



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 1500 employees.

Ypsomed Holding AG

Annual Report 2017/18



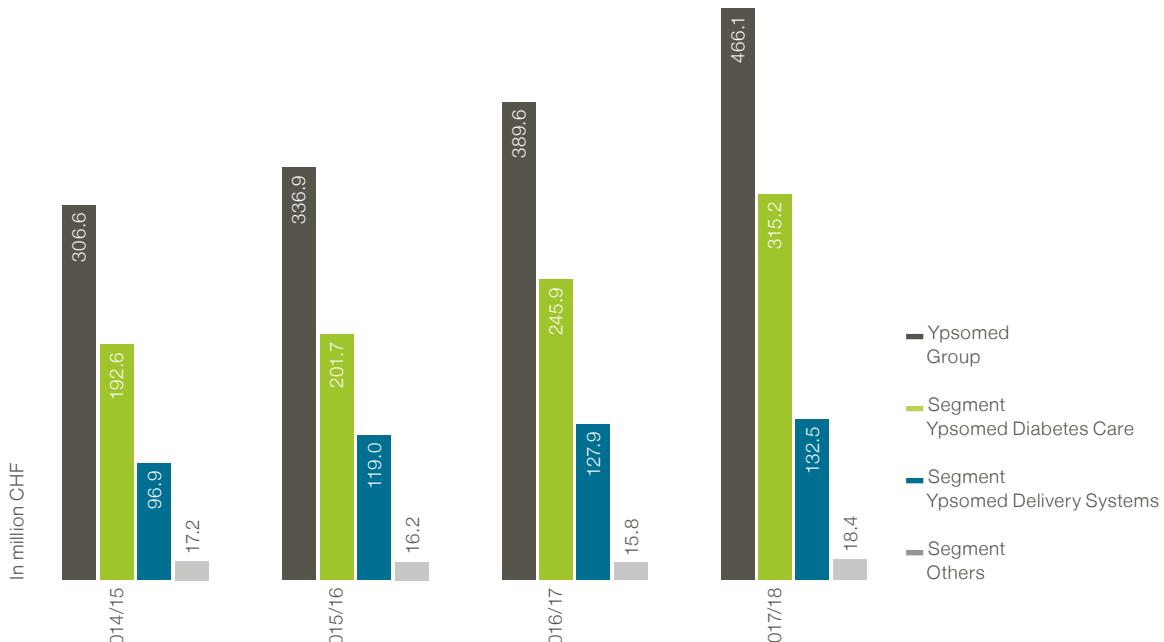
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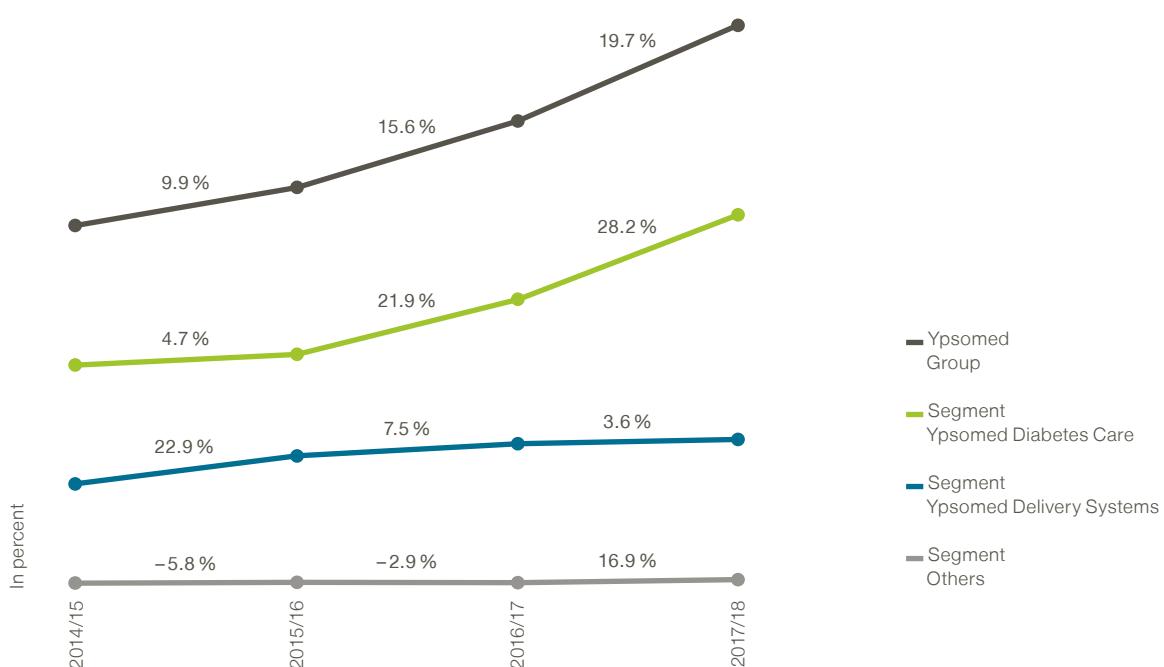


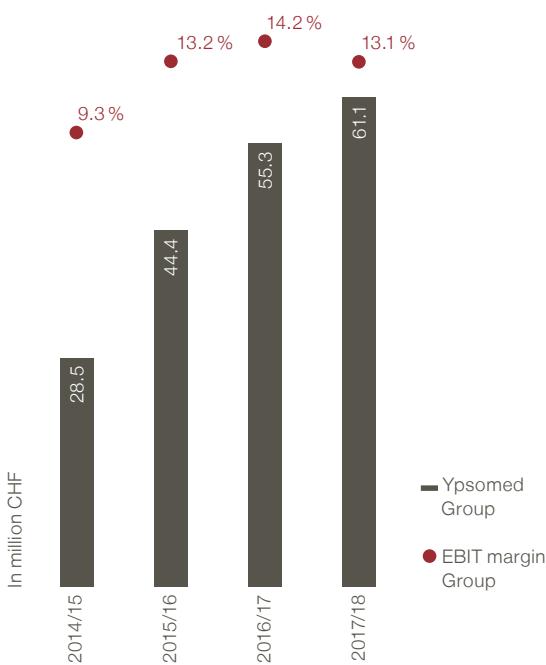
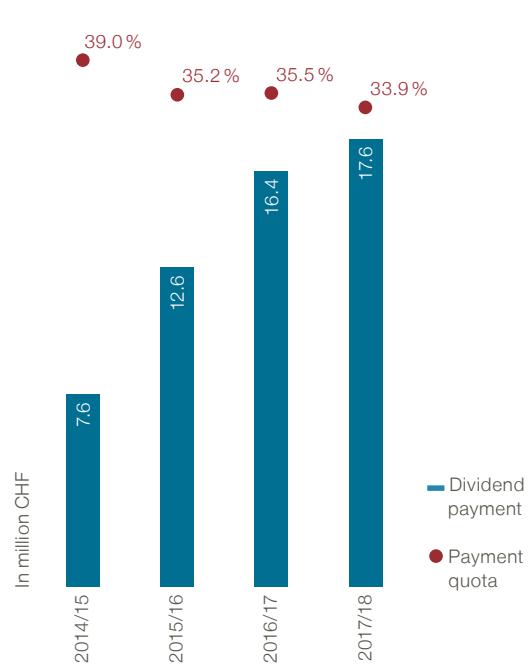
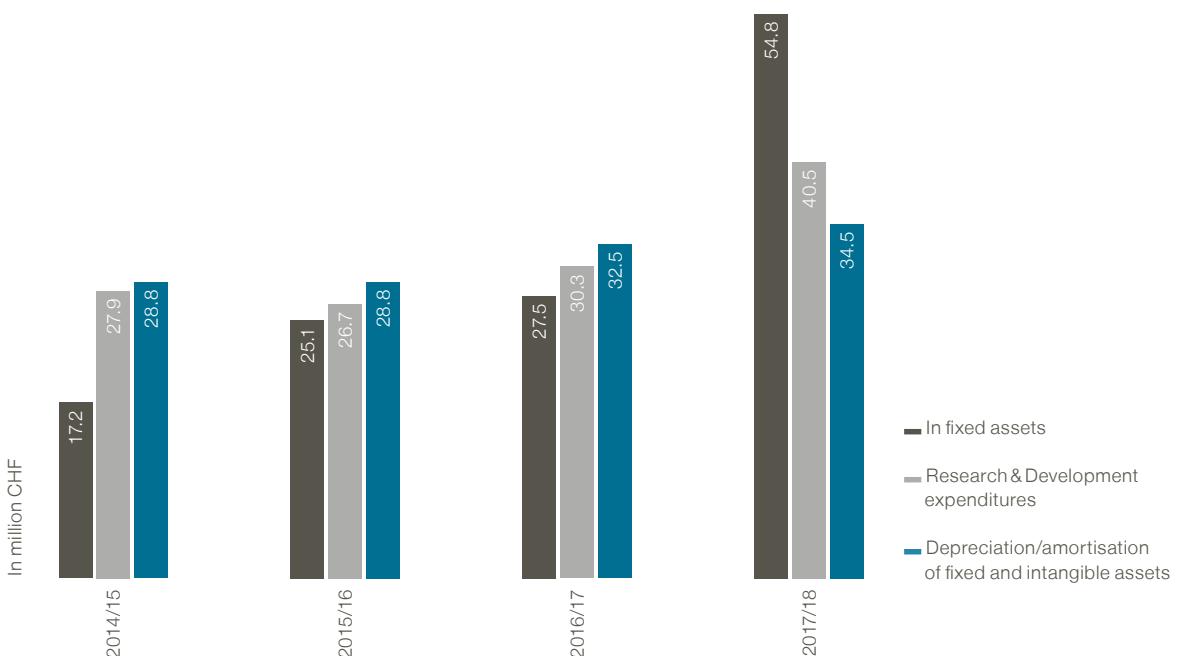
Key figures

Sales of goods and services



Sales growth



EBIT**Dividend payment****Investments into the future**



We continue investing in the future

Letter to shareholders

Dear shareholders

In the past financial year, we again achieved record profits. This confirms that our strategies are working. We will continue to invest in the future of our company and are convinced that this will pay off in the long term. In the coming years we will continue to pursue our global expansion strategy in order to establish ourselves even better as a global supplier of infusion and injection systems. New sales markets also mean the consistent expansion of our production capacities and our infrastructure, for example through the expansion and modernisation of our research and production buildings.

We will continue to invest in research and development. We will evaluate innovative approaches and new technologies and integrate them into our product portfolio. This is the only way we can ensure that our product developments, such as mylife™ YpsоПump®, mylife™ YpsоПод® or the smart injection systems for our corporate customers, are fit for the future. To this end, we will increasingly enter into cooperation agreements with external partners and expand and consolidate our global network.

Digitisation will enrich the further technological development of our product portfolio across all divisions and adapt to the changing needs of users.

Global expansion with our insulin pump

The market for insulin pumps is changing. This offers us the unique opportunity of establishing ourselves globally as a supplier of insulin pumps. An opportunity we will take. As a full-range supplier with compelling products, we have established a trustworthy brand in Europe with mylife™ Diabetescare and we are taking the next step with our expansion into Australia and Canada. We also differentiate ourselves with a simple insulin pump system. This creates customer benefits. In the field of Ypsomed Diabetes Care (YDC), focusing on our own products is crucial. This not only gives us higher margins in the medium and long term, it also gives us the necessary flexibility in further development and independence for our expansion strategy into new markets.



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

A handwritten signature in blue ink.

Flexibility paired with innovative strength

In the field of Ypsomed Delivery Systems (YDS) numerous novel therapeutic agents are entering the market. These entail new requirements for injection systems. We have been observing the trend towards auto-injectors and patch injectors for some time. Accordingly, we will continue to expand our platforms and connect them to our transmitting SmartDevices. Furthermore, we will remain flexible with our platforms to react quickly to market and customer needs. This is confirmed by the continued strong increase in customer projects.

The combination of our expertise in industrial mass production, our market knowledge and the early adoption of new technologies gives us the necessary innovative strength to further expand our pioneering role.

Dear shareholders, I greatly thank you for your confidence.



YPSOMED



Innovation, Production, Expansion

Status report

Dear shareholders,
valued partners and customers

In the financial year 2017/18 we again achieved double digit growth in turnover and increased net profits by approximately 12.6 %. A result which lets us look back on the last year with satisfaction and lets us start the 2018/19 financial year on a positive note.

Ypsomed Diabetes Care (YDC)

The past financial year was characterised by continued strong growth for the mylife™ OmniPod® and preparations for the orderly handover of the business to the manufacturer Insulet Corp. as of 01 July 2018. At the same time, we expanded our marketing and sales activities and introduced our own mylife™ YpsоЛump® insulin pump system and the associated system components in a controlled manner. We have established the connectivity, in other words, the wireless networking of our portfolio in the Diabetes Care sector with the mylife™ Software and mylife™ App. We can thus further simplify insulin pump therapy and create real added value for users, caregivers and physicians. The encouraging growth in the number of new users of the mylife™ YpsоЛump® confirms that we are on the right track.

In response to demand, we are continuing to ramp up production of the insulin pump and the system components. In the fourth quarter, we ordered equipment for our new production plant in Schwerin, which has an annual capacity of 10 million infusion sets and which will supplement the two plants in Mexico and Solothurn, each with an annual capacity of around 2 million units, as of the second half of 2019.

With our complete product portfolio, we can also rapidly advance our global growth strategy and consistently open up new markets. Last year we established new subsidiaries in Spain, Poland, Belgium and Canada. The move to North America is particularly significant, as it will enable us to gain a foothold in the world's largest market and prepare our market entry into the USA. With our expansion strategy, we are taking advantage of the currently favourable market situation. We have the right products and the opportunity to position ourselves globally.

Ypsomed Delivery Systems (YDS)

In the financial year 2017/18, we delivered seven new pen variants for several pharmaceutical companies. Our YpsоМate® autoinjector started in several customer-specific clinical studies in the financial year 2017/18 and is about to be registered and launched on the market with two customers. We are confident that this will result in the first commercial deliveries of the YpsоМate® in the next financial year. Furthermore, we were able to test the YpsоМate® with our SmartPilot™ in initial application examples. Customer responses show that the integration of injection data has enormous potential and that the quality of therapy will improve for users. In the past financial year we were again able to acquire numerous new customer projects. This makes us confident that the YDS segment will develop extremely positively in the long term and continue to gain momentum in the coming years. We are also further expanding production capacities for our injection systems. At the Solothurn site, we installed a further assembly line for disposable pens at the end of the financial year 2017/18 and we are currently ramping up production.

Focus of activities in the financial year 2018/19

Based on the results of the financial year 2017/18 and our strategic orientation, we will continue to make above-average investments in the financial year 2018/19. The Board of Directors and the Executive Management have defined the following key areas of action for the next twelve months:

- We will increasingly focus on the further development of our product portfolio. We will continue to build further resources and implement new standards in all areas, particularly in the area of connectivity.
- This also includes the integration of our new blood glucose meters into the mylife™ Ypsopump® system, and their wireless connection to our therapy management solutions. The new blood glucose meters will complement the product portfolio as of the summer.
- In development, we are focusing on the concept finalisation of our mylife™ Ypsopod® patch pump. We want to complete this by the end of the financial year in order to be able to start design realisation.
- We will accelerate the market introduction of the mylife™ Ypsopump® and push the expansion of existing and the establishment of new subsidiaries. Spain, Australia and Canada in particular have great potential to gain new customers for our insulin pump. We are also preparing to enter the US market in mid-2019, with an expected submission of the registration dossier to the US authorities in the first half of 2018.
- The new certification for medical devices in Europe represents a challenge for the entire industry. We will provide resources to implement the new Medical Device Regulation (MDR) to certify our products according to the new directive. This should be quite feasible, as we have been preparing for this for some time and have a lean product portfolio.
- In order to meet the increasing demand from the market, we will complete our expansion projects in Switzerland and in particular the new production plant in Schwerin on schedule. We are on schedule everywhere and will start with the qualification of production in Schwerin in spring 2019, and start with the first production units in summer 2019.
- We are also working with Insulet Corp. to transfer the Omnipod® business effective from 01 July 2018 and to secure the contractually agreed one-time payment. At present, we estimate this to be between CHF 40 million and CHF 55 million. The focus is on the smooth supply of markets and users with the Omnipod®. We are doing everything we can to make the handover as smooth as possible.



In the financial year 2018/19, we will focus more strongly on our own products and their further development. Furthermore we need to expand our production capacities in line with expected demand.

For the financial year 2018/19, we again anticipate an increase in turnover and earnings, primarily due to the one-off payment by Insulet Corp. As already announced, we expect a temporary decline in sales and profits in the following 2019/20 financial year until the mylife™ Ypsopump® and the project commercialisation from the YDS business can fully compensate for the contribution of mylife™ OmniPod®. Investments in expansion, research and development will also temporarily affect profitability. We are convinced that our own products will significantly boost our business development. Accordingly, our mid- and long-term assessment of the situation has not changed and we are positive about the future.

Simon Michel

Simon Michel
Chief Executive Officer

In the 2018/19 financial year, our sales will be in the same order of magnitude as in financial year 2017/18. At the EBIT level, we expect an amount of between CHF 61 million and CHF 76 million for the 2018/19 financial year.

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



Ypsomed and digitisation

The roles must be reassigned

Digitisation is an industrial revolution. New technologies are breaking up and changing markets, conventional products and services are being replaced and established systems require rethinking. The health care system, too, is in flux and undergoing fundamental change. Those who react to change and rethink at an early stage will be successful in the future.

In the same manner as the technical possibilities are constantly changing and developing within the scope of digitisation, the resulting demands on the health care system and medical technology will be changing too.

Measured in terms of life expectancy, people have never fared better than today. Living conditions, but above all medical progress, have in days gone by reduced or even defeated deadly diseases. However, improved living conditions have given rise to lifestyle diseases such as type 2 diabetes, but also autoimmune diseases such as polyarthritis or Crohn's disease.

