



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 injections 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 1350 employees.

Ypsomed Holding AG

Annual Report 2016/17

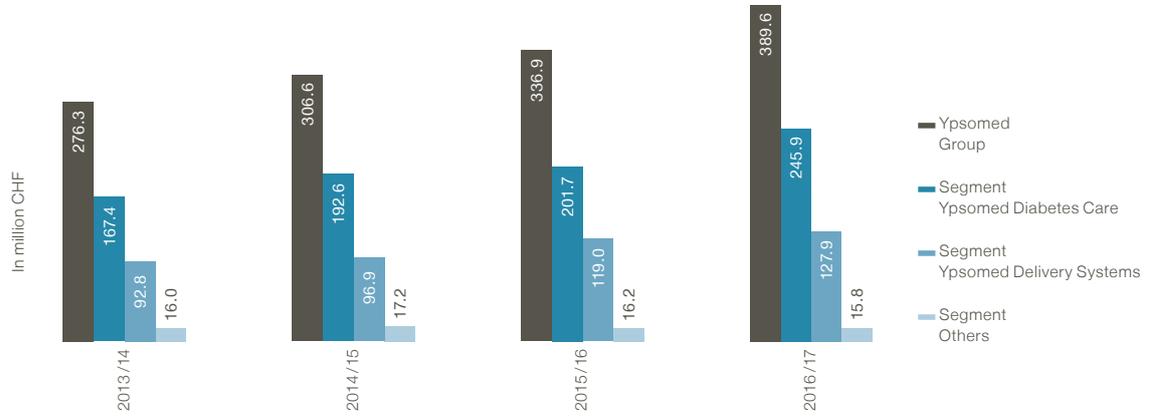
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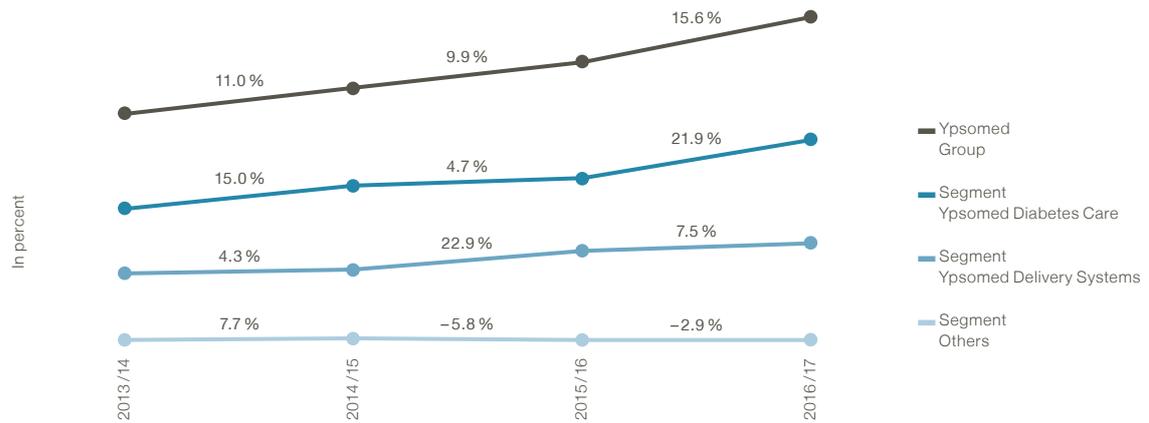


Key figures

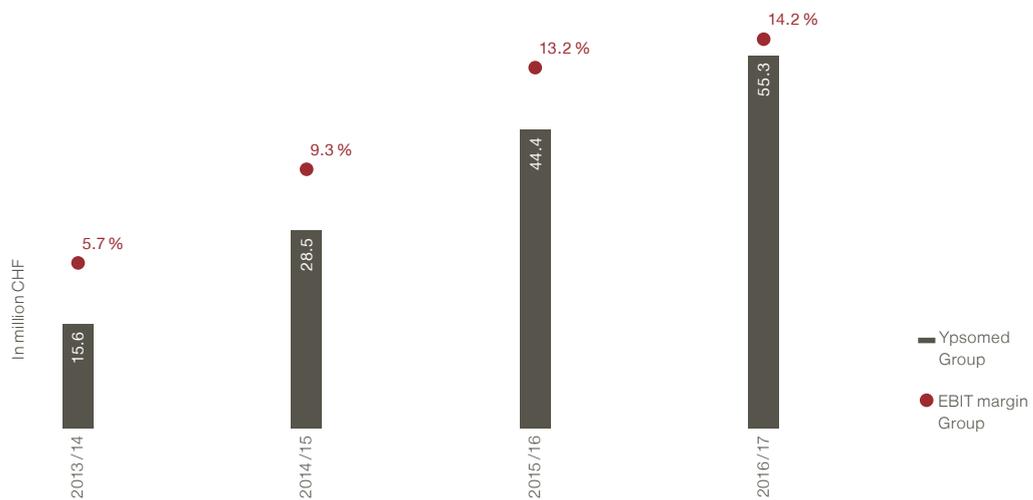
Sales of goods and services



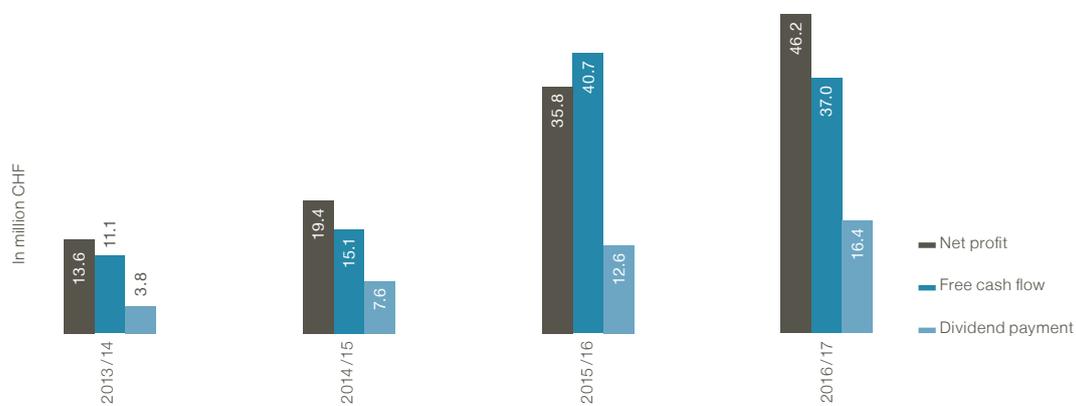
Sales growth



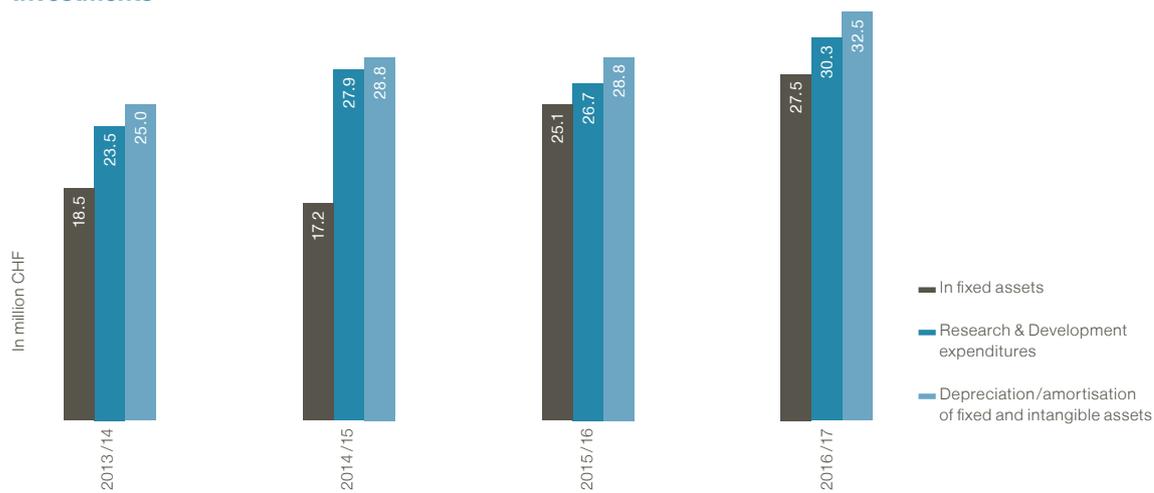
EBIT growth



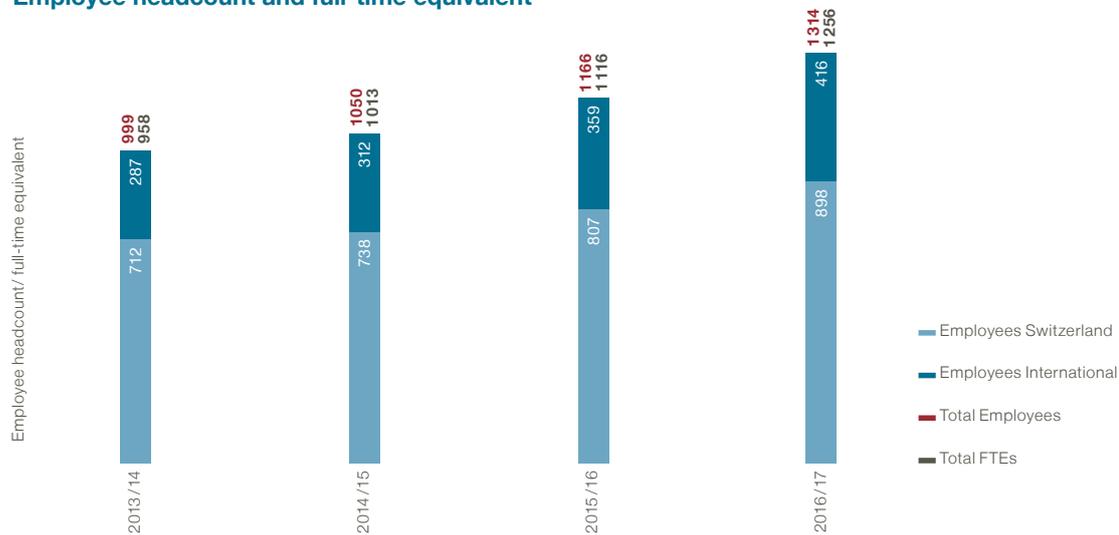
Net profit, free cash flow & dividend payment



Investments



Employee headcount and full-time equivalent





The focus is clear

Letter to shareholders

Dear shareholders,

We can look back on a successful financial year which has shown us that we have adopted the right strategy in the Ypsomed Diabetes Care and Ypsomed Delivery Systems areas. We will be tuning these even more to suit global trends in the future. On this basis, the Board of Directors, together with the Executive Management, has decided on the following strategic alignment for the upcoming financial years:

New opportunities in the insulin pump business

The market, in particular the insulin pump market, is changing and competitors are withdrawing completely or partially from certain countries. This results in new opportunities for us. Our aim is to further strengthen and expand the insulin pump business with conventional and patch insulin pumps. While others are cutting back, we will be investing in this area and therefore expect continued above average growth and gains in market share. We will also continue to invest in the exploitation of new pump markets within and outside Europe.

Strategically we will continue to position ourselves as a provider of a complete portfolio to perfectly serve the various needs of people with diabetes. For this reason we will continue to drive connectivity of our products in the coming financial year with the launch of the app. This includes our future involvement in continuous blood glucose measurement (CGM). Continuous monitoring of blood glucose makes sense for certain groups of patients and will become even more relevant in the future.

Future-oriented platforms

The record increase in customer projects has shown our growth estimation for Ypsomed Delivery Systems (YDS) to have been correct: the global diabetes pandemic, the increase in biosimilars due to patent expiries, and new drugs which require subcutaneous administration. It has been shown that our platform strategy has paid off and that we have made the right investments, that we understand the new demands of pharmaceutical and biotech customers and can meet these in the future. We will continue to score with our in-house know-how, but will also focus on cooperating with external partners who are pioneers in the respective fields.

At YDS, the new focus is on digitisation of the injection systems. Inquiries for intelligent pens and autoinjectors are increasing. We want to take on a leading role here and firmly integrate wireless connectivity in the platforms. To maintain and further expand our pioneering role in the industry, we will expand our own Digital Innovation Team with acknowledged experts and enter into further partnerships with universities, technical colleges and start-ups during the financial year 2017/18. We also see it as our task to prepare the data resulting from the digital connectivity of our products, and to provide this in a condensed form via a secure cloud to pharmaceutical companies to enable optimisation of treatment objectives.

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



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

Changes in segmentation

For reasons of competition, the Board of Directors has decided to adapt disclosure to the segment reports. As of this financial statement for the group, Ypsomed will disclose net sales according to the sales structure, by Ypsomed Delivery Systems (injection systems) and Ypsomed Diabetes Care (insulin pumps, infusion sets, pen needles, blood glucose monitoring systems and other accessories). Operating profit will be disclosed on group level.

Pharmaceutical and biotech customers purchase injection systems and corresponding services via the Ypsomed Delivery Systems (YDS) segment. This concerns B2B business and is managed directly from the headquarters in Burgdorf. In the Ypsomed Diabetes Care (YDC) segment, own manufactured and trade products are marketed under the brand mylife™ Diabetescare directly to hospitals, physicians, pharmacies and patients via Ypsomed's subsidiaries and distributors. The retailer DiaExpert in Germany falls in this segment as well. The Others segment consists of Ypsotec and the assets not used operationally.

Compared with relevant competitors, the disclosure of segment results in the area of injection systems and insulin pumps leads to considerably greater transparency in terms of costs as well as margin structures, with Ypsomed being the only company giving detailed segment profitability information. The relevant competitors are largely companies without public access to financial data (Owen Mumford, Haselmeier, SHL Group) or are major corporations with large reporting segments and corresponding diluted comparative information (Roche, Medtronic). Accordingly, a further disclosure with regard to the competing companies results in a considerable competitive disadvantage. Furthermore, such information can have a negative effect on the negotiating position with customers and suppliers.

The following graphic illustrates the conversion from the financial segmentation to-date to the new disclosure of net sales by YDS and YDC.

Financial segmentation to-date							
Diabetes Direct Business							
Delivery Devices							
Products	DiaExpert	BGMS*	OmniPod	YpsoPump & Orbit**	Pen needles	Injection systems	Contract manufacturing
Ypsomed Diabetes Care							
Ypsomed Delivery Systems							
New disclosure of net sales according to a sales point of view							

* BGMS = Blood Glucose Monitoring Systems business

** Infusion sets



Successful in new markets

Status report

The Ypsomed Group again achieved double-digit growth in turnover for the financial year 2016/17 and increased net profits by approximately 30 %, a result which lets us look back on the past twelve months with satisfaction.

Ypsomed Diabetes Care

The last financial year was dominated by the tremendous growth of mylife™ OmniPod® and the market launch of the mylife™ YpsoPump® insulin pump system. Training of the first patient in the Netherlands in August 2016 heralded the start of the intuitive insulin pump. Today, first users are wearing the mylife™ YpsoPump® in the Netherlands, the United Kingdom, Germany and Czechia. The decision to launch the new insulin pump in a controlled manner via selected key practices has paid off. In a user study, we were also able to demonstrate that the insulin pump is easy to train and easy to operate. This reduces the effort required in practices, reduces the error rates and increases the quality of therapy.

With the mylife™ YpsoPump® we have also embarked on the age of digitisation and wireless connection for our mylife™ products. In combination with the mylife™ Software, which has been available since last year and the mylife™ App, the user can manage his/her therapeutic data paper-free and on the go. By connecting blood glucose monitoring systems via Bluetooth in the financial year 2017/18, we will take the first step towards connected diabetes management.

The tubing free mylife™ OmniPod® insulin patch pump also impressed with major successes in the past financial year and exceeded our own expectations. We were able to continue expanding our patient base for the mylife™ OmniPod® in the last year in the existing countries as well as by introductions in France, Finland and Denmark. Meanwhile over 100 000 users rely on the OmniPod worldwide, and the figures are rising.

We are extremely well positioned with our comprehensive product portfolio. Due to the strategic reorientation of various market participants, particularly in the area of insulin pumps, we look confidently to the coming financial year. While other competitors are scaling down, we are expanding and continue to focus on our diabetes product portfolio.

Ypsomed Delivery Systems

Due to our highly diversified and flexible platform approach, we were able to commercialise numerous customer projects during the last financial year in our Ypsomed Delivery Systems segment.

- The human insulin of Russian pharmaceutical company Geropharm will from now on be administered with a pen from Ypsomed's ServoPen® platform.
- Austrian specialist pharmaceutical company, Ever Pharma, offers the D-mine® Pen, which is also based on the ServoPen® platform, for the treatment of Parkinson patients with apomorphine.
- In cooperation with the Indian biopharmaceutical company Biocon, we have adapted our reusable YpsoPen® which is now marketed in Malaysia for use with insulin cartridges.
- After 18 months of industrialisation, a further production facility went into operation on the Solothurn site in February for a major French customer. The plant is designed to be flexible and can be used to manufacture millions of injection systems in different variants.

In addition, several dozen injection system projects are ongoing. Approximately two thirds are in the project or industrialisation phase, in other words, being trimmed to customer requirements and prepared for efficient production. The remaining projects are in the clinical study phase or undergoing approval processes for the respective medication.

Focus of activities in the financial year 2017/18

Based on the results of the past financial year as well as the trends and opportunities in the two business fields, we will invest above average and focus on the following operational fields of activity in the new financial year:

- In the Ypsomed Diabetes Care area we will strengthen our efforts in the insulin pump business and open up new markets with our own subsidiaries for the mylife™ YpsoPump® and the corresponding system components.
- Our platforms for pens and autoinjectors will be tuned even more finely to suit the market trends in order to meet the new challenges of our existing and potential customers even better. In addition, we will be investing in setting up new platforms, including digital ones, as well as expanding existing platform families such as YpsoMate® in its variants.
- On a cross-divisional basis, we will continue to expand the digitisation and connectivity of our products and their integration into our portfolio, in order to make handling even simpler for the users and to create added value for our customers.
- One of the objectives during the upcoming financial year will be to secure the distribution agreement for the mylife™ OmniPod® with its manufacturer, Insulet Corporation, which will expire in June 2018, for the next few years. Contract negotiations are ongoing and we are confident of coming to an agreement in the current financial year.
- On the production side, we will be increasing our capacities considerably from 2019 onwards with construction of the new site in Schwerin in order to meet future orders, and we are also expanding in Switzerland. At headquarters, we will be doubling the tool making capacity and the laboratory, as well as building a new office wing for a further 80 workplaces. In Solothurn, we are preparing for the installation of the second UnoPen® plant and the assembly line for our Orbit® infusion sets in the clean room.

Our endeavours over the next twelve months will be very demanding. Other elements will also affect our profitability: the competitive situation in the market for insulin pumps is very dynamic. We want to utilise these opportunities for increased investment in market penetration, geographic expansion and the further development of the insulin pump which will burden our financial year. At the same time, our project business with injection systems is running at record levels. However, we cannot influence the market launch or the duration of the clinical studies and approval phases. Therefore we will experience less pronounced growth in the area of commercial pen deliveries in the coming year. Due to the EUR and USD development, compared with the average exchange rates for the financial year 2016/17, we anticipate a single-digit currency exposure in the millions.

Moreover we feel optimistic and full of confidence for the coming months: after a successful 2016/17 we will grow by approximately 15% in terms of turnover in the financial year 2017/18. In terms of EBIT, we are planning for the same or a slightly higher result as in the past year.

Dear shareholders, valued partners and customers, I thank you very much for your confidence.



A handwritten signature in blue ink that reads "Simon Michel".

Simon Michel
Chief Executive Officer



Handwritten notes in a notebook, including the phrase "welcome to the world of mobile products".



Made for life.

Handwritten notes and a diagram on a notebook, featuring a dollar sign and a line graph.



