Norbert Thom, Member	132	132
Gerhart Isler, Member	8100	8100
Total	8929880	9232260

Share ownership of Executive Management	Shares as of 31 March 2016	Shares as of 31 March 2015
Simon Michel, CEO	145888	144888
Dr. Beat Maurer, Senior Vice President Legal Services & Intellectual Property	500	500
Yvonne Müller, Senior Vice President Human Resources	800	800
Niklaus Ramseier, Senior Vice President Finance / IT (CFO)	1069	1069
Hans Ulrich Lehmann, Senior Vice President Technology	150	150
Ulrike Bauer, Senior Vice President Marketing & Sales Delivery Systems	150	150
Dr. Eberhard Bauer, Senior Vice President Marketing & Sales Diabetes Care	2110	2110
Frank Mengis, Senior Vice President Operations*	200	-
Dr. Benjamin Reinmann, Senior Vice President Operations*	-	50
Total	150867	149717

* Benjamin Reinmann left the Ypsomed Group by 31.03.2015. Frank Mengis joined as successor by October 2015.

See Corporate Governance page 80 for information on the Family Michel shareholder group and its shareholdings.



Report of the statutory auditors



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To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, 19 May 2016

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Ypsomed Holding Inc., which comprise the balance sheet, income statement and notes (pages 66 to 70), for the year ended 31 March 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2016 comply with Swiss law and the company's articles of incorporation.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Thomas Nösberger
Licensed audit expert
(Auditor in charge)

Yves Jordi
Licensed audit expert



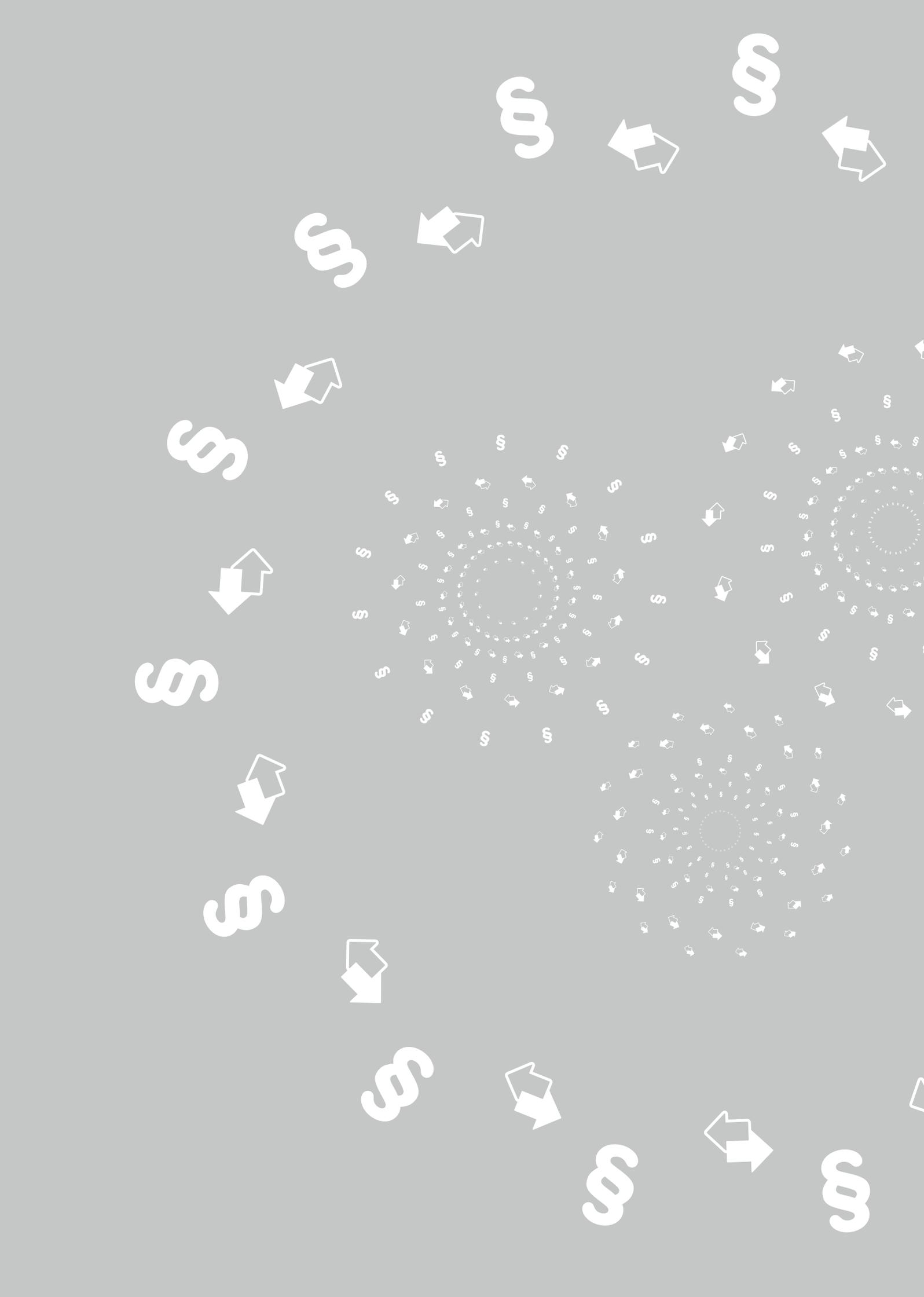
Four-year overview

In thousand CHF	2015/16	2014/15	2013/14	2012/13
Sales of goods and services¹	336922	306632	276257	244565
Gross profit	103187	85850	70526	57074
Gross profit in %	30.6%	28.0%	25.5%	23.3%
Operating profit	44435	28546	15645	4846
Operating profit in %	13.2%	9.3%	5.7%	2.0%
Net profit	35812	19395	13608	1646
Net profit in %	10.6%	6.3%	4.9%	0.7%
Depreciation of fixed assets	21247	21308	18931	19939
Amortisation of intangible assets	7588	7514	6139	5704
EBITDA²	73270	57369	40715	30489
EBITDA in %	21.7%	18.7%	14.7%	12.5%
Current assets	148363	123498	114584	108731
Non-current assets	240508	237713	239944	233062
Current liabilities	105325	100628	103037	101367
Non-current liabilities	15709	19946	23329	23052
Balance sheet total	388871	361211	354528	341793
Capital expenditure	-25154	-17212	-18530	-15945
Cash flow from operating activities	76687	41381	41206	15168
Cash flow from investing activities	-35977	-26232	-30062	-26290
Cash flow from financing activities	-31662	-14167	-4523	10957
Issued shares at 31 March	12649739	12649739	12649739	12649739
Average shares outstanding	12624859	12624614	12614726	12614726
Earnings per share in CHF (basic/diluted)	2.84	1.54	1.08	0.13
Dividend per share (in CHF)	1.00	0.60	0.30	0.20
Book value per issued share (in CHF)³	21.17	19.02	18.04	17.18
Share price: year's highest (in CHF)	152.00	94.00	80.80	60.00
Share price: year's lowest (in CHF)	88.15	77.40	52.00	47.00
Share price: year-end (in CHF)	137.50	91.10	78.00	55.00
Market capitalisation (in million CHF)	1739	1152	987	696
Average headcount	1122	1022	996	1021
Average full-time equivalent	1079	983	954	976
Year-end headcount	1166	1050	999	1015
Year-end full-time equivalent	1116	1013	958	971
Sales per average full-time equivalent (in CHF)	312341	311935	289578	250579

¹ See basis for the consolidated financial statements on page 46.

² Operating profit before depreciation and amortisation.

³ The goodwill was offset with equity under Swiss GAAP FER.



Corporate Governance and Compensation Report

This Corporate Governance report describes the management and control principles at the highest corporate level of Ypsomed Holding AG and its subsidiaries according to the directive of SIX Swiss Exchange concerning information on corporate governance.

Free float of Ypsomed registered shares

2015/16

27.3 %

2014/15

24.9 %

Shareholder structure Ypsomed Holding AG



Worldwide operations: with 14 subsidiaries, over 30 distributors and leading pharmaceutical and biotech companies as partners, we are successful globally and well networked. A network we are continuously expanding.



Corporate Governance

This Corporate Governance report describes the management and control principles at the highest corporate level of Ypsomed Holding AG and its subsidiaries according to the directive of SIX Swiss Exchange from 1 September 2014 (Corporate Governance Directive) concerning information on corporate governance.

Ypsomed, with headquarters in Burgdorf, Switzerland, is a world leader in the field of injection systems for the administration of pharmaceutical substances. Ypsomed develops and produces its products primarily in Switzerland. Ypsomed injection systems are largely marketed by globally active biotechnology and pharmaceutical companies. As part of its diabetes care business segment, Ypsomed focuses on self-medication products for patients with diabetes. The company's own pen needles as well as infusion sets and commercial products purchased from third parties, in particular devices for the self-monitoring of blood glucose levels as well as infusion pumps, accessories and many day-to-day items for diabetics, are sold through the company's own distribution network and by independent distributors. The Ypsomed Group also includes Ypsotec, with headquarters in Grenchen, Switzerland, and its subsidiary in Czechia, a supplier of precision-turned parts and components.

The Ypsomed Group's rules and regulations on Corporate Governance are defined in the Articles of Association, in the Organisational Policy of Ypsomed Holding AG and in the Code of Conduct of the Ypsomed Group and correspond to the Corporate Governance Directive. The organisational policy issued by the Board of Directors governs the duties, powers and responsibilities of the executive bodies of the Ypsomed Group. The main features of this policy are set out on page 88 under the section on regulations concerning authority. A copy of Ypsomed Holding AG's Articles of Association (in German) can be ordered in print form from the company or can be viewed on the company's website at www.ypsomed.com (under Media&Investors/Publications/Corporate Governance). A copy of the Code of Conduct of the Ypsomed Group (in

German, English and French) can be ordered in print form from the company or can be viewed on the company's website at www.ypsomed.com (under Media&Investors/Publications/Corporate Governance). Compliance with the basic principles and values laid down in the Code of Conduct is reviewed on an ongoing basis during the company's day-to-day business. In addition, the Board of Directors receives information on a regular basis regarding experiences with the Code of Conduct.

Group structure

Ypsomed Holding AG is organised as a holding company pursuant to Swiss law and directly or indirectly owns or controls all the companies that form part of the Ypsomed Group worldwide. None of Ypsomed Holding AG's subsidiaries are listed companies.

History of Ypsomed's development

Ypsomed was formed from what was previously Disetronic, which was founded in 1984 and which developed and produced infusion systems and also, from 1986, injection systems. On 30 April 2003, Roche Holding AG acquired the infusion business of Disetronic through a public tender offer. Willy Michel continued the injection business under the Ypsomed trade name.