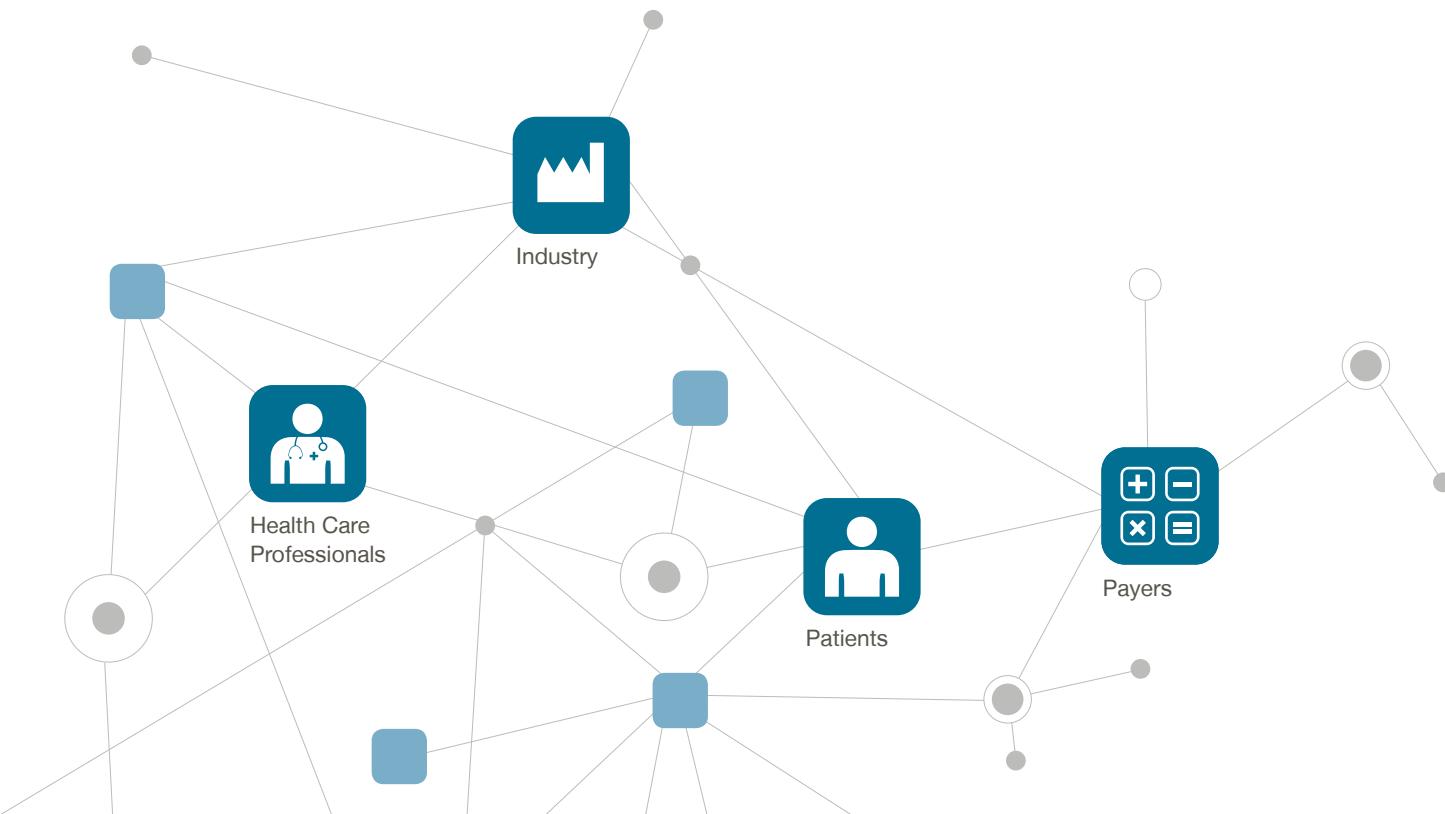
In addition, one can observe a change in behaviour on the part of the users. Many patients have great confidence in technical progress in the medical field. This gives the market and us as a company the opportunity to offer innovative medical solutions for self-treatment. The topic of patient adherence, i.e. loyalty to therapy, will determine the development of injection and infusion systems in the coming years. With our SmartDevices, such as SmartPilot™ for the Ypsomed® autoinjector, and the networking of Ypsomed Diabetescare products around the mylife™ Ypsomed® insulin pump, we are already able to cover a large part of the issues of adherence and

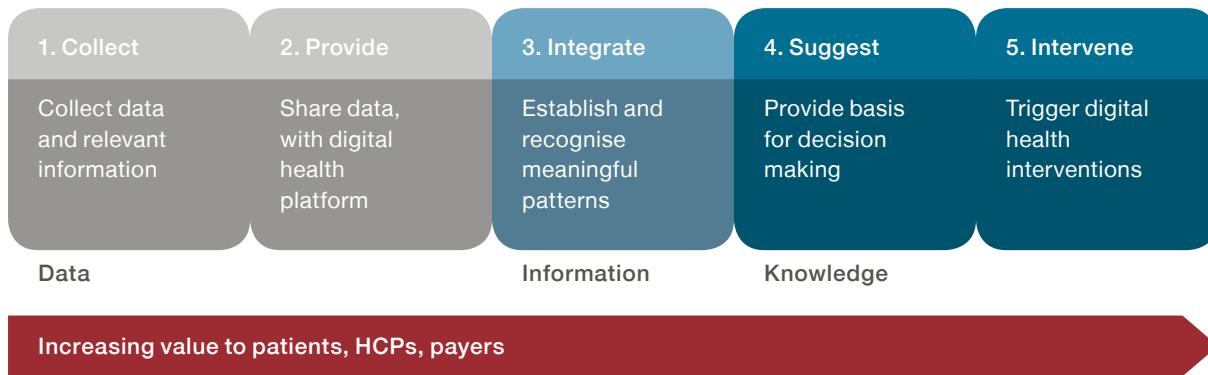
self-responsible therapy. This is where our technological developments support people who feel responsible for their therapy.

Digitisation is not only changing the behaviour and demands of patients. It also transgresses long-established networks of relationships between the players in the health system. The responsibilities, tasks and expectations of the individual stakeholders are increasingly changing. The traditional distribution of roles no longer lives up to the digital change and some of the roles have to be redefined.

What does digitisation mean for us:

- Application of novel digital technologies to increase therapeutic success
- Opportunities for differentiation through innovative service-oriented business models
- Collaboration with partners outside traditional industry boundaries
- Creating new mechanisms for patient interaction and stakeholder integration





Talking about the same thing together

Digitisation not only concerns us as a manufacturer of injection and infusion systems. Digitisation in the health-care sector affects all stakeholders: From the drug manufacturer, the medical staff to the patients. It is therefore all the more important that all stakeholders have a common understanding of the future of health care and that the roles are clearly defined.

Digitisation is not merely about collecting and storing data. The key to the success of future innovations is to integrate and process the data to create added value. Automated systems are only possible on this basis. The data must become useful information and ultimately knowledge that can be used profitably in therapy. SmartDevices are components of integrated systems and transfer the data from the patient into the system. The system evaluates the data, interprets them and transfers the therapy recommendation back to the SmartDevices and thus to the patient.

Five steps into the future

In the Ypsomed Diabetes Care segment, we are already taking a good step in this direction with the mylife™ YpsоПump® System. With the wireless connection of the insulin pump and the blood glucose monitoring systems, we are today already able to provide users with therapy suggestions based on current insulin and blood sugar data via the mylife™ App. A prerequisite for future automated systems is to bundle the collected data and automatically send it back to the insulin pump as a therapeutic intervention, or to make it available to the patient as a therapeutic suggestion. At Ypsomed we refer to this as SmartLoop®.

In order to use the data collected for therapeutic purposes, modern drug delivery systems must be able to operate in five steps. In concrete terms and in the case of automated insulin pump therapy, this means:

1. Medical devices must be able to collect and store therapy data.
2. The collected data is sent directly or via mobile phone to platforms such as cloud solutions via a wireless connection of the products.
3. The data from the various sources must be integrated there in order to recognise and interpret meaningful patterns and therapeutic behaviour.
4. Based on the interpreted data, the physician can make therapy adjustments or an app could send therapy suggestions directly to the user.
5. The patient or the physician can view these therapy suggestions digitally and accept or reject them as therapeutic action. It is also conceivable that the device will be able to automatically control the patient's therapy based on the interpreted data, instead of manual correction.

In the Ypsomed Delivery Systems segment, the translation of these five steps is more complex because a larger number of stakeholders is involved. Most pharmaceutical and biotech companies have their own interpretation of digitisation and what will be in demand on the market in the future. To be successful, the various stakeholders must work together and develop a common understanding.

However, there is little motivation on the part of the cost bearers. Most cost bearers are regionally oriented and too strongly involved on the administrative side to develop a global solution. Up to now, pharmaceutical companies have shown little interest in the therapy behaviour and data of patients, but will have to rethink in view of changing market demands. Pharmaceutical companies bring with them knowledge in a traditional sense, i.e. how therapy behaviour affects therapy. For physicians, on the other hand, it is not desirable and efficient to work with different systems.

Which leaves the manufacturers of medical devices. As a manufacturer of injection systems, we see it as our duty to take on a pioneering role and actively contribute to shaping future market developments. With our products, we provide the technology, hardware and services to capture the data in the first place, and we are also planning to provide a therapy-independent platform that will facilitate further processing for our customers - the pharmaceutical and biotech companies.



“Digitisation is shaking up the healthcare system”

In the interview, futurologist Jeanette Huber explains the consequences of digitisation for the healthcare system. Classical systems and processes are breaking up and need to be redefined. But what exactly does digitisation do to us?

Digitisation is changing the healthcare market in many ways.
As a futurologist, you tend to look at the phenomenon sociologically.
How are patients changing?

Today, the majority is convinced that the responsibility for health mainly lies with each individual. In the 21st century, the mature patient is shaping the health landscape and it is precisely this group of patients which is playing into the hands of digitisation. This begins with obtaining health-relevant information, where the Internet has advanced to second place after the physician in the order of importance, and continues on to the digital documentation of health conditions.

This points to a paradigm shift. In the past, diagnostics used to be an institutional task. In the future, digital tools in the hands of patients will make “anywhere and anytime diagnostics” possible. It is simpler, cheaper and becoming a tool for health-conscious people.

How are the relationships between the various stakeholders in the health system changing as a result of digitisation?

The healthcare system is a closed hierarchical system of experts with standardised processes to which the patient has to submit. Digitisation is shaking up this system because it is creating networks in the health sector. Networks that connect people, both mobile and in real time. A new culture of relationships is emerging, characterised by participation, transparency, openness and the maturity of the individual.

Patients exchange information with each other about physicians and therapies, in the best case physicians network to learn from each other, the industry establishes direct connections to patients. The vision is egalitarian, democratic and open medicine. Digitisation is thus triggering a huge cultural change.

How is this cultural change perceived by healthcare professionals?

For example, network-savvy patients expect physicians to sort out their painstakingly googled health knowledge and create meaningful connections from the individual information snippets. Superficial knowledge is the patients’ great lack of knowledge. In the future, the patient will bring the self-recorded health data to the consultation and the doctor must take these into account. There is a need for innovation when it comes to transparency and patient participation in treatment. Communication between the physician and patient also requires rethinking. In future, low-threshold forms of communication will supplement the classic physician appointment. The trend is moving towards more opportunities to exchange information with health experts via the Internet in a trustworthy and qualified manner.

Who is leading the way and who sets the tone and speed of digital change in the health sector?

Cost pressure in the health sector acts as a catalyst for everything that promises better results at lower costs. This is a driver of digitisation. However, there is also resistance to digitisation, mainly by the health insurance companies and insurers. Add to this the attitude of the patients. Even in the digital age, they want to have a personal relationship with their physician.

This inevitably brings us to the question of what can slow down digital change in the health system?

The attitude of patients. Even in the digital age, patients want attention and personal contact. Regardless of their type of insurance. They have a fear that automation will turn face-to-face dealing with people into a luxury. The social role of the physician cannot be digitised. The majority of patients consider more humanity and empathy on the part of physicians to be important when it comes to the health care of the future. Eye contact is more important to many patients than the physician permanently viewing the monitor.

Where is digitisation taking us? What happens once smart and networked devices are established?

Then we have an enormous amount of data to start with. This is actually not a bad thing, because the more you know about diseases, the better you can understand and treat them. However, the problem is that the amount of information grows faster than the best specialist can process it. Against such a background, we will need systems that can process information better and faster than people. Above all this calls for the industry to provide systems that meet the needs of patients and physicians. Nevertheless, not everyone is enthusiastic when machines give them good advice. People want to retain their sovereignty over technology and make decisions themselves.

The human being should be respected as an experienced person and decision maker with special skills. Technology can supplement the person's capabilities in a targeted manner, but cannot replace them.



Background

Jeanette Huber is Associate Director at the Future Institute. Her professional background ranges from a ten-year involvement in the IT industry to several years of experience in an international management consultancy and the management of her own tourism company in South Africa, where she lived until 2000. This multi-faceted life and work biography enables her to pragmatically link the scientific results of futurology with today's business world.



With mylife™ Diabetescare we are successful in direct business with products and services for people with diabetes mellitus.

We are expanding into new markets worldwide with a networked portfolio. Our objective is to further network our products and thus offer users real added value.





Digitisation meets everyday practice

The patient-physician-relationship changes

Digitisation not only brings with it new products and new possibilities in therapy management. In the daily practice of diabetologists, it also leads to areas of tension between patient and physician. The reason being that the demands of patients as well as the therapy options will change.

Digitisation is coming and it will change the daily routine in the practice and the patient-doctor relationship. The use of health apps, fitness trackers, but especially also the digital display of blood glucose values and pump data in real time, enable users to monitor their health status. In addition, new forms of self-therapy will be created due to the constant availability of data. The user is becoming more independent. Parts of therapy will be automated. Another aspect of digitisation is new forms of communication via social media, blogs and the infinite availability of information on the Internet. The problem is that this information may not be correct and may give patients the wrong picture of treatment options. Attending physicians must be able to meet these increasingly mature, self-determined patients eye-to-eye. The majority agree that the profession of diabetologists will change sooner or later. In addition to a digital focus in everyday practice life, they must also sensitise patients to enable them to look at information and data in a differentiated way and to assess what is correct and relevant. Especially as insulin pump systems are taking on more and more automated tasks, the user must be able to maintain control of the therapy.

Digitisation offers opportunities

However, digitisation also offers opportunities here. In the future, patients will choose their physician on how well he/she can keep pace with the digital change and serve the changed needs of the patients. With the increased knowledge and independence of the patients, consultation with the physician will become even more individual than it already is today. This allows the relationship between patient and physician to improve. However, the availability of networked therapy data also makes consultation easier, clearer and above all qualitatively better.

Data protection versus simplicity

Digitisation also implies simplicity. No more manually logged diabetes diaries and no manual evaluations of the data by the physician. For example, therapy data is recorded wirelessly in the mylife™ App and stored in the mylife™ Cloud at the patient's request. Here the industry, in other words we, must be able to provide the patient with a secure environment to collect and store his/her data. The patient must retain the powers of control here. With the mylife™ Cloud, for example, the attending physician can only access the patient data if the patient expressly authorises this and makes his/her data available to the physician.

We asked 70 diabetologists and diabetes consultants about their assessment of digitisation:

- 75 % believe that digitisation will improve or not worsen the patient-physician relationship.
- 75 % estimate that the abundance of digital data will improve or not worsen patient consultation.
- 72 % estimate that in five years' time patients will be using digital services in diabetes therapy.
- 72 % are of the opinion that in five years more than half of patients will choose their diabetologist according to his/her digital capabilities.
- 68 % see digitisation as a trend to be taken seriously in everyday practice.
- 54 % think it is necessary for diabetologists to expand their professional profile with a digital focus.
- 51 % think it makes sense to store and manage patient data in a cloud in the future.
- 49 % believe that in five years the diabetologist will be replaced by the Internet as the main source of information on therapy.



“Digitisation opens up opportunities”

New technologies, new relationships

In the interview, diabetologist Prof. Dr. med. Bernd Schultes explains how everyday practice changes due to new technologies and how this influences the relationship between him and his patients. For him, digitisation is a joint process for all those involved.

How exactly will the relationship between patient and physician change?

Digitisation will change the patient-physician relationship. First of all, the adjustment of glucose metabolism becomes objectifiable and the patient's behaviour becomes transparent. This requires a deeper level of trust between the patient and physician. In the past, it was quite common for patients to be more “disciplined” during the last days before a visit to the physician or to note better values than measured. The PC-supported reading of the measuring devices and the increase in continuous glucose meters (CGM) make the patient's behaviour quite clear.

How do you change the way you treat your patients through new technologies?

First of all, one must find a common basis for dealing with the new technologies and the technical possibilities must be approached together. This process can differ considerably, depending on the patient. Thus, consultations in particular will become measures to cultivate relationships and build trust. Even if this may seem paradoxical at first against the background of digitisation, it is essential. The role of the physician is increasingly changing from being the sole know-how carrier to an accompanying consultant.

In addition, we are increasingly benefiting from the cloud-based platforms to which patients can upload their data. One challenge here is that there are many different data platforms, each with different evaluation systems. This makes it increasingly difficult to maintain an overview and increases complexity.

Data protection is becoming increasingly important here. As far as our patients are concerned, I am surprised how many are aware of this problem but accept the risks involved. For many, the new technologies apparently represent so much added value that they ignore the potential risks with regard to the protection of their data. However, there are also legal uncertainties. It is not a problem if the patient uploads his/her data directly to a cloud-based platform, which we can then view.