Global success for the entire portfolio

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
- Ypsomed also sells third party diabetes products directly in Germany via its subsidiary DiaExpert

Growth in financial year 2016/17

Ypsomed Diabetes Care

21.9 %

Diabetics worldwide

0.6 %

Sources:
World Health Organisation: www.who.int/diabetes
International Diabetes Federation: www.idf.org

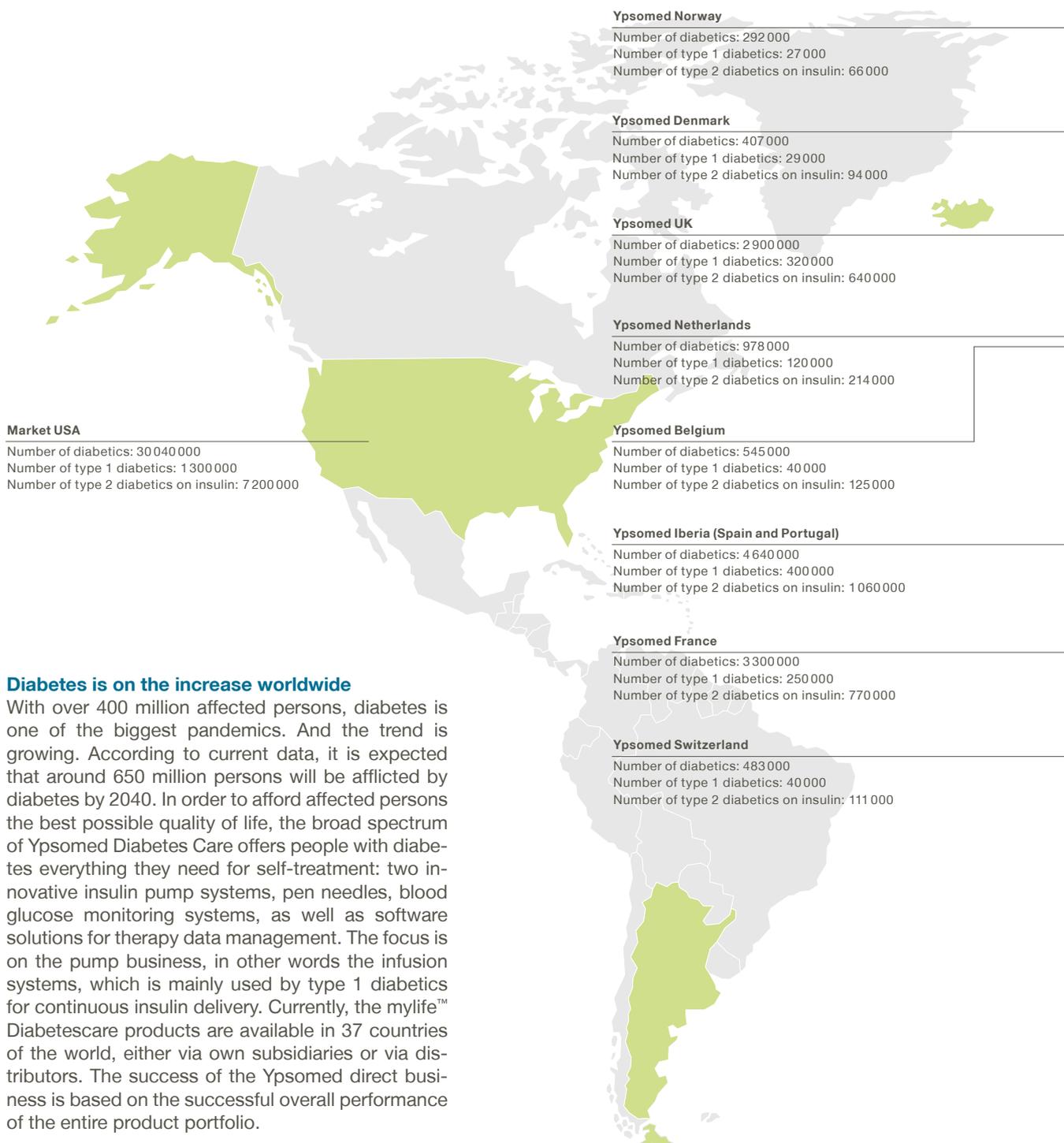
mylife™ OmniPod® – patient base increased by about 67 %





mylife™ Diabetescare worldwide

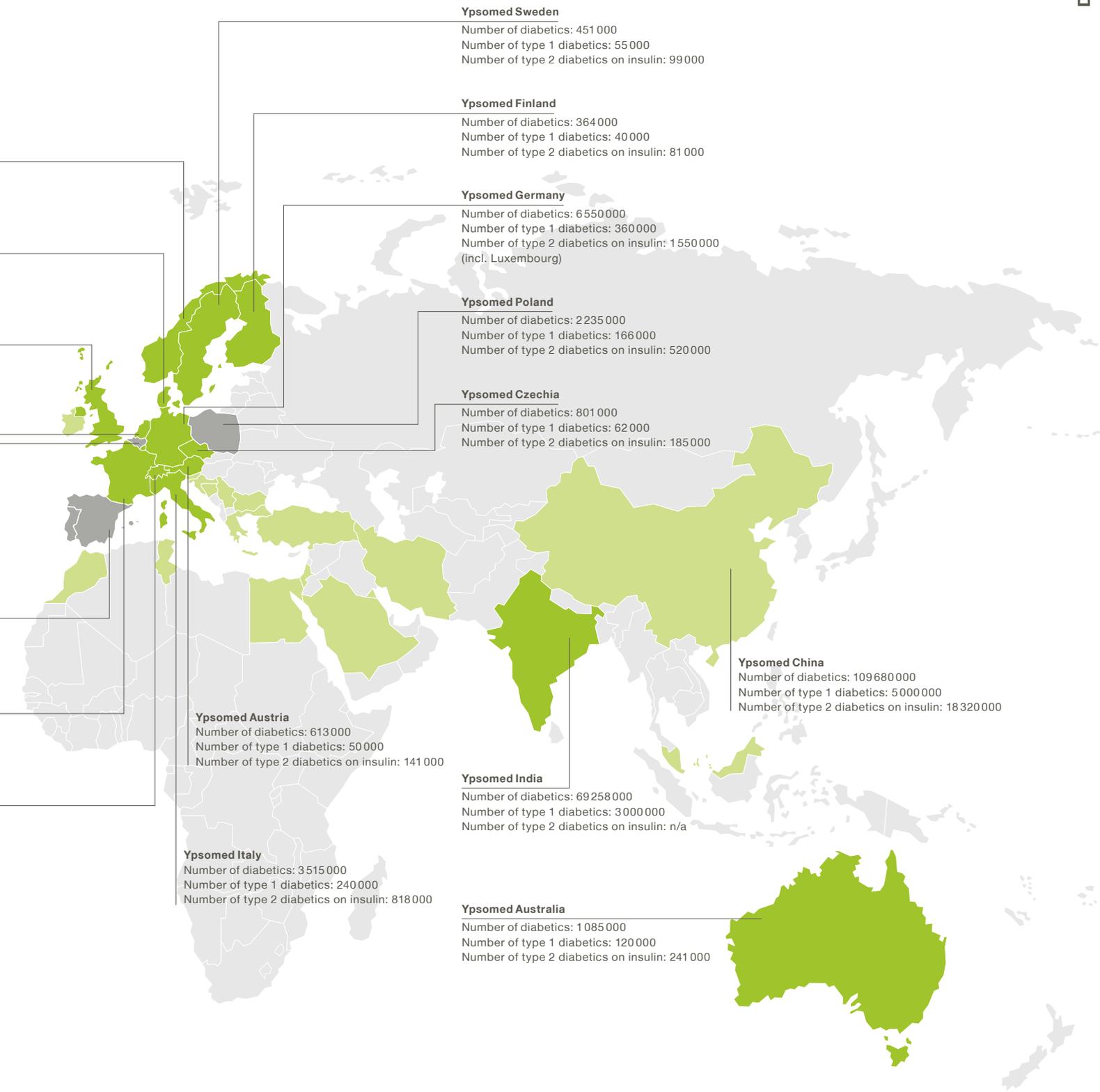
Global success for the entire portfolio



Diabetes is on the increase worldwide

With over 400 million affected persons, diabetes is one of the biggest pandemics. And the trend is growing. According to current data, it is expected that around 650 million persons will be afflicted by diabetes by 2040. In order to afford affected persons the best possible quality of life, the broad spectrum of Ypsomed Diabetes Care offers people with diabetes everything they need for self-treatment: two innovative insulin pump systems, pen needles, blood glucose monitoring systems, as well as software solutions for therapy data management. The focus is on the pump business, in other words the infusion systems, which is mainly used by type 1 diabetics for continuous insulin delivery. Currently, the mylife™ Diabetescare products are available in 37 countries of the world, either via own subsidiaries or via distributors. The success of the Ypsomed direct business is based on the successful overall performance of the entire product portfolio.

Sources:
 World Health Organisation
www.who.int/diabetes/country-profiles/en
 International Diabetes Federation
www.diabetesatlas.org/across-the-globe.html



- Subsidiary
- Future subsidiary (founded in financial year 2017/18)
- Distributor



mylife™ YpsoPump® Solid start for the new insulin pump

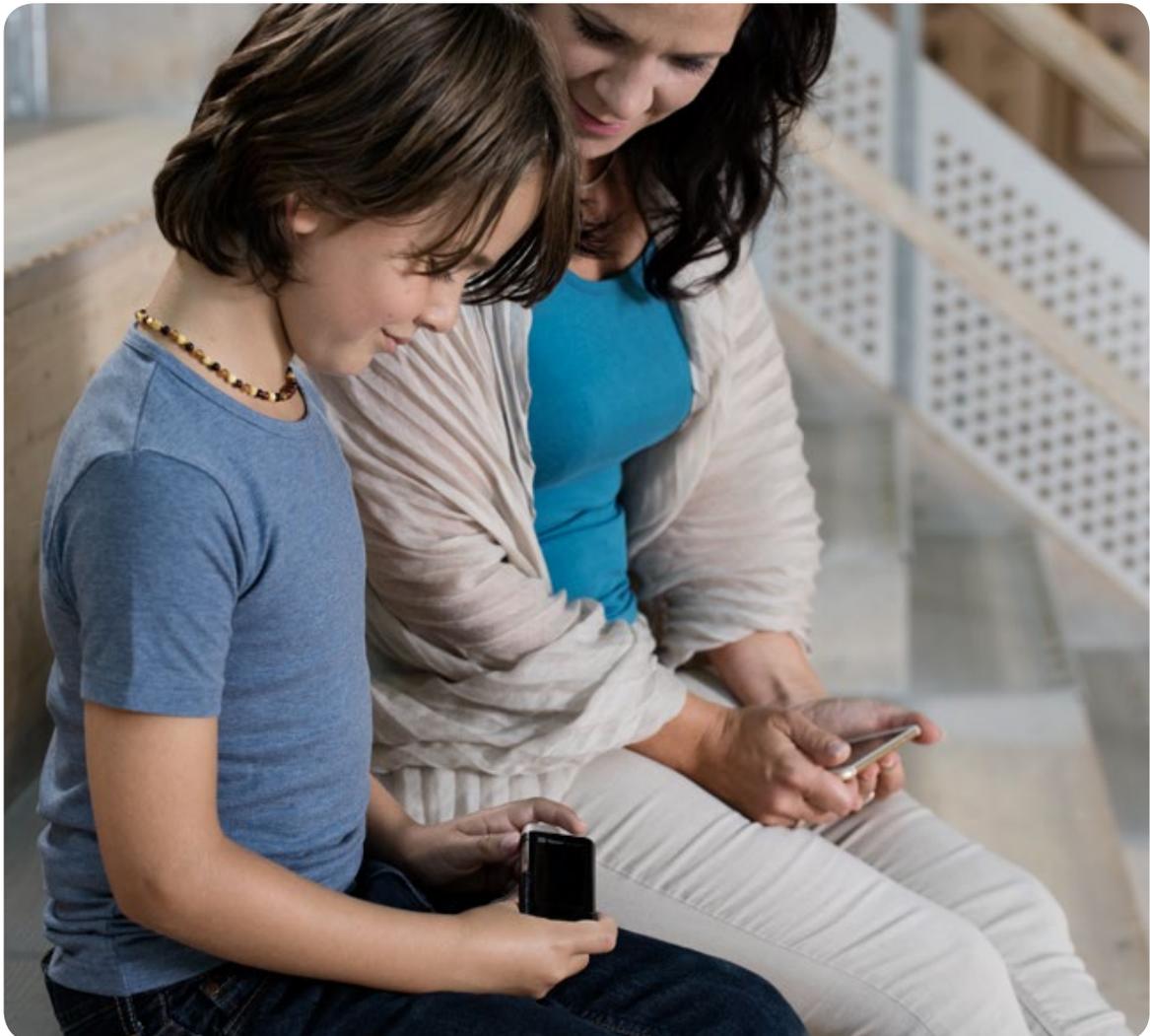
With the mylife™ YpsoPump®, Ypsomed launched its first own insulin pump since 15 years. For this reason, a conscious decision was taken to launch the new product in a controlled manner and only via selected key practices and diabetes centres. Differing from aggressive market penetration strategies, this allowed for gaining first-hand feedback from patients' daily routines with the insulin pump to be used for further market development. These "soft launches" of the mylife™ YpsoPump® enable Ypsomed to gain a solid and carefully considered foothold in the partially highly competitive insulin pump markets of Europe. After all, the conventional tube pump is in direct competition with competing manufacturers. Furthermore, the launch of the mylife™ YpsoPump® is taken as an opportunity for developing new markets, for example Czechia, where Ypsomed has been present with its own subsidiary since the end of 2016 and introduced the mylife™ YpsoPump® in January 2017.

Updated version of the mylife™ YpsoPump®

After a successful start for the mylife™ YpsoPump® during the last financial year, the first product update will take place during the current reporting period. These adaptations are based on initial market feedback with the new insulin pump and cover the following points:

- Age restriction: the age restriction of twelve years is eliminated with the product update. The mylife™ YpsoPump® can now be prescribed to patients of every age at the discretion of the treating physician. In this context, the setting of the minimal basal rate was adjusted from 0.05 U/h to 0.02 U/h to also take the insulin requirements of children into account. In addition, the new pump version features access protection for children with which therapy-relevant functions of the insulin pump can be blocked.

The product update eliminates the age restriction for the mylife™ YpsoPump®



- **Service life:** the guaranteed service life of the mylife™ YpsoPump® is increased from four to five years. By doing so, Ypsomed has already preempted certain standards required in some countries, for example Norway, in the future.
- **Extended memory and additional safety standards:** now 3000 data entries can be saved with the updated insulin pump. Furthermore, in the future the user must confirm that the infusion set is disconnected or that the threaded rod has been retracted.
- **Bluetooth®:** one of the main changes in the product update is the Bluetooth® connection of the mylife™ YpsoPump® to the mylife™ App, which is now permanent. To read more, please go to page 18.
- **Bolus delivery:** the product update now allows delivering a normal bolus or blind bolus while a delayed or combined bolus is in progress. This enables the patient to tailor his/her therapy even more individually to his/her needs.

During the financial year 2017/18, the mylife™ YpsoPump® insulin pump system will also be extended. In the coming months, the mylife™ YpsoPump® Reservoir will complement the prefilled NovoRapid® PumpCart®. In future, the user thus has the option between a prefilled insulin cartridge and an insulin reservoir for self-filling with the insulin of his/her choice. Furthermore, the mylife™ YpsoPump® Orbit®micro infusion set with steel cannula will complete the already available infusion sets with a soft cannula.

Further market launches

Further launches of the mylife™ YpsoPump® are planned for the coming months. Following the successful start in the Netherlands, UK, Germany and Czechia, the product will be launched in Austria in the summer of 2017, followed by Switzerland, Belgium and Italy in autumn. At the same time we are proceeding with tender quotations in the Nordic countries, where we expect a product launch during the third quarter. The mylife™ YpsoPump® will be offered in nearly all countries with the prefilled NovoRapid® PumpCart® as well as the mylife™ YpsoPump® Reservoir for self-filling.

With the currently ongoing registration for the Indian market, Ypsomed is taking the first step outside the established insulin pump markets in Europe for its own insulin pump. The planned market introduction in India is exceptional from a number of aspects. For one, India is one of the largest potential markets in the world with one of the highest numbers of diabetics. On the other hand, it is also a market where pump therapy is not established as a therapeutic standard and where the infrastructure of the healthcare system is correspondingly poorly suited for top diabetology. Entering India is there-

fore less about gaining market shares, but rather about establishing pump therapy on this sub-continent. To achieve this, Ypsomed will be collaborating with selected clinics and diabetes centres. It remains to be seen whether the mylife™ YpsoPump®, which is easy and intuitive to operate compared with the competing products, can have a positive effect on the Indian market and thus the reliable supply of insulin for diabetics.

Study confirms suitability for everyday use

The Institute for Diabetes Technology Research and Development GmbH at the University of Ulm, Germany, conducted a prospective clinical study on the handling of the mylife™ YpsoPump® during everyday use on behalf of Ypsomed. 35 adult type 1 diabetics experienced in the use of pumps tested the new insulin pump for everyday suitability over 30 days. The results of the study not only confirmed the relevance of an easy-to-operate insulin pump, but also served to provide information for further product optimisation with regard to individual patient needs. 74 % of study participants were “satisfied” to “very satisfied” with the mylife™ YpsoPump®. The results of the study also confirmed that the new insulin pump offers easy handling, particularly in terms of intuitive operation, bolus delivery and basal rate settings. Handling of the infusion set, the inserter and changing the cartridge also scored well among the participants. The participants did, however, see potential for improvement in terms of warnings, blind bolus delivery as well as the missing integrated bolus calculator on the pump itself. The majority of these points have been addressed in the product update of the insulin pump. The bolus calculator will also become part of the new mylife™ App which will be introduced during the current financial year and which will be connected via Bluetooth® to the mylife™ YpsoPump® (more on page 18).

The Bluetooth® word mark and logos are registered trademarks belonging to Bluetooth SIG, Inc., and all use of such marks by Ypsomed AG is licensed. Other trademarks and trade names are property of their respective owners.

NovoRapid® and PumpCart® are registered trademarks of Novo Nordisk.



The future is digital

Wireless connection of mylife™ products



1 mylife™ Cloud

2 mylife™ Software

3 mylife™ App

4 mylife™ OmniPod®

5 mylife™ Unio™ with Bluetooth®

6 mylife™ YpsoPump®

In the age of the “Internet of Things”, the trend for the digital linking of products for self-treatment has been established for some time now in the health-care management sector. Ypsomed also operates within this trend. As part of the mylife™ YpsoPump® product update, the new mylife™ App will enter the market as a mobile complementary solution for patients for the mylife™ Software launched in the last financial year. This is by no means an easy undertaking. In the world of medical engineering, software solutions and mobile apps are classified as medical devices and must be tested and approved accordingly.

The mylife™ Software serves as a clearly structured and easy-to-operate tool for diabetes patients in the management of their therapeutic data. The mylife™ Software summarises the data of the blood glucose meters and the data of the mylife™ insulin pumps as practical reports, which can be saved by the patient on the mylife™ Cloud. In this process, the mylife™ YpsoPump® is in wireless communication via Bluetooth® with the mylife™ Software. The Software is compatible with the mylife™ OmniPod® and the mylife™ YpsoPump®, as well as the relevant blood glucose meters available on the market.

Therapy management on-the-go

The mylife™ App now also offers patients the opportunity of managing their diabetes therapy and data on the go. The update for the mylife™ YpsoPump® provides a permanent Bluetooth® connection to the mylife™ App. In addition, the mylife™ App will in future be connected to the mylife™ Unio™ via Bluetooth®. This allows blood glucose values to be transmitted to the mobile therapy management solution where they can be saved. Automatic data reconciliation between the insulin pump, blood glucose meter and the mylife™ App simplifies therapy management considerably for the patients. For example, the bolus suggestion calculator included on the mylife™ App can now be used in conjunction with the latest therapy data without having to enter the data manually beforehand.