Listed Group company

Ypsomed Holding AG, which has its headquarters in Burgdorf, is the parent company of the Ypsomed Group. It has a share capital of CHF 178 993 806.85, divided into 12 649 739 registered shares with a nominal value of CHF 14.15 each. Shares in Ypsomed Holding AG were traded on the Main Standard of SIX Swiss Exchange from 22 September 2004 to 28 September 2011. Since 29 September 2011, shares in Ypsomed Holding AG have

	As at 31 March 2016	As at 31 March 2015
Market capitalisation in CHF	1 739 339 113	1 152 391 223
In % of equity	649.4*	478.9*
Share price in CHF	137.5	91.1
Price/earnings ratio	48.4**	59.4**

* Equity capital on 31 March 2016: kCHF 267 836
Equity capital on 31 March 2015: kCHF 240 637

** Earnings per share as at 31 March 2016: CHF 2.84
Earnings per share as at 31 March 2015: CHF 1.54

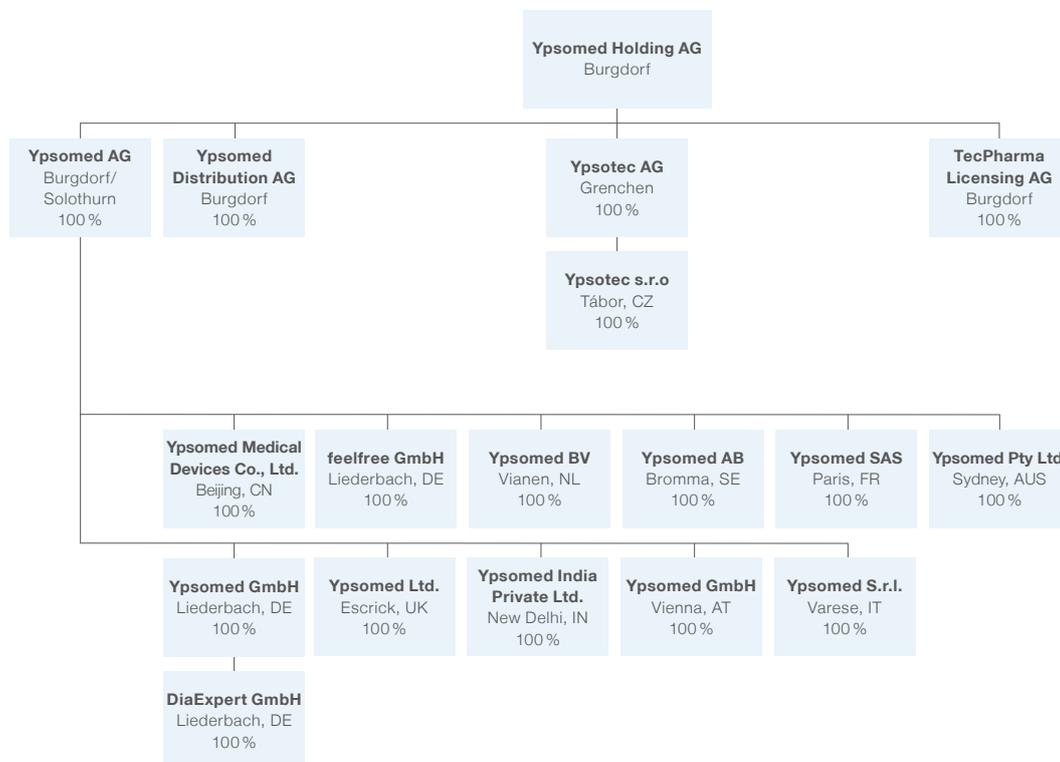
been traded on the Domestic Standard of SIX Swiss Exchange. The shares have also been traded since 27 June 2007 on the BX Berne eXchange. The move from the Main Standard to the Domestic Standard of SIX Swiss Exchange was associated with the switch in accounting standards from IFRS (International Financial Reporting Standards) to Swiss GAAP FER, which, in accordance with SIX Swiss Exchange’s accounting guidelines, results in a change of segment. Security number: 1939699/ ticker symbol: YPSN.

Operating organisation

The operating organisation of the Ypsomed Group is based on a parent company structure. The CEO is responsible for the following departments: Operations (incl. Production, Logistics, Quality Management & Regulatory), Technology, Corporate Finance/IT, Marketing & Sales (Delivery Systems and Diabetes Care), Human Resources and Legal & Intellectual Property. As a rule, two members of Ypsomed Executive Management sit on the Board of Directors of each subsidiary. The Executive Man-

agement of Ypsotec reports directly to the CEO, whereas the executive management bodies of the international distribution companies report to the Senior Vice President of Marketing & Sales for Diabetes Care. In terms of operations, the Ypsomed Group is divided into two business segments: The Delivery Devices segment consists of business with the product group’s pen systems, pen needles, infusion sets and other injection-moulded parts that are developed and manufactured by Ypsomed. The Diabetes Direct Business segment consists of the sales and direct trade business with various supplies for diabetes care, for example devices for the self-monitoring of blood glucose levels as well as infusion pumps, accessories and other day-to-day items for diabetics. The Others segment comprises precision-turned parts and real estate not currently in operational use.

Group structure as at 31 March 2016



The capital of each company is given in the appendix to the consolidated annual balance, see page 51 under 1. Consolidation scope.



Capital structure

Share capital

The share capital of Ypsomed Holding AG amounts to CHF 178 993 806.85, divided into 12 649 739 fully paid-up registered shares, each with a nominal value of CHF 14.15.

Conditional share capital

At the General Meeting of Shareholders 2015 it was decided to delete the conditional share capital. Accordingly, Ypsomed Holding AG no longer avails of conditional share capital as of 31 March 2016.

Authorised share capital

On 1 July 2015, the Board of Directors of the Ypsomed Holding AG decided to delete the authorised share capital. Correspondingly, Ypsomed Holding AG has no authorised share capital as at 31 March 2016.

Shares and participation certificates

The 12 649 739 registered shares are fully paid up and each has a nominal value of CHF 14.15. One registered share represents one vote. The shares have equal dividend rights. Ypsomed Holding AG has no participation certificate capital.

Equity analysis of Ypsomed Holding AG

Date	Process	Number of shares	Par value	Share capital	Retained earnings
31.03.13	Holdings	12 649 739	14.15	178 993 806.85	83 209 065.01
01.04.13	Transfer of net profit carried forward to retained earnings				8 766 447.94
11.07.13	Dividend from capital contribution reserves				
31.03.14	Net profit				
31.03.14	Holdings	12 649 739	14.15	178 993 806.85	91 975 512.95
01.04.14	Transfer of net profit carried forward to retained earnings				9 352 303.09
10.07.14	Dividend from capital contribution reserves				
31.03.15	Buying/disposal of own shares				
31.03.15	Net profit				
31.03.15	Holdings	12 649 739	14.15	178 993 806.85	101 327 816.04
01.04.15	Transfer of net profit carried forward to retained earnings				5 160 591.26
08.07.15	Dividend from capital contribution reserves				
31.03.16	Buying/disposal of own shares				
31.03.16	Net profit				
31.03.16	Holdings	12 649 739	14.15	178 993 806.85	106 488 407.30

Participation certificates

Ypsomed Holding AG has no participation certificates.

Changes in capital

The capital changed as follows in the past years: changes in the share capital up to 31 March 2016 pursuant to the accounts of Ypsomed Holding AG produced in accordance with company law.

Net profit	Own shares	Other capital reserves (disagio)	Capital contribution reserves	General legal reserves	Total equity
8766447.94	-927039.10	-150000.00	178627601.60	50000.00	448569882.30
-8766447.94					448569882.30
			-2522945.20		446046937.10
9352303.09					455399240.19
9352303.09	-927039.10	-150000.00	176104656.40	50000.00	455399240.19
-9352303.09					455399240.19
			-3784417.80		451614822.39
	-708210.15				450906612.24
5160591.26					456067203.50
5160591.26	-1635249.25	-150000.00	172320238.60	50000.00	456067203.50
-5160591.26					456067203.50
			-7576438.80		448490764.70
	-2194908.92				446295855.78
6417222.04					452713077.82
6417222.04	-3830158.17	-150000.00	164743799.80	50000.00	452713077.82



Shareholder structure

Registered shareholders

There were 4 104 shareholders registered in the Share Register on 31 March 2016 (prior year: 3 966 shareholders). Of these shareholders, 98 % report Switzerland as their place of residence. The distribution of shareholdings is as follows:

Number of shares	Number of shareholders as at 31 March 2016	Number of shareholders as at 31 March 2015
1 to 100	2335	2213
101 to 1000	1575	1591
1001 to 10 000	159	137
10001 to 100000	27	17
more than 100000	8	8

Significant shareholders and significant shareholder groups

The Michel family shareholder group, set up for the purposes of holding shares in family ownership, comprises Willy Michel, Chairman of the Board of Directors of Ypsomed Holding AG, who holds shares both directly and indirectly via the companies he controls, Techpharma Management AG and BV Holding AG, as well as his children Simon Michel, CEO of Ypsomed Holding AG and the Ypsomed Group, Serge Michel and Lavinia Camilla Nussio, who each hold shares directly. As at 31 March 2016, the Michel family shareholder group holds a combined total of 9 200 957 registered shares (prior year: 9 502 337) in Ypsomed Holding AG, which represents 72.74 % (prior year: 75.12 %) of all the shares in the company.

Patinex AG, Egglirain 24, CH-8832 Wilen, which is directly controlled by Martin and Rosmarie Ebner, and BZ Bank Aktiengesellschaft, Egglirain 15, 8832 Wilen, which they indirectly control, disclosed that their shareholding fell below the threshold limit of 3 % on 8 September 2015. No notifiable holdings have been reported as per 31 March 2016.

There are no other known significant shareholders or significant shareholder groups. No shareholder agreements have been disclosed.

In the reporting year, there were no further disclosure notifications. The disclosure notifications published pursuant to Art. 120 of the Financial Market Infrastructure Act (previously Art. 20 of the Stock Exchange Act) can be accessed at the website of SIX Swiss Exchange via the following link: www.six-exchange-regulation.com.

Cross participations

There are no cross participations.

Limitation on the transferability of shares

No share certificates are issued for Ypsomed Holding AG shares. Any shareholder may ask the company at any time to issue a confirmation regarding the registered shares entered in the Share Register in his/her name. Any person validly entered in the Share Register as an owner or beneficiary is considered to be a shareholder of the company. Any person acquiring registered shares or the beneficial entitlement to registered shares must apply in writing to be entered in the Share Register. Approval is given by the Board of Directors, which may delegate this power. The transfer is then entered in the Share Register. Applicants will be entered in the Share Register as shareholders with voting rights provided they expressly declare that they have acquired the registered shares in their own name and for their own account. If this declaration is not made, the Board of Directors may refuse the entry. The Board of Directors may draw up guidelines for the entry of nominees and may permit nominees to be entered in the Share Register with voting rights for shares up to a maximum of 5.0 % of the nominal share capital. The Board of Directors may also allow nominees to be entered in the Share Register with voting rights for shares exceeding this limit if the nominees disclose the names, addresses, nationality, domicile and shareholdings of the natural persons and legal entities on whose account they hold 1.0 % or more of the share capital. The 5.0 % limit also applies to nominees who are related to one another through capital ownership or voting rights by virtue of a common management or otherwise. If a shareholder has been entered in the Share Register on the basis of incorrect information, then

the Board of Directors may, after having given the parties involved the right to be heard, remove from the Share Register the entry as a shareholder with voting rights and replace it instead with an entry as a shareholder without voting rights. In the reporting year, no applications for the entry of nominees were made.

Restrictions on the transfer of registered shares may only be amended by a resolution passed at the General Meeting of Shareholders with a qualified majority of at least two thirds of the votes represented and an absolute majority of the nominal share capital represented at the meeting.

Convertible bonds and options

There are no outstanding convertible bonds and no options on participation rights for Ypsomed Holding AG or any Group companies have been issued.

The head office of the Ypsomed Group is in Burgdorf.