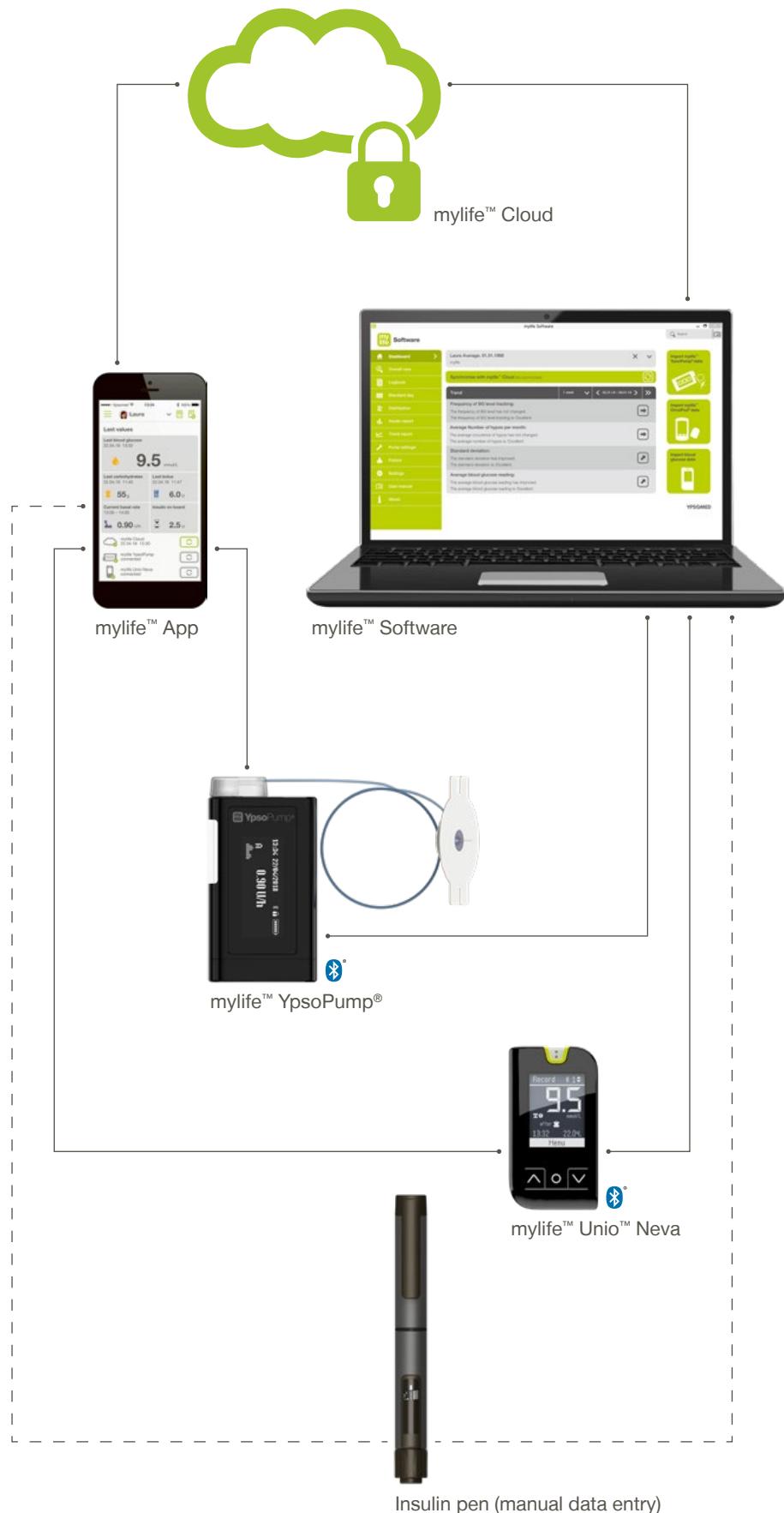


**Prof. Dr. med.
Bernd Schultes**
Diabetologist, St. Gallen

Where do you see the role of industry in digital diabetes therapy?

The apps, software and clouds are helpful in many ways. The problem is that many companies look at the systems as being an instrument for establishing a market advantage and direct customer loyalty. This necessitates that many systems are closed and therefore only function in isolation, which reduces the added value for users. Merging pump data with blood glucose data in a single system is just one example for this. If one uses systems from different manufacturers, this is often not possible.

Digitisation also changes the relationship between physicians and the industry. On the one hand we will become increasingly dependent on the technologies provided, on the other hand the cooperation also clearly offers new opportunities. It is obvious that the industry is moving ever closer to the patient. Against this background, the physician-patient-industry triangle needs to be redefined. One of our new roles as physicians is to maintain a balance by working with our patients to identify the best options for them.



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Our connected portfolio

The mylife™ YpsoPump® system

With the launch of the mylife™ App in the second half of the last financial year, the system relating to our mylife™ YpsoPump® insulin pump is complete. By connecting the mylife™ Unio™ Neva blood glucose meter, which will be available soon, users can send their pump and blood glucose data via Bluetooth® to the mylife™ App and merge them there.

The collected data from the insulin pump and the blood glucose meters serve as the basis for the bolus calculator integrated in the mylife™ App. This not only simplifies daily therapy, the combined data also provides a more comprehensive picture of the course of therapy and point to optimisation potential. In addition, the recorded therapy data can be shared directly with the attending physician via the mylife™ Cloud. This saves time during consultations and allows children to make all relevant data available to their parents in real time.

Modular systems increase the benefit for users

The mylife™ YpsoPump® system was designed from the beginning as a modular platform for insulin pump therapy. This means that the insulin pump is also compatible with the blood glucose meters from other manufacturers, regardless of its system components. We continue to remain committed to the benefits for users, true to the motto “Free choice in pump therapy”. For the future, we plan to work with a manufacturer of continuous glucose meters (CGM). Thus the next step is to connect the mylife™ YpsoPump® system to a CGM sensor and merge the data from the pump and CGM into the mylife™ App. At the same time this is the next step towards the SmartLoop® system. We are also working intensively on the Control App, which allows the mylife™ YpsoPump® to be operated directly from the smartphone. The focus is always on the benefit for the users and the medical benefit of the therapy systems.

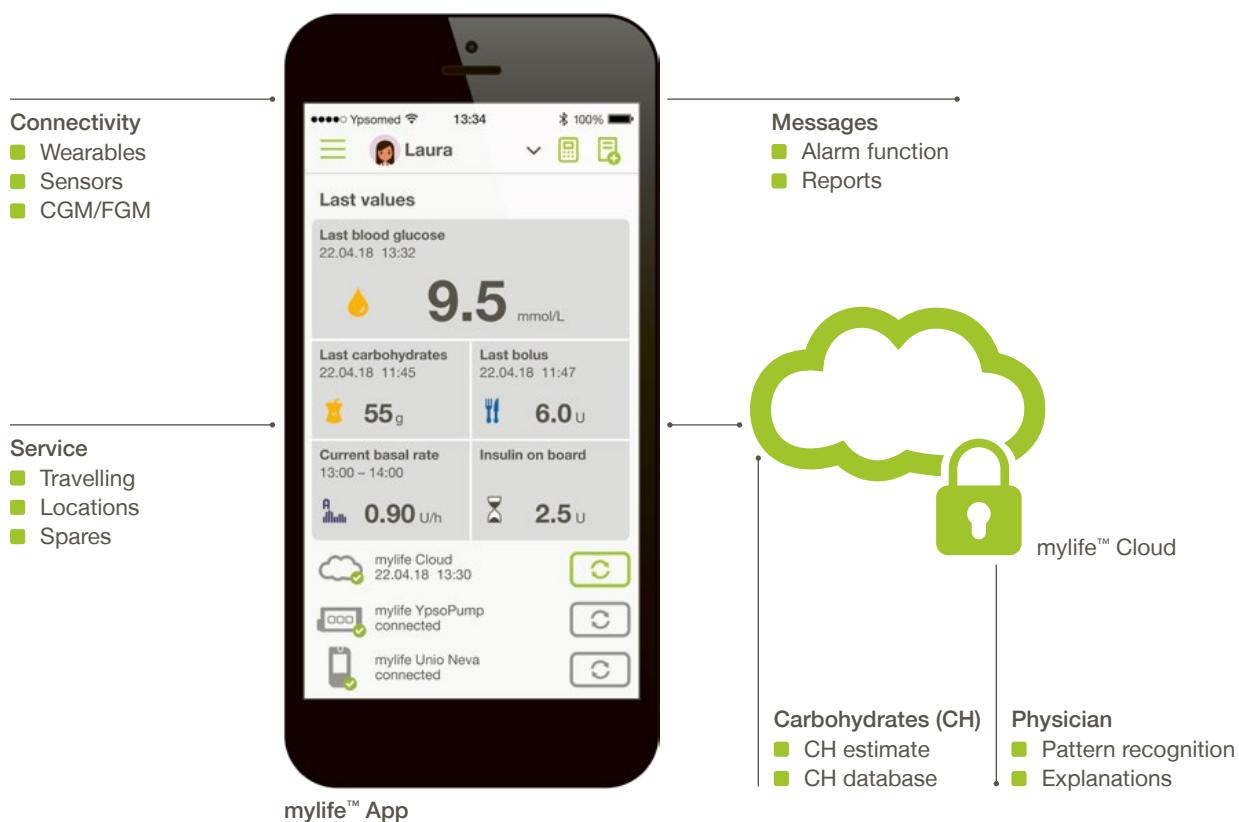
The patient decides on his/her data

Digitisation inevitably raises the question of patient data security and what happens to the data. In the future, this topic will become even more relevant when new business models can use patient data as the basis for new insurance models or treatment methods. To prevent these models from being detrimental to the patient, the data must remain the responsibility of the patient. Our servers for the mylife™ Cloud are located in the legally compliant EU area and in Switzerland. Neither the treating physician, family members or we as providers of the mylife™ Software and the mylife™ App have access to the data, unless expressly permitted by the patient. We also feel obliged to the patient with regard to data security. This “positive conservative” approach to data handling creates trust, primarily among patients, but also among physicians, and therefore also among cost bearers and society.



The mylife™ App becomes even smarter

Within the context of digitisation, we are further expanding our portfolio and services digitally. We summarise our digital offers for therapy support under the term mylife™ Digital. We are starting to work with new app functions, which are currently in the development phase.



In order to be able to offer the users of our mylife™ App even more in the future, we are constantly developing it further. Our concept is an algorithm that allows the mylife™ App to link the therapy data from insulin pumps and blood glucose meters or CGM systems, for example, with GPS or calendar data or personal usage data. This way the mylife™ App learns independently and can, depending on recognised behaviour patterns, provide users with practical notes on therapy via push messages. For example, if a user visits the fitness studio every Tuesday and Thursday at 6 p.m., the mylife™ App remembers this. Accordingly, it can remind the user before the visit to lower the basal rate.

In addition, intelligent algorithms can be used to explain surprising fluctuations in blood sugar levels, for example by comparing the calendar. This is stored by the mylife™ App in an activity log which combines the therapy and personal data from the smartphone or other apps. Via GPS localisation, the mylife™ App will also be able to actively inform the user about the location of the nearest emergency practice or how to obtain consumables as quickly as possible. Further development through self-learning algorithms will simplify the daily therapy management of the users and is a further step in our digital product development. This forms the basis for future SmartLoop® systems.



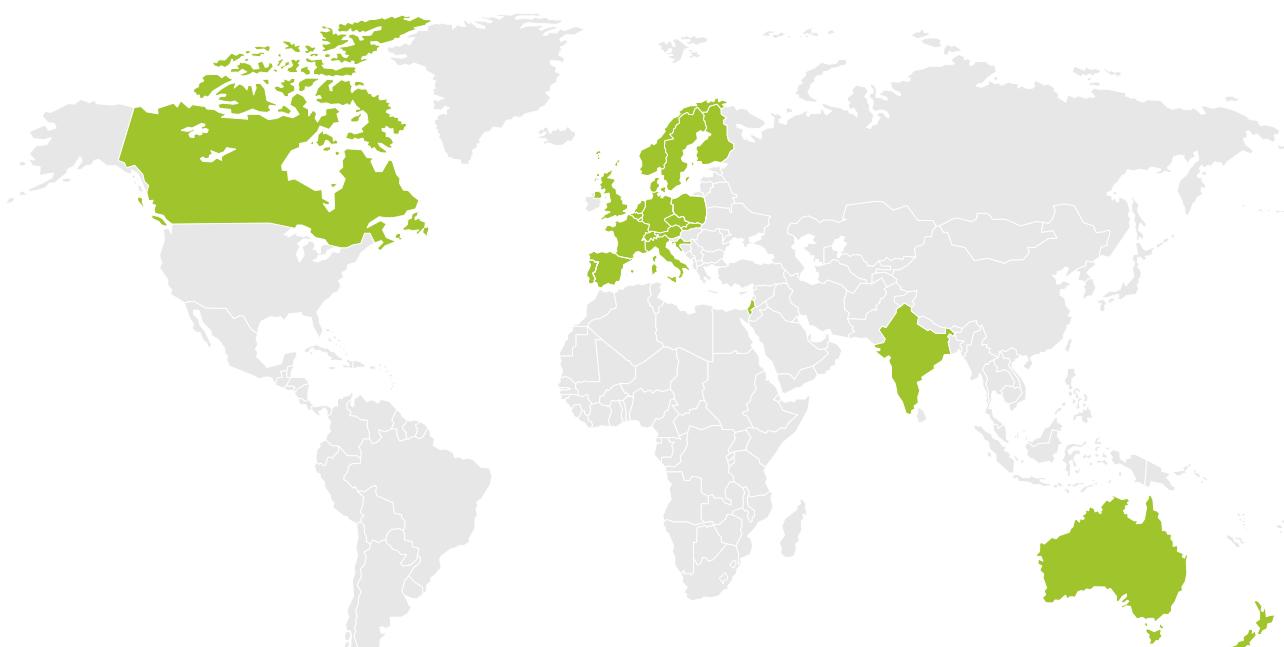
Expansion into new markets

We are taking the opportunities

Since its market launch in autumn 2016, the mylife™ YpsоСump® has become available in 14 European countries. The success of the innovative insulin pump during the launch phase confirms the need among users for an easy-to-operate, and handy insulin pump.

The mylife™ YpsоСump® system enables us to open up previously untapped markets and to continue our growth strategy consistently. At the beginning of the year, we rolled out the mylife™ YpsоСump® in Australia, serving a non-European market for the first time with our insulin pump. At the end of the last financial year, we also established our own subsidiary in Canada, where the mylife™ YpsоСump® will be launched in October 2018. Canada has a population of approximately 37 million people. Of the approximately 2.6 million diabetics, about 280 000 are type 1 diabetics and about 600 000 type 2 diabetics on insulin therapy. With our new subsidiary in Canada, we are also in a position to offer our insulin pump in North America for the first time, which is still the largest and most important market. An important milestone in our expansion strategy. The timing for the global expansion is in our favour. Competitors are withdrawing from the insulin pump business, either in part or completely. Furthermore, feedback from the markets confirms that there is a patient need for a simple, handy insulin pump.

At the same time, we launched the mylife™ YpsоСump® in India and thus for the first time outside the established insulin pump markets. India has one of the highest numbers of type 1 diabetics and is potentially one of the largest markets in the world. However, insulin pump therapy in India is hardly established, if at all. The launch of the insulin pump in India is primarily involved with establishing insulin pump therapy on the subcontinent.



■ Availability of the
mylife™ YpsоСump®
by the end of 2018



We offer our pharmaceutical and biotech customers injection systems and related services under the YDS brand.

Our platform approach allows us to meet customer requirements without risks and in flexible production quantities. In future, our platform products will be supplemented by digital products.





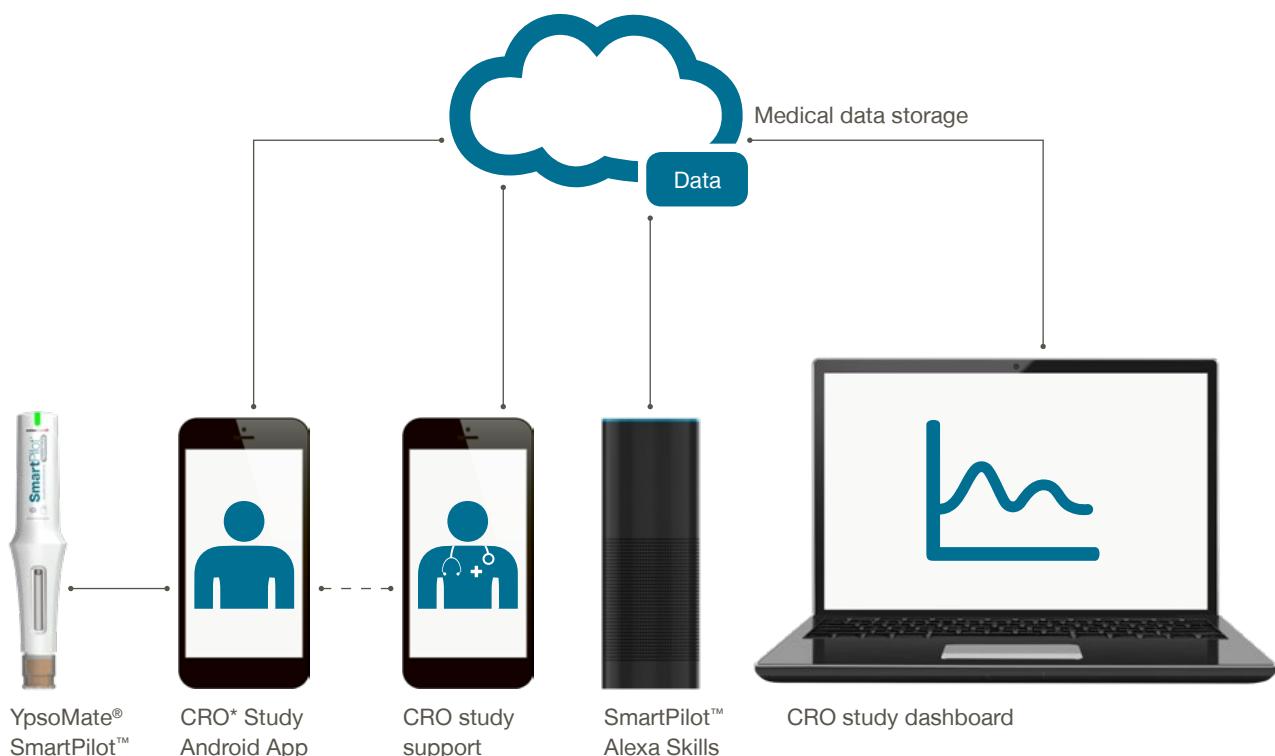
Digital innovations secure our future

Digital language assistants such as Alexa or Siri are already compatible with various health apps, augmented reality glasses are used in production, and medical technology products are connected to the Internet. The healthcare system is currently being changed by digital products and services. We are proactively embracing this change in order to serve the needs of the future.