With this wireless linking of insulin pump, blood glucose meter and therapy management solution, Ypsomed is taking a first step in the direction of connected diabetes management. The Bluetooth® capabilities of the products will also allow integration of a CGM system in the future. CGM stands for sensor-based, continuous blood glucose monitoring and is an important element for the increased automation of insulin delivery. With the digitisation and connectivity of the great majority of the mylife™ product portfolio, Ypsomed is well equipped and prepared for future requirements in diabetes therapy.



mylife™ OmniPod® continues on its successful path

Growth is maintained

Since the introduction of the first OmniPod tubing free insulin pump in 2010, the number of users has increased steadily. With the market introduction in the Nordic countries and in France during the last financial year, the growth track of the mylife™ OmniPod® received new impetus, the number of new patients has increased over the last twelve months. At the end of last year, Insulet announced that the number of 100 000 users worldwide had been surpassed.

And the financial year 2017/18 also looks very promising. Demand for the mylife™ OmniPod® is particularly high in the new markets. In France – the second largest market after Germany in Europe with roughly 50 000 insulin pump users – patients had to wait a long time for the tubing free patch pump. Demand is therefore accordingly high. Due to the integration of the mylife™ OmniPod® into the mylife™ Software, users receive an additional benefit in terms of therapy management, which should increase demand even further.





Design and customisation
Your drug deserves a unique presentation

The design can be customised for individual dosing and drug presentation. Differentiation in the market can be important. Customisation for your individual design. Do not hesitate to ask for design specifications. ... modified to accommodate ... and shape may be ... designs or to involve your own

Dimensions and specifications
Facts and figures

Experience and competence

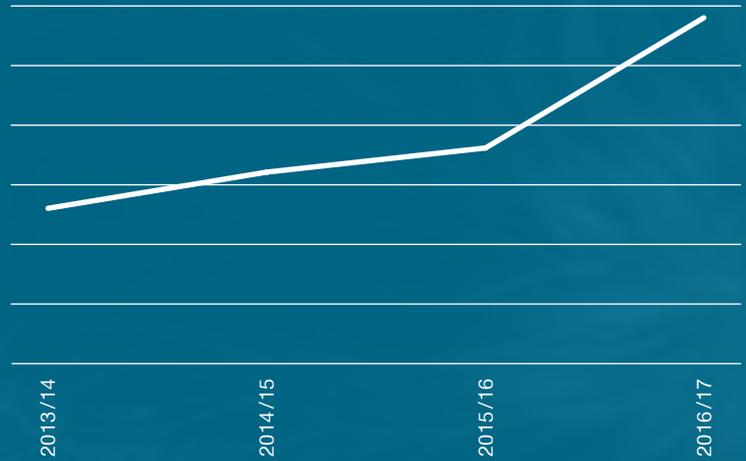
... in injection device development and manufacturing of ... devices on the market. ... support for selection of the primary container, customisation of the ... ensuring dose accuracy and preparing the relevant CTX sections for the ... product.



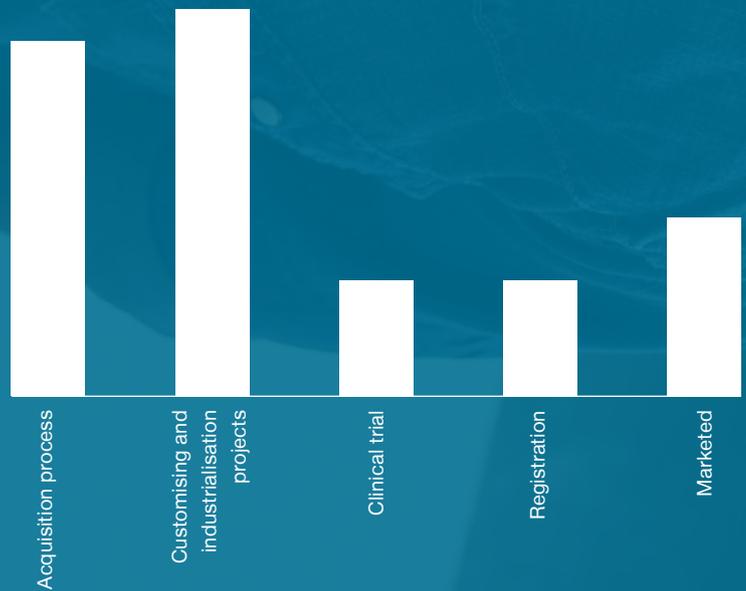
Platform strategy being rewarded

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 injection pens and autoinjectors with which patients can administer themselves their liquid medication subcutaneously.

Development of acquired projects (number per year)



Projects by phases





New trends define the market

Platform strategy being rewarded

The number of customer projects acquired for Ypsomed Delivery Systems has been increasing steadily for the past five years. Due to its flexible platform strategy, Ypsomed was once again able to gain several dozen orders for promising medications during the past financial year. The possibility for customers to realise different needs on various platforms has led to even closer business ties, and has resulted in synergies for both sides, as well as reducing the project costs for customers. The pharmaceutical companies appreciate the benefits of the platforms with short, low-risk projects and access to already existing production capacities.

Some three quarters of the current customer projects relate to the “dial and dose” UnoPen™ single-use-pen, which is used for insulin and other cartridge-based medications, for example, GLP-1, hGH and FSH, and the easy-to-use disposable YpsoMate® autoinjector. YpsoMate® is primarily used for monoclonal antibodies and medicines, which are filled in 1 ml or 2.25 ml syringes. The success of YpsoMate® reflects the continuing trend towards autoinjectors with easier handling. Since the decision taken five years ago to invest in the YpsoMate® platform and expand it, its annual capacity of up to 20 million units has become one of the pillars of the Ypsomed platform strategy and will demonstrate even greater growth in the future.

The demand for autoinjectors for large volumes also continues unabated. As a consequence, Ypsomed is already working on a series of projects for YpsoMate® 2.25, an autoinjector with a 2.25 ml syringe. First clinical studies with medications using this new platform are imminent.

Ypsomed's platform portfolio is growing analogously to the expected developments in patient numbers for the various therapeutic and application fields (see graph on the opposite page). The platforms will also continue to develop further in line with the observed market trends: the increased demand in injection systems for large volumes and higher viscosities as well as digital connectivity of products, systems such as YpsoMate® 2.25 Pro, YpsoDose® or SmartPilot, an Internet-connected extension of the pen and autoinjector platforms, will herald the next era of the Ypsomed platform strategy. Find out more about the products of the future on page 24.

Trend to insulin pens and insulin analogues

Increasing prosperity and positive development of the health care systems in emerging countries continue to bolster demand for user-friendly insulin injection systems. The reusable ServoPen® and YpsoPen® injection systems are currently in high demand in regions such as China, in Southeast Asia, Eastern Europe and the Middle East. Both platforms predominantly serve markets with a lower per capita gross domestic product where vial-based therapy with a separate syringe is chang-

ing to cartridge-based insulin therapy with injection pens. At the same time, markets with a per capita GDP of USD 10 000 or more are shifting demand from reusable injection systems to single-use insulin pens.

The worldwide market for insulin is currently around USD 23 billion with approximately 45 million patients. At the same time, established insulin analogues are losing their patent protection and are increasingly being subjected to price pressure on regulated markets, whilst the change from human to analogue insulins is accelerating continuously in developing countries due to increasing production capacities and greater global availability.

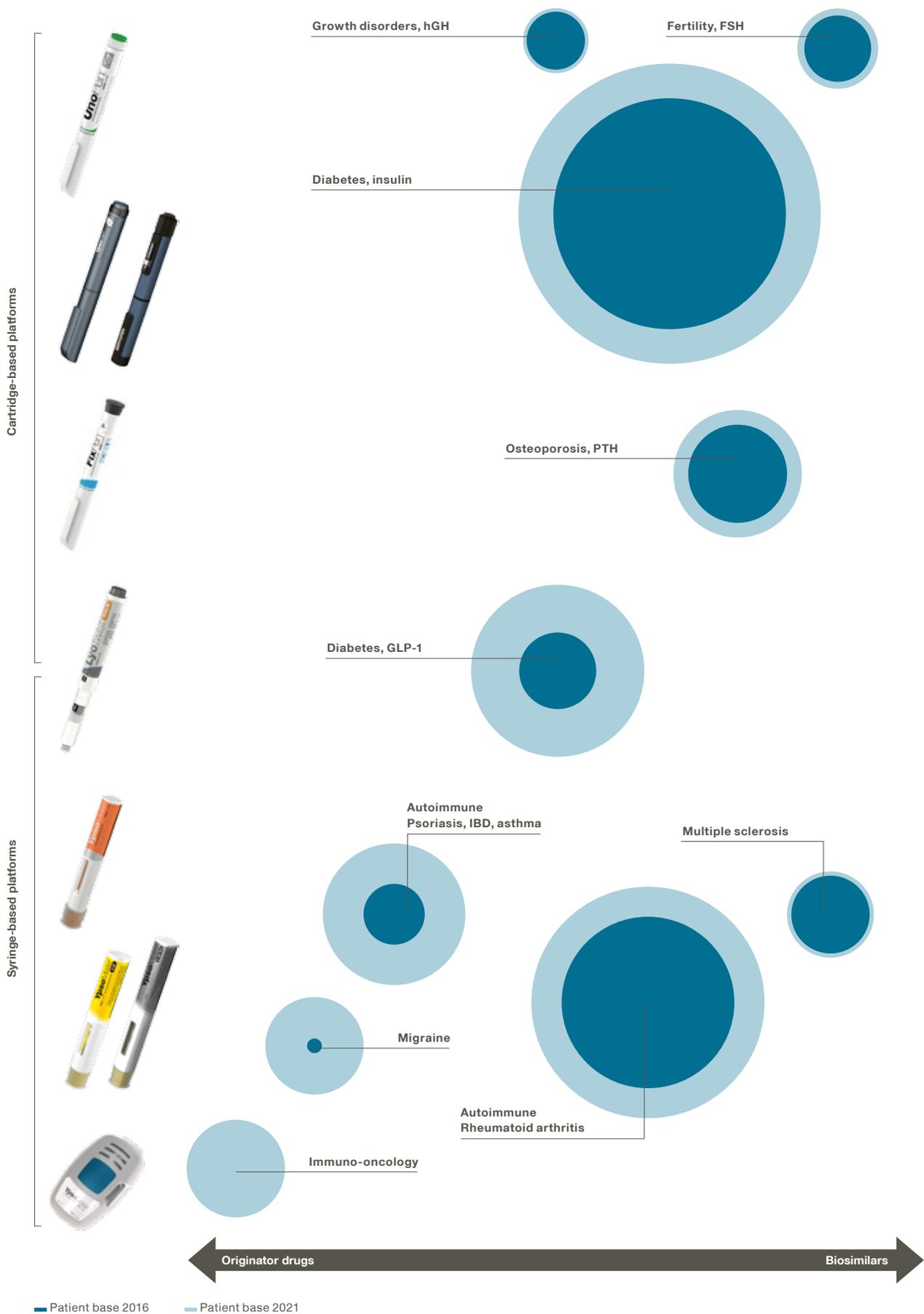
Biosimilars penetrate the market

The market for biosimilars is experiencing tremendous growth; currently over 20 biosimilars are approved in Europe, and four in the USA, and the trend is growing as a number of originator drugs will shortly be losing their patent protection. Furthermore, the high costs for development and the necessary phase 3 clinical trials have encouraged many manufacturers of originator drugs to develop their own biosimilars. Here, clinical evidence is required that there are no risks in terms of immunogenicity or in the change from originator drugs to biosimilars. These clinical results increase the acceptance of payers, physicians and patients and lead to an increased use of biosimilars. The larger number of manufacturers on the market and a simultaneous drop in prices for biosimilars increase the worldwide patient base, which in turn increases the demand for suitable self-injection systems.

New therapies with complex active substances

The market for pre-filled syringes is experiencing enormous growth and the assumption is that the demand for single-use autoinjectors will double over the next five years. Whereas part of the demand for autoinjectors will be used for therapy with biosimilars replacing successful originator drugs, the majority will be used for the injection of new, subcutaneously administered medications such as GLP-1 for the once-weekly treatment of diabetes, or medications for the treatment of autoimmune diseases such as rheumatoid arthritis, psoriasis or multiple sclerosis. Other areas of application for new originator drugs under development include inflammations of the skin, asthma or migraine. With the increasing half-lives of medications in liquid form, the demand for autoinjectors for higher volumes or injectors worn on the skin in new areas of application, such as immuno-oncology, is also increasing.

Development of the global patient base by indications



The indication areas are not always shown in proportion to each other. The patient base for diabetes, insulin, is much bigger in reality.



Products for tomorrow and beyond

Ypsomed detects market trends early

The requirements for medical technology products are becoming more complex and demanding. New medications, new therapies, new indication areas or the required patient compliance, demand new, innovative and technically advanced injection and infusion systems for administering liquid medications.

At the leading congress on parenteral drug administration last year in the USA, Ypsomed presented a total of three innovations which anticipate these major trends. This ideally supports the existing broad platform portfolio and heralds the new era of products from Ypsomed for tomorrow and years beyond. What is unique, is that Ypsomed not only focuses on entirely new inventions, but also uses existing platforms in a future-oriented manner. This allows Ypsomed to utilise its broad spectrum of know-how from the platform strategy, an advantage over competitors as this allows minimising the risk for customers.

YpsoDose® – the innovative patch injector for high volumes

The new YpsoDose® is based on the concept of the proven mylife™ OmniPod® and is a tubing free patch injector. Different from the mylife™ OmniPod®, YpsoDose® is however not intended for the daily application of insulin, but is conceived for administering biological medications with fixed injection volumes of up to 5 or 10ml, where injections can

last for between 10 and 15 minutes. The application field of YpsoDose® is focused primarily on medications for the treatment of autoimmune diseases, for example arthritis or various forms of cancer. Here, the medications are injected far less frequently, and as a result the required volume per injection increases. YpsoDose® is patched directly to the skin for injection and is removed once the injection has been completed successfully. Conventional autoinjectors can only administer volumes of up to 2.25ml in a few seconds and can therefore not be used here. This is where YpsoDose® comes into play, solidly closing the gap between market needs and demand.

Following successful product specification, the team of developers at Ypsomed pursued the realisation of, and various patent applications for the patch injector. In the development, Ypsomed can draw on its long-standing in-house know-how, for example, the technical design of complex injection systems, the interplay of injection device and pre-filled cartridges, or the operating needs of users. However, the development team was also charged with defining a simple manufacturing process for final assembly. The first Human Factor studies on handling YpsoDose® are up and running in order to optimise these for patients in everyday use. As things stand today, Ypsomed will be able to start on the first customer projects with YpsoDose® during the current financial year.

YpsoDose® – injector for administering larger volumes



YpsoMate® 2.25 Pro – a new solution for larger volumes and viscous medications

YpsoMate® 2.25 Pro is a single-use autoinjector with a fixed dose for the subcutaneous administration of drugs. With its syringe and a filling volume of 2.25 ml, it is particularly suited for administering larger doses of medication, for example for the treatment of multiple sclerosis or other autoimmune diseases. Another trend, which has come to the fore in recent years, is new medicinal products with higher viscosity, in other words a thicker flow. To be successfully administered, these require a stronger mechanism in the injector as the force required for administration is higher. Ypsomed developed YpsoMate® 2.25 Pro to meet this trend in its early phase. This new autoinjector for larger injection volumes and viscous medications expands the portfolio of YpsoMate® and YpsoMate® 2.25 autoinjectors. A new spring technology inside the autoinjector achieves very high forces and is particularly suited for the subcutaneous injection of such medications. The new autoinjector for high viscosities is presently undergoing a test phase with prototypes and could be manufactured to order for the first customers from this financial year onwards.

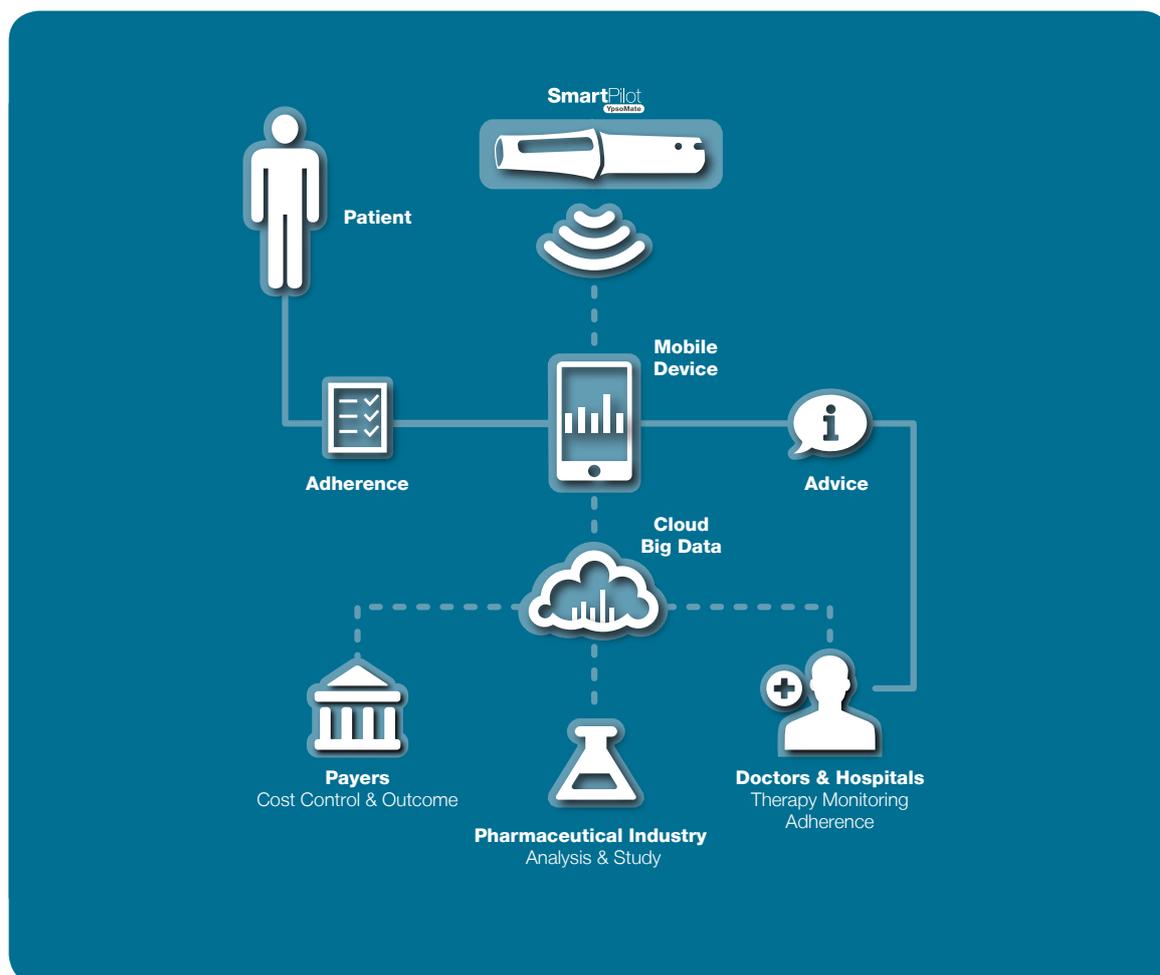
SmartPilot – a new solution for product connectivity

As in the case of the Diabetes Care division, where the future is digital, the market has signalled an increased demand for “smart” and linked solutions with injection devices to improve the success of injection-based therapies. This trend is driven by the awareness that intelligent functions increase patient compliance and thus contribute to greater therapeutic success rates. One example is the reminder function via mobile phones, particularly for therapies with long treatment cycles. The phone can be connected wirelessly to the injection device, it knows when the last injection was administered and reminds the patient of the next injection. Ypsomed has recognised this trend and responded with the intelligent Add-On SmartPilot for the YpsoMate® autoinjector. On the one hand, the SmartPilot consists of a sensor solution which recognises the injection process and can map this in real-time on a smartphone. This keeps the patient informed on the progress of the injection and can, for example, support the patient with instruction videos. This minimises application errors whilst increasing therapeutic success at the same time. In

YpsoMate® 2.25 Pro and SmartPilot support the trends of the future



Concept Smartdevices



addition, SmartPilot records the course of therapy and saves this on the mobile phone or a cloud solution – enabling the patient to keep a fully automatic injection diary which can also be viewed via the cloud by the physician. This not only saves time, but patient and physician also have the same information available and can customise and optimise therapeutic planning accordingly.