Board of Directors

Dr. h. c. Willy Michel, Chairman of the Board of Directors of Ypsomed Holding AG. Until April 2003, Willy Michel was the Chairman of the Board of Directors and CEO of Disetronic Holding AG and since 2003 he has been Chairman of the Board of Directors of Ypsomed Holding AG. From August 2011 to June 2014, Willy Michel was Delegate of the Board of Directors and CEO of Ypsomed Holding AG and the Ypsomed Group. He founded Disetronic together with his brother in 1984 and they were together until his brother's departure from the business in 1995, whereupon Willy Michel became solely responsible for the development, production, distribution and sale of Disetronic products (until 1999). Within the scope of the sale of Disetronic to Roche Holding AG in 2003, Willy Michel bought back Disetronic's injection business, which has subsequently traded under the name Ypsomed. Prior to the founding of Disetronic, Willy Michel, who holds a professional qualification as a pharmaceutical consultant with a federal diploma, obtained a broad range of experience with several industrial and pharmaceutical companies in the fields of development, sales and marketing and he was the head of Novo Nordisk Switzerland for six years (from 1978 until 1984). Willy Michel is the majority shareholder and Chairman of the Board of Directors of the non-listed company Finox AG, which is active in the development, manufacturing and sale of pharmaceuticals, Vice Chairman (Chairman from 2001 to March 2008) of the Board of Directors of BV Holding AG, an equity investment company which is listed on the BX Bern eXchange, and Chairman (since 2012, a member since 2007) of the Board of Directors of Adval Tech Holding AG, which is listed on SIX Swiss Exchange. In addition, he is the owner of a number of companies, including well-known firms involved in the fields of art, watch-making and gastronomy, and is a member of the Boards of Directors of various non-listed companies operating in different sectors from the Ypsomed Group and of no significance to its business activities. Willy Michel was declared the "Master Entrepreneur of the Year" for his overall business performance by Ernst & Young AG in 2005 and in 2006 he was awarded an honorary doctorate (Dr. h. c.) by the Economic and Social Science Faculty of the University of Bern. In 2014, the Swiss Association for Internal and Integrated Communication (Schweizerischer Verband für interne und integrierte Kommunikation SVIK) awarded Willy Michel the "Communicator of the Year" (COTY) Award 2014.

Anton Kräuliger, Vice Chairman of the Board of Directors of Ypsomed Holding AG (member of the Board since 2007). After completing his studies at ETH Zurich with a degree in Mechanical Engineering, Anton Kräuliger joined the family business in 1971 and in 1978 took over the majority shareholding in Lyss AG (today Metalyss AG), a metal foundry and fittings factory. He developed this company into the leading fittings group on the Swiss market, the Similor Group. Within the scope of the sale of the fittings division to Madison Private Equity Holding AG in 2002 and 2005, Mr Kräuliger repurchased the Industrial Division, which today is combined into Metalyss AG once more. Between 1993 and 2004, Mr Kräuliger was a member of the Board of Directors of the listed Berner Kantonalbank BEKB I BCBE. He was also a member of the Board of Directors of Sécheron-Hasler Holding AG (2005 to 2013) and Chairman of the Board of Directors of Sécheron SA (2005 to 2014). He continues to be active as Chairman of the Board of Directors of Metalyss AG (since 1978) and as member of the board of directors in various other unlisted companies not relevant to the business activities of the Ypsomed Group.

Prof. em. Dr. Norbert Thom, member of the Board of Directors of Ypsomed Holding AG since 2005. After studying economics and social sciences at the University of Cologne (Dr. rer. pol. and postdoctoral qualification in business management), Norbert Thom completed a full academic career spanning some 40 years spent at four universities (Cologne, Giessen, Fribourg, Bern) before his retirement in 2012. In Bern, Prof. Thom was founder and director of the Institute of Organisation and Human Resource Management (1991 to 2012) as well as holding several other offices at the university including Vice Rector for Finance and Planning. Prof. Thom has received awards in Switzerland and abroad for his academic achievements, including three honorary doctorates and one honorary professorship. Prof. Thom has maintained close links with the business world for many years. As well as consultancy work and membership of advisory boards, he has also been a member of several boards of non-listed companies operating in different sectors from the Ypsomed Group and of no significance to its business activities. Currently, in his capacity as professor emeritus, he retains ties to the University of Bern, most notably as a supervisor and examiner for its Executive Master of Health Administration programme. Since 2012, he has also been a member of the Supervisory Board of the REHAU Group (Muri bei Bern), a global plastics company.

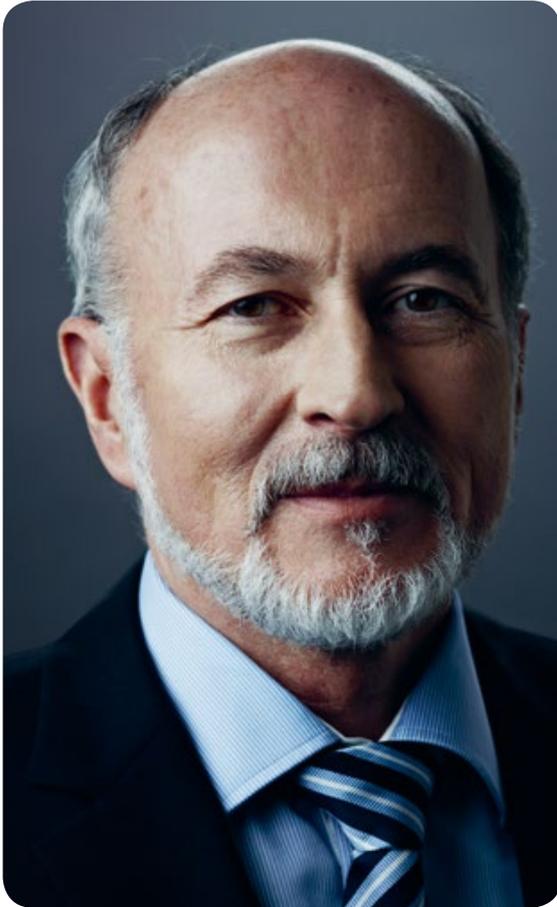
Gerhart Isler, member of the Board of Directors of Ypsomed Holding AG since 2008. After completing his studies in economics at the University of Zurich, Gerhart Isler joined the family newspaper publishing company Finanz und Wirtschaft AG as an editor in 1976. In 1980, he managed the company's editorial department in New York, was head of foreign correspondence from 1981 until 1986 and then held the position of manager of the publishing house until 1989. He then became the owner of Finanz und Wirtschaft, which enjoyed strong growth up to 2000 and became the country's most important financial newspaper. Mr Isler subsequently sold the publishing firm but continued as its editor until the end of 2004. From 2005 until the end of 2008, Mr Isler was a member of the Board of Directors of the listed company PubliGroupe and from 2008 to spring 2012 he was a member of the Board of Directors of the listed investment company New Value. In 2005, he was elected to the Board of Directors of Grand Casino Baden. Mr Isler has been a member of the Board of Trustees of the move>med Foundation, which is involved in the field of sports, since 2005. Furthermore, Mr Isler has been Mayor of Bergdietikon since early 2010.

Board of Directors

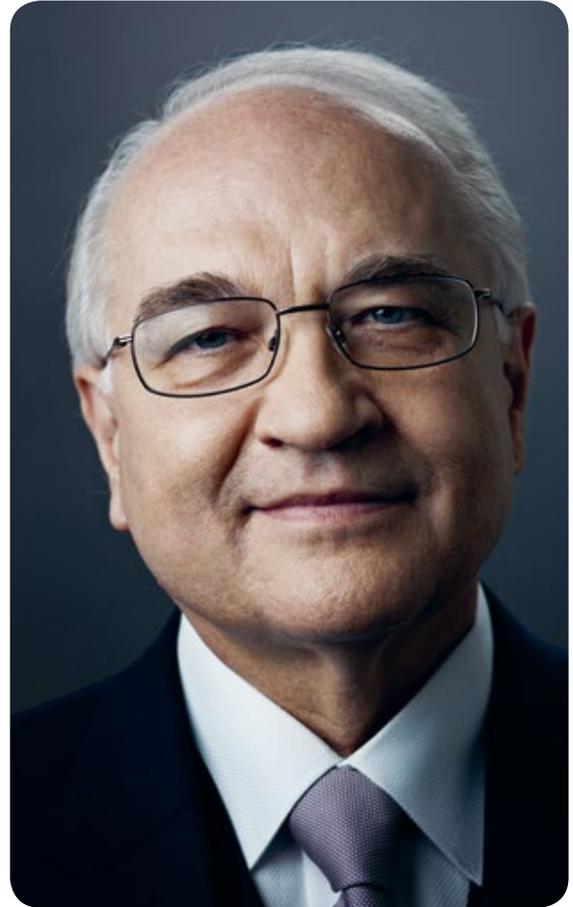
Name	Nationality	Year of birth	Position	Member since	Elected until General Meeting of Shareholders
Dr. h. c. Willy Michel*	CH	1947	Chairman of the Board of Directors	1984	29.06.2016
Anton Kräuliger**	CH	1946	Vice Chairman of the Board of Directors	2007	29.06.2016
Prof. em. Dr. Norbert Thom**	DE/CH	1946	Member of the Board of Directors	2005	29.06.2016
Gerhart Isler**	CH	1949	Member of the Board of Directors	2008	29.06.2016

* Until April 2003, Willy Michel was a member of the Executive Management of Disetronic Holding AG and from 2003 to August 2011 he was the non-executive Chairman of the Board of Directors of Ypsomed Holding AG. From August 2011 to June 2014, Willy Michel was Delegate of the Board of Directors and CEO of Ypsomed Holding AG and the Ypsomed Group. Since July 2014, he has been the non-executive Chairman of the Board of Directors of Ypsomed Holding AG.

** Non-executive member of the Board of Directors, member of the Compensation Committee: no operational activity for Ypsomed Holding AG and its subsidiaries in the current year and the three preceding financial years.



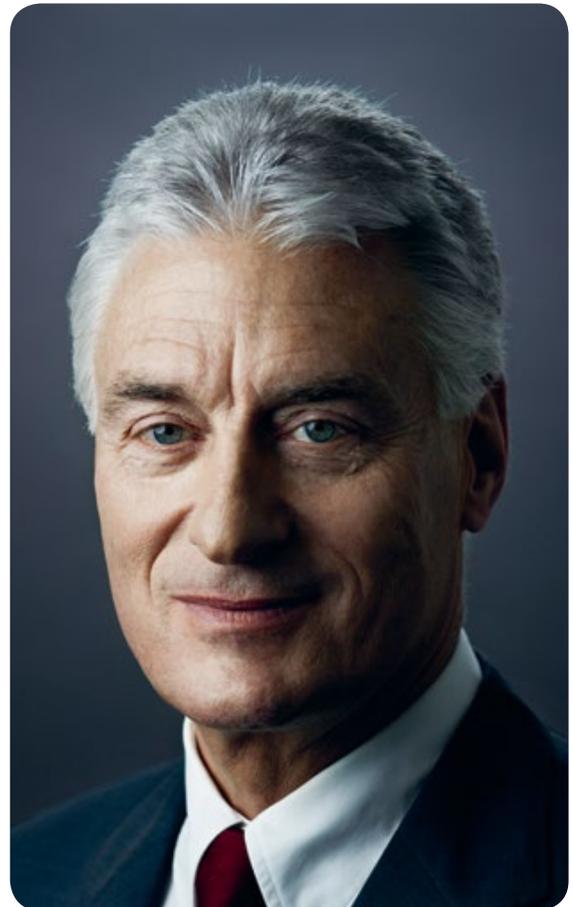
Dr. h. c. Willy Michel



Prof. em. Dr. Norbert Thom



Anton Kräuliger



Gerhart Isler

Other activities and vested interests

There are no other activities or vested interests apart from those already mentioned.