The healthcare system appears to be lagging behind the rapid technological change. Nonetheless, there is an increasing number of product developments with which pharmaceutical and medical technology companies are introducing innovative digital solutions to the market. Devices with a built-in Bluetooth® connection make therapy management easier for users. They are connected to the Internet via the smartphone. This greatly facilitates the exchange of information with the attending physician and also allows an overview of the therapy itself. Adherence, i.e. therapy loyalty, can thus be monitored and improved in a targeted manner. Through cloud services, healthcare professionals have access to up-to-date therapy data and an overview of the treatment given.

Digital Innovation Team creates new principles

The development of such products requires special skills and approaches to keep pace with the rapid technological change. Last year, our Digital Innovation Team laid the foundation in the Concept Development Department for keeping up to date with the development of innovative digital solutions for the users of tomorrow and beyond. However, high-quality data must be collected and processed into knowledge before diabetics or rheumatism patients can interact with digital speech assistants and self-learning algorithms.



*CRO: Contract Research Organisation or Clinical Research Organisation

For this purpose, future Ypsomed products such as pens, auto-injectors or patch injectors will communicate with digital platforms on the Internet and exchange data. As this data is sensitive in many cases and contain information about the patient's health, the topics cyber-security and data protection are of great importance. Special attention is also paid to patient safety in networked systems with regard to their therapy data. It is gratifying to note that the authorities, especially the US health authority FDA, have also recognised this issue and have drawn up appropriate guidelines to enable the approval of these new products in the first place.

Interdisciplinary cooperation leads to success

Together with colleagues from the Technology and Business Development Departments, the Digital Innovation Team is working on integrating the latest wireless technologies, such as Bluetooth® Low Energy or NFC, known from the cashless payment system, as well as other technologies for direct Internet connections in future product developments. Furthermore, our SmartPilot™ turns existing platform products, such as the YpsоМate®, into connected devices. The exchange beyond departmental boundaries as well as with external experts and of course, with our customers, ensures that future products and systems will meet the new requirements and will operate with the latest technology.

SmartPilot™ for YpsоМate® and Amazon Alexa: first examples of applications

At last year's Parenteral Drug Association (PDA) conference in Vienna, we were able to present our vision of a future ecosystem for our "smart" and connected YpsоМate® autoinjector for the first time.

The SmartPilot™ for YpsоМate® – the attachable device for the YpsоМate® – can identify the administered drug and write this information, together with the time and a success report of the injection, into a cloud database via a smartphone app. In turn, the data can be accessed by healthcare professionals via the Internet portal. In addition to the app, the patient can have this information communicated via digital language assistants, such as Alexa from Amazon, or be reminded when the next injection is due. These first examples of applications show the potential of networked devices. SmartDevices can bring about enormous improvements, not only in daily use, but also in clinical studies. Study times are shortened, the administration effort is reduced and the compliance of the study participants can be better checked.

TechScouting expands horizons

There are currently several centres around the world where the concentration of innovators is exceptionally high and where the development of technology for digitisation, and in particular medical technology, is the focus. In order to assess the relevance and suitability of the emerging new trends and technologies for our strategy at an early stage, we will increasingly integrate TechScouting at these centres into our concept development activities in the future. To this end, we not only want to operate out of Burgdorf, but also want to have a temporary presence in the current global medtech centres. This way, we can be sure that we can experience global developments first-hand and build up the necessary networks and contacts on a sustainable basis.

Platform approach delivers flexibility

The trend towards digitisation means that the decision to buy a product is strongly driven by whether the device is capable of networking and interacting with other systems. Isolated products will become less and less important. Smart medical devices will form the tangible part of this ecosystem. Without these, no blood glucose readings are measured, no insulin is dosed or injections recorded. Our concept of integrating SmartDevices as accessories, or add-ons, into the existing platforms gives our customers flexibility. Injection systems ordered or already available on the market can be supplemented by SmartDevices without requiring product adaptation.

It's the mix that counts

In the long term, we can ensure our success by combining our strengths: innovative power and know-how paired with our competence in industrial production and mass production. Our long-standing expertise in developing and manufacturing such devices with maximum reliability will further strengthen our position in a digitised market with smart medical technology devices. Robust functionality and ease of operation are the key to success.



Extensions in production

Increasing demand for flexible volumes

New, specific drugs for a variety of autoimmune diseases are penetrating the market. This leads to changes: numerous new drug manufacturers, many new drugs and new requirements for injection systems. If you want to be one of the players, you have to be flexible and adapt your production concepts accordingly.

If one currently lives with an autoimmune disease, such as rheumatoid arthritis, there is a limited number of drugs for therapy, so one drug is used for a variety of diseases. This is changing. A large number of new, very specific drugs are being developed and will be on the market in the next few years. Each of the new drugs targets a specific disease. As a result, the corresponding market will diversify and more pharmaceutical companies will offer a larger number of drugs, but in smaller quantities. This is good for the market and the patients, but also a challenge for the manufacturers of injection devices, as the demands on the injection devices themselves are changing.

New drugs no longer have to be injected quite as regularly or as often, but therefore in higher injection volumes. Some novel drugs are also more viscous. We have been observing the trend towards auto and patch injectors for some time now. Products such as the YpsоМate® in its variants and the YpsоАose® patch injector are thus gaining in importance and potential. In general, this calls for increased efficiency in the creation of product variants and correspondingly greater flexibility in production.

New drugs are increasingly being administered in auto and patch injectors



Our new production site in Schwerin



Flexible production systems

Our platform strategy plays into our hands in terms of the flexible production of customer-specific variants. Even today we can already serve a large number of different customer projects for different product variants. The new drugs on the market and the many new pharmaceutical companies are bringing us a large number of new customer projects for our platform products.

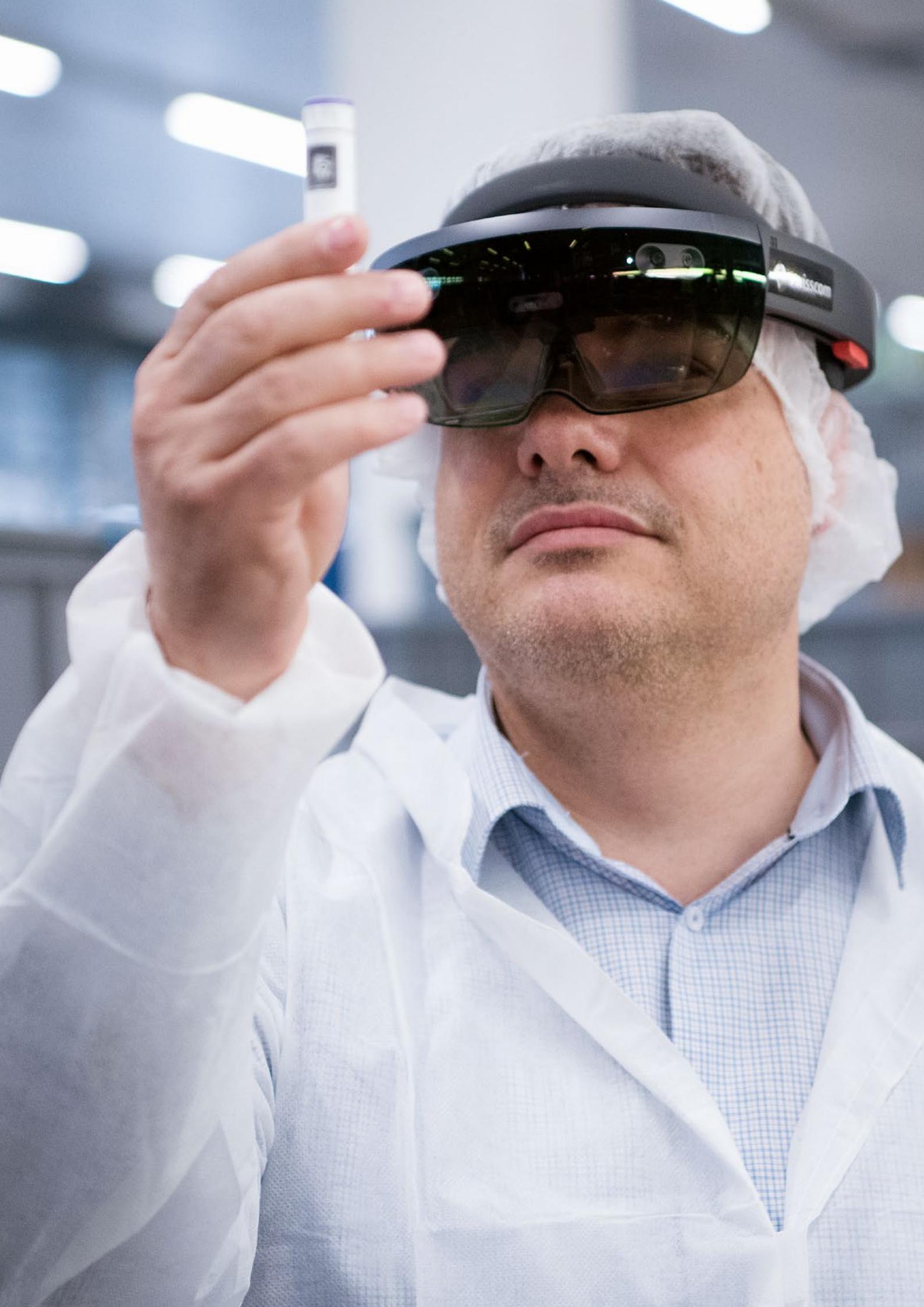
“Production System 2020” as the next step

In order to be able to satisfy the specific needs of our customers in the future too, we are constantly optimising our production processes. The next step in the flexible production of platform products is the implementation of our “Production System 2020”. With this new approach, we will be even better positioned in the future when it comes to serving the massively increased variety of variants. The intention of “Production System 2020” is to shorten throughput times in production, reduce planning effort through self-controlling control loops and optimise the flow of goods. This will enable us to produce more variants in a shorter time and also makes it easier to handle varying order sizes.

The Schwerin location doubles capacities

With the start of production at our new site in Schwerin in northern Germany, we are almost doubling our production capacity. If required, production in Schwerin can be further expanded by mirroring the production building. This enables us to meet the growing demand for injection and infusion systems in the long term without any problems. The highly automated equipment in Schwerin and the installation of a fully functional clean room will enable us to react quickly to market requirements.

The construction project in Schwerin is progressing according to plan. The topping out ceremony will take place at the end of June 2018 and production will start in the second quarter of 2019. The industrialisation projects for the new site have also started and the first injection moulding machines and fully automatic assembly lines have been ordered. With the opening of the new production site in Schwerin next year we will realise the further expansion of large-volume products and also ensure the agile production of customer products in smaller quantities and the industrialisation of new products at the Swiss production sites.





5G demonstrates potential for future production

Since June 2017, we have been working with Swisscom to develop application options for the latest 5G generation of mobile communications. In a pilot project, we digitised selected production processes with 5G. This can considerably simplify processes in the future, make them even safer and significantly more efficient.

We were the first industry partner of Swisscom to test the new 5G mobile communications generation in ongoing production. As part of the pilot project, we digitised our production processes for injection pens across the entire value creation chain. In specific applications, we test the 5G technology to digitise the procurement of goods, to track goods throughout the entire production process, for the real-time evaluation of machine data, virtualisation of computer resources as well as the quality testing of individual components. The application examples demonstrate the potential that 5G can bring to the production concepts of the future. The processes not only become simpler, safer and more efficient, but costs can also be saved. Among other things, this is due to the paperless, automated documentation of processes, fewer interruptions during production, shorter reaction times and predictive maintenance diagnostics. In the next two financial years, we will further deepen the technical possibilities with 5G and, if necessary, integrate individual elements. For us, further automation makes sense if the bottom line is that the investment reduces manufacturing costs.

Within the context of digitisation, we not only develop new technologies for connecting our injection systems, we also adapt new technologies at an early stage in the production process. The test application of 5G technology shows us how we can make our production concept fit for the future and effectively use the data for process optimisation.

5G strengthens Switzerland as a business location

5G also opens up new opportunities for the Swiss economy and provides the basis for modular factories. A digitised economy requires high data capacities, short response times for critical business processes and maximum flexibility for the provision and placement of data capacities. 5G is the only technology to combine all the requirements for an international standard to an efficient extent and thus offers enormous potential for the economy.

Four trial applications in production

■ Virtualising the machine PCs

The machine PCs can be virtualised wirelessly to a mobile terminal with 5G. This simplifies troubleshooting and gives flexibility to optimise production independent of wiring.

■ Quality testing with Augmented Reality (AR)

With Augmented Reality, quality tests can be performed faster and be fully automated during the production process. The AR glasses check the quality standards and feed them into the system automatically.

■ Optimising the flow of goods

5G allows the flow of goods through the entire production process to be automated and optimised. By locating the assembly components in the production hall, the system automatically records how far the production process has progressed.

■ Real-time evaluation of machine data

With the EdgeCloud, data from the machines can be captured and evaluated in real-time. This enables a permanent overview of the production parameters. In addition, the new technology enables predictive maintenance diagnostics.



Our corporate goals are long-term and entrepreneurial.

In order to achieve them, we rely on common values and guidelines.

We actively encourage our employees to do their best and to be efficient in their jobs.





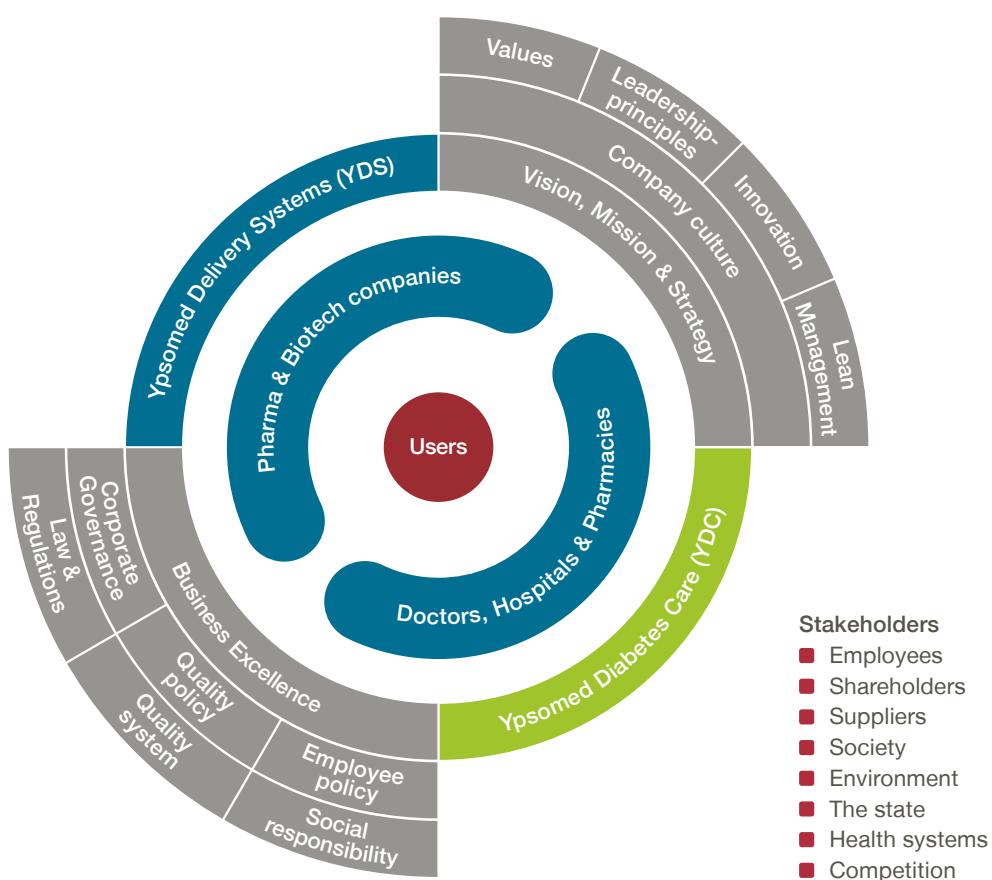
Future orientation

Our principles and guidelines

To be well positioned for the future, we have revised our principles, guidelines and corporate values and summarised them in the Ypsomed Business System (YBS). This means that the users of our products and our partners are always at the centre of our actions.

The YBS provides orientation in our daily actions and future activities and creates a common understanding. We have expanded our core segments YDC and YDS with our company vision and mission and our striving for “business excellence”.

- Our corporate culture allows us to take the initiative, and to inspire others in the cause of making ideas become a reality. At Ypsomed we are sincerely committed to our corporate values. We are guided by management principles that enable us to be involved cooperatively.
- Innovation and lean management are basic attitudes that guide our daily work. This allows us to create value without waste. With continuous improvement we reduce and eliminate waste and create efficient and ergonomic work processes.
- Our corporate, quality and human resource policies support our efforts to achieve business excellence. We want to exceed the expectations of our customers and users.





Future sustainability

We live a modern human resource policy

With the redefinition of our principles of action, we have also continuously revised and modernised our human resource policy in recent years. Digitisation not only changes our work processes, but also the working models in our dynamic growth environment.

Within the context of our human resource policy, we are guided by the conviction that the competence and commitment of each of us and the responsible interaction with one another are decisive for the success of the company. A sustainable work environment which cares for our society and the environment is important to us. We continuously endeavour to make job content and working conditions as healthy and safe as possible.

“People Process”

We have established a comprehensive strategic personnel development process. The “People Process” brings together the requirements of the company with the needs of our employees. We have modernised our employee appraisals, the pay rounds and assessment processes, and, where appropriate, digitised and optimised them in terms of time. This way, we can ensure that the needs of our employees can be optimally met during the financial year cycles.

We show presence

Our job offers and our presence as an employer in the social media have been live in the social media for quite some time. We operate in an environment where it can be difficult to recruit suitable specialists and junior staff. For this reason, we have considerably strengthened our presence at relevant recruitment fairs in recent years. Especially for the MINT professions (mathematics, computer sciences, natural sciences, technology), we actively approach potential junior staff to counterbalance future shortages of skilled workers.

Further education offers

At the Ypsomed Academy, we offer all employees comprehensive training and further education opportunities and promote the idea of “lifelong learning”. Here, we do not restrict ourselves to internal and external further training courses. We want to actively promote the skills of our employees, expand their competencies and ensure that they meet the current and future requirements in their working environment. This is particularly true with regard to the digitisation of work processes and the new requirements of the working world, where we are actively addressing this change at an early stage.