SmartPilot has been met with great interest from Ypsomed's pharmaceutical partners for a very simple reason: the YpsoMate® autoinjector can be used directly with SmartPilot without further modifications in its present standard version. Interested customers can thus flexibly combine and use SmartPilot with existing YpsoMate® projects: for monitoring of clinical studies, as part of training new patients, or as part of the lifecycle management of an already industrialised product.

New team for digital innovation

Ypsomed has clearly understood the trend to digitisation and connectivity to increase therapeutic compliance and therapeutic success and has laid the first important milestone with SmartPilot. To follow up on the successful start of SmartPilot and to generate more projects in this direction, the Concept Development Department is creating a new team which is exclusively devoted to the digitisation of Ypsomed's platforms and adapting these to customer-specific requirements. This team, consisting of in-house and external experts, is also charged with identifying new application fields and opportunities and, in conjunction with external partners, aligning Ypsomed products early on with new market needs.

Expanding capacity for the future – new production sites for injection systems and infusion sets

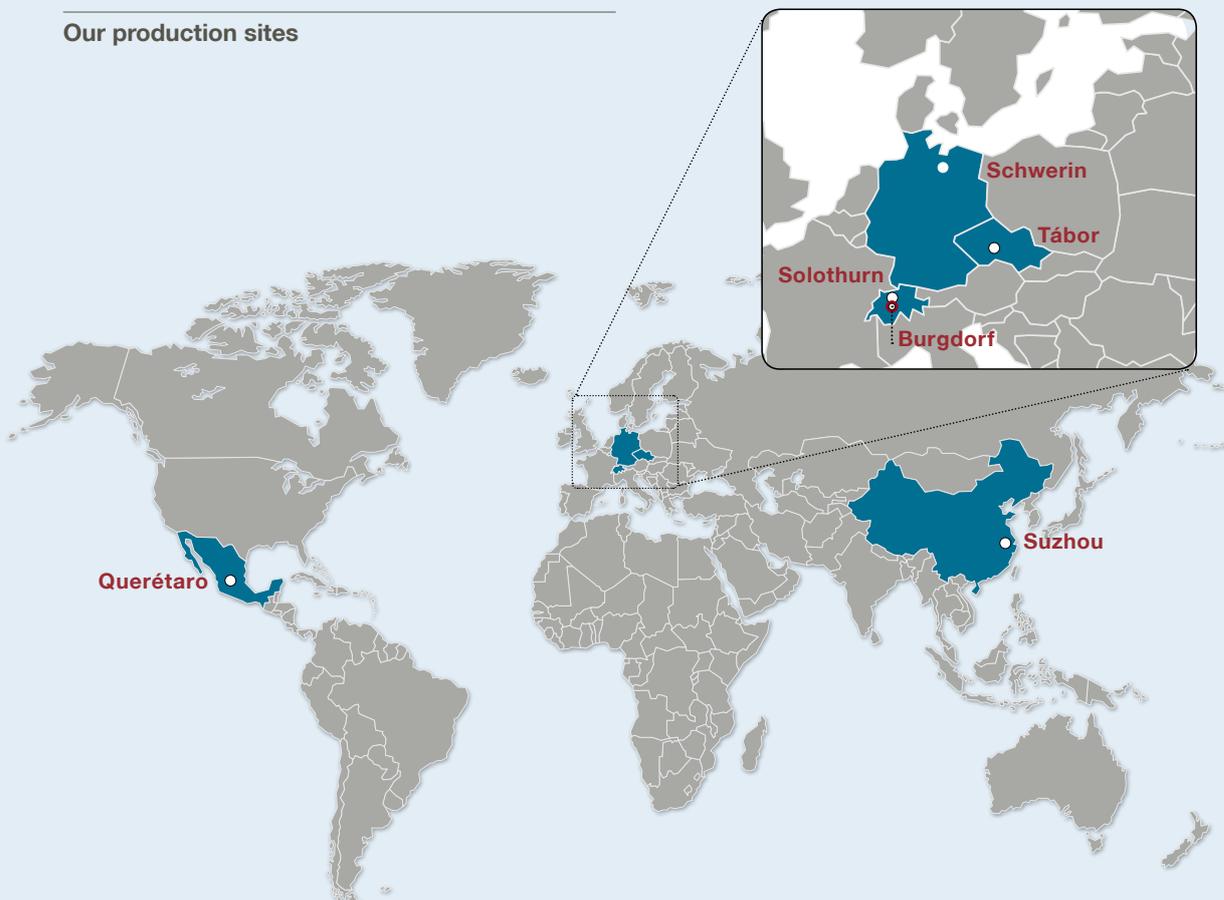
Ypsomed is preparing for the future by erecting an entirely new production plant in Schwerin in Northern Germany. The expansion in Schwerin, which will involve an investment of over CHF 100 million in the final stages, will be a further step in the direction of continuity and the transfer of our know-how. Additional production lines for existing platform products which have already been industrialised in Switzerland, will be installed in Schwerin. The specialist personnel recruited for the new production site in Schwerin will also be trained in existing production in Switzerland.

The new production facility in Schwerin will expand the capacities for the fully automated production of UnoPen™ and the YpsoMate® autoinjector which will be reaching full capacity in Switzerland in the near future. The Solothurn site is also being expanded, but is approaching full load capacities within the coming years. After 18 months of industrialisation, a new production facility went into operation there in February 2017. The many years of experience in highly automated large-scale pro-

duction and the extensive know-how in the field of injection systems were decisive for the contracting of this production line by a major customer. The plant is flexibly designed and can be used to manufacture millions of injection systems in the different variants. During the second half of the current financial year, a further UnoPen™ production line will go on stream in Solothurn.

With the upgrades and expansion of production capacities, Ypsomed is extremely well set up and capable of covering the capacity requirements of its customers. Another advantage of spreading production expansion over several sites is risk minimisation, not only for Ypsomed but especially for its customers. By spreading production over several locations, any possible production downtimes can be compensated for and bridged without difficulty.

Our production sites



What is manufactured where?

Burgdorf (headquarters): injection systems, insulin pumps // **Solothurn:** injection systems, pen needles // **Schwerin:** injection systems (planned start of production in the financial year 2018/19) // **Tabor:** precision turned parts // **Suzhou (contract manufacturing):** injection systems // **Querétaro (contract manufacturing):** infusion sets



YPSOMED

SELF-CARE SOLUTIONS





Employee development as the basis for success

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.

Development of headcount Ypsomed Group



Investment in further education of employees (In thousand CHF)

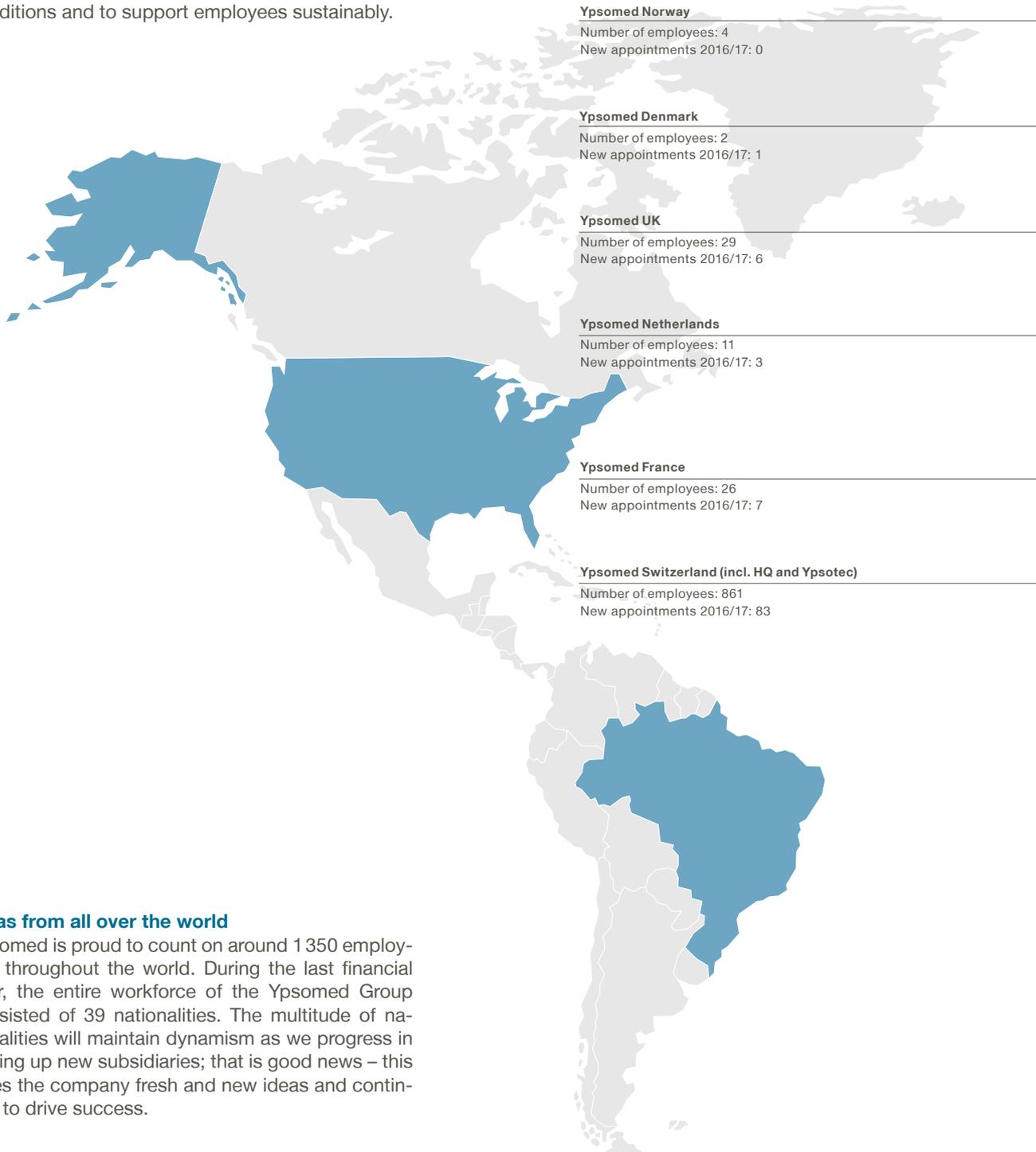




Employees from all over the world

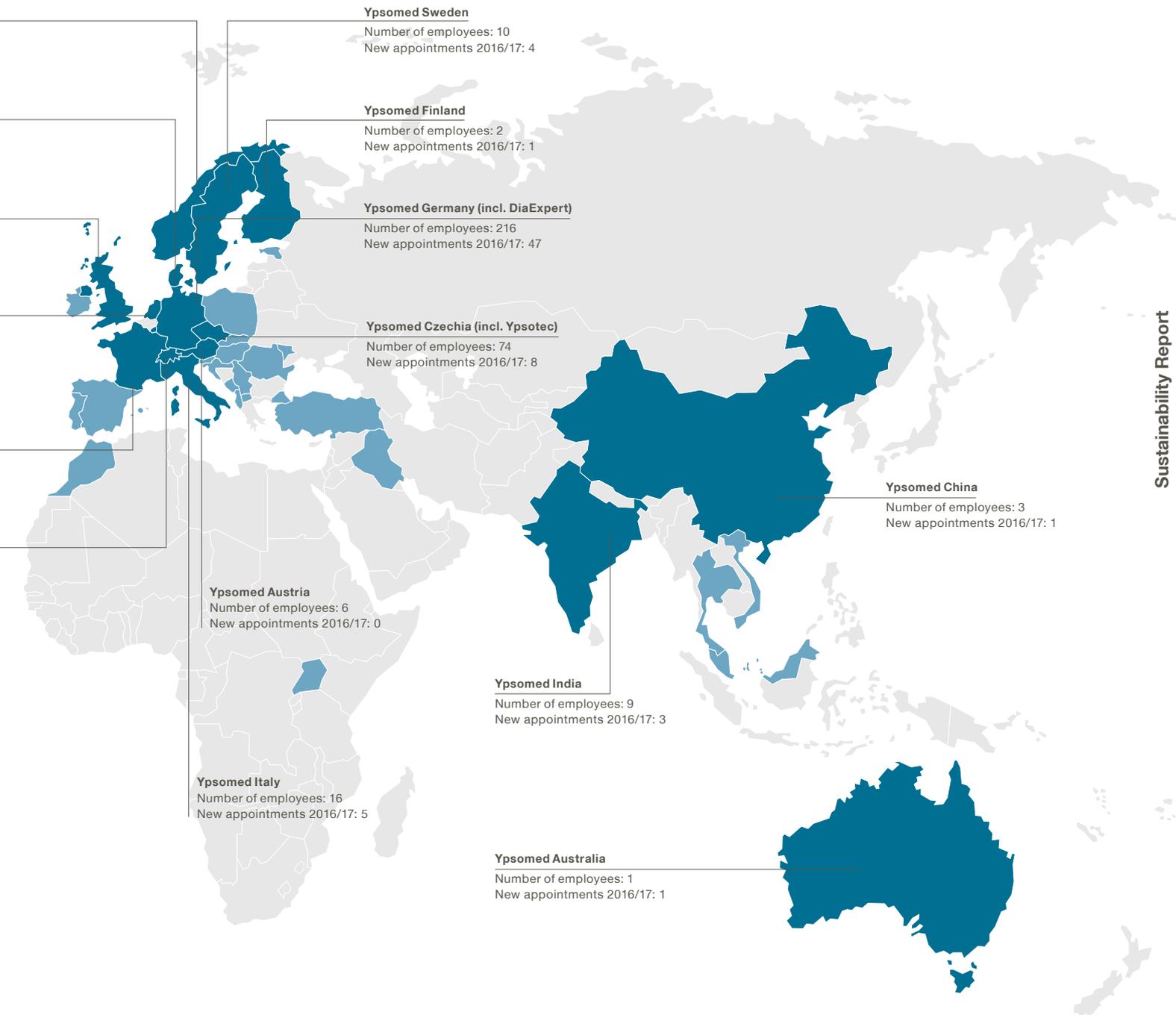
The foundation for success

Motivated and talented employees are the foundation for the success of every business. Ypsomed does everything possible to provide ideal working conditions and to support employees sustainably.



Ideas from all over the world

Ypsomed is proud to count on around 1 350 employees throughout the world. During the last financial year, the entire workforce of the Ypsomed Group consisted of 39 nationalities. The multitude of nationalities will maintain dynamism as we progress in setting up new subsidiaries; that is good news – this gives the company fresh and new ideas and continues to drive success.



■ Country of origin of employees (with subsidiary)

■ Country of origin of employees

The number of employees refers to full-time equivalents.



Employee development

Satisfaction is most important

Solothurn business award for future-oriented work models

At the beginning of the year, Ypsomed was honoured with the 20th Solothurn business award. Ypsomed received the award for its excellent commercial achievements in the Canton of Solothurn for the implementation of modern working models and for its commitment to developing the production site in Switzerland.

With its criterion of the year – “Successful companies with future-oriented work models” – the Solothurn Business Award 2017 addressed all companies in the Canton of Solothurn who promote the area. By offering future-oriented work models to create jobs, and to master challenges such as the recruitment of specialists or training and further education in an exemplary manner.

HRplus – a sustainable support programme

With its “HRplus” support programme, Ypsomed wishes to sustainably develop and secure specialists and executives through exemplary training and further education of employees. One aspect of the programme is the strategic development in the area of professional qualifications at the sites in Switzerland. This offers training in eleven vocational professions, many of them new and aimed at state-of-the-art technologies. Overall, over 50% of the apprentices who completed their traineeship were given full employment. Catch-up training, in other words, the delayed apprenticeship diploma for adults, is also supported. Those wishing to further their education with university studies in parallel with their jobs can be supported both financially and in terms of time allocation. A career is possible via leadership, specialist and project career paths. The concept also includes transitional careers. This embraces promoting individual job alternatives for managers prior to actual retirement. Modern work concepts of work organisation are also implemented: annual work time for everyone, part-time models, job sharing, home office and sabbaticals, as well as trust-based working time for management employees. Flexi-retirement is practised at Ypsomed, and is possible from 60 to 70 years with a gradual reduction in employment.

Ypsomed Academy – an offer for in-house training and further education

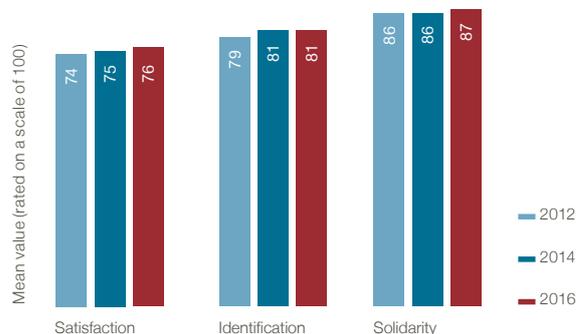
Supporting employees has a tremendous impact on their satisfaction and thus the success of the company. With its in-house offer of training and further education, the “Ypsomed Academy” allows employees to attend courses and training relevant to their daily work and to develop their careers further. The training and further education offered is based on the Ypsomed-specific competence and function-oriented career models. All training and further education is designed for integration into daily work routines. The modular design of the competence and function-oriented courses reflects the needs of the

employees, but also those of the company. The objective of the Ypsomed Academy is to utilise the know-how of in-house specialists and to multiply this in the courses offered.

Employee survey 2016/17

The results of the employee survey conducted during the last financial year have confirmed that the various support measures are successful for the employees. The survey, which is conducted every two years, is an instrument for Ypsomed to survey the opinions of employees regularly and systematically. The results provide orientation and highlight which topics require specific attention. The current survey results show Ypsomed to be an attractive employer with satisfied employees. In particular the values in the most important categories, “satisfaction”, “identification” and “solidarity” were again improved or remained steady at a very high level when compared to the last survey.

Personal opinions about Ypsomed AG



As Ypsomed CEO Simon Michel summarises: “In this innovative and dynamic industry in which we find ourselves, our employees are the most important asset and have a significant impact on our success. We strive to keep our colleagues satisfied and to instil in them a sense of identity with Ypsomed. Up to now we have been quite successful; Ypsomed has many employees who have been with the company for a long time and has a very low fluctuation rate of below four percent. I’m very proud of that.”



Tomorrow's specialists

Ypsomed recruits for the future

In the field of professional qualifications, Ypsomed can look back on a very successful financial year. Training is currently offered in eleven vocational professions. At the end of the financial year, 55 apprentices were being trained, some 5 % of the workforce. More than 50 % of the graduate apprentices were offered full-time employment after successfully completing their final exam.

In July 2016, all twelve apprentices of Ypsomed AG in Switzerland passed their professional basic training successfully. With an average exam score of 5.11, they achieved an exceptional result, which also reflected positively on Ypsomed as a training company.

Ypsomed – high level of visibility

The further expansion of our training offers and the recruitment of new specialists, particularly for the MINT professions (mathematics, informatics, natural sciences, technology), will again be a major objective of personnel policy during the upcoming financial year. To achieve this objective, Ypsomed presents itself at various recruitment fairs and events as an attractive employer:

- **IndustrySkills 2016:** in November of last year, the profession champions for the industrial professions were chosen in Basel at the PRODEX. Ypsomed's Rachel Sprecher, a design apprentice, achieved an outstanding fourth place.
- **"Boffin" Workshop:** during the summer holidays, interested school children were able to visit the "Boffin Workshop" for several days to discover the pitfalls of technology and to gain a playful impression of the exciting MINT professions.