Significant business relations

With the exception of Willy Michel, there are no business relations between the individual members of the Board of Directors and Ypsomed Holding AG and its subsidiaries. There were the following business relations between Willy Michel and people closely related to him as well as to Ypsomed Holding AG and its subsidiaries in the reporting year.

Payments made during the reporting year for business-related services between Willy Michel and companies in the Ypsomed Group are given in the table “Transactions with closely related parties” in the appendix to the consolidated annual balance, page 62. In addition to remuneration as President of the Board of Directors of the Ypsomed Holding AG, these payments represent all compensations and remunerations for services within the scope of the business relations between Willy Michel and companies of the Ypsomed Group.

Executive loan

Willy Michel made a loan to Ypsomed Holding AG, which he assigned to his company Techpharma Management AG. In the reporting year, an amortisation payment of CHF 5 million was made. As at 31 March 2016, a loan amount of CHF 15 million was still outstanding. Since 1 April 2010, the loan has borne interest at a rate based on the CHF 12-month LIBOR as published by the Swiss National Bank plus interest of 0.5%, but at least 0.7%, and it is adjusted in line with the prevailing rate as at the end of March and the end of September every year. The other key terms of the loan agreement in its currently valid version as at 31 March 2016 are: Ypsomed Holding AG may repay the loan in full or

in part at any time. However, it is repayable by 31 March 2020 at the latest. Techpharma Management AG may each year demand repayment of a maximum of CHF 5 million at three month’s notice. There are no further executive loans.

Rental contract

Willy Michel (i.e. the company Techpharma Management AG which he controls) has been renting out the building on Buchmattstrasse in Burgdorf (Ypsomed Nord) to Ypsomed since 1 January 2006. The parties signed a rental contract set at an indexed market rent based on a rental assessment performed by an independent party. The rental contract can be terminated on 31 December 2019 conditional upon 24 months’ notice and after this on any month. The tenant has unlimited first right of refusal for purchasing the property for the entire rental period, but for a maximum of 25 years from the start of the rental. The rental contract stipulates that small and standard maintenance work on the building shall be paid by the tenant up to a maximum amount of 2.0% of the annual rent per calendar year. Major maintenance work and repairs necessary for safeguarding the asset value of the building are at the lessor’s expense. On termination of the contract, the tenant will be reimbursed for the alterations carried out to the leased property with the lessor’s consent in application of Swiss GAAP FER depreciation rates at the residual book value. The rental contract was discussed and ap-

proved by the Board of Directors, in whose opinion it is commensurate with a rental contract at normal market conditions.

Contractual relationship with Finox AG

Finox AG (Finox), which is controlled by Willy Michel, develops and distributes pharmaceuticals, in particular fertility hormones as well as the associated pen systems for their administration. There has been a licencing agreement between Ypsomed Holding AG and two of its subsidiaries and Finox since December 2011, which replaced a former cooperation agreement. The licencing agreement regulates the rights to the technology and the industrial property rights regarding the pen systems. Ypsomed AG is granted a licence under this agreement for the use of two administering technologies outside of the specified areas of application. Finox AG may use the industrial property rights developed under the cooperation agreement on an exclusive basis within specified areas of application.

In August and November 2014, Finox also concluded two supply agreements with Ypsomed AG. Under the first agreement Ypsomed shall supply Finox with its Clickfine® pen needles and under the second agreement, Ypsomed shall produce and supply Finox with the pen systems that are used for the administration of its fertility hormone. The agreements include clauses that are standard for such agreements. They were discussed and approved by the Board of Directors and, in the opinion of the Board, they represent a cooperative relationship that is usual in the market.

Other contractual relationships

Ypsomed AG and Adval Tech Holding AG signed an agreement on strategic cooperation in mould making in June 2007. The objective of this cooperative venture is to combine the respective strengths and core competencies of Ypsomed and Adval Tech and exploit them for the economically efficient manufacture of high-quality products. The individual contracts are agreed at normal market conditions. Willy Michel, respectively his company Techpharma Management AG, and Ypsomed have concluded a framework service contract that can

be terminated by either side at any time. This contract allows for Techpharma Management AG to provide occasional services to the Ypsomed Group (e.g. hotel and catering services) as well as selected management support services (including temporary personnel leasing) and, for its part, for the Ypsomed Group to offer occasional services to Techpharma Management AG (e.g. management and IT support, including temporary personnel leasing). The services are invoiced at normal market conditions. This contract was discussed and approved by the Board of Directors, in whose opinion it is a cooperation agreement at normal market conditions.

Number of permissible mandates

At the General Meeting of Shareholders 2015, the Articles of Association of Ypsomed Holding AG were adapted to the Ordinance against Excessive Compensation in Listed Stock Companies (VegüV) and revised extensively. Pursuant to the recommendation, the members of the Board of Directors should not accept more than 15 additional mandates in legal entities and only a maximum of five of these may be with companies whose participation rights are listed on an exchange.

A mandate is deemed to be any activity in the highest management or administrative bodies of other legal entities that are obliged by law to be entered into the commercial register or a comparable foreign register and that are not directly or indirectly controlled by Ypsomed Holding AG or control the company. Mandates with different legal entities that are under joint control are not deemed to be mandates in this sense. Mandates that a member of the Board of Directors accepts on the instructions of the company, as well as mandates in associations, organisations and legal entities that are of a charitable or public nature, or in foundations, trusts and pension schemes are not governed by the restriction on admissible mandates.

Election and period of office

The members of the Board of Directors and the chairman are elected on an annual basis. Re-election is possible. There is no restriction to the period of office. The members of the Board of Directors were each re-elected at the General Meeting of Shareholders in 2015 and Willy Michel was also re-elected as chairman. The results of the first election can be seen in the table on page 83. The Articles of Association of Ypsomed Holding AG do not contain any rules that deviate from the statutory provisions regarding the appointment of the chairman, the members of the compensation committee and the independent proxy.

Internal organisation

The Chairman of the Board of Directors is elected by the General Meeting of Shareholders. In addition, the Board of Directors constitutes itself. There is no advisory board.

Division of duties in the Board of Directors

Willy Michel, Chairman of the Board of Directors of Ypsomed Holding AG, chairs the General Meeting of Shareholders and the meetings of the Board of Directors. He is the link between the Board of Directors and the CEO, is in regular contact with the CEO, discusses individual transactions with the CEO, monitors the activities of the CEO and of Executive Management and represents the Board of Directors outside the company.

Due to the size and composition of the Board of Directors, it can offer advice and make decisions on all questions as a full Board of Directors and it therefore can dispense with the creation of further committees, with the exception of the compensation committee. However, it can transfer individual powers to an executive committee.

Compensation committee

The General Meeting of Shareholders 2015 elected Anton Kräuliger, Norbert Thom and Gerhart Isler as members of the compensation committee. The Board of Directors appoints the chairman of the compensation committee. Anton Kräuliger was appointed as chairman. The compensation committee supports the full Board of Directors in determining and reviewing the compensation principles, in drafting the compensation report and in preparing the proposals for the General Meeting of Shareholders with regard to the compensation of the Board of Directors and Executive Management. In addition, it draws up recommendations regarding the compensation principles, which are then decided on by the Board of Directors.

Modus operandi of the Board of Directors and its committees

As a rule, the Board of Directors meets four times a year. In these meetings, it considers the written report and the verbal comments of the CEO and deliberates and decides on the proposals of the CEO. The auditors participate in the May Board meeting, in which they provide information on the comprehensive report and on other questions. The Board of Directors meets on one additional occasion per year for two to three days within the context of a strategy meeting with Executive Management. Occasionally, the Board of Directors also passes resolutions by means of circular letter. The agendas for the meetings are set by the chairman; any member as well as the CEO can request that an item should be added to the agenda. The members, the CEO and CFO as well as the officers responsible for internal audit and risk management generally receive the agenda and the necessary documentation for decision-making seven to ten days before the meeting. Any member of the Board of Directors may request information about any aspect of the Group's affairs. Votes and elections within the Board of Directors are passed by majority decision. In the event of a tied vote, the chairman has the casting vote. Should the chairman be absent, the vice chairman shall have the casting vote. Votes may not be taken by proxy. The CEO and generally the CFO as well as the officers responsible for internal audit and risk management and, on a case-by-case basis, other members of Executive Management or employees with an advisory role are present at the meetings.

In the reporting year, the Board of Directors met three times and passed several resolutions by circular letter. The lead auditor took part in the Board of Directors meeting in May 2015. In addition, the Board of Directors convened for two days in February 2016 as part of the strategy meeting with Executive Management. Gerhart Isler was not present at the Board of Directors meeting in October 2015. Otherwise all the members of the Board of Directors took part in all the Board of Directors meetings and in the General Meeting of Shareholders in July 2015. All the members of the Board of Directors took part in the strategy meeting in February 2016. The compensation committee also meets during the strategy meeting and prior to or subsequent to the Board of Directors meeting in May. All the recommendations of the committee are dealt with in the standard Board of Directors meetings. In the reporting year, the compensation committee met once during the strategy meeting in order to decide on recommendations for the attention of the full Board of Directors.

Definition of competences

The Board of Directors has by law certain non-transferable and irrevocable duties. It has the highest decision-making power in the company, under restriction of those matters on which shareholders must decide in accordance with the law. In particular, it defines company policy, the mission statement – consisting of a mission and a vision – and the strategic direction of the Ypsomed Group, sets its targets and priorities and allocates the resources for achieving the targets set. The Board of Directors defines the organisation of the Ypsomed Group, supervises business activities, controls the finance and accounting divisions and is responsible for appointments and dismissals as well as the supervision of the individuals entrusted with management

duties. It is responsible for the Annual Report and the Compensation Report, issues the Code of Conduct, approves the budget and the mid-term planning for Executive Management and also monitors the business activities of the Group companies and it periodically assesses strategic, operational and financial risks. The Board of Directors approves individual business affairs. This includes, in particular, decisions on the purchase or sale of companies, properties and new technologies as well as the conclusion of contracts regarding strategic co-operations and contracts with other financial significance. In addition, the Board of Directors approves the financial statements and any amendments to or dissolution of employment contracts with members of Executive Management. The competences of the Board of Directors and of the other decision-makers within the Ypsomed Group are determined within the competence regulation. Otherwise, the Board of Directors has delegated responsibility for running the company to the CEO.

Instruments for information and control with regard to Executive Management

The Ypsomed Group's information and control tools, which are at the disposal of the Board of Directors, consist of a quarterly written management report (management review, quarterly reports) and a financial report. The Chairman of the Board of Directors and the CEO have direct access at all times to the management information system (MIS).

Furthermore, the Board of Directors uses strategic planning documents as management tools for steering the company. Responsibility for risk management and monitoring rests with Executive Management, which reports on these matters periodically to the full Board of Directors, but at least once a year. In addition to these documents, further selected financial figures are available to Executive Management on a monthly basis.