Resilience

We support resilience, in other words, the mental robustness of our employees in a dynamic growth environment. This includes courses on how to deal correctly with stress, offers for reconciling work and family life, as well as establishing modern and flexible working models.

Employee headcount





Employee commitment

Collaboration generates new ideas

As a leader in innovation, Ypsomed invests around 10% of turnover in research and development. We encourage cross-divisional collaboration to ensure knowledge transfer and collaboration with external partners to accelerate innovation cycles. A healthy culture in terms of error management and discussion is a prerequisite for us to be willing to take risks.

To make the best possible use of the diversity of ideas and the innovative strength of all employees, we actively promote cross-divisional cooperation, collaboration with external partners and the willingness to take risks. Digitisation plays into our hands in the development of new approaches. Some time ago, we digitised our system for suggestions for improvement and we also established a knowledge database. This ensures that knowledge and processes are not lost to the company when employees leave, but are sustainably secured and accessible to all.

Digitised improvement system

Change and innovation are social processes which require intensive exchange and cooperation among colleagues. This is what OpenMind, our ideas management platform, is all about. OpenMind gives all employees the opportunity to submit their own suggestions for improvement, contribute to solving specific problems in our company, and share and discuss their ideas with other employees.

Preserving knowledge for everyone

In the course of digitising work processes, documentation and record keeping, we introduced the knowledge database last year. Its objective is to digitally document the knowledge of individual employees or teams and make this accessible to everyone. This helps us to ensure that when employees leave, their knowledge is not lost to the company. This enables us to digitally preserve and further expand well-functioning, well-established processes and workflows.

Employees become TechScouts

Our Concept Development Department is not the only one that deals with new ideas and technologies. During the past financial year we started the first TechScouting programme. Employees with cross-divisional interests were able to search for new ideas and technologies in defined technology areas, collect and process information and present these to management. The ideas found are currently being evaluated and a decision is being made as to which approaches will be pursued further in development. We allowed all TechScouts five working days within the context of the programme and covered any travel and material costs.





We are becoming “lean”

A good five years ago, we began to rearrange and reorganise our production and offices according to the lean principle. Since then, all optimisations in production, including the “Production System 2020”, have been based on the lean principles.



The objective of Lean Management is to serve our customers' requirements as efficiently as possible. In our daily tasks we always question what exists and look for new approaches to become even more efficient. We view this as a holistic approach in which the employees are the priority. After all, their knowledge is the foundation of our success.

With 5S and Shop Floor Management, we have laid the foundation for continuous improvement in production and production-related areas. With the implementation of “Production System 2020”, which is an important building block for sustainable growth, we are taking the next major step towards lean and autonomous production.

We understand lean management not only as the consistent application of efficiency methods, but rather as the holistic development of competencies tending towards a company that is constantly learning. Lean management has proven itself and is now firmly anchored in our value system.

Lean Management proves successful

Shopfloor/Office Management

- Faster and improved communications
- Fewer meetings and emails
- Greater transparency
- Support and further development of employees
- Promoting the self-reliance of employees

5S

- More efficient workplaces and production rooms
- Improved ergonomics and safety
- Sustainable and positive customer impression

Value stream analysis

- Shorter lead times
- Fewer non-value creating actions
- Clear responsibilities
- Clear inputs/outputs
- Fewer uncertainties

Electronic data filing

- Standardised filing systems
- Defined naming conventions
- Reduction in storage capacity by 25 %



Energy report and accident statistics

In the past financial year, energy consumption rose slightly due to the increase in production volume. At the same time, the share of heating oil has further decreased and is tending towards zero. The number of accidents at work increased slightly last year.

As expected, electricity consumption increased slightly in the financial year 2017/18. This is due to increased production through a new production plant for disposable pens in Solothurn. The increase in electricity consumption will continue to rise in the financial year 2018/19 as soon as the second UnoPen™ assembly line goes into operation.

Due to the construction activities at the headquarters in Burgdorf, the consumption of natural gas fell in the reporting period. This is due to the fact that a building undergoing renovation did not have to be fully heated.

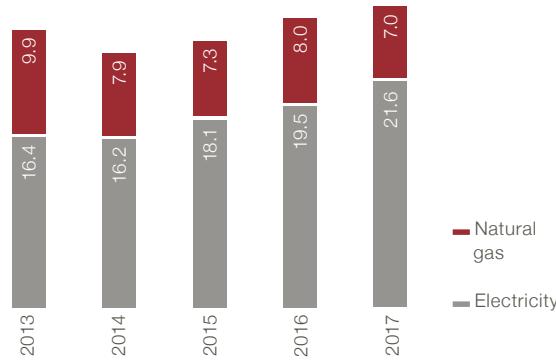
The newly installed heat pump in Solothurn will go into operation in the 2018/19 financial year. We expect the share of heating gas to drop to zero. As a result, the Solothurn location will become increasingly independent of fossil fuels in the coming months, and natural gas is becoming more and more redundant.

Slight increase in accidents at work

With 30 occupational accidents, the absolute number of accidents (occupational and non-occupational accidents) increased slightly in the reporting period (previous year: 20 occupational accidents). Of the 30 occupational accidents recorded, 14 led to a temporary absence from work. As a preventive measure, we conducted a “stumbling block course” for occupational and non-occupational accidents together with SUVA at the end of 2017, which was mandatory for all employees. The aim was to sensitise our employees to the frequent causes of tripping and to increase the safety of our employees, especially during the winter months.

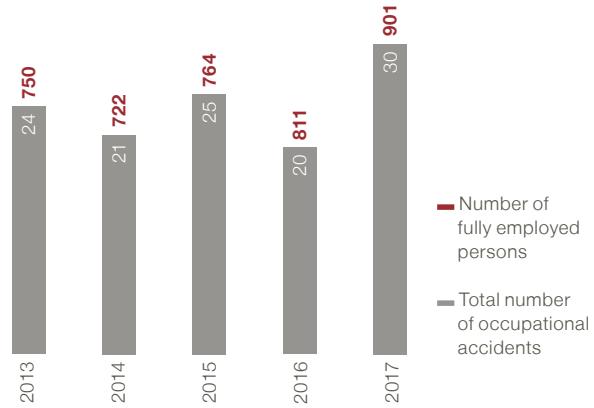
The figures shown here are based exclusively on the reported accident figures of SUVA for the 2017/18 financial year. In addition, there were minor accidents which were recorded by our company medical service and were not reported to SUVA.

Energy in thousand megawatt hours (MWh)*



* Ypsomed companies in Switzerland

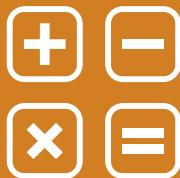
Total number of occupational accidents





**In the financial year 2017/18
we generated consolidated sales
totalling CHF 466.1 million.**

Compared with the previous year, this corresponds to an increase of 19.7 %. The operating result (EBIT) amounts to CHF 61.1 million. Profitability at EBIT level is now 13.1 %.





Increase in sales of around 20 %

In the financial year 2017/18 we generated consolidated sales totalling CHF 466.1 million (previous year: CHF 389.6 million). Compared with the previous year, this represents an increase in sales of 19.7 %. The operating results (EBIT) increased by 10.4 % compared to the previous year, from CHF 55.3 million to CHF 61.1 million. Profitability at the EBIT level is 13.1 % (previous year: 14.2 %).

The financial year is burdened by the costs of the launch activities and amortisations for our mylife™ YpsоСуmp® insulin pump totalling CHF 18.0 million (1st half-year 2017/18: CHF 7.5 million). In the reporting period, we achieved sales growth in all segments. Net profit now stands at CHF 52.1 million (previous year: 46.2 million).

Ypsomed Diabetes Care continues to grow

In the Ypsomed Diabetes Care (YDC) segment we showed a growth in turnover of 28.2 % to CHF 315.2 million (previous year: CHF 245.9 million) for the financial year 2017/18. All sales organisations contributed to the growth of CHF 69.3 million.

- With the mylife™ OmniPod®, we again achieved a very high growth in sales, particularly in France, the Nordic countries, Italy and the United Kingdom. Overall, the sales share of the mylife™ OmniPod® amounts to CHF 181.7 million (previous year: CHF 121.5 million). As announced on 21 July 2017, the distribution agreement with Insulet Corp., the manufacturer of the Omnipod®, will not be extended. The existing agreement ends on 30 June 2018.
- The share of sales of the mylife™ YpsоСуmp® increased in the financial year 2017/18 in line with expectations. The marketing of the insulin pump accelerated last year and has been supplemented by new system components, such as the mylife™ App and mylife™ Software.
- The blood glucose monitoring systems business grew slightly, although the market for conventional measurement systems and test strips is declining.
- The sales of pen needles increased by around 7 %. This is largely due to the production of additional quantities for our distribution partner in China.

Strong second half-year for Ypsomed Delivery Systems

In the Ypsomed Delivery Systems (YDS) segment, we increased sales by 3.6 % to CHF 132.5 million in the 2017/18 financial year (previous year: CHF 127.9 million). Particularly in the second half of 2017/18, we were able to increase sales by CHF 69.8 million (1st half-year 2017/18: CHF 62.7 million), which corresponds to a growth of 11.3 %.

- The growth in sales was achieved despite a delivery delay of a few months in the project business with our YpsоСуm® autoinjector. We expect significant growth for the YpsоСуm® platform in the financial year 2018/19.
- In July 2017, GSK announced that it will withdraw its GLP-1 product Tanzeum® from the market. Higher volumes of GLP-1 pens for our customers GSK and AstraZeneca in the previous year were largely offset by products from the newer pen and autoinjector platforms.
- In the area of contract manufacturing, the need for additional volumes resulted in good sales growth. Turnover with Sanofi makes up approximately 8.5 % of the Group's turnover.

Market recovery in the Others segment

Ypsotec achieved a growth in sales of CHF 2.7 million in the reporting period. This corresponds to an increase of around 17 %. The share of sales grew at both locations, in Switzerland and Czechia. Ypsotec has positioned itself well in the market and is benefiting from the improved market conditions.

Slightly lower gross margin

The gross margin fell slightly from 32.2 % to 30.0 % in the financial year 2017/18. We were able to increase the gross margin by 1.1 % compared to the first half of the year.

More than half of the decline is due to price pressure on the mylife™ OmniPod®. Price regulations in several markets had a negative impact on the profit margin. As expected, the remainder is due to additional amortisation costs for the mylife™ YpsоСуmp®. These amounted to CHF 6.7 million in the reporting period (previous year: CHF 3.5 million). Furthermore, we invested more in research and development, especially in the area of concept development.

Marketing and sales expenses rose at a disproportionately low rate to CHF 61.4 million (previous year: CHF 54.7 million). The market introduction of the mylife™ Ypsopump® requires the provision of demonstration pumps for training purposes, training materials, personal training and video instructions for sales representatives, pump trainers, medical professionals and practices. Particularly in Australia, Czechia, Poland and Spain, the new sales forces had to be trained and supplied with material. In addition, we needed to establish relationships with physicians and cost bearers in new markets and position ourselves as a trustworthy new provider. This is associated with a considerable effort in time and also money.

The costs for administration have developed analogously to the Group's growth. Administrative expenses increased accordingly as a result of expansion into new markets. In addition, legal costs increased in the financial year 2017/18. This was mainly in connection with the orderly transfer of the Omnipod® business to Insulet Corp. as well as other customary legal clarifications.

Net profits increased by nearly 13 %

The operating result for the 2017/18 financial year was CHF 61.1 million (previous year: CHF 55.3 million). The EBIT margin is now at 13.1 % (previous year: 14.2 %).

The mylife™ OmniPod® contributed CHF 34.0 million to the operating result (previous year: 24.1 million). This additional profit is due to the fact that no new markets were developed for the mylife™ OmniPod® in the past financial year and that no additional costs were incurred as a result. The existing markets were fully served, which explains the high gain in profit.

The mylife™ Ypsopump® with the market launch of the newer version as well as the development of further markets burdened the result by CHF 18.0 million. This additional expenditure is attributable to increased amortisation costs and the introduction of new system components of the mylife™ Ypsopump® system, such as the mylife™ App. Basically, the introduction of the insulin pump causes uncovered additional costs per country for about two years. However, with an average contract period of four years for insulin pumps, the initial additional expenditure will pay off in the medium term. The new version of our insulin pump has been in the launched in 14 countries since the end of the 2017/18 financial year. With the new system components, the insulin pump is now in the full

marketing phase, which burdened the operating result with an additional CHF 5.4 million compared to the previous year, and explains the slight deviation in the EBIT margin.

The net financial result amounts to CHF 0.9 million (previous year: CHF 0.1 million). The tax burden on profits before taxes was reduced from 16.5 % to 16.0 %.

In the 2017/18 financial year, we increased net profits by 12.6 % from CHF 46.2 million to CHF 52.1 million. The net profit margin is now 11.2 % (previous year: 11.9 %). The earnings per share amount to CHF 4.14 (previous year: CHF 3.67).

Sharp increase in investments

In the financial year 2017/18, we generated an operative cash flow of CHF 53.3 million from business activities (previous year: 75.1 million). The cash flow was influenced by higher sales and longer payment periods, which led to higher customer credit balances with correspondingly higher capital commitment. In addition, we have increased our inventories for the mylife™ Ypsopump®, the pen and auto-injector platforms and for additional requirements for mylife™ OmniPod® by a total of CHF 9.6 million.

In the 2017/18 financial year, the cash flow for investments in fixed assets amounted to CHF 51.0 million, of which CHF 35.3 million is attributable to the various construction and conversion activities at the Burgdorf, Solothurn and Schwerin locations. A further CHF 15.7 million were invested in expanding production capacity for the pen and autoinjector platforms as well as the mylife™ Ypsopump®.

We invested an additional CHF 16.1 million into intangible assets. The majority went into the further development of our injection and infusion systems.

On 6th July 2017, CHF 16.4 million were distributed as tax-exempted dividends from capital reserves. The short-term financial debt to banks increased by CHF 22.0 million during the reporting period.

The total equity now amounts to CHF 341.5 million (previous year: CHF 301.8 million). Thus the equity ratio is 68.3 % (previous year: 71.5 %).

Increased dividend

The Ypsomed Board of Directors proposes to the Annual General Meeting that approximately 34 % of net profit be distributed in the form of a dividend. For the past financial year 2017/18, the shareholders will be paid a dividend of CHF 1.40 per registered share (previous year: CHF 1.30), exempt from withholding tax, from reserves arising from capital contributions. The Annual General Meeting of Ypsomed Holding AG will be held in Burgdorf on Wednesday 27 June 2018.



Consolidated income statement

(Audited Swiss GAAP FER figures) in thousand CHF

	Annex	1 April 2017 – 31 March 2018	in %	1 April 2016 – 31 March 2017	in %
Sales of goods and services	19	466 119	100.0 %	389 555	100.0 %
Cost of goods and services sold		-326 293	-70.0 %	-264 076	-67.8 %
Gross profit		139 825	30.0 %	125 478	32.2 %
Marketing and sales expenses		-61 381	-13.2 %	-54 721	-14.0 %
Administration expenses		-20 720	-4.4 %	-18 154	-4.7 %
Other operating income		5 365	1.2 %	4 821	1.2 %
Other operating expenses		-2 019	-0.4 %	-2 125	-0.5 %
Operating profit	19	61 070	13.1 %	55 298	14.2 %
Financial income	16	8 299	1.8 %	4 477	1.1 %
Financial expenses	17	-7 419	-1.6 %	-4 385	-1.1 %
Profit before income taxes		61 951	13.3 %	55 390	14.2 %
Income taxes	18	-9 891	-2.1 %	-9 144	-2.3 %
Net profit		52 060	11.2 %	46 247	11.9 %
Earnings per share (diluted and undiluted) in CHF	24	4.14		3.67	
Operating profit		61 070		55 298	
Depreciation and impairment of fixed assets		19 744		21 500	
Amortisation and impairment of intangible assets		14 725		10 965	
EBITDA (operating profit before depreciation and amortisation)		95 539	20.5 %	87 763	22.5 %



Consolidated balance sheet

(Audited Swiss GAAP FER figures) in thousand CHF

Assets	Annex	31 March 2018	in %	31 March 2017	in %
Cash and cash equivalents	3	32111	6.4 %	38884	9.2 %
Trade receivables	4	98479	19.7 %	63699	15.1 %
Other current assets		12116	2.4 %	6806	1.6 %
Prepayments and accrued income		8638	1.7 %	10060	2.4 %
Current income tax assets		158	0.0 %	29	0.0 %
Inventories	5	59284	11.9 %	48320	11.5 %
Customer machinery		7526	1.5 %	7580	1.8 %
Total current assets		218311	43.6 %	175378	41.6 %
Financial assets	6	10196	2.0 %	10378	2.5 %
Deferred income tax assets	18	2280	0.5 %	3855	0.9 %
Fixed assets	7	192314	38.4 %	158615	37.6 %
Intangible assets	8	77139	15.4 %	73575	17.4 %
Total non-current assets		281928	56.4 %	246422	58.4 %
Total assets		500239	100.0 %	421801	100.0 %
Liabilities and equity	Annex	31 March 2018	in %	31 March 2017	in %
Financial liabilities	10	49000	9.8 %	27000	6.4 %
Trade payables		31916	6.4 %	21956	5.2 %
Prepayments from customers		13181	2.6 %	12536	3.0 %
Current income tax payable		6819	1.4 %	4036	1.0 %
Other payables		7245	1.4 %	5611	1.3 %
Accrued liabilities and deferred income		32722	6.5 %	29407	7.0 %
Provisions	11	1570	0.3 %	2460	0.6 %
Total current liabilities		142453	28.5 %	103006	24.5 %
Non-current liabilities to major shareholder	10	10000	2.0 %	10000	2.4 %
Other non-current financial liabilities		32	0.0 %	57	0.0 %
Provisions	11	3315	0.7 %	2970	0.7 %
Deferred income tax liabilities	11	2897	0.6 %	3972	0.9 %
Total non-current liabilities		16245	3.2 %	16999	4.0 %
Share capital	12	178994	35.8 %	178994	42.4 %
Capital reserves		136777	27.3 %	150677	35.7 %
Own shares/Translation exchange differences		-11944	-2.4 %	-13530	-3.2 %
Goodwill acquired offset		-322892	-64.5 %	-322892	-76.6 %
Retained earnings		360607	72.1 %	308547	73.1 %
Total equity		341542	68.3 %	301796	71.5 %
Total liabilities and equity		500239	100.0 %	421801	100.0 %



Consolidated statement of cash flows

(Audited Swiss GAAP FER figures) in thousand CHF

	Annex	1 April 2017 – 31 March 2018	1 April 2016 – 31 March 2017
Net profit		52060	46247
Depreciation and amortisation of fixed and intangible assets		34469	30689
Loss from impairment (+)/Reversal of impairment (-)	7/16/17	149	-401
Change in provisions (incl. deferred income taxes)		-23	2620
Other expenses/income that do not affect the fund		-2663	731
Gain (-)/loss (+) of fixed and financial assets		-203	-17
Increase (-)/decrease (+) in trade receivables		-30455	-12084
Increase (-)/decrease (+) in other receivables and prepayments and accr. income		-3390	-3040
Increase (-)/decrease (+) in inventories		-9610	285
Increase (-)/decrease (+) in customer machinery		-34	-535
Increase (+)/decrease (-) in trade payables		5845	2072
Increase (+)/decrease (-) in prepayments from customers		645	186
Increase (+)/decrease (-) in other payables and accr. liabilities and deferred income		6479	8311
Cash flow from operating activities		53269	75064
Disposal of financial assets	6	11	0
Purchases of fixed assets	7	-51028	-27482
Disposals of fixed assets	7	1255	110
Purchases of intangible assets	8	-16057	-10680
Cash flow from investing activities		-65820	-38052
Repayment of financial liabilities to major shareholder	10	0	-5000
Proceeds (+)/repayment (-) from borrowings	10	22000	-7000
Purchase (-)/disposals (+) of own shares	12	-1000	1382
Distribution of capital reserves		-16406	-12613
Cash flow from financing activities		4595	-23231
Effect of foreign currency translation		1184	-406
Total cash flow		-6772	13377
Cash and cash equivalents as of 1 April		38884	25507
Cash and cash equivalents as of 31 March		32111	38884
Net increase (+)/decrease (-) in cash and cash equivalents		-6772	13377



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 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

	Share capital	Group reserves and share premium	Treasury shares	Cumulative translation reserve	Goodwill offset	Retained earnings	Total
Balance as of 1 April 2017	178994	150677	-3090	-10440	-322892	308547	301796
Net profit						52060	52060
Distribution of dividends from capital contribution reserves		-16406					-16406
Disposal of own shares		2518	4530				7048
Purchase of own shares		-12	-8035				-8048
Translation exchange differences				5091			5091
Balance as of 31 March 2018	178994	136777	-6595	-5349	-322892	360607	341542



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 15 May 2018 and recommended for acceptance to the General Meeting of Shareholders in Burgdorf on 27 June 2018.