- **National Future Day 2016:** as the name implies, this was all about designing the future. Pupils from the 5th to 7th classes spent a day at the workplace of their mentor in order to get an early feeling for their choice of profession. Ypsomed combined this offer with a visit to tunSolothurn in November 2016.

- **tunSolothurn 2016:** at this event for children and adolescents aged between 7 and 13, Ypsomed presented itself as an exhibitor and offered an exciting and entertaining programme on the exhibition stand. Besides entertainment, the focus was to provide a better understanding of the exciting world of technical professions. Ypsomed is extremely dedicated to motivating young people to embark on a technical apprenticeship to preempt the lack of skilled persons in this area.

- **Career event IBLive:** apprentices explain their professions to future junior apprentices – that is the idea behind IBLive. In March 2017, ten industrial companies at six locations opened their doors for several days. During this period, some 500 pupils visited Ypsomed and were able to experience the excitement of vocational training at first-hand. The participating companies were able to present themselves to the specialists of tomorrow at IBLive with their future-oriented products and services and to promote their vocational professions. This was the second time that Ypsomed had participated and it will open its doors again for the next IBLive.

Particularly high demand for young talent in the MINT professions





Corporate Social Responsibility

Commitment to employees and society

Willy Michel with the winners of the Ypsomed Innovation Award



In the financial year 2016/17, Ypsomed was again heavily involved in the area of Corporate Social Responsibility, including the following areas:

- Sponsoring innovation: with its Ypsomed Innovation Award, the Ypsomed Innovation Fund sponsors three start-ups every two years with prize money totalling CHF 60 000. In doing so, Ypsomed sponsors and recognises innovative companies in the Espace Mittelland.
- Family-friendly corporate culture and sustainable employment of parents: Ypsomed actively promotes the combination of family and job, for example, with flexible work time models, part-time work or parental leave. In addition, subsidised nursery places are available in the daycare centres in Burgdorf and Solothurn for working parents.
- Promoting health: promoting the sustainable health of its employees has a high priority at Ypsomed. In addition to effective absence management, perfect workplace ergonomics, free admission to the fitness centre and the indoor swimming pool, annual prophylactic influenza vaccination or free company social counselling, the health of employees is promoted actively.
- Catering for employees: an environmentally friendly and sustainable nutrition programme is offered in cooperation with the operator of the personnel restaurant with the “One Two We” programme.
- Mobility: Ypsomed promotes using public transport and finances half-fare SBB (Swiss Railways) passes for all employees from the charges collected for the company parking spaces.
- Other commitments in the areas of sport and culture: Ypsomed is also committed to various external and internal events, for example, the Bike to Work campaign, the Grand-Prix Bern, the Burgdorf city run as well as the company’s football team and the Jass tournament (card game).



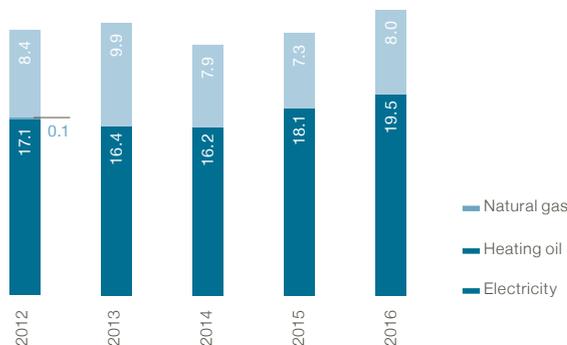
Energy consumption

Ypsomed's new label "Energy and CO₂-reduced"

The consumption of electricity at Ypsomed is at a steady level, but has however increased slightly compared with the previous year due to increased production volumes for pen needles and the UnoPen™ production. The increase is in line with expectations. A further increase is predicted as soon as the new production lines for UnoPen™ and YpsoMate®, as well as the new production line for one of Ypsomed's major customers, are in full operation.

The consumption of natural gas has also increased slightly compared with the previous year. In part this is due to an increased requirement for process gas in the UnoPen™ production, but also due to the colder winter compared to the previous year, thus resulting in higher heating costs. Heating oil is used as a stand-by for natural gas at all Ypsomed sites, the volume of heating oil has reached a negligible level and was reduced by a further 42.7 % or only 6 300 litres, compared with last year.

Energy in thousand megawatt hours (MWh)*



*Ypsomed companies in Switzerland

Increasing energy efficiency is a declared goal

As part of the lean approach lived at Ypsomed, the objective is to increase energy efficiency while lowering energy costs. Since the beginning of the reporting period, Ypsomed has consistently 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. Ypsomed will clearly meet its targets within the framework of the universal target agreement, and may use the label "Energy and CO₂-reduced" as of this year. Energy costs can be saved particularly in the production area, for example, by installing heat pumps which make Ypsomed independent of fossil energy sources. For example, the thermal waste from the air compressors is used for heating the buildings and replaces gas. This allows a decrease in CO₂ intensity of some 40 % per annum.

Ypsomed has increased its efficiency in energy consumption according to the Energy Strategy 2015





Business meeting participants

Business meeting participants

Business meeting participants

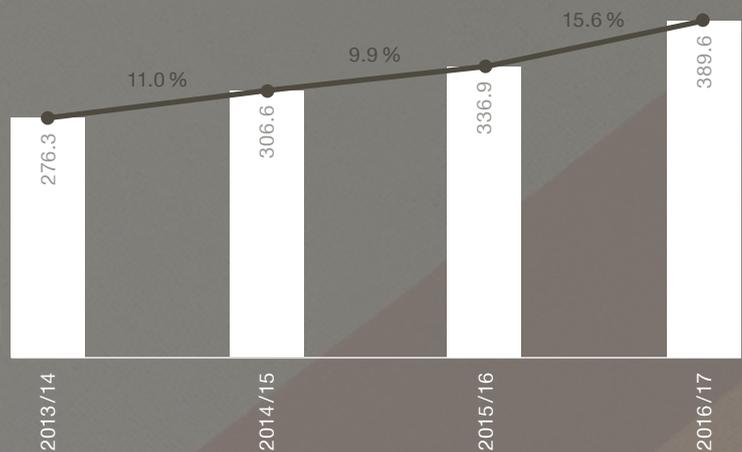
Business Meeting Report	
Item	Value
Item 1	1000
Item 2	2000
Item 3	3000
Item 4	4000
Item 5	5000
Item 6	6000
Item 7	7000
Item 8	8000
Item 9	9000
Item 10	10000



Growth in net profit close to 30 %

In the financial year 2016/17, the Ypsomed Group generated consolidated sales totaling CHF 389.6 million (previous year: CHF 336.9 million). Compared with the previous year, this represents an increase in sales of 15.6%. The operating results (EBIT) also increased by 24.4% compared to the previous year, from CHF 44.4 million to CHF 55.3 million. Profitability at the EBIT level has now risen to 14.2% (previous year: 13.2%).

Sales in million CHF



EBIT trend in million CHF





Growth in net profit close to 30 %

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Segment Diabetes Care: massive growth in new and existing markets

For the reporting period 2016/17, this results in an increase in turnover of 21.9% for the Ypsomed Diabetes Care segment from CHF 201.7 million to a current CHF 245.9 million. This enormous growth is due to the following factors:

- The tubing free mylife™ OmniPod® insulin patch pump demonstrated a growth in patient numbers of 67% during the financial year 2016/17. Growth in terms of turnover amounted to 55%. More than half of this was achieved in the new distribution countries Finland, Denmark and France. Especially in the latter country, patients have had to wait six years for the market introduction of the mylife™ OmniPod®, and demand is accordingly high. Ypsomed expects the demand to continue at a high level in France during the coming financial year.
- The mylife™ YpsoPump®, the first Ypsomed own-brand pump system for 15 years, was given a controlled launch via selected major practices and diabetes centres in the first four countries. Patient growth over the past few months gives confidence for the upcoming market introductions in around ten countries during the coming financial year.
- Solid growth was maintained in the subcontracting business for infusion sets to third parties.
- Business with blood glucose monitoring systems increased by roughly 5% in volume and by 1% in terms of revenue. Despite strong competition and noticeable price pressure, growth lies above the market mean. This is in the negative single-digit percent range. The sales/revenue growth for pen needles during the reporting year was negative at minus 5% as two large distributors ran down their stocks. For the financial year 2017/18, Ypsomed forecasts positive growth again at slightly above the market mean at approximately 4%.

Segment Delivery Systems: first sales with new platform products

The Delivery Systems segment showed a growth in sales of 7.5% to CHF 127.9 million (previous year: CHF 119.0 million). This was largely due to the following factors:

- Following successful industrialisation, the first commercial deliveries of the UnoPen™ and YpsoMate® platforms were made.
- The production of additional quantities in the Contract Manufacturing area resulted in growth in turnover. Turnover with Sanofi makes up approximately 7% of the Group's turnover.
- Turnover with GLP-1 pen systems for the treatment of type 2 diabetes was lower than in the previous year.
- The large number of ongoing customer projects for the pen platforms (customising and industrialisation) resulted in an additional turnover of approximately CHF 3 million in the financial year 2016/17 compared with the previous year.

Segment Others: competitiveness assured with location in Czechia

The Ypsomed subsidiary Ypsotec continues to hold its own in a very difficult market environment with a slightly negative –2.9% sales growth from CHF 16.2 million to CHF 15.8 million. The Czech production site in Tábor continues to grow successfully and has firmly established itself as a competence centre for the milling of precision parts. The location in Eastern Europe enables Ypsotec to offer competitive prices with Swiss quality.

Despite vigorous and diverse growth, the focus on costs remains

The effects described in the three segments led to a consolidated Group turnover of CHF 389.6 million (previous year: CHF 336.9 million) and a growth of 15.6%. During the financial year 2016/17, gross profit increased by CHF 22.3 million, respectively 21.6%, from CHF 103.2 million to the current CHF 125.5 million. The gross margin increased within one year by 160 base points to 32.2%.

On the production side this is largely due to better utilisation of capacities and an increase in efficiency due to the change to the lean approach. In addition, effective dissolutions of guarantee provisions for injection systems of CHF 0.7 million, which had been mentioned in the 2015/16 annual report, added a positive impact to the results.

The gross profit is negatively affected by a special depreciation of CHF 1.8 million for an aged assembly plant for pen needles. According to present production utilisation the space is required for manufacturing other products. The existing newer assembly plants for pen needles offer sufficient

capacities to cover the growth in coming years cost-effectively and efficiently. Compared with the previous year, the gross profit will additionally be affected negatively by the amortisation of the mylife™ YpsoPump® since its market introduction in September 2016 (CHF 3.5 million).

Compared with the previous year, the marketing costs have increased slightly, disproportionately to the turnover. Relative to turnover, the costs have increased by 20 base points and finally amount to 14.0% (previous year 13.8%). In particular, the founding of new subsidiaries in Czechia and Australia with the setting up and expansion of the sales force are reflected here. Furthermore, the various launch activities, for example demonstration pumps, marketing materials and product accessories for the mylife™ YpsoPump®, required justified additional expenditure. Launching products on the European market is particularly demanding as product communication needs to be adapted and verified afresh for every country due to the number of languages and the many different market conditions with corresponding requirements.

The costs for administration have developed analogously to the Group's growth. The additional costs of CHF 2.4 million reflect the additional administrative effort required for the ongoing business. The cost-turnover ratio remains unchanged at 4.7%. Due to a consistent focus on costs, Ypsomed was able to increase operating income above average relative to turnover by 24.5%. The new EBIT amounts to CHF 55.3 million (previous year: CHF 44.4 million) at a one percent higher EBIT margin of 14.2% (previous year: CHF 13.2%).

Net profit margin approximately 12%

The net financial result amounts to CHF 0.1 million (previous year: CHF –1.2 million). The main effects are due to the loss in currency exchange of CHF 1.9 million on the one hand, as well as gains of CHF 2.2 million from the dissolution of value adjustments on the holdings in Bionime, resulting from the development of the share prices.

The tax burden on profits before taxes was reduced from 17.1% in the previous year to 16.5%. 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 2016/17 amounts to a total of CHF 46.2 million. Compared to the previous year at CHF 35.8 million, this represents an increase of 29.1%. The net profit margin is 11.9% versus 10.6% in the previous year. The earnings per share amount to CHF 3.67 (previous year: CHF 2.84).

Growth financed from own resources

In the financial year 2016/17, Ypsomed generated an operative cash flow of CHF 75.1 million from business activities. On the investment side, expenditures amounted to CHF 38.1 million for the reporting year and was fully covered by the operating cash-flow generated. This results in a positive free cash-flow of CHF 37.0 million.

For the financial year 2016/17, investments in fixed assets amount to CHF 27.5 million. The extension of the platforms for the UnoPen™ and YpsoMate® injection systems and the purchase of further automated assembly systems and injection moulding tools amounted to roughly CHF 12 million. CHF 5 million was related to the additional expansion in Contract Manufacturing, whereby the pharmaceutical partner contributed additional investments in the double-digit millions range. Expansion of production for the mylife™ YpsoPump® as well as for the manufacturing structure of the infusion sets amounted to approximately CHF 3 million. A further CHF 7 million was spent on additional expansion of the infrastructure and IT.

The investments in intangible assets amounted to CHF 10.7 million and primarily benefits the further development of the mylife™ YpsoPump®, the mylife™ Software and the mylife™ App. In addition, Ypsomed invested in the further development of its pen platforms and the development of the patch injector during the reporting period. The remaining investments were used for software applications and SAP systems.

During the reporting period, tax-privileged dividends from reserves from capital contributions were distributed to shareholders in the amount of CHF 12.6 million. In addition, financial obligations in the amount of CHF 12.0 million were repaid. The reduction in debt led to a higher self-funding of 71.5% (previous year: 68.9%). During the financial year 2016/17, liquid funds increased to CHF 13.4 million.

Proposal for increased dividends to the Annual General Meeting

The Ypsomed Board of Directors proposes to the Annual General Meeting to increase the dividend analogously to the growth in net profits by 30%. For the past financial year 2016/17, the shareholders are to be paid a dividend of CHF 1.30 per registered share (previous year: CHF 1.00), 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, 28 June 2017.



Consolidated income statement

(Audited Swiss GAAP FER figures) in thousand CHF	Notes	1 April 2016 – 31 March 2017	in %	1 April 2015 – 31 March 2016	in %
Sales of goods and services	19	389 555	100.0 %	336 922	100.0 %
Cost of goods and services sold		-264 076	-67.8 %	-233 735	-69.4 %
Gross profit		125 478	32.2 %	103 187	30.6 %
Marketing and sales expenses		-54 721	-14.0 %	-46 418	-13.8 %
Administration expenses		-18 154	-4.7 %	-15 782	-4.7 %
Other operating income		4 821	1.2 %	5 390	1.6 %
Other operating expenses		-2 125	-0.5 %	-1 942	-0.6 %
Operating profit	19	55 298	14.2 %	44 435	13.2 %
Financial income	16	4 477	1.1 %	3 420	1.0 %
Financial expenses	17	-4 385	-1.1 %	-4 658	-1.4 %
Profit before income taxes		55 390	14.2 %	43 197	12.8 %
Income taxes	18	-9 144	-2.3 %	-7 385	-2.2 %
Net profit		46 247	11.9 %	35 812	10.6 %
Earnings per share (diluted and undiluted) in CHF	23	3.67		2.84	
Operating profit		55 298		44 435	
Depreciation and impairment of fixed assets		21 500		21 247	
Depreciation and impairment of intangible assets		10 965		7 588	
EBITDA (operating profit before depreciation and amortisation)		87 763	22.5 %	73 270	21.7 %



Consolidated balance sheet

(Audited Swiss GAAP FER figures) in thousand CHF

Assets	Notes	31 March 2017	in %	31 March 2016	in %
Cash and cash equivalents	3	38 884	9.2 %	25 507	6.6 %
Trade receivables	4	63 699	15.1 %	52 713	13.6 %
Other current assets		6 806	1.6 %	5 715	1.5 %
Prepayments and accrued income		10 060	2.4 %	8 206	2.1 %
Current income tax assets		29	0.0 %	83	0.0 %
Inventories	5	48 320	11.5 %	49 095	12.6 %
Customer machinery		7 580	1.8 %	7 044	1.8 %
Total current assets		175 378	41.6 %	148 363	38.2 %
Financial assets	6	10 378	2.5 %	8 151	2.1 %
Deferred income tax assets	18	3 855	0.9 %	5 627	1.4 %
Fixed assets	7	158 615	37.6 %	153 752	39.5 %
Intangible assets	8	73 575	17.4 %	72 978	18.8 %
Total non-current assets		246 422	58.4 %	240 508	61.8 %
Total assets		421 801	100.0 %	388 871	100.0 %
Liabilities and equity					
Financial liabilities	10	27 000	6.4 %	34 000	8.7 %
Current liabilities to major shareholder	10	0	0.0 %	5 000	1.3 %
Trade payables		21 956	5.2 %	19 968	5.1 %
Prepayments from customers		12 536	3.0 %	12 350	3.2 %
Current income tax payable		4 036	1.0 %	2 966	0.8 %
Other payables		5 611	1.3 %	4 533	1.2 %
Accrued liabilities and deferred income		29 407	7.0 %	23 682	6.1 %
Provisions	11	2 460	0.6 %	2 826	0.7 %
Total current liabilities		103 006	24.5 %	105 325	27.1 %
Non-current liabilities to major shareholder	10	10 000	2.4 %	10 000	2.6 %
Other non-current financial liabilities		57	0.0 %	14	0.0 %
Provisions	11	2 970	0.7 %	2 803	0.7 %
Deferred income tax liabilities	11	3 972	0.9 %	2 892	0.7 %
Total non-current liabilities		16 999	4.0 %	15 709	4.0 %
Share capital	12	178 994	42.4 %	178 994	46.0 %
Capital reserves		150 677	35.7 %	162 647	41.8 %
Own shares/Translation exchange differences		-13 530	-3.2 %	-13 213	-3.4 %
Goodwill acquired offset		-322 892	-76.6 %	-322 892	-83.0 %
Retained earnings		308 547	73.1 %	262 300	67.5 %
Total equity		301 796	71.5 %	267 836	68.9 %
Total liabilities and equity		421 801	100.0 %	388 871	100.0 %



Consolidated statement of cash flows

(Audited Swiss GAAP FER figures) in thousand CHF

	Notes	1 April 2016– 31 March 2017	1 April 2015– 31 March 2016
Net profit		46 247	35 812
Depreciation of fixed and intangible assets		30 689	27 117
Loss from impairment (+)/Reversal of impairment (-)	7/8/16/17	-401	2 159
Change in provisions (incl. deferred income taxes)		2 620	6 082
Other expenses/income that do not affect the fund		731	-511
Gain (-)/loss (+) of fixed and financial assets		-17	-181
Increase (-)/decrease (+) in trade receivables		-12 084	-6 600
Increase (-)/decrease (+) in other receivables and prepayments and accr. income		-3 040	-3 793
Increase (-)/decrease (+) in inventories		285	3 319
Increase (-)/decrease (+) in customer machinery		-535	-7 035
Increase (+)/decrease (-) in trade payables		2 072	5 143
Increase (+)/decrease (-) in prepayments from customers		186	10 161
Increase (+)/decrease (-) in other payables and accr. liabilities and deferred income		8 311	5 013
Cash flow from operating activities		75 064	76 687
Purchases of fixed assets	7	-27 482	-25 154
Disposals of fixed assets	7	110	221
Purchases of intangible assets	8	-10 680	-11 045
Cash flow from investing activities		-38 052	-35 977
Repayment of financial liabilities to major shareholder	10	-5 000	0
Proceeds (+)/repayment (-) from borrowings	10	-7 000	-22 000
Purchase (-)/disposals (+) of own shares	12	1 382	-2 085
Distribution of capital reserves		-12 613	-7 576
Cash flow from financing activities		-23 231	-31 662
Effect of foreign currency translation		-406	216
Total cash flow		13 377	9 264
Cash and cash equivalents as of 1 April		25 507	16 243
Cash and cash equivalents as of 31 March		38 884	25 507
Net increase (+)/decrease (-) in cash and cash equivalents		13 377	9 264



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 2015	178994	170114	-1635	-10432	-322892	226488	240637
Net profit						35812	35812
Distribution of dividends from capital contribution reserves		-7576					-7576
Disposal of own shares		110	261				371
Purchase of own shares			-2456				-2456
Translation exchange differences				1049			1049
Balance as of 31 March 2016	178994	162647	-3830	-9383	-322892	262300	267836

	Share capital	Group reserves and share premium	Treasury shares	Cumulative translation reserve	Goodwill offset	Retained earnings	Total
Balance as of 1 April 2016	178994	162647	-3830	-9383	-322892	262300	267836
Net profit						46247	46247
Distribution of dividends from capital contribution reserves		-12613					-12613
Disposal of own shares		642	740				1382
Translation exchange differences				-1057			-1057
Balance as of 31 March 2017	178994	150677	-3090	-10440	-322892	308547	301796



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 Bern, Switzerland).