Risk assessment is based on a risk inventory that encompasses the relevant risk categories such as strategic risks, management risks, general risks in the operating business, legal risks, systemic risks, financial risks (including market, credit and liquidity risks) and event risks (including political, regulatory, fiscal and external risks). These risks are assessed with regard to probability of occurrence and impact.

The “Internal Auditing” function, for which the Board of Directors is directly responsible, is commissioned with the constant expansion of the documented, internal control system. The auditing plans are based on a risk-oriented procedure that relates to business processes and are geared towards the following goals and tasks: reviewing the fulfilment of business goals and objectives; evaluation of the effectiveness of risk management, control and corporate management processes; optimisation of business processes; improvement of controls and processes with regard to the information systems; verification of controls and processes for accounting systems and financial reporting; confirmation and guarantee of authorised business transactions; safeguarding and protection of assets; support with regard to complying with legal and regulatory requirements; reviewing significant or special business cases and transactions. The Board of Directors can determine additional areas to be reviewed. The officer responsible for internal auditing provides the auditors several times per year with appropriate documentation on his/her internal auditing activities and coordinates these with the auditing to be carried out by the auditors within the framework of the interim and year-end audits.



Executive Management

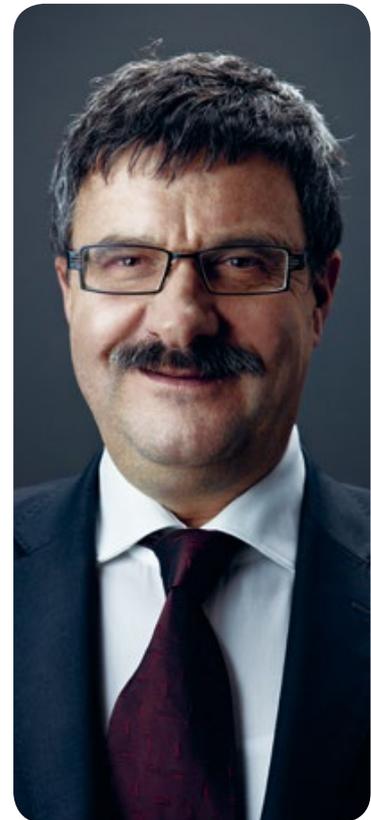
The CEO as well as Executive Management are responsible for the operational management of the Ypsomed Group within the scope of the guidelines laid down by the Board of Directors.

Members of the Management Board

Name	Nationality	Year of birth	Position	Employed at Ypsomed (i.e. before 2003 for Disetronic) since
Simon Michel	CH	1977	CEO	2006
Dr. Beat Maurer	CH	1958	Senior Vice President Legal & Intellectual Property, Secretary of the Board	1992
Hans Ulrich Lehmann	CH	1966	Senior Vice President Technology	2000
Ulrike Bauer	DE	1969	Senior Vice President M & S Delivery Systems	2001
Niklaus Ramseier	CH	1963	Chief Financial Officer (CFO)	2002
Yvonne Müller	CH	1969	Senior Vice President Human Resources	2003
Dr. Eberhard Bauer	DE	1960	Senior Vice President M & S Diabetes Care	2012
Frank Mengis	DE/CH	1964	Senior Vice President Operations (COO)	2015



Simon Michel
Chief Executive Officer (CEO)



Dr. Beat Maurer
Senior Vice President
Legal & Intellectual Property



Hans Ulrich Lehmann
Senior Vice President
Technology



Ulrike Bauer
Senior Vice President
M&S Delivery Systems



Niklaus Ramseier
Chief Financial Officer (CFO)



Yvonne Müller
Senior Vice President
Human Resources

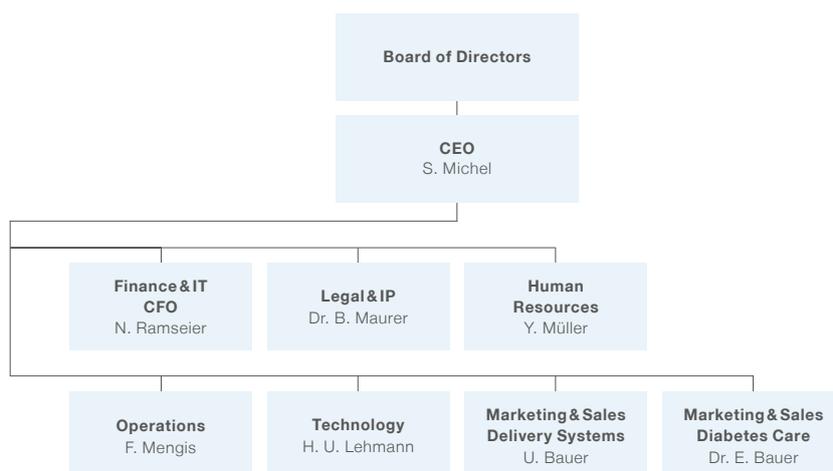


Dr. Eberhard Bauer
Senior Vice President
M&S Diabetes Care



Frank Mengis
Senior Vice President
Operations (COO)

Organisation of Ypsomed



Simon Michel, CEO of Ypsomed Holding AG and the Ypsomed Group. With Ypsomed since October 2006. Member of management since 2008 and responsible for Marketing & Sales. CEO since July 2014. From 2003 until 2006, Simon Michel worked for Orange Communications AG in Zurich and Lausanne, where he was responsible for, among other things, the introduction and marketing of UMTS. Simon Michel studied economics at the University of St. Gallen and completed a Masters with a focus on media and communications management. Since 2006, he has been a member of the Board of Directors of Sphinx Werkzeuge AG and since 2008 a board member of the Burgdorf-Emmental Trade and Industry Association. Since 2015, he has been a member of the Board of Directors of the Solothurn Chamber of Commerce, Chairman of the Industry Commission and a member of the Board of Directors of FASMED, the Federation of Swiss Medical Devices Trade and Industry Associations, as well as a member of further boards of trustees and advisory boards.

Beat Maurer, Dr. iur., attorney-at-law, Senior Vice President Legal & Intellectual Property, Secretary to the Board of Directors of Ypsomed Holding AG, with Ypsomed (pre-2003 with Disetronic) since 1992, prior to that tax and legal consultant with a trust and auditing company. Education: degree in Law from the University of Fribourg, studied at the Free University of Berlin, took a doctorate in law at the University of Bern and was admitted to the Bar in the canton of Bern. Beat Maurer has been a judge specialising in issues relating to business law and intellectual property law at the commercial court of the canton of Bern since 2002. He is also a member of the Board of Directors of FASMED, the Federation of Swiss Medical Devices Trade and Industry Associations.

Hans Ulrich Lehmann, Senior Vice President Technology. From April to September 2015, Hans Ulrich Lehmann has also been managing Operations on an ad interim basis. He has been a member of Executive Management since 2011 and is responsible for Technology. He has been with Ypsomed since 2000 (pre-2003 at Disetronic) in different positions, initially as Senior Project Manager for R&D projects, before spending several years as Vice President Manufacturing and Vice President Technology. Previously, he worked at various medical device manufacturing and injection moulding companies in Switzerland and the USA. He graduated as a mechanical engineer and completed the postgraduate programme in business administration at the University of Applied Sciences in Bern and also completed the Program for Leadership Development PLD at Harvard Business School in Boston, USA.

Ulrike Bauer, Senior Vice President Marketing & Sales Delivery Systems, with Ypsomed (pre-2003 with Disetronic) since 2001 in different Marketing & Sales functions and since 2014 a member of Executive Management. Previously Product Manager with Mettler Toledo (1996–2001). Ulrike Bauer graduated in chemical engineering and biotechnology at the University of Aachen and completed a postgraduate diploma in International Management at the Kalaidos University of Applied Sciences in Zurich. Ulrike Bauer and Eberhard Bauer are not related in any way.

Niklaus Ramseier, CFO, with Ypsomed (pre-2003 with Disetronic) since 2002, prior to that Head of Finance and Controlling for the industrial services product line of the Von Roll Group (from 1995 until 2002) and various advisory and accounting functions within a trust and auditing company. Education: Swiss certified expert in accounting and controlling.

Frank Mengis, Chief Operating Officer (COO). He joined Ypsomed in 2015 as member of Executive Management, responsible for Production, Supply Chain, QM & RA. He has many years of experience in the development and manufacturing of medical devices. Previously he was Head of Operations and member of Executive Management at Nobel Biocare AG. In the years from 2001 to 2012 he held numerous management functions within the Straumann Group in quality management, production and development – in their Swiss and US facilities. After his studies, he started his career at F. Hoffmann-La Roche AG in Basel in the engineering division (2000 to 2008). He has German and Swiss dual nationality and a degree as qualified engineer in mechanical engineering from the Technical University in Karlsruhe as well as further education at the IMD Lausanne and the Harvard Business School (AMP Program).

Yvonne Müller, Senior Vice President Human Resources, with Ypsomed since 2003, prior to that responsibility for training at Berner Kantonalbank BEKB I BCBE (from 2002 until 2003) and for human resources at X-Media and Scout24 (from 2000 until 2002) as well as at IKEA (from 1996 until 2000). Education: graduated as a human resources specialist and has an Executive MBA in General Management from Bern University of Applied Sciences.

Eberhard Bauer, Dr. med. vet., Senior Vice President Marketing & Sales Diabetes Care. Since July 2014, member of Executive Management and responsible for Marketing & Sales in the Diabetes Care business area. Eberhard Bauer was responsible for the global distribution and the distribution companies of Diabetes Care from July 2012 until July 2014. Prior to this, he held various functions with Boehringer Mannheim and Roche Diagnostics over more than 20 years, including Division Head Iberia, Global Head of Marketing and Product Development for Roche Diabetes Care and most recently, Head Latin America. He graduated as Dr. med. vet. from the Ludwig Maximilian University of Munich and carried out postgraduate studies at IMD Lau-

sanne and the London Business School. Eberhard Bauer and Ulrike Bauer are not related in any way.

Other activities and vested interests

There are no other activities or vested interests apart from those already mentioned.

Number of permissible mandates

The Articles of Association of Ypsomed Holding AG have been adapted in accordance with the Ordinance against Excessive Compensation in Listed Stock Companies (VegüV) at the General Assembly 2015 and revised extensively. The members of Executive Management should not accept more than seven additional mandates in legal entities and only a maximum of two of these may be with companies whose participation rights are listed on an exchange.

A mandate is deemed to be any activity in the highest management or administrative bodies of other legal entities that are obliged by law to be entered into the commercial register or a comparable foreign register and that are not directly or indirectly controlled by Ypsomed Holding AG or control the company. Mandates with different legal entities that are under joint control are not deemed to be mandates in this sense. Mandates that a member of Executive Management accepts on the instructions of the company, as well as mandates in associations, organisations and legal entities that are of a charitable or public nature, or in foundations, trusts and pension schemes are not governed by the restriction on admissible mandates.

Management contracts

There are no management contracts.



Compensation, participations and loans

Information on the compensation and participations of members of the Board of Directors and Executive Management, the contents and determination procedure as well as the statutory rules governing the principles, loans, credits and insurance benefits and the principles governing the votes of the General Meeting of Shareholders re-

garding compensation as well as the actual compensation paid to current and former members of the Board of Directors and Executive Management in 2015/16 as stipulated by the VegüV can be found in the Compensation Report 2015/16, from page 97.