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 1 000 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 production cost. 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 marketing & sales and 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 impairment. The useful life is estimated at five to eight years. Amortisation is included in marketing and distribution costs.

Leasing

In the case of leasing transactions, a distinction is made between finance leasing and operational leasing. Finance leasing exists when substantially all risks and rewards incidental to ownership of an asset are transferred. Assets and liabilities from finance leasing are shown in the balance sheet.

Leasing liabilities from operating leasing that cannot be terminated within one year are shown in Appendix 22 to the consolidated financial statement.

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 re-

serves 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.

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 innovative platform technologies, produces customer-friendly medical devices, sells and supplies these to various customers in numerous countries and protects the technologies developed by Ypsomed in several countries. Ypsomed's business activities are exposed to numerous legal risks that could have a negative affect on the course of business, the financial situation or the competitiveness of the Group.

Competitive pressure in the pharmaceutical sector has increased significantly with the emergence of new drug forms (generics, biosimilars), the medical device sector in general and infusion and injection systems in particular have also been affected. Regular legal disputes regarding the validity and alleged or actual infringement of intellectual property rights by drugs or medical devices, tightening of the regulatory environment, uncertainties and delays in the approval of new drugs and medical devices, cost-saving measures in the health sector, in particular reimbursements from health insurance funds as well as risks in connection with product liability are risks to which Ypsomed is also exposed, in particular with its platform technology products. Furthermore, possible terminations of existing contracts of important suppliers or important customers and disputes in the context of the settlement of contractual relationships could impair Ypsomed's business development.

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 and the expected period of time in which economic benefits are targeted. Capitalised development expenses amount to CHF 68.7 million as of 31 March 2018 (previous year: CHF 68.3 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 2018 amount to CHF 1.4 million (previous year: CHF 1.3 million).

Income taxes

When accruals for income taxes are made for a period, uncertainties regarding final tax payments remain. Estimates that vary from the definitive tax amount have an impact on current and deferred income taxes. With the capitalisation of deferred tax assets from losses carried forward, the value of these tax loss carryforwards and the tax rates to be applied must be estimated. Deferred income tax assets related to tax loss carryforwards as of 31 March 2018 amount to CHF 0.7 million (previous year: CHF 1.3 million).



Notes to the consolidated financial statements

In thousand CHF, unless otherwise stated.

Subsequent events

There were no events after the balance sheet date that had a significant impact on the financial or earnings position.

1. Consolidation scope

	Interest held capital/votes	CHF	Share capital	Research & Development	Production	Marketing & Sales	Financing & Services
Ypsomed Holding AG, CH-Burgdorf		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	10000000		■		
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, UK-Escricks	100%	GBP	300000			■	
Ypsomed GmbH, AT-Vienna	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 Polska Sp. z o.o., PL-Warsaw	100%	PLN	1000000			■	
Ypsomed BVBA, BE-Brussels	100%	EUR	300000			■	
Ypsomed Diabetes, S.L., ES-Barcelona	100%	EUR	500000			■	
Ypsomed Canada inc., CA-Montreal**	100%	CAD	0			■	
Ypsomed Medical Devices Co. Ltd., CN-Beijing	100%	CHF	500000				■

In the financial year 2017/18, the subsidiaries in Poland (Ypsomed Polska Sp. z o.o.), Belgium (Ypsomed BVBA) and Spain (Ypsomed Diabetes, S.L.) were newly established.

* Ypsomed Produktion GmbH carried out a capital increase in March 2018.

** Ypsomed Canada inc. is being founded on the balance sheet date.

2. Foreign currencies

		Balance sheet year-end rates	Income statement average rates	
	31 March 2018	31 March 2017	2017/18	2016/17
Euro (EUR)	1.18	1.07	1.14	1.08
US Dollar (USD)	0.96	1.00	0.97	0.99
Swedish Krona (100SEK)	11.47	11.21	11.64	11.40
Norwegian Krone (100 NOK)	12.17	11.66	11.96	11.83
Danish Krone (100 DKK)	15.82	14.37	15.26	14.56
Czech Koruna (100 CZK)	4.62	3.95	4.38	4.01
Indian Rupee (100INR)	1.46	1.53	1.51	1.47
British Pound (GBP)	1.35	1.25	1.29	1.29
Australian Dollar (AUD)	0.73	0.77	0.75	0.74
Polish Zloty (PLN)	27.96	25.35	26.90	24.75
Canadian Dollar (CAD)	0.74	0.75	0.76	0.76
Chinese Yuan Renminbi (100CNY)	15.13	14.47	14.66	14.68

3. Cash and cash equivalents

	31 March 2018	31 March 2017
Cash	24	239
Postal accounts	650	1195
Bank accounts	31 437	37 450
Total	32 111	38 884

4. Trade receivables

	31 March 2018	31 March 2017
Trade receivables	98 675	63 872
Provision for bad and doubtful debts	-196	-173
Total	98 479	63 699

Provision for bad and doubtful debts	2017/18	2016/17
At 1 April	173	383
Addition	86	95
Use	-57	-160
Reversal	-19	-134
Currency translation differences	13	-10
At 31 March	196	173

5. Inventories

	31 March 2018	31 March 2017
Raw materials and supplies	6 099	4 762
Goods in process	13 253	14 153
Finished products	42 175	30 949
Gross inventories	61 527	49 864
Valuation allowance	-2 243	-1 544
Total	59 284	48 320

6. Financial assets

	31 March 2018	31 March 2017
Bionime Corp. Taiwan and Insulet Corp. USA*	10 079	10 235
Other financial assets	116	143
Total	10 196	10 378

* The stake in Insulet Corp. USA was sold in the financial year 2017/18.

7. Fixed assets

Cost	Land and buildings	Machinery and equipment	Other fixed assets	Assets under construction	Buildings for investment purposes	Total
At 1 April 2016	79435	236340	13388	20708	18644	368515
Additions	72	5649	1502	20159	100	27482
Disposals	-15	-9703	-533			-10251
Transfers	46	8251	72	-9344	58	-917
Currency translation differences	-46	-149	-49	-17		-261
At 31 March 2017	79492	240388	14380	31505	18802	384568
Accumulated depreciation						
At 1 April 2016	-37417	-161231	-10403	0	-5712	-214763
Depreciation	-2560	-15158	-1214		-792	-19724
Impairment		-1776				-1776
Disposals	12	9658	488			10158
Transfers		23	6			29
Currency translation differences	5	84	34			123
At 31 March 2017	-39960	-168399	-11089	0	-6504	-225953
Net book value at 1 April 2016	42018	75110	2986	20708	12932	153752
Net book value at 31 March 2017	39532	71989	3291	31505	12298	158615
Cost						
At 1 April 2017	79492	240388	14380	31505	18802	384568
Additions	1275	6703	1613	45147	61	54798
Disposals	-1140	-9491	-1272	-737	-81	-12720
Transfers	316	13000	617	-16429	306	-2190
Currency translation differences	376	1017	267	958		2618
At 31 March 2018	80320	251617	15604	60444	19089	427074
Accumulated depreciation						
At 1 April 2017	-39960	-168399	-11089	0	-6504	-225953
Depreciation	-2661	-14775	-1411		-897	-19744
Disposals	1139	9190	1259		81	11669
Transfers		8	-8			0
Currency translation differences	-42	-518	-173			-732
At 31 March 2018	-41524	-174493	-11422	0	-7321	-234760
Net book value at 1 April 2017	39532	71989	3291	31505	12298	158615
Net book value at 31 March 2018	38796	77124	4183	60444	11767	192314

There are no pledges as security for loans and no investments in finance leasing. Gains on the sale of tangible assets in the financial year 2017/18 amounted to CHF 0.2 million (previous year: CHF 0.0 million) and are included in other operating income in the income statement. The value

adjustment from the previous year was made for the older assembly plant for pen needles. Investments in fixed assets include non-cash transactions of CHF 3.8 million.

8. Intangible assets

Cost	Development costs	Patents	Software	Client base/ Other	Total
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

Cost

At 1 April 2017	100 761	660	21 512	11 691	134 624
Additions	12 173		3 880	4	16 057
Disposals			-409		-409
Transfers			2 190		2 190
Currency translation differences	20		66	444	529
At 31 March 2018	112 954	660	27 237	12 139	152 990

Accumulated amortisation

At 1 April 2017	-32 455	-660	-16 373	-11 561	-61 049
Amortisation	-11 751		-2 914	-60	-14 725
Disposals			409		409
Currency translation differences			-55	-433	-488
At 31 March 2018	-44 206	-660	-18 932	-12 053	-75 852
Net book value at 1 April 2017	68 306	0	5 138	130	73 575
Net book value at 31 March 2018	68 748	0	8 305	86	77 139

Capitalised development costs include products in the development phase amounting to CHF 2.5 million (previous year: CHF 0.4 million), products in the industrialisation

phase amounting to CHF 4.0 million (previous year: CHF 9.4 million) and products in the marketing phase amounting to CHF 62.3 million (previous year: CHF 58.5 million).

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	2017/18	2016/17
At 1 April	323 373	323 927
Accumulated currency translation differences	1 109	-554
At 31 March	324 482	323 373

Accumulated amortisation	2017/18	2016/17
At 1 April	-323 373	-322 344
Amortisation, scheduled amortisation over 5 years	0	-1 583
Change in accumulated currency translation differences	-1 109	554
At 31 March	-324 482	-323 373

Net book value at 1 April	0	1 583
Net book value at 31 March	0	0

Net profit and equity would change as follows:

Net profit	52 060	46 247
Scheduled amortisation over 5 years	0	-1 583
Tax effects	0	353
Net profit/net loss on reporting goodwill	52 060	45 017

Equity at 31 March		
Equity at 31 March	341 542	301 796
Effect of reporting goodwill in the balance sheet	0	0
FX effects on goodwill	0	0
Equity on reporting goodwill at 31 March	341 542	301 796

10. Financial liabilities

	31 March 2018	31 March 2017
Fixed advances banks (current)	49 000	27 000
Long-term loan from Techpharma Management AG, Burgdorf	10 000	10 000

The fixed advances of the banks were granted to Ypsomed Holding AG and Ypsomed AG with a term of up to two months. The average interest rate is 0.6 %. There is a maximum credit line for fixed advances of CHF 67.5 million. Interest of CHF 0.3 million (prior year: CHF 0.3 million) was paid on fixed advances in 2017/18.

Since 1 April 2010, the interest rate on the long-term loan is based on the 12-month Libor CHF as published by the Swiss National Bank plus 0.5 % margin, but at least 0.7 %. The interest rate is subsequently adjusted semi-

annually. Ypsomed Holding AG can repay all or part of the loan at any time. Techpharma Management AG can demand a repayment of a maximum of CHF 5.0 million annually with a period of notice of three months. The loan is repayable on 31 March 2020. No repayment will be made in the financial year 2018/19. Techpharma Management AG is a company controlled by Willy Michel. Interest of CHF 0.1 million (previous year: CHF 0.1 million) was paid on the loan in the financial year 2017/18.

11. Provisions

	Taxes	Warranties	From pension plans	Restructuring	Other	Total
At 1 April 2016	2 892	2 641	46	0	2 942	8 521
Additions	1 362	468			1 676	3 506
Release	-281	-843			-130	-1 254
Utilisation		-991			-361	-1 352
Reallocation			-46		46	0
Currency translation differences	-2				-18	-20
At 31 March 2017	3 971	1 276	0	0	4 155	9 402
of which current	0	1 052	0	0	1 409	2 460
At 1 April 2017	3 971	1 276	0	0	4 155	9 402
Additions	423	580		178	817	1 997
Release	-1 498	-50			-1 014	-2 561
Utilisation		-443			-730	-1 173
Currency translation differences	1			7	110	118
At 31 March 2018	2 897	1 362	0	185	3 338	7 782
of which current	0	797	0	185	588	1 570

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.

Restructuring provisions

Restructuring provisions relate to a restructuring program at a subsidiary due to the transfer of the Omnipod® business to Insulet Corp.

Other provisions

The other provisions are based on estimates and are intended for the fulfilment of disposal requirements in the medium term for renovation work on properties. They also include provisions for long-service awards of employees. In this context, CHF 0.6 million was formed and CHF 0.3 million used in the year under review. As at 31 March 2018, provisions for long-service awards amounted to CHF 2.7 million (previous year: CHF 2.4 million). Of the CHF 1.2 million in provisions for marketing and recycling expenses at a subsidiary, CHF 0.4 million was used in the financial year 2017/18 and the remaining CHF 0.8 million was released.

12. Share capital

Share capital (in thousand CHF)	2017/18	2016/17
At 1 April	178994	178994
At 31 March	178994	178994
Shares issued at 31 March	12649739	12649739
Treasury shares at 31 March	46786	29786
Shares outstanding at 1 April	12619953	12612817
Purchases	57000	0
Average price in CHF	141.0	0
Disposals	40000	7136
Average price in CHF	176.2	194.1
Shares outstanding at 31 March	12602953	12619953

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 2018, the Ypsomed Group and the employee pension fund held 63 242 treasury shares in total (previous year: 46 242). The average price of the shares disposed and bought is similar to the market price.

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

	2017/18	2016/17
Revenue from development and industrialisation services (PoC method)	16507	6518
Long-term contracts in the balance sheet	31 March 2018	31 March 2017
Trade receivables	2731	1208
Inventories	96	876
Prepayments from customers	7842	5938

14. Personnel expenses

	2017/18	%	2016/17	%
Wages and salaries	112023	84.2	100338	84.1
Social security expenses	19060	14.3	17492	14.7
Other personnel expenses	1894	1.4	1499	1.3
Total	132977	100.0	119329	100.0

	31 March 2018	31 March 2017
Personnel at 31 March (full-time equivalents)		
Switzerland	951	861
Germany	211	204
Netherlands	11	11
France	28	26
Scandinavia	16	17
Czechia	84	74
Great Britain	31	29
Austria	7	6
India	9	9
Italy	16	16
China	4	3
Australia	7	1
Belgium	1	
Spain	7	
Poland	2	
Canada	0	
Total	1384	1256
Headcount	1451	1314

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 60 % of the Group's workforce as at 31 March 2018, 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 2018, the pension scheme held a value fluctuation reserve of CHF 30.8 million (previous year: CHF 26.8 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 7.5 million (previous year: CHF 3.2 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 119.8 % based on a technical interest rate of 1.5 % and BVG 2015 (previous year: 119.4 %, technical interest rate 1.5 % and BVG 2015). 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 31.03.2018	Economic benefit/obligation 31.03.2018	Contributions concerning the business period 31.03.2017	Pension benefit expenses within personnel expenses 2017/18	Pension benefit expenses within personnel expenses 2016/17
Pension institutions with surplus	7467	0	0	5792	5792
Pension institutions without own assets	0	0	0	1201	1201

Per end of the financial years 2016/17 and 2017/18, there were no employer contribution reserves existing.

16. Financial income

	2017/18	2016/17
Interest income	73	6
Gains from securities	59	0
Reversal impairment Bionime	0	2177
Foreign exchange gains	7497	1972
Other financial income	671	323
Total	8299	4477

17. Financial expenses

	2017/18	2016/17
Interest expenses	325	342
Impairment financial assets	149	0
Foreign exchange losses	6614	3908
Other financial expenses	330	136
Total	7419	4385

18. Income taxes

	2017/18	2016/17
Current income taxes	9373	6344
Deferred income taxes	518	2800
Total	9891	9144
Weighted average tax rate in %	16.0 %	16.5 %

The Group benefits from reduced tax rates for individual companies. These rates are subject to annual changes. Changes to these tax rates and differences in the allocation of profits to these companies affect the effective tax rate.