Operating in the field of medical technology, the Ypsomed Group is a leading independent manufacturer of injection pens for pharmaceutical and biotech companies, and of products for people with diabetes, such as insulin pumps, pen needles and blood glucose monitoring systems. 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 Bern 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 18 May 2017 and recommended for acceptance to the General Meeting of Shareholders in Burgdorf on 28 June 2017.

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 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.

Derivative financial instruments

Ypsomed used instruments for hedging future cash flows for the first time in financial year 2016/17. Instruments for hedging future cash flows are not recognised in the balance sheet but disclosed in the Notes until the future cash flow is realised. Upon the occurrence of the future transaction or the disposal of the derivative instrument, the current value of the derivative financial instrument is recognised in the balance sheet and recorded in the income statement at the same time as the cash flow hedged.

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 to-

gether 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, expected 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 68.3 million as of 31 March 2017 (previous year: CHF 68.5 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 2017 amount to CHF 1.3 million (previous year: CHF 2.6 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 2017 amount to CHF 1.3 million (previous year: CHF 3.8 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 18 May 2017, no major events occurred

which could adversely affect the validity of the annual financial statements for 2016/17 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, GER-Liederbach	100%	EUR	100000			■	
DiaExpert GmbH, GER-Liederbach	100%	EUR	50000			■	
Ypsomed Produktion GmbH, GER-Schwerin	100%	EUR	2500000		■		
Ypsomed AB, SE-Bromma	100%	SEK	10000000			■	
Ypsomed S.A.S., FR-Paris	100%	EUR	1000000			■	
Ypsomed BV, NL-Nieuwegein	100%	EUR	50000			■	
Ypsomed India Private Ltd., IN-New Delhi	100%	INR	62801470			■	
Ypsomed Limited, GB-Esrick	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	700000			■	
Ypsomed s.r.o., CZ-Prague	100%	CZK	5000000			■	
Ypsomed Medical Devices Co. Ltd., CN-Peking	100%	CHF	500000				■

In the financial year 2016/17, the subsidiary in Czechia, Ypsomed s.r.o., was founded. In addition, the Feelfree GmbH was renamed to Ypsomed Produktion GmbH.

2. Foreign currencies

	Balance sheet year-end rates		Income statement average rates	
	31 March 2017	31 March 2016	2016/17	2015/16
Euro (EUR)	1.07	1.09	1.08	1.07
US Dollar (USD)	1.00	0.96	0.99	0.97
Swedish krona (100 SEK)	11.21	11.84	11.40	11.49
Norwegian krone (100 NOK)	11.66	11.60	11.83	11.75
Danish krone (100 DKK)	14.37	14.68	14.56	14.38
Czech koruna (100 CZK)	3.95	4.04	4.01	3.96
Indian rupee (100 INR)	1.53	1.45	1.47	1.49
British pound (GBP)	1.25	1.38	1.29	1.47
Australian Dollar (AUD)	0.77	0.74	0.74	0.72
Chinese yuan renminbi (100 CNY)	14.47	14.93	14.68	15.37

3. Cash and cash equivalents

	31 March 2017	31 March 2016
Cash	239	241
Postal accounts	1 195	712
Bank accounts	37 450	24 554
Total	38 884	25 507

4. Trade receivables

	31 March 2017	31 March 2016
Trade receivables	63 872	53 096
Provision for bad and doubtful debts	- 173	- 383
Total	63 699	52 713

	2016/17	2015/16
Provision for bad and doubtful debts		
At 1 April	383	223
Addition	95	216
Use	- 160	- 46
Reversal	- 134	- 19
Currency translation differences	- 10	9
At 31 March	173	383

5. Inventories

	31 March 2017	31 March 2016
Raw materials and supplies	4 762	5 184
Goods in process	14 153	13 756
Finished products	30 949	33 209
Gross inventories	49 864	52 150
Valuation allowance	- 1 544	- 3 055
Total	48 320	49 095

6. Financial assets

	31 March 2017	31 March 2016
Bionime Corp. Taiwan and Insulet Corp. USA	10 235	8 058
Other financial assets	143	93
Total	10 378	8 151

7. Fixed assets

	Land and buildings	Machinery and equipment	Other fixed assets	Assets under construction	Buildings for investment purposes	Total
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
Cost						
At 1 April 2016	79 435	236 340	13 388	20 708	18 644	368 515
Additions	72	5 649	1 502	20 159	100	27 482
Disposals	-15	-9 703	-533			-10 251
Transfers	46	8 251	72	-9 344	58	-917
Currency translation differences	-46	-149	-49	-17		-261
At 31 March 2017	79 492	240 388	14 380	31 505	18 802	384 568
Accumulated depreciation						
At 1 April 2016	-37 417	-161 231	-10 403	0	-5 712	-214 763
Depreciation	-2 560	-15 158	-1 214		-792	-19 724
Impairment		-1 776				-1 776
Disposals	12	9 658	488			10 158
Transfers		23	6			29
Currency translation differences	5	84	34			123
At 31 March 2017	-39 960	-168 399	-11 089	0	-6 504	-225 953
Net book value at 1 April 2016	42 018	75 110	2 986	20 708	12 932	153 752
Net book value at 31 March 2017	39 532	71 989	3 291	31 505	12 298	158 615

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 2016/17 financial year amounted to CHF 0.0 million (previous year: CHF 0.2 million). Gains from the sale of fixed assets are included in the income

statement under other operating income. The value adjustment of CHF 1.8 million was made for the older assembly plant for pen needles. According to present production utilisation, the space is required for manufacturing other products.

8. Intangible assets

Cost	Development costs	Patents	Software	Client base/ Other	Total
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
Cost					
At 1 April 2016	92 586	660	19 445	11 762	124 453
Additions	8 175		2 476	28	10 680
Disposals			-1 283		-1 283
Transfers			890		890
Currency translation differences			-17	-99	-116
At 31 March 2017	100 761	660	21 512	11 691	134 624
Accumulated amortisation					
At 1 April 2016	-24 091	-528	-15 255	-11 602	-51 476
Amortisation	-8 364	-132	-2 415	-54	-10 965
Disposals			1 282		1 282
Currency translation differences			14	96	110
At 31 March 2017	-32 455	-660	-16 373	-11 561	-61 049
Net book value at 1 April 2016	68 495	132	4 191	160	72 978
Net book value at 31 March 2017	68 306	0	5 138	130	73 575

Due to a development project being shelved, CHF 0.6 million was impaired in the previous year. Development costs capitalised include CHF 0.4 million (previous year: CHF 5.2 million) for products in the development phase, CHF 9.4 million (previous year: CHF 4.9 million) for products in the

industrialisation phase, CHF 0.0 million (previous year: CHF 39.0. million) for products in the pre-launch phase and CHF 58.5 million (previous year: CHF 19.4 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	2016/17	2015/16
At 1 April	323 927	323 712
Additions before taxes	0	0
Accumulated currency translation differences	-554	215
At 31 March	323 373	323 927
Accumulated amortisation		
At 1 April	-322 344	-319 409
Amortisation, scheduled amortisation over 5 years	-1 583	-2 720
Change in accumulated currency translation differences	554	-215
At 31 March	-323 373	-322 344
Net book value at 1 April	1 583	4 303
Net book value at 31 March	0	1 583
Net profit and equity would change as follows:		
Net profit	46 247	35 812
Scheduled amortisation over 5 years	-1 583	-2 720
Tax effects	353	605
Net profit/net loss on reporting goodwill	45 017	33 696
Equity at 31 March		
Equity at 31 March	301 796	267 836
Effect of reporting goodwill in the balance sheet	0	1 583
FX effects on goodwill	0	0
Equity on reporting goodwill at 31 March	301 796	269 419

10. Financial liabilities

	31 March 2017	31 March 2016
Loan from Techpharma Management AG, Burgdorf		
Current	0	5000
Non-current	10000	10000
Fixed advances banks (current)	27000	34000

Since 1 April 2010 the interest has been based on the 12-month Libor CHF 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 2017/18 financial year the repayment was waived. The loan is due for repayment on 31 March 2020. Techpharma Management AG is controlled by Willy

Michel. In the 2016/17 financial year, interest amounting to CHF 0.1 million (previous 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 0.6 %. The maximum credit line for fixed advances amounts to CHF 67.5 million. Interest to the amount of CHF 0.3 million (previous year CHF 0.4 million) was paid during the financial year 2016/17 for fixed advances.

11. Provisions

	Taxes	Warranties	From pension plans	Restructuring	Other	Total
At 1 April 2015	1766	1340	17	0	2874	5997
Additions	1125	1520	28		1156	3829
Release		-219			-720	-939
Utilisation					-373	-373
Currency translation differences	1		1		5	7
At 31 March 2016	2892	2641	46	0	2942	8521
of which current	0	2441	0	0	385	2826
At 1 April 2016	2892	2641	46	0	2942	8521
Additions	1362	468			1676	3506
Release	-281	-843			-130	-1254
Utilisation		-991			-361	-1352
Reallocation			-46		46	0
Currency translation differences	-2				-18	-20
At 31 March 2017	3971	1276	0	0	4155	9402
of which current	0	1052	0	0	1409	2460

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.

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 0.4 million were added to the provisions and CHF 0.3 million were used during the reporting year. As of 31 March 2017, the provisions for seniority gifts amounted to CHF 2.4 million (previous year: CHF 2.3 million). In addition we had to make provisions for charges in one subsidiary to the amount of CHF 1.2 million for marketing expenditure and recycling.

12. Share capital

Share capital (in thousand CHF)	2016/17	2015/16
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	29 786	36 922
Shares outstanding at 1 April	12 612 817	12 627 398
Purchases	0	18 151
Average price in CHF	0	135.3
Disposals	7 136	3 570
Average price in CHF	194.1	105.1
Shares outstanding at 31 March	12 619 953	12 612 817

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 2017, the Ypsomed Group and the employee pension fund held 46 242 treasury shares in total (previous year: 53 378). The average price of the shares disposed and bought is similar to the market price.

Conditional share capital (in thousand CHF)	2016/17	2015/16
At 1 April	0	2 264
At 31 March	0	0

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

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 (previous year: CHF 89.5 million).

13. Long-term contracts

	2016/17	2015/16
Revenue from development and industrialisation services (PoC method)	6 518	3 333

Long-term contracts in the balance sheet	31 March 2017	31 March 2016
Trade receivables	1 208	1 992
Inventories	876	315
Prepayments from customers	5 938	5 060

14. Personnel expenses

	2016/17	%	2015/16	%
Wages and salaries	100 338	84.1	91 200	85.4
Social security expenses	17 492	14.7	14 384	13.5
Other personnel expenses	1 499	1.3	1 205	1.1
Total	119 329	100.0	106 789	100.0

Personnel at 31 March (full-time equivalents)	31 March 2017	31 March 2016
Switzerland	861	778
Germany	204	175
Netherlands	11	9
France	26	24
Scandinavia	17	11
Czechia	74	66
United Kingdom	29	28
Austria	6	6
India	9	11
Italy	16	6
China	3	2
Australia	1	0
Total	1 256	1 116
Headcount	1 314	1 166

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 59% of the Group's workforce as at 31 March 2017, 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 2017, the pension scheme held a value fluctuation reserve of CHF 26.8 million (previous year: CHF 26.9 million). The surplus in the value fluctuation reserve, i.e. the amount by which the reserves

exceed the target value of 14.6% of assets, stands at CHF 3.2 million (previous year: CHF 6.3 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 119.4% based on a technical interest rate of 1.5% and BVG 2015 (previous year: 123.1%, 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	Economic benefit/ economic obligation		Contributions concerning the business period	Pension benefit expenses within personnel expenses	
	31 March 2017	31 March 2017	31 March 2016	2016/17	2016/17	2015/16
Pension institutions with surplus	3205	0	0	4480	4480	4007
Pension institutions without own assets	0	0	0	1027	1027	854

Per end of the financial years 2015/16 and 2016/17, there were no employer contribution reserves existing.

16. Financial income

	2016/17	2015/16
Interest income	6	6
Reversal impairment Bionime	2177	0
Foreign exchange gains	1972	3268
Other financial income	323	146
Total	4477	3420

Due to the share price development, the value adjustment to the financial stake in the Bionime Corporation from last year could be cancelled.

17. Financial expenses

	2016/17	2015/16
Interest expenses	342	490
Impairment	0	440
Foreign exchange losses	3908	3612
Other financial expenses	136	116
Total	4385	4658

18. Income taxes

	2016/17	2015/16
Current income taxes	6344	2692
Deferred income taxes	2800	4693
Total	9144	7385
Weighted average tax rate in %	16.5 %	17.1 %

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 2017	31 March 2016
Capitalised deferred tax assets	3 855	5 627
of which temporary differences	2 505	1 791
of which not yet utilised tax-loss carryforwards	1 349	3 836

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

Ypsomed will disclose net sales according to the sales structure, by Ypsomed Delivery Systems (injection systems) and Ypsomed Diabetes Care (insulin pumps, infusion sets, pen needles, blood glucose monitoring systems and other accessories). Pharmaceutical and biotech customers purchase injection systems and corresponding services via the Ypsomed Delivery Systems (YDS) segment. The Others segment consists of Ypsotec and the assets not used operationally. For reasons of competition Ypsomed will not disclose segment results anymore (according to Swiss GAAP FER 31/8). Compared with relevant competitors, the disclosure of segment results in the area of injection systems and insulin

pumps leads to considerably greater transparency in terms of costs as well as margin structures, with Ypsomed being the only company giving detailed segment profitability information. The relevant competitors are largely companies without public access to financial data (Owen Mumford, Haselmeier, SHL Group) or are major corporations with large reporting segments and corresponding diluted comparative information (Roche, Medtronic). Accordingly, a further disclosure with regard to the competing companies results in a considerable competitive disadvantage. Furthermore, such information can have a negative effect on the negotiating position with customers and suppliers.

Financial year 2015/16	YDS	YDC	Others	Eliminations	Group
Sales of goods and services to third-party customers	119 011	201 679	16 231		336 922
Intersegmental sales			1 527	- 1 527	0
Total sales of goods and services	119 011	201 679	17 758	- 1 527	336 922

Operating profit					44 435
Investments in fixed and intangible assets					36 199
Depreciation/Amortisation/Impairment					27 117

Financial year 2016/17	YDS	YDC	Others	Eliminations	Group
Sales of goods and services to third-party customers	127 928	245 855	15 772		389 555
Intersegmental sales			1 975	- 1 975	0
Total sales of goods and services	127 928	245 855	17 746	- 1 975	389 555

Operating profit					55 298
Investments in fixed and intangible assets					38 161
Depreciation/Amortisation/Impairment					32 464

Sales of goods and services are reported by geographical location	Sales of goods and services	
	2016/17	2015/16
Switzerland	23 796	22 326
Europe	296 106	246 930
North America	37 647	40 745
Rest of the world	32 006	26 921
Total	389 555	336 922

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 570 (previous year: kCHF 833) 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 2017	31 March 2016
Contractual purchase commitments for products	98 455	57 281
Contractual obligations from rental contract with Techpharma Management AG until 31.12.2019	2 493	3 400
Contractual obligations from service contract with GBUK Healthcare until 31.03.2018	1 063	971
Contractual obligations from rental contract of the Dutch subsidiary	139	164
Contractual obligations from rental contract of the Australian subsidiary	76	0
Contractual obligations from rental contract of the German subsidiaries	1 598	1 981
Contractual obligations from rental contract of the Austrian subsidiary	28	26
Total contractual obligations	103 777	63 825

The rental contract was signed between Ypsomed AG and Techpharma Management AG, a company controlled by Willy Michel. 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 2.0% of the annual rent per calendar year. As at 31 March 2017, contractual obligations for the purchase of fixed assets amount to CHF 11.2 million (previous year: CHF 4.0 million), for the purchase of intangible assets to CHF 1.0 million (previous year: CHF 0.7 million) and for material and other purchase to CHF 0.7 million (previous year: CHF 0.5 million).

22. Transactions with related parties

Related Group parties are Techpharma Management AG, Adval Tech Group and employee pension funds. Receivables from related parties amounted to kCHF 0 (previous year: kCHF 0) on the balance sheet date.

Liabilities amounted to kCHF 0 (previous year: kCHF 13). In the year under review, the following transactions were made with related parties:

	2016/17	2015/16
Techpharma Management AG (interest according to Note 10)	74	105
Techpharma Management AG (compensation for rented business premises)	907	907
Techpharma Management AG (amounts in accordance with service contract)	64	29
Adval Tech Group	0	1889
Finox AG	0	-578
Finox AG	0	6
Total	1045	2358

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 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 83. 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 occasional services to Techpharma Management AG (e.g. management and IT support, including temporary personnel leasing). 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 June 2007, Ypsomed AG and Adval Tech Holding AG signed an agreement on strategic cooperation in tool construction. Adval Tech Holding AG divested this part of business in 2016 to the Barnes Group. See also Corporate Governance "Other contractual relationships" on page 83. Willy Michel sold Finox AG, which he controlled, to Gedeon Richter in 2016. Finox AG is therefore no longer an entity related to Willy Michel. See also Corporate Governance "Contractual relationship with Finox AG" on page 83.

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.

	2016/17	2015/16
Net profit in thousand CHF	46247	35812
Number of outstanding shares weighted on a monthly basis	12613915	12624859
Earnings per share in CHF (diluted and undiluted)	3.67	2.84

24. Compensation statement and significant shareholders

See the notes to the financial statements 2015/16 of Ypsomed Holding AG from page 64 and the Compensation Report from page 93.

25. Derivative financial instruments

	Contract value		Positive value		Negative value	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Forward currency transactions	9621	0	0	0	33	0
Total hedging future cash flows	9621	0	0	0	33	0

Instruments for hedging future cash flows are used for hedging product purchase and are not recognised in the balance sheet. Upon the occurrence of the future transaction or the disposal of the derivative instrument, the current value of the derivative financial instrument is recognised in the balance sheet and recorded in the income statement at the same time as the cash flow hedged.



Report of the group auditors



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To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, 18 May 2017

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 consolidated balance sheet, the consolidated statement of income, consolidated cash flow statement, consolidated statement of changes in equity and notes (pages 40 to 61) to the consolidated financial statements, for the year ended 31 March 2017.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the 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 2017 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 key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Impairment of capitalized development costs

Audit matter Capitalized development costs in the amount of CHF 68.3 million disclosed in the balance sheet represent a significant amount for the Ypsomed Group. This amount includes CHF 0.4 million for products in the development phase, CHF 9.4 million for products in the industrialization phase and CHF 58.5 million for products in the phase of commercialization. Testing the capitalized development costs for impairment requires complex assessments by management, among other things with regard to future developments.

Our audit approach We compared the significant input parameters used with internal and external sources. We evaluated the historical correctness of the planning by comparing previous plans with the realized values. Furthermore, we evaluated how sensitively the calculations reacted to changes of the input parameters and whether the calculation models used were clerically accurate. Ypsomed comments on capitalized development costs in section 5 of the basis for the consolidated financial statements and section 8 of the notes to the consolidated financial statements.