Shareholders' rights of participation

Voting-right restrictions and representation

All shareholders who are entered in the Share Register with voting rights are entitled to vote at the General Meeting of Shareholders. Shareholders may arrange to be represented at the General Meeting of Shareholders by written proxy. In exercising his/her voting rights, no shareholder may directly or indirectly amalgamate more than 5 % of the total voting rights in the form of his/her own shares and those he/she is representing. Legal entities and partnerships that are related to one another through capital ownership or voting rights or by virtue of a common management or otherwise, as well as natural persons, legal entities or partnerships that adopt a coordinated approach in order to circumvent the restrictions on voting rights, will be considered as one person. However, the restriction on voting rights will not apply to the exercise of voting rights by the independent proxy. Nor do they apply to Willy Michel, his legal successors due to inheritance, distribution of estate, anticipatory succession or matrimonial property rights as well as for natural and legal persons or partnerships which directly or indirectly or by joint agreement with Willy Michel, form a group in the meaning of Art. 120 of the Financial Market Infrastructure Act and disclose same, as he was registered on 18 September 2004 as holding over 5 % of all shareholder votes in the share register (Art. 13 Articles of Association). The Board of Directors can decide on exceptions to voting restrictions in justified cases. No exceptions were decided on by the Board of Directors during the reporting year. There are no rules governing the annulment of statutory voting-right restrictions.

Independent proxy

The General Meeting of Shareholders 2015 elected Dr. Peter Stähli, attorney-at-law and notary, Burgdorf, as the independent proxy for the period up to the conclusion of the next General Meeting of Shareholders 2016. According to the Articles of Association the Board of Directors can issue a directive governing the independent proxy and determine the requirements under which valid instructions may be issued to the independent proxy. For the coming General Meeting of Shareholders on 29 June 2016, the shareholders may also issue their powers of attorney and instructions electronically to the independent proxy. The precise details regarding the issuance of instructions electronically to the independent proxy shall be explained in the invitation to attend the General Meeting of Shareholders.

Quorums according to the statutory quorums

Unless otherwise stipulated by law or by the Articles of Association, the General Meeting of Shareholders shall adopt resolutions and conduct votes on the basis of an absolute majority of the votes cast, excluding blank and invalid votes. The chairman shall also vote and, if the vote is tied, he/she shall have the casting vote. The quorums laid down in the Articles of Association reflect statutory quorums.

Convening the General Meeting of Shareholders

The General Meeting of Shareholders will be convened at least 20 days prior to the meeting by way of a letter to the shareholders who are entered in the Share Register as well as by publishing a notice in the Swiss Official Gazette of Commerce (SOGC).

Agenda items

Shareholders holding shares with a nominal value of at least CHF 1 million have the right to request that a specific matter be put on the agenda by specifying the item of the agenda and the proposal. Such requests must be submitted in writing to the Chairman of the Board of Directors at least 45 days before the meeting.

Entries in the Share Register

Entries in the Share Register shall be made until six days prior to the General Meeting of Shareholders. There are no rules governing the granting of exceptions.



Change of control and blocking mechanisms

In the event of a public takeover bid, the bidder is required pursuant to Art. 135 of the Financial Market Infrastructure Act to make an offer for all of the company's listed shares as soon as he/she acquires shares in the company directly, indirectly or in concert with third parties, which along with the shares already held exceed the threshold of 49.0% of the voting rights of the company, whether exercisable or not (Art. 7 Articles of Association).

There are no change-of-control clauses with members of the Board of Directors, Executive Management and/or other management personnel.



Auditors

Term of mandate of auditors and term of the lead auditor

On 27 June 2007, the General Meeting of Shareholders of Ypsomed Holding AG selected Ernst & Young AG, Bern, as auditors for the first time. The lead auditor, Dr. Thomas Nösberger, has been in office at Ypsomed Holding AG since June 2014. The auditors are each appointed for a period of office of one year by the General Meeting of Shareholders, the last time being on the occasion of the 2015 General Meeting of Shareholders.

Auditing fees

The total auditing fees charged by the auditor for Ypsomed Holding AG and its Group companies in the course of the reporting year amounted to kCHF 280. Ypsomed Holding AG and its Group companies were invoiced a total of kCHF 13 for additional so-called non-auditing services for tax consultancy services during the reporting year.

Tools for the supervision and control of auditing

The full Board of Directors undertakes the supervision and control of the auditor. The lead auditor is in attendance during the discussion and acceptance of the consolidated and annual financial statements by the Board of Directors. The auditor compiles a comprehensive report annually for the attention of the Board of Directors and this is discussed by the Board of Directors with the lead auditor in attendance.



Information policy

Ypsomed Holding AG maintains an open and transparent communication policy towards shareholders, potential investors, financial analysts, the media, customers and other interested persons, based on the principle of equality. The company uses the following tools: annual report, interim report presentation of the annual results to the media and financial analysts ahead of the General Meeting of Shareholders, as well as media briefings and company publications that have potential relevance to the share price. Responsibility for communication with investors rests with the Chairman of the Board of Directors.

The following research banks monitor the development of the Ypsomed Group:

BZ-Bank, Wilen (www.bzbank.ch),
Holger Blum

Credit Suisse, Zurich (www.credit-suisse.com),
Christoph Gretler

Vontobel, Zurich (www.vontobel.com),
Carla Bänziger

Zürcher Kantonalbank, Zurich (www.zkb.ch),
Sibylle Bischofberger Frick

On our website at www.ypsomed.com (under Media&Investors), all interested parties can access up-to-date and potentially market-relevant information (pull system) without charge. Furthermore, all interested parties can subscribe to an e-mail distribution list under <http://www.ypsomed.com/media-investors> (push system). The official publication organ of Ypsomed Holding AG is the Swiss Official Gazette of Commerce (SOGC). Company publications with potential relevance to the share price are usually communicated at the end of daily trading. Such publications are initially reported to the SIX Swiss Exchange Regulation and thereafter uploaded to the above-mentioned website and simultaneously communicated to a number of national newspapers, electronic information systems and to persons registered on the e-mail distribution list.

Equity trading

The registered shares of Ypsomed Holding AG are traded on SIX Swiss Exchange and at the BX Bern eXchange.

Ticker symbols:
YPSN (Telekurs)
YPSN.S (Reuters)
YPSN SW (Bloomberg)
Securities number: 1939 699
ISIN: CH 001 939 699 0

Important forthcoming dates

29 June 2016
General Meeting of Shareholders, Bern

3 November 2016
Media conference and analysts' presentation of the semi-annual figures 2016/17, Zurich

24 May 2017
Media conference and analysts' presentation of the annual figures 2016/17, Burgdorf

Contact

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Compensation Report

The Compensation Report for Ypsomed Holding AG for the business year 2015/16 sets out the compensation principles, the compensation system and the actual compensation for the Board of Directors and Executive Management in accordance with the provisions pursuant to the Ordinance against Excessive Compensation in Listed Stock Companies (VegüV). The Articles of Association of the Ypsomed Holding AG were adapted to the VegüV at the General Meeting of Shareholders 2015 and revised extensively.

The overall responsibility for the definition of the compensation principles is held by the Board of Directors. The compensation committee supports the full Board of Directors in determining and reviewing the compensation principles, in drafting the compensation report and in preparing the proposals for the General Meeting of Shareholders with regard to the compensation of the Board of Directors and Executive Management and prepares recommendations regarding the compensation principles, which are then decided on by the Board of Directors. The members of the Board of Directors and the members of Executive Management present at the relevant meeting of the Board of Directors have the right of participation and the right to comment if their compensation

is being decided by the committee responsible. At the General Meeting of Shareholders of the Ypsomed Holding AG on 29 June 2016, the General Meeting of Shareholders will determine, with binding effect and by separate vote, the maximum total amount of fixed compensation, both for the members of the Board of Directors until the next General Meeting of Shareholders 2017 as well as for the members of Executive Management for the period of the following business year 2017/18, as well as the performance-related compensation for the members of the Board of Directors and Executive Management for the business year preceding the General Meeting of Shareholders and ending 31 March 2016. The relevant total amounts include all the employer contributions to the social insurance and occupational insurance. No credits, loans or insurance benefits apart from those from the occupational insurance were granted to the members of the Board of Directors and Executive Management. Fees and expenses that are paid in compliance with the regulations approved by the authorities are not deemed to be compensation subject to authorisation.

Compensation approval process

	Type of compensation	Compensation committee	Full Board of Directors	General Meeting of Shareholders
Board of Directors	Maximum amount of the fixed compensation of the members of the Board of Directors for the period from 29 June 2016 until the next ordinary general meeting in 2017.	Examination of the principles and recommendation to the Board of Directors	Proposal to GMOS	Approval of GMOS dated 29.06.2016
	Individual compensation for the chairman and members of the Board of Directors	Proposal to Board of Directors	Approval	
	Total amount of the performance-related compensation for the members of the Board of Directors for the business year 2015/16	Recommendation	Proposal to GMOS	Approval of GMOS dated 29.06.2016
	Individual compensation for members of the Board of Directors	Proposal to Board of Directors	Approval	
Executive Management	Maximum amount of the fixed compensation for members of Executive Management for the business year 2017/18	Examination of the principles and recommendation to the Board of Directors	Proposal to GMOS	Approval of GMOS dated 29.06.2016
	Individual compensation to the members of Executive Management	Proposal to Board of Directors	Approval	
	Total amount of the performance-related compensation for the members of Executive Management for the business year 2015/16	Recommendation	Proposal to GMOS	Approval of GMOS dated 29.06.2016
	Individual compensation for members of Executive Management	Proposal to Board of Directors	Approval	

Board of Directors compensation

The bases and elements of the compensation granted to the Board of Directors, comprising a fixed basic component and further benefits (e.g. attendance fee) as well as a performance-related component, are discussed, examined and presented to the full Board of Directors for a decision annually by the compensation committee. The full Board of Directors determines the compensation annually at its own discretion and without consulting external advisors. The fixed component in the period from the General Assembly 2015 to the General Assembly 2016 amounted to CHF 150 000 (previous year: CHF 150 000) for the Chairman of the Board of Directors and CHF 90 000 (previous year: CHF 90 000) for each member of the Board of Directors. The performance-related component comprises between 0 % and a maximum of 41 ⅔ % of the fixed component. The amount of the performance-related component is dependent on the targets achieved vis-à-vis the budgeted targets, based on two thirds of the consolidated EBIT margin and one third of the consolidated sales. In the reporting year, this amounted to around CHF 170 000 and/or 38 % of the total of the fixed basic compensation for all members of the Board of Directors, based on achieving a target level of 120 %. If target attainment had been 100 %, the performance-related components would have totalled around CHF 142 000. The attendance fee amounts to CHF 1 500 for every meeting that lasts at least half a day (prior year: CHF 1 500). No attendance fee is paid for shorter meetings and participation in strategy meetings and the General Meeting of Shareholders. Participation in the compensation committee is not remunerated separately. Board of Directors fees and attendance fees are paid to the members of the Board of Directors after the General

Meeting of Shareholders. All compensation is paid in cash. There are no equity or option plans. Depending on the situation, VAT or statutory social insurances must be paid on the compensation. No insurance benefits from the occupational insurance are granted to members of the Board of Directors.

Information on all the actual compensation paid to the current and former members of the Board of Directors in the business year 2015/16 that is prescribed by the VegüV (formerly Art. 663b^{bis} of the Swiss Code of Obligations) is given in the table on page 101.