	31 March 2018	31 March 2017
Capitalised deferred tax assets	2280	3855
of which temporary differences	1591	2505
of which not yet utilised tax-loss carryforwards	689	1349

Deferred income tax assets from unused tax loss carryforwards are only capitalised if it is highly probable that future taxable profits will be generated. In the financial year, CHF 0.3 million of this amount could be used due

to positive annual results. In addition, we expect lower tax rates in the future due to the planned corporate tax reform in Switzerland. This also led to a release of credit balances in the amount of CHF 0.3 million.

19. Segment information

Ypsomed discloses net sales from the perspective of sales structures, according to Ypsomed Delivery Systems (YDS: injection systems) and Ypsomed Diabetes Care (YDC: insulin pumps, infusion sets, pen needles, blood glucose monitoring systems and other accessories). The YDS division provides pharmaceutical and biotech customers with injection systems and related services. This is a B2B business which is handled directly from the headquarters in Burgdorf. In the YDC area, the products are sold directly to hospitals, doctors, pharmacies and patients via Ypsomed subsidiaries and distributors. The segment Others comprises Ypsotec and properties not used for operational purposes.

Due to possible competitive disadvantages, segment results are not disclosed in accordance with Swiss GAAP ARR 31/8. Compared to relevant competitors in the field of injection systems and insulin pumps, this results in significantly higher transparency with regard to the cost and margin structure and Ypsomed would be the only company to provide detailed segment profitability information. Most of the relevant competitors are companies without publicly available financial information (Owen Mumford, Haselmeier, SHL Group), or large companies with large reporting segments and diluted comparative information (Roche, Medtronic). Accordingly, disclosure of such information would result in a significant competitive disadvantage compared to competitors. In addition, such information can have a negative impact on the negotiating position towards customers and suppliers.

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

Operating profit	55 298
EBIT margin	14.2 %
Investments in fixed and intangible assets	38 161
Depreciation/Amortisation/Impairment	32 464

Financial year 2017/18	Ypsomed Diabetes Care	Ypsomed Delivery Systems	Other	Eliminations	Group
Sales of goods and services to third-party customers	315 185	132 494	18 440		466 119
Intersegmental sales			2 086	-2 086	0
Total sales of goods and services	315 185	132 494	20 526	-2 086	466 119

Operating profit	61 070
EBIT margin	13.1 %
Investments in fixed and intangible assets	70 856
Depreciation/Amortisation/Impairment	34 469

Sales of goods and services by regions	2017/18	2016/17
Switzerland	26 306	23 796
Europe	377 792	296 106
North America	31 969	37 647
Rest of the World	30 052	32 006
Total	466 119	389 555

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. Discontinued operations

On 21 July 2017, Ypsomed announced that the distribution agreement with Insulet Corp. for the distribution of the Omnipod® will not be extended. The existing agree-

ment with Insulet Corp. ends per 30 June 2018. The Ypsomed Diabetes Care segment in the regions Switzerland and Europe is affected as follows:

	2017/18	2016/17
Net revenues from third-party customers	181 679	121 474
Operating profit	33 985	24 117

According to current estimates, Ypsomed is to receive between CHF 40 million and CHF 55 million in compensation from Insulet Corp. for setting up European distribution structures for the mylife™ OmniPod®. The final amount is dependent on the number of patients using the mylife™ OmniPod®.

21. Contingent liabilities

Ypsomed has unlimited contingent liabilities (mainly guarantees) from current business activities with regard to third parties to the amount of CHF 2.9 million (previous

year: CHF 0.6 million). Ypsomed is of the opinion that it is unlikely that these contingent liabilities will be utilised.

22. Leasing and contractual obligations

The maturities of the Group's fixed operating leasing/rental liabilities that cannot be terminated within 12 months are as follows (undiscounted):

	31 March 2018	31 March 2017
Less than 1 year	2759	2505
1 to 5 years	6398	4519
Over 5 years	6119	0
Total	15276	7025

The above overview includes a lease agreement concluded between Ypsomed AG and Techpharma Management AG, a company controlled by Willy Michel. The rent is based on an independent rental valuation and amounts to CHF 906 570 per year plus VAT and is linked to the national consumer price index. The rental contract stipulates that

small and standard maintenance work on the building shall be paid by the tenant up to a maximum amount of 2.0% of the annual rent per calendar year. The contract period was prolonged by ten years and ends on 31 December 2029, the total obligation until expiry of the contract amounts to CHF 10.7 million.

Further contractual obligations

	31 March 2018	31 March 2017
Purchase commitments for products	39 457	98 455
Obligations from service contract with GBUK Healthcare until 30.09.2018	606	1 063
Obligations for the purchase of fixed assets	14 177	11 263
Obligations for the purchase of intangible assets	726	1 020
Obligations for materials and other procurements	0	653
Total	54 966	112 455

23. Transactions with related persons

Related persons are Techpharma Management AG and the employee pension funds. On the balance sheet date, trade receivables and advance payments to related parties amounted to CHF 0.0 million (previous year: CHF 0.0 million).

The liabilities amounted to CHF 0.0 million (previous year: CHF 0.0 million). The reporting year includes the following significant transactions with related parties:

	2017/18	2016/17
Techpharma Management AG (interest according to Note 10)	70	74
Techpharma Management AG (compensation for rented business premises)	907	907
Techpharma Management AG (amounts in accordance with service contract)	100	64
Total	1 076	1 045

Since January 1, 2006, Ypsomed AG has rented a commercial property from Techpharma Management AG, which belongs to the majority shareholder Willy Michel. The contract can be terminated on 31 December 2029 conditional upon 24 months' notice and after this on any month. See Corporate Governance "Rental Contract" page 93. Willy Michel, respectively the Techpharma Management AG company controlled by him, 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). See Corporate Governance "Other contractual relationships" page 94.

24. Earnings per share

The earnings per share are calculated by dividing the net profits by the monthly weighted number of outstanding shares during the period. Here, the average number of own

shares held by the group companies is subtracted from the issued shares.

	2017/18	2016/17
Net profits in thousand CHF	52060	46247
Number of outstanding shares weighted on a monthly basis	12586645	12613915
Earnings per share in CHF (diluted and undiluted)	4.14	3.67

25. Compensation statement and significant shareholders

See the notes to the financial statements 2017/18 of Ypsomed Holding AG from page 74 and the Compensation Report from page 105.

26. Derivative financial instruments

	Contract value		Active value		Passive value	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Forward currency transactions	0	9621	0	0	0	33
Total hedging future cash flows	0	9621	0	0	0	33

The forward currency transactions for hedging future cash flows expired without substitution in the reporting period.



Report of the group auditors



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To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, 15 May 2018

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 income statement, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes (pages 44 to 67) to the consolidated financial statements, for the year ended 31 March 2018.



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 2018 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 include products in the development phase in the amount of CHF 2.5 million (prior year: CHF 0.4 million), products in the industrialization phase of CHF 4.0 million (prior year: CHF 9.4 million) and products in the marketing phase of CHF 62.3 million (prior year: CHF 58.5 million). They represent a significant proportion of total assets. In order to test the development costs for impairment, management assesses the probability of any expected future economic benefits. This profitability analysis is primarily based on management estimates. Ypsomed comments on capitalized development costs in section 5 of the basis for the consolidated financial statements and in section 8 of the notes to the consolidated financial statements.
Our audit response	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 clinically accurate.



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

Olivier Mange
Licensed audit expert
(Auditor in charge)

Marc Aeberhard
Licensed audit expert



Balance sheet of Ypsomed Holding AG – statutory financial statements

In thousand CHF

	31 March 2018	31 March 2017
Assets		
Cash	2307	1018
Other short-term receivables	22	23
Total current assets	2329	1042
Investments	314987	314986
Financial assets	10079	10235
Long-term receivables group companies	180474	163190
Total non-current assets	505541	488410
Total assets	507870	489452
Liabilities and equity		
Trade payables third parties	3	20
Short-term financial liabilities to bank	37000	19000
Short-term financial liabilities to group companies	10364	8043
Accrued liabilities and deferred income	899	802
Short-term income taxes payable	193	209
Total current liabilities	48459	28074
Long-term financial liabilities to major shareholder	10000	10000
Total non-current liabilities	10000	10000
Total liabilities	58459	38074
Share capital	178994	178994
Legal contribution reserves		
Capital contribution reserves	135725	152131
Disagio	-150	-150
Legal reserve		
General legal reserves	50	50
Free reserves		
Retained earnings	123443	112906
Net profit	17944	10538
Own shares	-6595	-3090
Total shareholders' equity	449411	451378
Total liabilities and shareholders' equity	507870	489452



Income statement of Ypsomed Holding AG – statutory financial statements

In thousand CHF

	1 April 2017 – 31 March 2018	1 April 2016 – 31 March 2017
Operating expenses		
Administrative expense	1 131	959
Cost of services sold	700	700
Total operating expenses	1 831	1 659
Operating result	-1 831	-1 659
Financial income		
Interest income investments	1 623	1 653
Dividend income	16 470	8 323
Gains from securities	59	0
Income own shares	2 518	645
Reversal impairment financial assets	0	2 176
Foreign exchange gains	18	38
Total financial income	20 688	12 835
Financial expense		
Interest expense	-251	-262
Interest expense to investments	-71	-23
Expenses own shares	-12	-2
Impairment financial assets	-145	0
Foreign exchange losses	-42	0
Other financial expenses	-51	-28
Total financial expenses	-572	-315
Financial result	20 116	12 519
Profit before taxes	18 284	10 860
Taxes	-340	-323
Profit	17 944	10 538

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 2018	31 March 2017
Retained earnings	123443	112906
Net profit for financial year	17944	10538
Retained earnings at disposal of the General Meeting of Shareholders	141387	123443
Allotment from capital contribution reserves	17644	16406
Distribution of dividend from capital contribution reserves*	-17644	-16406
Carried forward to the next year	141387	123443

* The Board of Directors proposes to the General Meeting of Shareholders a tax free distribution of capital contribution reserves in the amount of CHF 1.40 per share. The total distribution based on the actual share capital as of 31 March 2018 will be approximately CHF 17.6 million (previous year: CHF 16.4 million).



Notes to the statutory financial statements of Ypsomed Holding AG

General

Additional information in the notes 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 and financial assets

Investments and financial assets are valued at acquisition costs less impairment. Value adjustments affecting net income are included in the results for the period. The value adjustment on the stake in Bionime Corp. amounted to CHF 0.1 million (previous year: CHF 0.0) as per 31 March 2018.

Liabilities

Liabilities are valued at their nominal value.

Foreign currency translation

All assets and liabilities in foreign currencies are translated at 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

The average annual number of full-time jobs in the financial year 2017/18 was 0 jobs.

Financial income/expenditure

Due to a lower share price (lower stock market) in Bionime Corp. an adjustment was necessary.

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 each of CHF 14.15 (previous year: CHF 14.15).

Significant shareholders and shareholder groups

	31 March 2018	31 March 2017		
	Number of shares	Capital and vote share	Number of shares	Capital and vote share
Shareholder group Michel family	9287413	73.4 %	9151174	72.4 %

As of 31 March 2018, no further notifiable holdings have been reported.

Own shares

	31 March 2018	31 March 2017		
	Number of shares	Ø price (CHF)	Number of shares	Ø price (CHF)
Own shares at the beginning	29786		36922	
Purchase of own shares	57000	141.0	0	
Disposal of own shares	-40000	176.2	-7136	194.1
Own shares held	46786		29786	

Investments

	31 March 2018	31 March 2017		
	Capital and vote share	Book value (CHF)	Capital and vote share	Book value (CHF)
Ypsomed AG, CH-Burgdorf	100%	277180644	100%	277180644
Ypsotec AG, CH-Grenchen	100%	13643520	100%	13643520
TecPharma Licensing AG, CH-Burgdorf	100%	18161816	100%	18161816
Ypsomed Distribution AG, CH-Burgdorf	100%	6000000	100%	6000000
Ypsomed BVBA, BE-Brussels	1%	1177		
Total Investments		314987157		314985980

Financial assets

	31 March 2018	31 March 2017		
	Capital and vote share	Book value (CHF)	Capital and vote share	Book value (CHF)
Bionime Corporation, Taiwan	8.2 %	10079362	8.2 %	10223989
Insulet Corporation, Bedford, MA, USA			0.0 %	10638
Total financial assets		10079362		10234627

Indirect and substantial investments

	Holding by	Capital and vote share	
		31 March 2018	31 March 2017
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-Escricks	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed GmbH, A-Vienna	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed S.r.l., IT-Varese	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Medical Devices Co. Ltd., CN-Beijing	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%	100%
DiaExpert GmbH, GER-Liederbach	Ypsomed GmbH, GER-Liederbach	100%	100%
Ypsotec s.r.o., CZ-Tábor	Ypsotec AG, CH-Grenchen	100%	100%
Ypsomed Polska Sp. z o.o., PL-Warsaw	Ypsomed AG, CH-Burgdorf	100%	
Ypsomed BVBA, BE-Brussels	Ypsomed AG, CH-Burgdorf	99%	
Ypsomed Diabetes, S.L., ES-Barcelona	Ypsomed AG, CH-Burgdorf	100%	
Ypsomed Canada inc., CA-Montreal*	Ypsomed AG, CH-Burgdorf	100%	

In the financial year 2017/18, the subsidiaries in Poland (Ypsomed Polska Sp. z o.o.), Belgium (Ypsomed BVBA) and Spain (Ypsomed Diabetes, S.L.) were newly established. Ypsomed Holding AG holds a direct 1 % interest in the Belgian company.

*Ypsomed Canada inc. is being founded on the balance sheet date.

Subordination to participations

There is an unlimited patronage agreement in favour of a Group company.

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

In thousand CHF

	31 March 2018	31 March 2017
Credit Suisse (Schweiz) AG, CH-Zurich guarantee in connection with credit business for Ypsomed AG	22500	22500
BNP Paribas (Suisse) SA, CH-Geneva guarantee in connection with tender transactions of subsidiaries	10000	

Long-term receivables group companies

In thousand CHF

	31 March 2018	31 March 2017
Ypsomed AG, CH-Burgdorf	160384	140394
Ypsotec AG, CH-Grenchen	14988	11000
Ypsomed Distribution AG, CH-Burgdorf	151	11796
Ypsomed Produktion GmbH, GER-Schwerin	4952	
Total loans to shareholdings	180474	163190

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

As at 31 March 2018, executive and non-executive members of the Board of Directors, members of the Executive Management and persons closely linked to them held the following investments in total. No options on Ypsomed shares were held. Own shares held by the

Ypsomed Group and shares of Ypsomed Holding AG held by the employee pension fund are not allocated to any member of the Board of Directors or Executive Management.

Share ownership of Board of Directors	31 March 2018	31 March 2017
Willy Michel, President	8914861	8754489
Indirect investments	78673	112276
Total Willy Michel	8993534	8866765
Anton Kräuliger, Vice President	5100	5100
Prof. em. Dr. Norbert Thom, Member	320	192
Gerhart Isler, Member	8100	8100
Total shares Board of Directors	9007054	8880157

Members of Executive Management

Simon Michel, CEO	150920	145888
Dr. Beat Maurer, Senior Vice President Legal Services & Intellectual Property	500	500
Niklaus Ramseier, Senior Vice President Finance/IT (CFO)	1069	1069
Hans Ulrich Lehmann, Senior Vice President Technology	0	150
Ulrike Bauer, Senior Vice President Marketing & Sales Delivery Systems	275	150
Dr. Eberhard Bauer, Senior Vice President Marketing & Sales Diabetes Care	1610	2110
Frank Mengis, Senior Vice President Operations	200	200
Michael Zaugg, Senior Vice President Human Resources	0	
Total shares Executive Management	154574	150067

See also Corporate Governance page 88 for details of the shareholder group Michel Family and their shares held.



Report of the statutory auditors



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To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, 15 May 2018

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 71 to 77), for the year ended 31 March 2018.



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 2018 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 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 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 investments and loans positions for impairment, management prepares medium-term plans for the next five years. These medium-term plans form the basis for testing the impairment of investments and loans and are primarily based on management estimates. This matter is presented in the statutory financial statements in the notes to the financial statements in the section on "Principles for the valuation of investments."
Our audit response	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

Olivier Mange
Licensed audit expert
(Auditor in charge)

Marc Aeberhard
Licensed audit expert



Multi-year overview

In thousand CHF

	2017/18	2016/17	2015/16	2014/15
Sales of goods and services*	466 119	389 555	336 922	306 632
Gross profit	139 825	125 478	103 187	85 850
Gross profit in %	30.0 %	32.2 %	30.6 %	28.0 %
Operating profit	61 070	55 298	44 435	28 546
Operating profit in %	13.1 %	14.2 %	13.2 %	9.3 %
Net profit	52 060	46 247	35 812	19 395
Net profit in %	11.2 %	11.9 %	10.6 %	6.3 %
Depreciation of tangible assets	19 744	21 500	21 247	21 308
Amortisation of intangible assets	14 725	10 965	7 588	7 514
EBITDA**	95 539	87 763	73 270	57 369
EBITDA in %	20.5 %	22.5 %	21.7 %	18.7 %
Current assets	218 311	175 378	148 363	123 498
Non-current assets	281 928	246 422	240 508	237 713
Current liabilities	142 453	103 006	105 325	100 628
Non-current liabilities	16 245	16 999	15 709	19 946
Balance sheet total	500 239	421 801	388 871	361 211
Capital expenditure	-54 798	-27 482	-25 154	-17 212
Cash flow from operating activities	53 269	75 064	76 687	41 381
Cash flow from investing activities	-65 820	-38 052	-35 977	-26 232
Cash flow from financing activities	4 595	-23 231	-31 662	-14 167
Issued shares at 31 March	12 649 739	12 649 739	12 649 739	12 649 739
Average shares outstanding	12 586 645	12 613 915	12 624 859	12 624 614
Earnings per share in CHF (basic/diluted)	4.14	3.67	2.84	1.54
Dividend per share (in CHF)	1.40	1.30	1.00	0.60
Book value per issued share (in CHF)***	27.00	23.86	21.17	19.02
Share price: year's highest (in CHF)	228.70	200.70	152.00	94.00
Share price: year's lowest (in CHF)	132.50	137.70	88.15	77.40
Share price: year-end (in CHF)	145.90	190.50	137.50	91.10
Market capitalisation (in million CHF)	1 846	2 410	1 739	1 152
Average headcount	1 394	1 272	1 122	1 022
Average full-time equivalent	1 328	1 209	1 079	983
Year-end headcount	1 451	1 314	1 166	1 050
Year-end full-time equivalent	1 384	1 256	1 116	1 013
Sales per average full-time equivalent (in CHF)	350 993	322 213	312 341	311 935

* See basis for the consolidated financial statements on page 48.