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 para. 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)

Marc Aeberhard
Licensed audit expert



Balance sheet of Ypsomed Holding AG – statutory financial statements

In thousand CHF

Assets	31 March 2017	31 March 2016
Cash	1 018	312
Other short-term receivables	23	20
Total current assets	1 042	332
Investments	325 221	325 221
Impairment investments	0	-2 176
Long-term receivables group companies	163 190	172 208
Total non-current assets	488 410	495 253
Total assets	489 452	495 585

Liabilities and equity	31 March 2017	31 March 2016
Payables from goods and services third parties	20	5
Short-term financial liabilities to bank	19 000	27 000
Short-term financial liabilities to major shareholder	0	5 000
Short-term financial liabilities to group companies	8 043	0
Accrued liabilities and deferred income	802	845
Short-term income taxes payable	209	22
Total current liabilities	28 074	32 871
Long-term financial liabilities to major shareholder	10 000	10 000
Total non-current liabilities	10 000	10 000
Total liabilities	38 074	42 871
Share capital	178 994	178 994
Legal contribution reserves		
Capital contribution reserves	152 131	164 744
Disagio	- 150	- 150
Legal reserve		
General legal reserves	50	50
Free reserves		
Retained earnings	112 906	106 488
Net profit	10 538	6 417
Own shares	-3 090	-3 830
Total shareholders' equity	451 378	452 713
Total liabilities and shareholders' equity	489 452	495 585



Income statement of Ypsomed Holding AG – statutory financial statements

In thousand CHF

	1 April 2016– 31 March 2017	1 April 2015– 31 March 2016
Operating expenses		
Administrative expense	959	875
Cost of services sold	700	700
Total operating expenses	1 659	1 575
Operating result	-1 659	-1 575
Financial income		
Interest income	0	1
Interest income investments	1 653	1 839
Dividend income	8 323	6 945
Income own shares	645	114
Reversal impairment investments	2 176	0
Foreign exchange gains	38	0
Total financial income	12 835	8 900
Financial expense		
Interest expense	-262	-400
Interest expense to investments	-23	0
Expenses own shares	-2	-4
Impairment investments	0	-440
Foreign exchange losses	0	-3
Other financial expenses	-28	-14
Total financial expenses	-315	-861
Financial result	12 519	8 038
Profit before taxes	10 860	6 463
Taxes	-323	-46
Profit	10 538	6 417

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 2017	31 March 2016
Retained earnings	112 906	106 488
Net profit for financial year	10 538	6 417
Retained earnings at disposal of the General Meeting of Shareholders	123 443	112 906
Allotment from capital contribution reserves	16 406	12 613
Distribution of dividend from capital contribution reserves ¹	-16 406	-12 613
Carried forward to the next year	123 443	112 906

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 1.30 per share. The total distribution based on the actual share capital as of 31 March 2017 will be approximately CHF 16.4 million (previous year: CHF 12.6 million).



Notes to the financial statements of Ypsomed Holding AG

General

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 0.0 million as at 31 March 2017, CHF –2.2 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 financial year 2016/17.

Financial income/expenditure

Value adjustment in previous year of the investments in Bionime was released due to a higher market valuation.

Share capital

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

Significant shareholders and shareholder groups

	31 March 2017		31 March 2016	
	Number of shares	Capital and vote share	Number of shares	Capital and vote share
Shareholder group Michel family	9 151 174	72.4 %	9 200 957	72.7 %

No other notifiable holdings have been reported as at 31 March 2017.

Own shares

	31 March 2017		31 March 2016	
	Number of shares	Ø price	Number of shares	Ø price
Own shares at the beginning	36 922		22 341	
Purchase of own shares	0	–	18 151	135.3
Disposal of own shares	–7 136	194.06	–3 570	105.1
Own shares held	29 786		36 922	

Investments	31 March 2017		31 March 2016	
	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%	10 223 989	8.2%	8 047 715
Insulet Corporation, Bedford, MA, U.S.A.	0.0%	10 638	0.0%	10 638
Total Investments		325 220 607		323 044 332

Indirect and substantial investments	Holding by	Capital and vote share	
		31 March 2017	31 March 2016
Ypsomed GmbH, GER-Liederbach	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed BV, NL-Nieuwegein	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed S.A.S., FR-Paris	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed AB, SE-Bromma	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Produktion GmbH, GER-Schwerin	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed India Private Ltd., IN-New Delhi	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Ltd., UK-Esrick	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed GmbH, A-Wien	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed S.r.l., IT-Varese	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Medical Devices Co. Ltd., CN-Peking	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Pty Ltd., AUS-Sydney	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed s.r.o., CZ-Prague	Ypsomed AG, CH-Burgdorf	100%	
DiaExpert GmbH, GER-Liederbach	Ypsomed GmbH, GER-Liederbach	100%	100%
Ypsotec s.r.o., CZ-Tábor	Ypsotec AG, CH-Grenchen	100%	100%

In the financial year 2016/17, the subsidiary in Czechia, Ypsomed s.r.o., was founded. In addition, the Feelfree GmbH was renamed to Ypsomed Produktion GmbH.

Claim subject to subordination clause against subsidiaries

	31 March 2017	31 March 2016
Claim subject to subordination clause against subsidiaries	0	21 114 892

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 2017	31 March 2016
Credit Suisse, CH-Zurich Guarantee in the context of credit business for Ypsomed AG	22 500 000	22 500 000

Long-term receivables group companies

In thousand CHF	31 March 2017	31 March 2016
Ypsomed AG, CH-Burgdorf	140394	140067
Ypsotec AG, CH-Grenchen	11000	11027
Ypsomed Distribution AG, CH-Burgdorf	11796	21115
Total Darlehen gegenüber Beteiligungen	163190	172208

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 2017	Shares as of 31 March 2016
Willy Michel, Chairman	8754489	8749489
Techpharma Management AG as related party to Willy Michel, Chairman	102276	157059
BV Holding AG as related party to Willy Michel, Chairman	10000	10000
Total of Willy Michel and Techpharma Management AG and BV Holding AG	8866765	8916548
Anton Kräuliger, Vice Chairman	5100	5100
Prof. em. Dr. Norbert Thom, Member	192	132
Gerhart Isler, Member	8100	8100
Total	8880157	8929880

Share ownership of Executive Management

Simon Michel, CEO	145888	145888
Dr. Beat Maurer, Senior Vice President Legal Services & Intellectual Property	500	500
Yvonne Müller, Senior Vice President Human Resources*	n/a	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	200
Total	150067	150867

* Yvonne Müller left the Ypsomed Group in financial year 2016/17.

See Corporate Governance page 78 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, 18 May 2017

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 64 to 68), for the year ended 31 March 2017.



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 2017 comply with Swiss law and the company's articles of incorporation.



Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Investments and loans

Audit matter	The assets of Ypsomed Holding AG mainly comprise investments and loans to group companies. To test the investment and loans position for impairment, management prepares medium-term plans and performs calculations accordingly.
Our audit approach	We assessed, among other things, the clerical accuracy and logical consistency of the applied calculation models. We evaluated the historical correctness of the planning by comparing previous plans with the realized values. Furthermore, we assessed whether the medium-term plans used in impairment testing were identical with the planning data that was used for impairment testing in connection with the consolidated financial statements.



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 para. 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)

Marc Aeberhard
Licensed audit expert



Four-year overview

In thousand CHF	2016/17	2015/16	2014/15	2013/14
Sales of goods and services¹	389 555	336 922	306 632	276 257
Gross profit	125 478	103 187	85 850	70 526
Gross profit in %	32.2%	30.6%	28.0%	25.5%
Operating profit	55 298	44 435	28 546	15 645
Operating profit in %	14.2%	13.2%	9.3%	5.7%
Net profit	46 247	35 812	19 395	13 608
Net profit in %	11.9%	10.6%	6.3%	4.9%
Depreciation of fixed assets	21 500	21 247	21 308	18 931
Amortisation of intangible assets	10 965	7 588	7 514	6 139
EBITDA²	87 763	73 270	57 369	40 715
EBITDA in %	22.5%	21.7%	18.7%	14.7%
Current assets	175 378	148 363	123 498	114 584
Non-current assets	246 422	240 508	237 713	239 944
Current liabilities	103 006	105 325	100 628	103 037
Non-current liabilities	16 999	15 709	19 946	23 329
Balance sheet total	421 801	388 871	361 211	354 528
Capital expenditure	-27 482	-25 154	-17 212	-18 530
Cash flow from operating activities	75 064	76 687	41 381	41 206
Cash flow from investing activities	-38 052	-35 977	-26 232	-30 062
Cash flow from financing activities	-23 231	-31 662	-14 167	-4 523
Issued shares at 31 March	12 649 739	12 649 739	12 649 739	12 649 739
Average shares outstanding	12 613 915	12 624 859	12 624 614	12 614 726
Earnings per share in CHF (basic/diluted)	3.67	2.84	1.54	1.08
Dividend per share (in CHF)	1.30	1.00	0.60	0.30
Book value per issued share (in CHF)³	23.86	21.17	19.02	18.04
Share price: year's highest (in CHF)	200.70	152.00	94.00	80.80
Share price: year's lowest (in CHF)	137.70	88.15	77.40	52.00
Share price: year-end (in CHF)	190.50	137.50	91.10	78.00
Market capitalisation (in million CHF)	2 410	1 739	1 152	987
Average headcount	1 272	1 122	1 022	996
Average full-time equivalent	1 209	1 079	983	954
Year-end headcount	1 314	1 166	1 050	999
Year-end full-time equivalent	1 256	1 116	1 013	958
Sales per average full-time equivalent (in CHF)	322 213	312 341	311 935	289 578

¹ See basis for the consolidated financial statements on page 44.

² Operating profit before depreciation and amortisation.

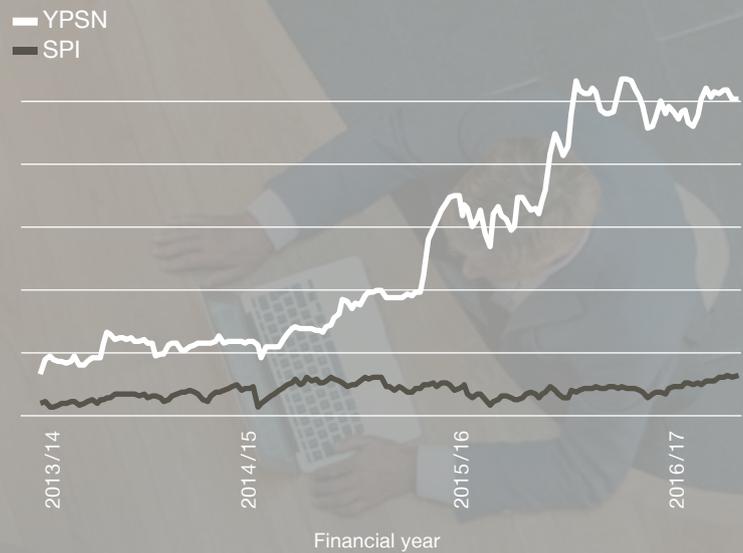
³ The goodwill was offset with equity under Swiss GAAP FER.



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.

Stock development of the Ypsomed registered share



Shareholder structure Ypsomed Holding AG





Corporate Governance

The 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 marketed by globally operating pharmaceutical and biotechnology 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 and a subsidiary in Czechia, a supplier of precision turned parts and components.

The Ypsomed Group's principles and regulations on Corporate Governance are defined in the Articles of Association, in the Organisational Policy of Ypsomed Holding AG as well as 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, with the main features of this policy set out on page 85 under the section on regulations concerning authority. 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: www.ypsomed.com/articlesofassociation). A copy of the Code of Conduct of the Ypsomed Group can be ordered in print form from the company or can be viewed on

the company's website at www.ypsomed.com (www.ypsomed.com/codeofconduct). Implementation of 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. To this purpose, 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 company 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 have been traded on the Domestic Standard of the Swiss Stock Exchange, the SIX Swiss Exchange. The shares have also been traded since 27 June 2007 on the BX Bern eXchange. Security number 1939699/ticker symbol: YPSN

	Per 31 March 2017	Per 31 March 2016
Market capitalisation in CHF	2 409 775 280	1 739 339 113
In % of equity	698.5*	649.4*
Share price in CHF	190.5	137.5
Price/earnings ratio	51.9**	48.4**

* Equity capital on 31 March 2017: kCHF 301 796

Equity capital on 31 March 2016: kCHF 267 836

** Earnings per share as at 31 March 2017: CHF 3.67

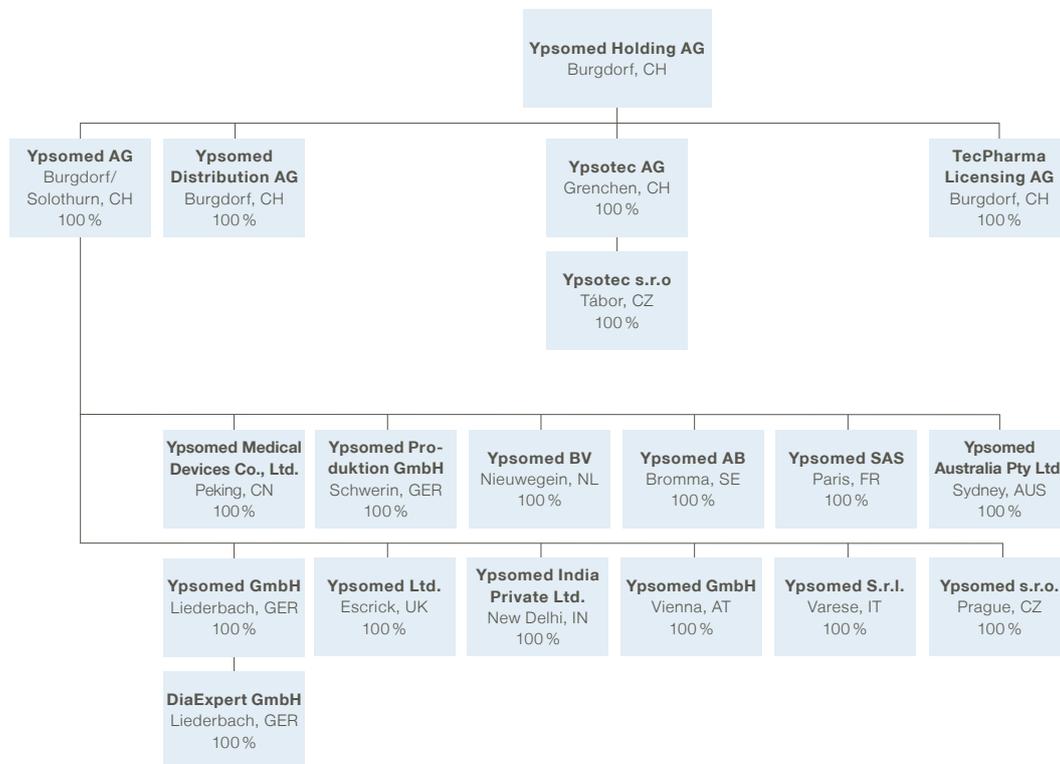
Earnings per share as at 31 March 2016: CHF 2.84

Operating organisation

The operating organisation of the Ypsomed Group is based on a parent company structure. The CEO is supported by 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 the Executive Management sit on the supreme body of each subsidiary. The Executive Management 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 “Ypsomed Delivery Systems” segment comprises the injection systems business developed and manufactured by Ypsomed. The “Ypsomed Diabetes Care” segment comprises the business with various supplies for diabetes care, for example infusion pumps, infusion sets, pen needles, blood glucose monitoring systems and other accessories. The “Others” segment comprises precision turned parts as well as real estate not currently in operational use.

Group structure as at 31 March 2017



The capital of each company is given in the appendix to the consolidated annual balance, see page 49 under 1. Consolidation scope.



Capital structure

Share capital

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

Conditional share capital

At the Annual General Meeting of Shareholders in 2015 it was decided to cancel the conditional share capital. Correspondingly, Ypsomed Holding AG no longer owns conditional capital as of 31 March 2017.

Authorised share capital

On 1 July 2015, the Board of Directors of Ypsomed Holding AG decided to cancel the authorised share capital. Correspondingly, Ypsomed Holding AG no longer owns authorised share capital as of 31 March 2017.

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. All shares have equal dividend rights. There are no preferential rights. Ypsomed Holding AG has no participation certificate capital.

Participation certificates

Ypsomed Holding AG owns no participation certificates.

Changes in capital

The capital changed as follows in the past years: changes in the share capital up to 31 March 2017 in accordance with the statutory financial statement of Ypsomed Holding AG.

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
01.04.16	Transfer of net profit carried forward to retained earnings				6 417 222.04
07.07.16	Dividend from capital contribution reserves				
31.03.17	Buying/disposal of own shares				
31.03.17	Net profit				
31.03.17	Holdings	12 649 739	14.15	178 993 806.85	112 905 629.34

Net profit	Own shares	Other capital reserves (disagio)	Capital contribution reserves	General legal reserves	Total equity
8766 447.94	-927 039.10	-150 000.00	178 627 601.60	50 000.00	448 569 882.30
-8766 447.94					448 569 882.30
			-2522 945.20		446 046 937.10
9352 303.09					455 399 240.19
9352 303.09	-927 039.10	-150 000.00	176 104 656.40	50 000.00	455 399 240.19
-9352 303.09					455 399 240.19
			-3784 417.80		451 614 822.39
	-708 210.15				450 906 612.24
5 160 591.26					456 067 203.50
5 160 591.26	-1 635 249.25	-150 000.00	172 320 238.60	50 000.00	456 067 203.50
-5 160 591.26					456 067 203.50
			-7 576 438.80		448 490 764.70
	-2 194 908.92				446 295 855.78
6 417 222.04					452 713 077.82
6 417 222.04	-3 830 158.17	-150 000.00	164 743 799.80	50 000.00	452 713 077.82
-6 417 222.04					452 713 077.82
			-12 612 817.00		440 100 260.82
	740 288.64				440 840 549.46
10 537 645.05					451 378 194.51
10 537 645.05	-3 089 869.53	-150 000.00	152 130 982.80	50 000.00	451 378 194.51



Shareholder structure

Registered shareholders

There were 4 281 shareholders owning shares registered in the Share Register on 31 March 2017 (previous year: 4 107 shareholders). Of these shareholders, some 97 % report Switzerland as their place of residence. The distribution of shareholdings is as follows:

Number of shares	Number of shareholders as at 31 March 2017	Number of shareholders as at 31 March 2016
1 to 100	2 474	2 335
101 to 1 000	1 603	1 575
1 001 to 10 000	169	159
10 001 to 100 000	28	27
over 100 000	7	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, and 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 2017, the “Michel family” shareholder group holds a combined total of 9 151 174 (previous year: 9 200 957) registered shares in Ypsomed Holding AG, which represents 72.4 % (previous year: 72.7 %) of all the shares in the company. 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 Finance Market Infrastructure Act (former 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. After having heard the parties involved, the Board of Directors may remove the entry as a share-

holder with voting rights from the Share Register and replace it with an entry as a shareholder without voting rights if the entry was made on the basis of incorrect information. No applications for the entry of nominees were made in the reporting year.

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 $\frac{2}{3}$ 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.

Head office of the Ypsomed Group 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 the 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 was the founder, majority shareholder and Chairman of the Board of Directors of the non-listed company Finox AG, with the purpose of development, manufacturing and sale of pharmaceuticals, which was sold to Gedeon Richter in 2016. Willy Michel is the majority shareholder and Chairman of the Board of Directors of Fertility Biotech AG founded in 2016, Vice Chairman of the Board of Directors of BV Holding AG (Chairman from 2001 until March 2008), 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 the 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 catering, 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 (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 the Madison Private Equity Holding AG in 2002 and 2005, Anton Kräuliger repurchased the industrial division, which today is again integrated into Metalyss AG. Anton Kräuliger was a member of the Board of Directors of the listed Berner Kantonalbank BEKB I BCBE (1993 to 2004), 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 a member of the Board of Directors in various other, non-listed companies which are of no significance 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 (Dr. h. c. mult.) and one honorary professorship (Prof. h. c.). 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 taken on responsibility as 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. He was a member of the Board of Directors of the listed company PubliGroupe (2005 until the end of 2008) and a member of the Board of Directors of the listed investment company New Value (2008 until the spring of 2012). In 2005, he was elected to the Board of Directors of Grand Casino Baden. Since 2005, he has been a member of the Board of Trustees of the move>med Foundation, which is involved in the field of sports. Furthermore, Gerhart Isler has been Mayor of Bergdietikon since early 2010.