Executive Management compensation

The elements of the compensation granted to Executive Management comprise a fixed basic component, further benefits (e.g. service years award) as well as a performance-related component based on the company result and the attainment of individual targets. The compensation committee assesses every year the performance and the compensation of the members of Executive Management and recommends any adjustments to the Board of Directors to decide on at its own discretion. The fixed basic compensation is dependent on the function, the qualification, the professional experience and the performance of the relevant person. The performance-related component amounts to between 0% and a maximum of 62.5% of the annual basic compensation (gross) for the CEO and to between 0% and a maximum of 31 ¼% of the annual basic compensation (gross) for the other members of Executive Management. The performance-related component is dependent on the targets achieved vis-à-vis the budgeted targets and is based to 50% on the consolidated EBIT margin, 25% on the consolidated sales and 25% on the attainment of the individual targets of the relevant member of Executive Management. The individual targets are set together with the line manager during the annual performance appraisal. These can be project targets, personal development targets or the contribution to the target attainment of the team or the department. A management system for the assessment of performance ensures that targets are defined and that target attainment is assessed during the annual performance appraisal. The amount of the performance-related component paid to the CEO in the reporting

year came to around CHF 211 600 and/or 58% of the fixed basic compensation, based on a target attainment level of 116.25%. If the target attainment had been 100%, the performance-related component would have been around CHF 29 600 less. The amount of the performance-related component paid to the other members of Executive Management in the reporting year came to around CHF 482 500 and/or 29% of the fixed basic compensation, based on a target attainment level of 116.25%. If the target attainment had been 100%, the performance-related component would have been around CHF 67 800 less. All compensation is paid in cash. There are no equity or option plans.

The Board of Directors is entitled to pay all types of compensation from the authorised, fixed compensation amounts and/or the additional amounts. Members of Executive Management are granted insurance benefits from the occupational insurance within the framework of the statutory provisions and the provisions according to the regulations including extra-mandatory benefits, and in the case of illness or accident their compensation continues to be paid and/or is paid as insurance and bridging benefits within the framework of the statutory provisions and the provisions according to the regulations.

Fees and expenses that are paid according to the regulations approved by the authorities responsible are not deemed to be compensation that is subject to approval. No severance pay and no notice periods of more than six months have been agreed with any members of Executive Management. In the reporting year, no severance pay was paid to former members of executive bodies. Information on the actual compensation paid to members of Executive Management either directly or indirectly in the business year 2015/16 and to former members of Executive Management that is prescribed by the VegüV (formerly Art. 663b^{bis} of the Swiss Code of Obligations) is given in the table on page 101.

Rules according to the Articles of Association governing the principles regarding compensation

The Articles of Association of Ypsomed Holding AG were adapted to the VegüV at the General Assembly 2015, revised extensively and provide the following with regard to compensation principles:

- The General Meeting of Shareholders approves annually on a binding basis and upon the proposal of the Board of Directors the total amounts of the fixed compensation for the following approval periods:
 - for the Board of Directors until the next Ordinary General Meeting of Shareholders.
 - for Executive Management for the financial year following the Ordinary General Meeting of Shareholders.
- If the General Meeting of Shareholders should refuse to approve a total amount, the Board of Directors may propose new motions at the same General Meeting of Shareholders or defer the approval of the compensation until an Extraordinary General Meeting of Shareholders or until the next Ordinary General Meeting of Shareholders.
- Until the fixed compensation components have been approved by the General Meeting of Shareholders the compensation can be paid subject to approval.
- The General Meeting of Shareholders approves annually on a binding and individual basis the amount of the performance-related compensation components for the members of the Board of Directors and Executive Management for the financial year preceding the General Meeting of Shareholders.
- Performance-related compensation components may be paid only once the resolution for approval has been passed by the General Meeting of Shareholders
- The amounts of compensation approved by the General Meeting of Shareholders can be paid by the company itself or by the company that it controls.
- The Board of Directors is entitled to pay all types of compensation from the authorised, fixed compensation amounts and/or the additional amounts.
- If new members are elected to Executive Management following the resolution of the General Meeting of Shareholders, an additional amount of a maximum of 25 % of the previous total of the approved fixed compensation amounts for the approval period shall be made available to the company. The General Meeting of Shareholders shall not vote on the use of the additional amount.
- The company can conclude temporary and permanent contracts with members of the Board of Directors governing their compensation. Temporary contracts have a maximum period of one year, but they may be renewed more than once. Permanent contracts have a maximum notice period of twelve months.
- The company can conclude temporary and permanent contracts with members of Executive Management governing their compensation. Temporary contracts have a maximum period of six months, but they may be renewed more than once. Permanent contracts have a maximum notice period of six months.
- Compensation to members of Executive Management may be paid until the end of the contractual notice period, even if the employee was released from duties and has taken on a new appointment.
- The compensation for non-competition clauses concluded with members of Executive Management may be paid for a maximum of twelve months and must not exceed the last annual compensation paid prior to the departure of this member.
- Members of the Board of Directors and Executive Management are not granted any credits or loans or any insurance benefits apart from those from the occupational insurance.

Investments held by members of the Board of Directors and Executive Management

See notes to the financial statements of Ypsomed Holding AG on page 70.

Board of Directors compensation

(Gross, in thousand CHF, exclusive of VAT)

	Willy Michel (Chairman)		Anton Kräuliger (Vice Chairman)		Prof. em. Dr. Norbert Thom (member)		Gerhart Isler (member)		Total	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Fixed compensation	150.0	150.0	90.0	90.0	90.0	90.0	90.0	90.0	420.0	420.0
Other compensation	4.5	6.0	4.5	6.0	4.5	6.0	3.0	6.0	16.5	24.0
Employer contribution to social insurance							5.4	5.5	5.4	5.5
Total fixed compensation	154.5	156.0	94.5	96.0	94.5	96.0	98.4	101.5	441.9	449.5
Performance-related component	60.0	57.5	36.0	34.5	36.0	34.5	36.0	34.5	168.0	161.0
Employer contribution to social insurance							2.0	2.0	2.0	2.0
Total performance-related comp.	60.0	57.5	36.0	34.5	36.0	34.5	38.0	36.5	170.0	163.0
Compensation to Willy Michel as Chairman of the Board of Directors of Ypsomed AG	0.0	70.0							0.0	70.0
Total compensation for Board of Directors	214.5	283.5	130.5	130.5	130.5	130.5	136.4	138.0	611.9	682.5
Highest compensation to Willy Michel									214.5	283.5
Further transactions to affiliated persons of Willy Michel:										
Techpharma Management AG: for loan (interest)									105.0	128.2
Techpharma Management AG: for rented business premises and services									935.6	943.6

Executive Management compensation

(Gross, in thousand CHF)

	Fixed compensation		Other compensation		Performance-related compensation*		Employer contribution to social insurance		Total	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Simon Michel, CEO	364.0	344.4	0.0	0.0	211.6	172.5	64.2	51.2	639.8	568.1
Add. members	1 654.8	1 579.5	0.0	9.0	482.5	384.8	307.9	286.7	2 454.2	2 259.9
Total management compensation									3 085.0	2 828.0

* The full performance-related compensation for Executive Management comes to a total of kCHF 750.3 (performance-related component kCHF 694.1 additional. the corresponding employer contributions to the social insurances of kCHF 56.2).

No loans and credits

No loans or credits were granted to present or former members of the Board of Directors and Executive Management or persons close to them during the reporting year. No such loans or credits were outstanding as per 31 March 2016.

No other compensation

No compensation or waiving of claims was granted to present or former members of the Board of Directors and Executive Management or persons close to them during the reporting year, with the exception of compensation given in the table on compensation.



Auditor report on the remuneration report



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To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, 19 May 2016

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Ypsomed Holding Inc. for the year ended 31 March 2016. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on page 101 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the remuneration report for the year ended 31 March 2016 of Ypsomed Holding Inc. complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Thomas Nösberger
Licensed audit expert
(Auditor in charge)

Yves Jordi
Licensed audit expert



Glossary

Anaemia

Anaemia means an insufficiency of blood. This can manifest itself in a reduction in haemoglobin concentration (red blood pigment), in the haematocrit (measurement of blood thickness, packed cell volume) and/or in the number of erythrocytes (red blood cells) in the blood compared with the age norm. One of its effects is a reduction in the capability of the blood to deliver oxygen. The classic symptoms include loss of energy and rapid fatigue as well as pallor, fatigue, breathlessness and palpitations (the heart beats irregularly, faster or more forcefully than it should in relation to the level of activity demanded of it). Anaemia can have a number of different causes.

Autoinjector

In autoinjectors, needle insertion into the skin and/or injection of the drug are automatic, usually driven by means of a spring mechanism.

Basal rates

The basal rate is the continuous dosage of rapid-acting insulin to cover a patient's basic needs.

Biomolecule injectables

Drugs manufactured using biotechnology. Such biomolecules cannot be delivered using traditional methods (e.g. orally) because they would be destroyed by the digestive tract and thus require the injectable route of administration.

Biosimilar

The term "biosimilar" refers to a protein-based mimetic drug that has been produced using biotechnology and which is approved after the expiration of the patent period for the original active substance. Unlike the classic drugs defined in terms of molecular structure, the active substances of these novel biotechnology products are not completely identical to the original active substance and therefore require more extensive approval and monitoring procedures than the classic generics. The main reasons for these differences are the different organisms (for example *E. coli* bacteria) on which the target protein is expressed and the different methods applied, such as separation and cleansing.

Blood sugar (blood glucose)

Blood sugar means, in general, the level of glucose in the blood. Glucose is an important source of energy for the body and represents a significant measured value in medicine. If the blood sugar is high over a sustained period of time (hyperglycaemia), diabetes mellitus typically exists. In intensive insulin therapy, the blood sugar or blood glucose should be measured at least four times a day so that the amount of insulin administered can be adjusted to actual requirements. A person's insulin requirements change over the course of the day due to the varying levels of hormones that influence blood sugar, the consumption of food, physical activity or febrile infectious diseases.

Blood sugar monitoring (blood glucose monitoring)

Diabetics normally measure their blood sugar levels themselves using a portable blood sugar monitor. To carry out the measurement, a small blood sample must first be placed on a test strip. Through an enzymatic reaction with the test strip, the blood sugar is converted into a measurable product that is then measured using a photometric or electrochemical process and displayed by the monitoring device. In the case of intensive insulin therapy, the measuring of the blood sugar takes place at least four times daily.

Bolus

When a patient needs more insulin (especially at mealtimes), a bolus, i.e. an additional dose of insulin, is administered to cover this increased requirement.

Cannula

See Pen needle.

Cartridge

A drug reservoir containing the drug to be administered used with, for example, reusable pens. Some substances need pens with dual-chamber cartridges, which contain lyophilised drugs and diluent that are mixed automatically in the pen before use.

CE registration

In Europe, the process of CE registration encompasses the independent examination and licencing of a product and confirms that it bears the required safety-related marking.

CM (contract manufacturing)

Contract manufacturing refers to the assigning of one or several stages in the manufacture of a product to a contractor (outsourcing manufacturing). There are cost benefits for the OEM/ODM manufacturer as the infrastructure is not just utilised for a single product line/assembly line or product, but for several manufacturers or products. The specialisation of the contractor with a specific infrastructure results in larger production volumes (numbers of units). This leads to a win-win situation.