** Operating profit before depreciation and amortisation.

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



The Corporate Governance report describes the directive on information relating to Corporate Governance of SIX Swiss Exchange.

It describes the management and control principles at the highest corporate level of Ypsomed Holding AG and its subsidiaries.





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 13 December 2016 (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 95 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 ba-

sic 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 178993806.85, divided into 12649739 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 2018	Per 31 March 2017
Market capitalisation in CHF	1845596920	2409775280
In % of equity	540.4*	698.5*
Share price in CHF	145.90	190.5
Price/earnings ratio	35.3**	51.9**

* Equity capital on 31 March 2018: kCHF 341542
Equity capital on 31 March 2017: kCHF 301795

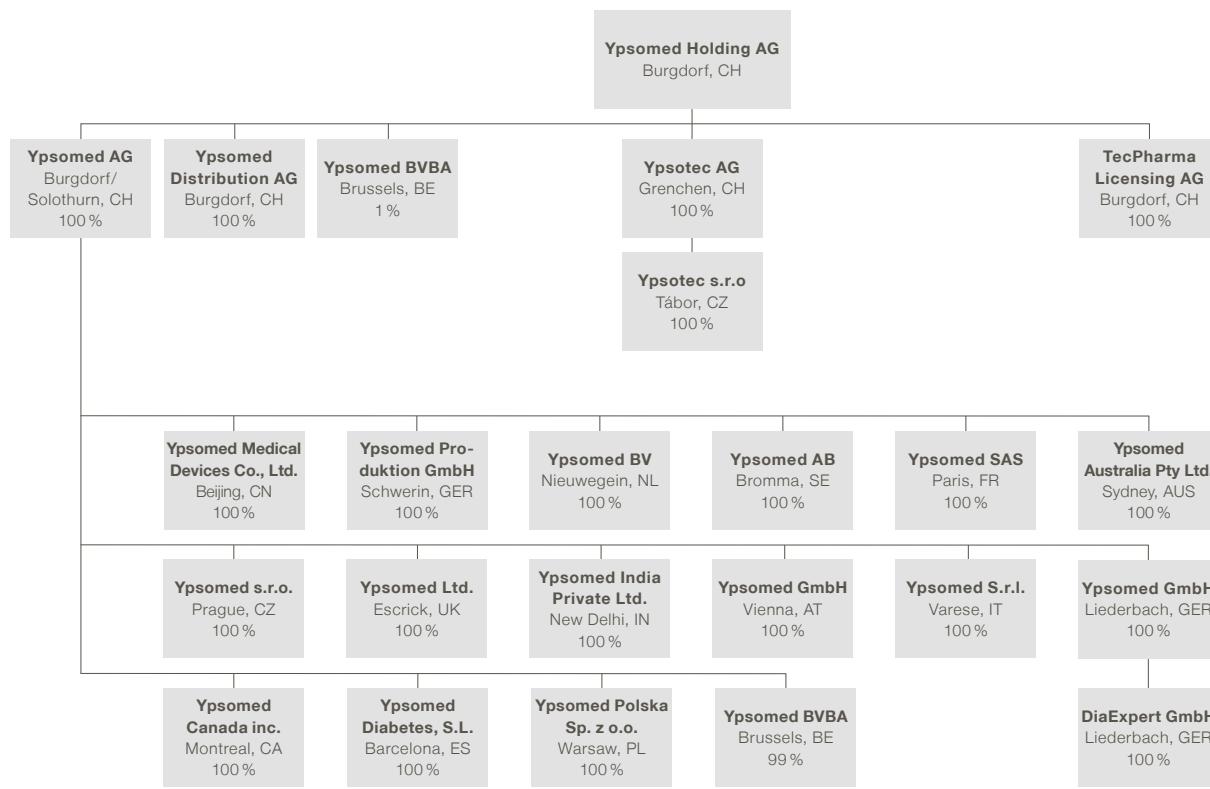
** Earnings per share as at 31 March 2018: CHF 4.14
Earnings per share as at 31 March 2017: CHF 3.67

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 2018



The capital of each company is given in the appendix to the consolidated annual balance, see page 53 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

The Ypsomed Holding AG does not own conditional capital as of 31 March 2018.

Authorised share capital

The Ypsomed Holding AG does not own authorised share capital as of 31 March 2018.

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 2018 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
31.03.15	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
01.04.17	Transfer of net profit carried forward to retained earnings				10 537 645.05
07.07.17	Dividend from capital contribution reserves				
31.03.18	Buying/disposal of own shares				
31.03.18	Net profit				
31.03.18	Holdings	12 649 739	14.15	178 993 806.85	123 443 274.39

Net profit	Own shares	Other capital reserves (disagio)	Capital contribution reserves	General legal reserves	Total equity
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
-10 537 645.05					451 378 194.51
			-16 405 938.90		434 972 255.61
		-3 505 085.03			431 467 170.58
17 943 907.24					449 411 077.82
17 943 907.24	-6 594 954.56	-150 000.00	135 725 043.90	50 000.00	449 411 077.82



Shareholder structure

Registered shareholders

There were 6 866 shareholders owning shares registered in the Share Register on 31 March 2018 (previous year: 4281 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 2018	Number of shareholders as at 31 March 2017
1 to 100	3959	2474
101 to 1000	2675	1603
1001 to 10000	201	169
10001 to 100000	27	28
over 100000	4	7

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 2018, the "Michel family" shareholder group holds a combined total of 9 287 413 (previous year: 9 151 174) registered shares in Ypsomed Holding AG, which represents 73.4 % (previous year: 72.4 %) 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 disclosure notifications. The disclosure notifications published pursuant to Art. 120 of the Finance Market Infrastructure 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 shareholder 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. Since 2016 honorary member in the Association of the Institute for Organisation and Personnel of the University of Berne. In June 2017, Willy Michel founded the Diabetes Center Berne Foundation (DCB), which works closely with the University Hospital of the Insel Group. Willy Michel is Chairman of the Board of Trustees of DCB. 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 (SIVIK) awarded Willy Michel as "Communicator of the Year" (COTY).

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. Between 2012 and 2017 he was also a member of the Supervisory Board of the REHAU Group (Muri near Berne), which is active worldwide in the synthetic sector. Prof. Thom founded the Norbert Thom Foundation in 2016 and has been its president ever since. The foundation supports talented scientists at Swiss universities in the field of "public and private management".

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 was Mayor of Bergdietikon from 2010 to 2017.

Members of the Board of Directors

Name	Nationality	Year of birth	Year of birth	Member since	Elected until GM
Dr.h.c. Willy Michel*	CH	1947	Chairman	1984	27 June 2018
Anton Kräuliger**	CH	1946	Vice Chairman	2007	27 June 2018
Prof. em. Dr. rer. pol. Dr. h.c. mult. Norbert Thom**	GER/CH	1946	Member	2005	27 June 2018
Gerhart Isler**	CH	1949	Member	2008	27 June 2018

* 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.

Norbert Thom will step down from the Board of Directors at the Annual General Meeting 2018. The Board of Directors proposes to the Annual General Meeting 2018 to elect Paul Fonteyne to the Board of Directors and as a member of the Compensation Committee.



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 people" in the appendix to the consolidated annual balance on page 66. 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, no amortisation payment was made. As of 31 March 2018, 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 2018 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 2018/19. There are no further executive loans.

Rental contract

Willy Michel, via 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 2029 conditional upon 24 months' notice and after this in any month. The tenant has unlimited first right of refusal for purchasing the property for the entire rental period, but for a maximum of 25 years from the start of the rental. The rental contract stipulates that small and standard maintenance work on the building shall be paid by the tenant up to a maximum amount of 2 % 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.

Other contractual relationships

Willy Michel, via 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 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

According to the statutes of Ypsomed Holding AG (under: www.ypsomed.com/articlesofassociation), the members of the Board of Directors should not accept more than 15 additional mandates in legal entities and only a maximum of five of these may be with companies whose participation rights are listed on an exchange. A mandate is deemed to be any activity in the highest management or administrative bodies of other legal entities that are obliged by law to be entered into the commercial register or a comparable foreign register and that are not directly or indirectly controlled by Ypsomed Holding AG or control the company. Mandates with different legal entities that are under joint control are 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 2017 and Willy Michel was also re-elected as chairman. The results of the first election can be seen in the table on page 91. 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 2017 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 three 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 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. External consultants are not consulted.

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 2017. In addition, the Board of Directors convened for 2 days in March 2018 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 2018 and in the General Meeting of Shareholders in June 2017.

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 in the course of the Board of Directors' meeting in May 2017 and at the Strategy Meeting in March 2018 to decide on proposals to be submitted to 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/CH	1969	Senior Vice President Delivery Systems	2001
Niklaus Ramseier	CH	1963	Chief Financial Officer (CFO)	2002
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

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. Simon Michel has been a member of the board of the Solothurn Chamber of Commerce since 2015 and also president of the Industry Division and a member of the board of Swiss Medtech (up to 2017: FASMED), the umbrella association of Swiss medtech, and other boards of trustees and advisory boards since 2015. In June 2017, Simon Michel's father, Willy Michel, founded the Diabetes Center Berne Foundation (DCB), which works closely with the University Hospital of the Insel Group and is researching new therapeutic approaches to improve the quality of life of people with diabetes. Simon Michel is Chairman of the Board of Directors of DCB Research AG, a 100 % subsidiary of the foundation. Simon Michel was elected to the Cantonal Council of the Canton of Solothurn in March 2017.

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.

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 schärpertners 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 President of Swiss Medtech's "Legal & Compliance" Group (up to 2017: FASMED), the umbrella organisation for Swiss medical technology Swiss Medtech (up to 2017: Board member).

Management contracts

There are no management contracts.

Other activities and vested interests

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

Number of permissible mandates

According to the statutes of Ypsomed Holding AG, 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.



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 2017/18 as stipulated by the VegüV can be found in the Compensation Report 2017/18, as of page 108.



Shareholders' rights of participation

Voting-right restrictions and representation

All shareholders who are entered in the Share Register with voting rights until the resolution is passed are entitled to vote at the General Meeting of Shareholders. The book closing date is three to a maximum of five days before the General Meeting and is determined together with the share register. 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, www.ypsomed.com/articlesofassociation). 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 2017 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 2018. 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 27 June 2018, 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 up to 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, www.ypsomed.com/articlesofassociation).

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, Olivier Mange, has been in office at Ypsomed Holding AG since June 2017. 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 2017 General Meeting of Shareholders.

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.

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 CHF 0.29 million. During the reporting year, Ypsomed Holding AG and its group companies were invoiced a total of CHF 0.03 million by the auditors for additional non-auditing services in connection with tax consultations.



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/newservice (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 1939 699
ISIN: CH 001 939 699 0

Important dates

- 27 June 2018
General Assembly of Shareholders, Burgdorf
- 06 November 2018
Media conference and analysts' presentation of the semiannual figures 2018/19, Zurich
- 23 May 2019
Media conference and analysts' presentation of the annual figures 2018/19, Burgdorf

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Compensation report

The Compensation Report for Ypsomed Holding AG for the financial year 2017/18 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 (www.ypsomed.com/articlesofassociation).

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 27 June 2018, 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 2019 and for the members of Executive Management for the duration of the following financial year 2019/20 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 2018.

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 Fixed compensation	Maximum amount of fixed compensation for members of the Board of Directors for the period 27 June 2018 until the next Ordinary General Meeting of Shareholders in 2019	Review of the principles and proposal to Board of Directors	Proposal to GM	Approval at the GM of 27 June 2018
	Individual compensation to the Chairman and the Members of the Board of Directors	Proposal to Board of Directors	Approval	
Board of Directors Performance-related compensation	Total amount of performance-related compensation to the Members of the Board of Directors for the financial year 2017/18	Recommendation	Proposal to GM	Approval at the GM of 27 June 2018
	Individual compensation to the Members of the Board of Directors	Proposal to Board of Directors	Approval	
Executive management Fixed compensation	Maximum fixed compensation to Members of the Executive Management for the financial year 2019/20	Review of the principles and proposal to Board of Directors	Proposal to GM	Approval at the GM of 27 June 2018
	Individual compensation to the Members of the Executive Management	Proposal to Board of Directors	Approval	
Executive management Performance-related compensation	Total amount of performance-related compensation to the Members of the Executive Management for the financial year 2017/18	Recommendation	Proposal to GM	Approval at the GM of 27 June 2018
	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 2017 to the General Meeting of Shareholders 2018 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 % 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 % of the consolidated EBIT margin and ¼ of the consolidated sales. In the reporting year, this amounted to CHF 168 000 resp. 38.4 % of the fixed basic compensation for all Directors of the Board, based on a target attainment level of 120 %. 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 2018. 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 2017/18 that is prescribed by the VegüV is given in the table on page 108.

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 264 200 resp. 60 % of the fixed basic compensation, based on a target attainment level of 120 %. If target attainment had been 100 %, the performance-related component would have been around CHF 44 000 lower. The amount of the performance-related component to the other Members of Executive Management in the reporting year amounted to CHF 551 900 resp. 29.6 % of the fixed basic compensation, based on a target attainment level of 118 %. If target attainment had been 100 %, the performance-related component would have been around CHF 85 000 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. Information on the actual compensation paid directly and indirectly to the current and former members of Executive Management in the financial year 2017/18 that is prescribed by the VegüV is given in the table on page 108.

Board of Directors compensation (certified by auditor)

Gross, in thousand CHF	Fixed compensation		Performance-related compensation*		Employer contribution to social insurance		Total	2016/17
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17		
Willy Michel, Chairman	154.5	154.5	60.0	55.8	0.0	0.0	214.5	210.3
Anton Kräuliger, Vice Chairman	94.5	94.5	36.0	33.5	0.0	0.0	130.5	128.0
Prof. em. Dr. Norbert Thom	94.5	94.5	36.0	33.5	0.0	0.0	130.5	128.0
Gerhart Isler	94.5	94.5	36.0	33.5	7.5	7.4	138.0	135.4
Total performance-related compensation	438.0	438.0	168.0	156.3	7.5	7.4	613.5	601.7

Highest compensation to Willy Michel	214.5	210.3
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Further remuneration to affiliated persons of Willy Michel:

Techpharma Management AG: for loan (interest)	70.0	74.0
Techpharma Management AG: for rented business premises and services provided	906.6	906.6

No further compensation

* The full performance-related compensation for the Board of Directors comes to a total of kCHF 170.4 (previous year: kCHF 158.3).
The performance-related component amounts to kCHF 168.0 (previous year: kCHF 156.3) with additional corresponding employer contributions to the social insurances of kCHF 2.4 (previous year: kCHF 2.0).
Of the total compensation of kCHF 520.0 approved at the General Meeting of Shareholders on 28. June 2017 was not exhausted by kCHF 82.0 (excluding social security contributions).

Executive Management compensation (certified by auditor)

Gross, in thousand CHF	Fixed compensation		Other compensation		Performance-related compensation*		Employer contribution to social insurance	Total	2016/17
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17			
Simon Michel, CEO	442.0	440.5	0.0	3.0	264.2	251.4	76.4	73.3	782.6
Add. members	1867.0	1770.2	12.0	7.4	551.9	452.2	355.7	320.1	2786.6
Subtotal	2309.0	2210.7	12.0	10.4	816.1	703.6	432.1	393.4	
Total management compensation								3569.2	3318.2

Highest compensation to Simon Michel	782.6	768.2
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The fixed compensation of kCHF 2309.0 with employer contributions to social security of kCHF 368.5 amounts to a total of kCHF 2677.5. Of the fixed compensation of kCHF 3200.0 approved at the General Meeting of Shareholders on 28. June 2017 for the financial year 2017/18 was not exhausted by around kCHF 522.5.

* The full performance-related compensation for Executive Management comes to a total of kCHF 879.7 (performance-related component was an additional kCHF 816.1. The corresponding employer contributions to the social insurances were kCHF 63.6).

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 2018.

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 page 108.

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 2017/18 of Ypsomed Holding AG, page 77.



Auditor report on the remuneration report



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To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, 15 May 2018

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 2018. 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 108 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.



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Opinion

In our opinion, the remuneration report for the year ended 31 March 2018 of Ypsomed Holding Inc. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Olivier Mange
Licensed audit expert
(Auditor in charge)

Marc Aeberhard
Licensed audit expert



Glossary

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.

CGM/FGM

Continuously measuring glucose sensors measure the concentration of tissue glucose in the body. Continuous glucose monitoring (CGM) is generally used in people with diabetes mellitus in order to better control the therapy. In FGM systems (Flash Glucose Monitoring), the tissue glucose concentration is not measured or scanned continuously, but only on demand.

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 anaemia) 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.

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.

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.

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.

Originator drug

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

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.

Polyarthritis

Polyarthritis is an inflammatory autoimmune disease that can affect not only the joints but also organs, bursas and tendon sheaths. Chronic polyarthritis is referred to as rheumatoid arthritis.

@/™

The ® or ™ symbols, when used in this document, indicate that the relevant name is a registered trademark of the relevant pharmaceutical partner of Ypsomed or Ypsomed itself.

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 viscous (less flowable) the fluid, the lower the viscosity, the less viscous (flowable) it is, in other words, it can flow faster under the same conditions.

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Disclaimer

This annual report contains certain forward-looking statements. These can be identified by terms such as "should", "accept", "expect", "anticipate", "intend" or similar terms and phrases. The actual future results may

differ materially from the forward-looking statements in this annual report, due to various factors such as legal and regulatory developments, exchange rate fluctuations, changes in market conditions, as well as the activities of competitors, the non-introduction or delayed introduction of new products for various reasons, risks in the development of new products, interruptions to production, the loss of or inability to obtain intellectual property, litigation and administrative proceedings, adverse publicity and news coverage.

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