Members of the Board of Directors

Name	Nationality	Year of birth	Position	Member since	Elected until GM
Dr. h. c. Willy Michel*	CH	1947	Chairman	1984	28 June 2017
Anton Kräuliger**	CH	1946	Vice Chairman	2007	28 June 2017
Prof. em. Dr. rer. pol. Dr. h. c. mult. Norbert Thom**	GER/CH	1946	Member	2005	28 June 2017
Gerhart Isler**	CH	1949	Member	2008	28 June 2017

* 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 the 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



Anton Kräuliger



Prof. em. Dr. Norbert Thom



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 as part of 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 on page 60. In addition to remuneration as President of the Board of Directors of 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 of 31 March 2017, a loan amount totalling CHF 10 million was still outstanding. Since 1 April 2010, the loan has borne interest at a rate based on the 12-month Libor CHF 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 2017 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 has waived giving notice in the financial year 2017/18; after that it may demand repayment of a maximum of CHF 5 million with three months' notice each year. There are no further executive loans.

Rental contract

Willy Michel, respectively 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 have 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 con-

tract stipulates that small and standard maintenance work on the building shall be paid by the tenant up to a maximum amount of 2% 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 approved by the Board of Directors, in whose opinion it is commensurate with a rental contract at normal market conditions.

Contractual relationship with Finox AG

Willy Michel sold Finox AG, which he controlled, to Gedeon Richter in 2016. Finox AG is therefore no longer an entity related to Willy Michel.

Other contractual relationships

Adval Tech Holding AG and Ypsomed AG signed an agreement on strategic cooperation in tool making in June 2007. Adval Tech Holding AG divested this part of business in 2016 to the Barnes Group.

Willy Michel, respectively the Techpharma Management AG company controlled by him, and Ypsomed AG 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 individual services are invoiced at normal market conditions. The contract was discussed and approved by the Board of Directors, in whose opinion it is commensurate with a cooperation contract at normal market conditions.

Number of permissible mandates

The Articles of Association of Ypsomed Holding AG were revised extensively at the General Meeting of Shareholders 2015 in accordance with the Ordinance against Excessive Compensation in Listed Stock Companies (VegüV). Pursuant to the statutes, the members of the Board of Directors should not accept more than fifteen 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 deemed as being one mandate. 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 2016 and Willy Michel was also re-elected as chairman. The results of the first election can be seen in the table on page 81. The statutes of Ypsomed Holding AG do not include 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 2016 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 a circular letter. The agendas for the meetings are set by the chairman; any member of the board 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, in his absence, 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 2016. In addition, the Board of Directors convened for 2 days in March 2017 as part of the strategy meeting with Executive Management. All the members of the Board of Directors took part in all the Board of Directors' meetings, the strategy meeting in March 2017 and in the General Meeting of Shareholders in June 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 during the strategy meeting in March 2017 as well as prior to the meeting of the Board of Directors in May 2017 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 cooperation and contracts with other financial significance. In addition, the Board of Directors approves the conclusion 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), and assesses these 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 appropriate documentation to the auditors several times per year 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 (n.b. before 2003 for Disetronic) since
Simon Michel	CH	1977	Chief Executive Officer (CEO)	2006
Frank Mengis	GER/CH	1964	Senior Vice President Operations (COO)	2015
Hans Ulrich Lehmann	CH	1966	Senior Vice President Technology	2000
Dr. Eberhard Bauer	GER	1960	Senior Vice President Diabetes Care	2012
Ulrike Bauer	GER	1969	Senior Vice President Delivery Systems	2001
Niklaus Ramseier	CH	1963	Chief Financial Officer (CFO)	2002
Yvonne Müller*	CH	1969	Senior Vice President Human Resources	2003
Michael Zaugg**	CH	1972	Senior Vice President Human Resources	2017
Dr. Beat Maurer	CH	1958	Senior Vice President Legal & Intellectual Property, Secretary of the Board	1992

* Ms. Müller left Ypsomed at the end of November 2016 and worked for Ypsomed on a contract basis between February and April 2017.

** Mr. Zaugg joined Ypsomed in April 2017

Simon Michel, CEO of the Ypsomed Holding AG and the Ypsomed Group. With Ypsomed since October 2006. Member of Executive 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 2016 he has been on the Board of Directors at Forster Rohner AG. Since 2015, Simon Michel has been a member of the Board of Directors of the Solothurn Chamber of Commerce, and also since 2015, 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. In March 2017, Simon Michel was elected to the Canton Council of the Canton of Solothurn.

Frank Mengis, Chief Operating Officer (COO). With Ypsomed since 2015 as a Member of Executive Management and responsible for Production, Supply Chain and QM&RA. He has many years of experience in the development and manufacturing of medical devices: former Head of Operations and member of management at Nobel Biocare AG. In the years 2001 to 2012 he held various management

functions in the Straumann Group in Switzerland and the USA in the areas of quality management, production and development. After graduating, he started his career at Hoffmann La Roche AG in Basle in the Engineering Department (2000 to 2008). Of German-Swiss dual nationality, he graduated as Dipl. Ing. Mechanical Engineering from the Technical University Karlsruhe followed by further training at the IMD Lausanne and the Harvard Business School (AMP Programme).

Hans Ulrich Lehmann, Senior Vice President Technology. From April to September 2015, Hans Ulrich Lehmann managed Operations on an 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 Programme for Leadership Development PLD at Harvard Business School in Boston, USA.

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 Munich and carried out postgraduate studies at IMD Lausanne and the London Business School. Ulrike Bauer and Eberhard Bauer are not related in any way.

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). She has a degree 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.

Yvonne Müller, Senior Vice President Human Resources, with Ypsomed since 2003, prior to that responsible for training at Berner Kantonalbank BEKB | 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. Ms Müller left Ypsomed at the end of November 2016 and worked for Ypsomed on a contract basis between February and April 2017.

Michael Zaugg, Senior Vice President Human Resources, with Ypsomed since 2017. From 2011 to 2017 he was employed as Head of Talent Europe at ABB. Previous positions included HR at Credit Suisse: Division HR Manager, Head of Graduate Recruiting & Development and University Marketing (1997 to 2004), Consultant and Management Member at schärpartners ag (2004 to 2007), Head of HR Services at Valiant Holding (2007 to 2008), Head of HR Recruiting at BKW FMB AG (2008 to 2011). Michael Zaugg held several part-time mandates:

Member of the Board of Directors at Poolside AG in Zurich, Member of the Board at IngCH, lecturer at the ZfU and the University of St. Gallen Further Education Centre in the field of Talent Management, as well as the University of Bern on the topic of “Leadership in an innovative environment”, and President of the ABB Childcare Centres. Education: studied Economics at the University of Basel (degree: lic.rer.pol) with business focus on personnel management and marketing. Executive Master of Human Resources Management at the Institute for Applied Psychology in Zurich.

Beat Maurer, Dr. iur., attorney-at-law, Senior Vice President Legal and 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.

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 were revised extensively at the General Meeting of Shareholders 2015 in accordance with the Ordinance against Excessive Compensation in Listed Stock Companies (VegüV). Pursuant to the statutes, the members of the 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 in 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 deemed as being one mandate. Mandates that a member of the 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.



Simon Michel – Chief Executive Officer (CEO)



Frank Mengis – Senior Vice President Operations (COO)



Hans Ulrich Lehmann – Senior Vice President Technology



Dr. Eberhard Bauer – Senior Vice President Diabetes Care



Ulrike Bauer – Senior Vice President Delivery Systems



Niklaus Ramseier – Chief Financial Officer (CFO)



Michael Zaugg – Senior Vice President Human Resources



Dr. Beat Maurer – Senior Vice President Legal & Intellectual Property



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 2016/17 as stipulated by the VegüV can be found in the Compensation Report 2016/17, as of page 93.



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. It will also not apply to Willy Michel, his legal successors due to inheritance, estate distribution, anticipatory successions or matrimonial property rights, as well as to natural or legal persons and partnerships which directly or indirectly or in mutual agreement with Willy Michel, form a group in the meaning of Art. 120 of the Finance Market Infrastructure Act and disclose the same, as he was registered with more than 5% of all voting rights on 18 September 2004 (Art. 13 Statutes). Furthermore, the Board of Directors may decide on exceptions to the restriction of voting rights in justified cases. The Board of Directors did not decide to make any exceptions during the reporting year. There are no rules governing the annulment of statutory voting-right restrictions.

Independent proxy

The General Meeting of Shareholders 2016 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 2017. 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 of 28 June 2017, 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.

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 or the shareholders registered for electronic communication, 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 one 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 Finance 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 2016 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 278. During the reporting year, Ypsomed Holding AG and its group companies were invoiced a total of kCHF 43 by the auditors for additional non-auditing services.

Instruments for supervision and control with regard to 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 people, based on the principle of equality. The company uses the following tools: annual report, semiannual 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

MIRABAUD Securities LLP (www.mirabaud.com),

Daniel Jelovcan

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 www.ypsomed.com/newsservice (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 reported in advance 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 the SIX Swiss Exchange and on the BX Bern eXchange.

Ticker symbols:

YPSN (Telekurs)

YPSN.S (Reuters)

YPSN SW (Bloomberg)

Security number 1 939 699

ISIN: CH 001 939 699 0

Important dates

28 June 2017

General Assembly of Shareholders, Burgdorf

9 November 2017

Media conference and analysts' presentation of the semiannual figures 2017/18, Zurich

24 May 2018

Media conference and analysts' presentation of the annual figures 2017/18, Burgdorf

Contact

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Compensation Report

The Compensation Report for Ypsomed Holding AG for the financial year 2016/17 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) and the Articles of Association.

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 for decision 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 Ypsomed Holding AG of 28 June 2017, the General Meeting of Shareholders shall decide with binding effect and in separate votes on the maximum total amount of the fixed compensation both for the members of the Board of Directors for the period until the next General Meeting of Shareholders 2018 and for the members of Executive Management for the duration of the following financial year 2018/19 as well as on the performance-related compensation for the members of the Board of Directors and Executive Management for the financial year preceding the General Meeting of Shareholders, ending on 31 March 2017.

The relevant total amounts shall 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 Assembly of Shareholders
Board of Directors	Maximum amount of fixed compensation for members of the Board of Directors for the period 28 June 2017 until the next Ordinary General Meeting of Shareholders in 2018	Review of the principles and proposal to Board of Directors	Proposal to GM	Approval at the GM of 28 June 2017
	Individual compensation to the Chairman and the Members of the Board of Directors	Proposal to Board of Directors	Approval	
	Total amount of performance-related compensation to the Members of the Board of Directors for the financial year 2016/17	Recommendation	Proposal to GM	Approval at the GM of 28 June 2017
	Individual compensation to the Members of the Board of Directors	Proposal to Board of Directors	Approval	
Executive management	Maximum fixed compensation to Members of the Executive Management for the financial year 2018/19	Review of the principles and proposal to Board of Directors	Proposal to GM	Approval at the GM of 28 June 2017
	Individual compensation to the Members of the Executive Management	Proposal to Board of Directors	Approval	
	Total amount of performance-related compensation to the Members of the Executive Management for the financial year 2016/17	Recommendation	Proposal to GM	Approval at the GM of 28 June 2017
	Individual compensation to the Members of the Executive Management	Proposal to Board of Directors	Approval	

Board of Directors compensation

The 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 reviews the compensation annually and determines any adjustments at its own discretion and without consulting external advisors. The fixed component for the period from the General Meeting of Shareholders 2016 to the General Meeting of Shareholders 2017 comprises 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 $41 \frac{5}{8}$ % of the fixed component. The amount of the performance-related component is dependent on the targets achieved vis-à-vis the set targets, based on $\frac{2}{3}$ of the consolidated EBIT margin and $\frac{1}{3}$ of the consolidated sales. In the reporting year, this amounted to CHF 158 300 resp. 36 % of the fixed basic compensation for all Directors of the Board, based on a target attainment level of 111.7 %. If target attainment had been 100 %, the performance-related components would have totalled around CHF 140 000. The attendance fee amounts to CHF 1 500 for every meeting that lasts at least half a day (previous 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 in July 2017. All compensation is paid in cash. There are no equity or option plans.

Depending on the situation, VAT or statutory social insurance is to be paid on top of compensation. No insurance benefits apart from those from the occupational insurance were granted to the 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 financial year 2016/17 that is prescribed by the VegüV (formerly Art. 663b^{bis} of the Swiss Code of Obligations) is given in the table on page 96.

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 the performance and the compensation of the members of Executive Management every year and recommends any adjustments to the Board of Directors to decide on at its own discretion and without consulting external advisors. 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 for the CEO amounts to between 0 % and a maximum of 62.5 % and for the other members of Executive Management between 0 % and a maximum of 31 ¼ % of the annual basic compensation (gross) of the individual member of Executive Management. The performance-related component is dependent on the targets achieved vis-à-vis the set targets and is 50 % based 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 and can include project targets, personal development targets or the contribution to the target attainment of a 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 for the CEO in the reporting year amounted to CHF 254 700 resp. 58 % of the fixed basic compensation, based on a target attainment level of 114 %. If target attainment had been 100 %, the performance-related component would have been around CHF 33 700 lower. The amount of the performance-related component to the other Members of Executive Management in the reporting year amounted to CHF 448 800 resp. 25 % of the fixed basic compensation, based on a target attainment level of 109 %. If target attainment had been 100 %, the performance-related component would have been around CHF 36 000 lower.

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 in compliance with the regulations approved by the authorities are not deemed to be compensation subject to authorisation. 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. Ms Müller left Ypsomed at the end of November 2016 and still worked for Ypsomed on a contract basis between February and April 2017. Information on the actual compensation paid directly and indirectly to the current and former members of Executive Management in the financial year 2016/17 that is prescribed by the VegüV (formerly Art. 663b^{bis} of the Swiss Code of Obligations), is given in the table on page 96.

Board of Directors compensation (certified by auditor)

Gross, in thousand CHF	Fixed compensation		Other compensation		Performance-related compensation*		Employer contribution to social insurance		Total	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Willy Michel, Chairman	154.5	154.5	0.0	0.0	55.8	60.0	0.0	0.0	210.3	214.5
Anton Kräuliger, Vice Chairman	94.5	94.5	0.0	0.0	33.5	36.0	0.0	0.0	128.0	130.5
Prof. em. Dr. Norbert Thom	94.5	94.5	0.0	0.0	33.5	36.0	0.0	0.0	128.0	130.5
Gerhart Isler	94.5	93.0	0.0	0.0	33.5	36.0	7.4	7.4	135.4	136.4
Total performance-related compensation	438.0	436.5	0.0	0.0	156.3	168.0	7.4	7.4	601.7	611.9
Highest compensation to Willy Michel									210.3	214.5
Further remuneration to affiliated persons of Willy Michel:										
Techpharma Management AG: for loan (interest)									74.0	105.0
Techpharma Management AG: for rented business premises and services provided									906.6	935.6

* The full performance-related compensation for the Board of Directors comes to a total of kCHF 158.3 (performance-related component kCHF 156.3 additional. the corresponding employer contributions to the social insurances of kCHF 2.0).

Executive Management compensation

Gross, in thousand CHF	Fixed compensation		Other compensation		Performance-related compensation*		Employer contribution to social insurance		Total	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Simon Michel, CEO	440.5	364.0	3.0	0.0	251.4	211.6	73.3	64.2	768.2	639.8
Add. members**	1 770.2	1 654.8	7.4	0.0	452.2	482.5	320.1	307.9	2 550.0	2 454.2
Total management compensation	2 210.7	2 018.8	10.4	0	703.6	694.1	393.4	372.1	3 318.2	3 085.0
Highest compensation to Simon Michel									768.2	639.8

* The full performance-related compensation for Executive Management comes to a total of kCHF 760.5 (performance-related component kCHF 703.6 additional. the corresponding employer contributions to the social insurances of kCHF 56.9).

** Yvonne Müller left Ypsomed at the end of November 2016 and worked for Ypsomed on a contract basis between February and April 2017. Due to her leaving before year end, Yvonne Müller is not entitled to a profit-sharing bonus. Her successor starts in April 2017.

No loans and credits

No loans or credits were granted to present or former members of the Board of Directors and the Executive Management or persons close to them during the reporting year. No such loans or credits were outstanding as of 31 March 2017.

No other compensation

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

Statutory rules governing the principles of compensation

The Articles of Association of Ypsomed Holding AG contain the following with regard to the principles of compensation:

- 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 the Board of Directors and Executive Management

See appendix on the annual financial statement 2016/17 of the Ypsomed Holding AG, page 68.



Auditor report on the remuneration report



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To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, 18 May 2017

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 2017. 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 96 of the remuneration report.



Board of Directors' responsibility

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 2017 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)

Marc Aeberhard
Licensed audit expert



Glossary

Asthma

Bronchial asthma (asthma for short) is a chronic disease of the respiratory airways. Asthma is characterised by spasms of the bronchi and a swelling of the bronchial mucosa with an excessive production of viscous mucus. The result is a narrowing of the bronchi (bronchospasm) with the typical sudden attacks of asthma complaints: coughing, wheezing (whistling breath, particularly when exhaling), a feeling of tightness in the airways, up to severe attacks of asthma with life-threatening shortness of breath. Respiratory distress is expressed by sudden attacks, frequently at night or the early morning.

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.

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.

Human Growth Hormone (hGH)

Also referred to as somatotropin, is a proteohormone which occurs as growth hormone in the human (and animal) organism. Recombinantly produced somatotropin (rhGH) is used as drug substance to treat growth hormone deficiency (GHD) due to pituitary insufficiency.

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.

Immuno-oncology

Also referred to as cancer immunotherapy, is the term for various methods of immunotherapy for the treatment of cancers.

Inflammatory bowel disease (IBD)

A group of inflammatory conditions of the colon and small intestine. Crohn's disease and ulcerative colitis are the principal types of inflammatory bowel disease. It is important to note that not only does Crohn's disease affect the small intestine and large intestine; it can also affect the mouth, oesophagus, stomach and the anus whereas ulcerative colitis primarily affects the colon and the rectum.

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.

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.

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.

Migraine

Migraine is a neurological disease which affects approximately 10 % of the population. It is three times more prevalent in women than men and is typically characterised by periodically recurring sudden attacks of pulsating and unilateral headaches which can be accompanied by additional symptoms such as nausea, vomiting, sensitivity to light or noise.

Multiple sclerosis

Multiple sclerosis (MS) is a chronic inflammatory disease which attacks the myelin sheath in the central nervous system. Next to epilepsy, it is one of the most common neurological diseases in young adults and of considerable socio-medical significance.

Originator drug

Original products are approved medicinal products which allowed first use of a specific drug substance for therapeutic purposes in humans (or animals).

Osteoporosis

Osteoporosis is a common age-related disease of the bone making it susceptible to fractures. The disease, which is also referred to as bone atrophy, is characterised by a decrease in bone density due to an imbalance in bone formation and resorption.

Parathyroid hormone (PTH)

A hormone secreted by the parathyroid glands that is important in bone remodelling, which is an ongoing process in which bone tissue is alternately resorbed and rebuilt over time. PTH essentially increases blood calcium levels.

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.

Viscosity

Viscosity expresses the fluidity or ductility of liquids and gases. The greater the viscosity, the more viscid (less flowable) the fluid, the lower the viscosity, the less viscid (flowable) it is, in other words, it can flow faster under the same conditions.

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