Compliance

In medicine we talk about the compliance of the patient. This means that, in the case of many illnesses, the patient must have a cooperative attitude for healing to occur. In the medical sense therefore, compliance can be described as observing your therapy and taking your medicine as prescribed; in short, following the doctor's recommendations. Compliance is particularly important for diabetics with regard to taking their medicine, following a diet or making lifestyle changes.

Diabetes mellitus

Diabetes mellitus is a chronic metabolic disorder involving increased blood sugar levels. In people with diabetes mellitus, the glucose in the blood can no longer be absorbed into the cells of the body in the requisite quantity for the production of energy. As a result, there is excess glucose in the blood (hyperglycaemia/excess sugar), which is then excreted in part through the kidneys. In Type 1 diabetes mellitus, the body produces insufficient insulin, or no insulin at all (absolute insulin deficiency), because most or all of the insulin-producing cells in the pancreas have become damaged by an autoimmune disease. It generally manifests itself in persons up to 35 years old and requires the regular subcutaneous administration (injection) of insulin. Type 1 diabetes mellitus accounts for about 10% of all cases of diabetes mellitus and, thanks to its clear principal symptoms, is generally correctly diagnosed and treated by physicians. In Type 2 diabetes mellitus, which is much more common, the pancreas continues to produce insulin, however its effectiveness is reduced by an insulin resistance (insulin insensitivity) of the somatic cells. As a rule, this leads to an increased release of insulin (hyperinsulin anemia) in order to compensate for the deficient insulin effectiveness. Risk factors, such as being overweight or lack of exercise, promote the development of Type 2 diabetes. It is therefore frequently labelled an illness of affluence. Type 2 diabetes mellitus is generally diagnosed in people over the age of 40 and who are overweight. As a first step, it is often successfully treated by following a healthy diet and by getting more physical exercise. In later phases, tablets and insulin injections may be considered. According to estimates,

about half of all people who currently have Type 2 diabetes mellitus are unaware of that fact. If both types of diabetes are not diagnosed at an early stage or if they are inadequately treated, this can lead to serious secondary diseases affecting the kidneys, nerves, eyes or blood vessels.

Dual-chamber cartridge

The dual-chamber cartridge was developed primarily for lyophilised substances. Dual-chamber technology enables the efficient use of the active substance through careful product reconstitution. The dual-chamber technology was thus designed specifically for sensitive drugs that are preserved through freeze drying. One of the two chambers contains the lyophilised active substance (freeze-dried active substance) and the other contains the solvent. The two are mixed together only immediately before use. This “all-in-one” design facilitates both a higher degree of accuracy in dosage and easier handling.

FSH (follicle stimulating hormone)

FSH is a germ line hormone (a hormone excreted by the anterior pituitary gland and placenta) that stimulates follicle growth in females and activates sperm-forming cells in males. FSH is used for treating infertility.

GLP-1

Glucagon-like peptide-1 (GLP-1) is a peptide hormone formed in the intestines that plays an important part in glucose metabolism as part of the “incretin effect” – the insulin response of beta cells in the pancreas to the supply of sugar through the intestines and the blood. GLP-1 is released directly into the bloodstream when food is eaten. It is broken down within minutes by the enzyme dipeptidyl peptidase-4 (DPP-4) and therefore must be produced on an ongoing basis. It stimulates the production of insulin in the pancreas and slows the emptying of the stomach contents into the intestine, thereby suppressing hunger pangs and thirst. It also reduces glucagon levels. Glucagon helps the release and synthesis of glucose from the liver. In this way, secretion in sufficient quantities or the subcutaneous injection of GLP-1 prevents excessively high levels of blood sugar.

Heparin

Medication with anticoagulant properties. An anticoagulant is a substance that delays or stops blood clotting.

Hyperglycaemia

Hyperglycaemia (excess sugar) is an increased blood sugar value (glucose value) with clinical values above 110 mg/dl (6.1 mmol/l) on an empty stomach or above 140 mg/dl (7.8 mmol/l) two hours after eating. The cause of the hyperglycaemia is a relative or absolute insulin deficiency (diabetes mellitus). This has the effect that the glucose cannot be transported from the blood into the cells and at the same time glucose is released from the liver, for example. The result is that blood sugar increases. The body attempts to excrete the blood sugar through the kidneys, thereby losing vital amounts of liquid, and affected parties react with strong thirst and frequent urination. Slight increases in blood sugar remain unnoticed for the most part because the initial symptoms, such as fatigue and lethargy, are not recognised as resulting from high levels of blood sugar. A complete insulin deficiency and a prolonged increase in blood sugar may lead to nausea, vomiting, a smell of acetone on the breath, the appearance of glucose and

acetone in the urine and finally to a life-threatening diabetic coma. Insulin is administered and the intake of liquids is increased for the treatment of hyperglycaemia.

Hypoglycaemia

Hypoglycaemia is low blood sugar with a blood sugar value of less than 40 mg/dl (2.2 mmol/l) without the presence of symptoms. Hypoglycaemia can occur in all diabetics who are treated with sulphonylurea, glinides or insulin. Low blood sugar can occur when the factors reducing blood sugar (e.g. insulin, tablet effectiveness, physical activity) outweigh the factors increasing blood sugar (e.g. food intake, sugar regeneration in the liver). The symptoms include, among other things, trembling and sweating, increased appetite, headaches, weakness, a loss of concentration and blurred vision. It can be treated by the immediate administration of glucose or by drinking fruit juice. Severe hypoglycaemia can lead to unconsciousness and requires immediate medical attention.

Injection

Administration of liquid substances with a syringe.

Injection systems/injection devices

Injection systems or injection devices include self-injection devices such as pens and autoinjectors as well as pen needles.

Incretins

Incretins are hormones produced in the small intestine (peptide hormones) that are released after food is eaten and stimulate insulin secretion by the pancreas. At the same time, they prevent the insulin antagonist, glucagon, from being released. Patients with Type 2 diabetes release lower levels of incretin than healthy individuals. The incretins GLP-1 (glucagon-like peptide-1) and GIP (gastric inhibitor peptide) are of particular interest in the treatment of diabetes. There are two new classes of drugs that act on incretin metabolism: the “incretin mimetics” that imitate the action of incretins, and the “DPP-4 inhibitors” that delay the breakdown of endogenous incretins.

Insulin

A vital peptide hormone that is produced by the pancreas in the beta cells of the islets of Langerhans. The primary effect of insulin is the fast reduction of the blood sugar concentration in that it supports the transport of glucose from the blood into the cells' interior. Insulin was first discovered in 1921 by two Canadians, Dr. Frederick Banting and Charles Best, and has since been used to treat diabetes. Today, it is produced mainly by means of biotechnological processes and must be either injected or infused. It cannot be administered orally because the peptide hormone insulin would be destroyed by gastric acid.

Insulin analogues

Insulin analogues are insulins with a modified amino acid sequence that have an altered metabolism compared with human insulin. The motivation for developing insulin analogues was to improve the ability to control the insulin treatment. In the case of normal insulin, the effect sets in after about 30 minutes and the maximum effect is reached after one to two hours. Through the exchange of certain amino acids, the insulin metabolism (pharmacokinetics) can be altered without affecting its action, i.e. binding to the insulin receptors.

Insulin pump

Insulin pumps are small, battery-operated devices (about the size of a pager or mobile phone) that can replace regular insulin injections for patients managing diabetes. They contain an insulin cartridge with fast-acting insulin. The insulin is delivered at regular intervals into the subcutaneous fatty tissue of the body

by means of a catheter, the cannula for which is under the skin. The catheter and cannula are changed every one to three days. The infusion pump allows for an almost normal adjustment of blood sugar by continuously delivering small doses of insulin, pre-programmed by the patient, around the clock, even while he/she is asleep. In addition, the patient can deliver extra insulin doses at the touch of a button in order to be able to cover additional insulin requirements, for example at mealtimes. The treatment with an insulin pump requires the patient to continue to take regular blood sugar measurements so that the insulin dose can be adjusted as necessary.

Interferon alpha

Interferons play an important role as messengers and cues for different defence mechanisms in the immune system. They are released by cells that are afflicted with viruses. In this way, defence cells of the immune system, such as macrophages, natural killer cells and cytotoxic T lymphocytes, are activated. In addition, interferons inhibit the growth and the division of healthy as well as malignant cells. Alpha interferon is used for the treatment of acute and chronic hepatitis C infections.

Lantus®

Lantus® from Sanofi is a long-acting insulin analogue injected one to two times daily that lowers glucose levels for up to 24 hours. Lantus® is a basal insulin in that it provides for a slow and steady release of insulin.

Monoclonal antibodies

Monoclonal antibodies are highly specialised and targeted antibodies – active protein molecules that are produced by the immune system in response to a foreign substance (e.g. foreign bodies, pathogens) and can render it harmless – that are created synthetically using biotechnological processes. What is special about them is that they are able to activate the body's own natural defence mechanisms to combat a disease. Until now, monoclonal antibodies have been used in cancer therapy, in particular, and for the suppression of adverse immune reactions, e.g. in cases of psoriasis. This may also involve autoimmune diseases or even the prevention of rejection reactions after organ transplants.

ODM (Original Design Manufacturer)

A company is described as an original design manufacturer (ODM) if it carries out make-to-order production for another company. An ODM manufactures products commissioned by other companies, some of which it develops itself. The products are then sold under the purchasing company's brand name. This method enables a customer of an ODM to offer branded products without having to run its own factory for this purpose. "Design" is significant in the definition of an ODM, as an ODM also carries out the planning and design of the parts produced. This is in contrast to a CM (contract manufacturer), which only carries out make-to-order production.

Pen (injection pen)

Injection device that looks like a fountain pen or ballpoint pen. The dose of medication prescribed by a doctor is set by adjusting a dosage knob and is injected from a cartridge through a cannula (pen needle) into the body.

Pen needle (cannula)

A fine, hollow needle for single use attached to the tip of the injection pen in order to inject the drug into the body. Ypsomed's pen needles feature a click-on mechanism that makes the pen needle easy to attach to the pen.

Peptide hormones

Peptide hormones have a protein structure and are insoluble in fats. They consist of chains of amino acids and are created by protein synthesis. These special proteins perform the functions of a hormone, i.e. they act as messengers, triggering specific changes in the human body (as well as in animals). Insulin is one example of a peptide hormone.

Psoriasis

Psoriasis is a non-communicable autoimmune disorder that affects the skin, resulting in lesions over various areas of the body. The most common form (accounting for 80 % of all cases) is plaque psoriasis, characterised by red, raised skin covered with scales.

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Rheumatoid arthritis

Rheumatoid arthritis (also chronic polyarthritis) is the most common condition that leads to inflammation in the lining of the joints. Most commonly, the chronic condition develops episodically, with an episode lasting typically between several weeks and a few months. The pain recedes between individual episodes. The cause of the condition has not been fully explained although it is thought to result from an autoimmune condition.

Self-injection devices

When used in this document, self-injection devices include pens (disposable, reusable and semi-disposable pens), autoinjectors, motor-driven injection systems, safety products and needle-free technology.

Subcutaneous

(from Lat. sub = under, cutis = skin, abbr. s.c.)

A subcutaneous injection is an injection into the fatty tissue under the skin. Using pens or other injection systems, drugs can, for example, be administered intramuscularly, subcutaneously or intravenously.

Tender

A (public) call for bids.

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