Ypsomed Holding AG – Semiannual Report 2017/18

YPSOMED
SELFCARE SOLUTIONS

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 1 400 employees.

Growth with a positive outlook
First half-year on track – forecast raised

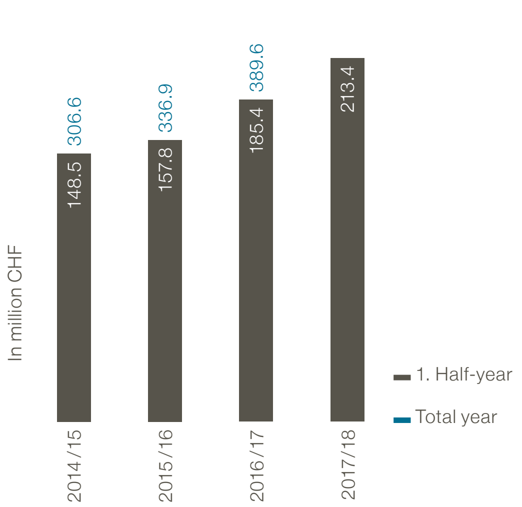
During the first semester of the business year 2017/18 we achieved a consolidated total turnover of CHF 213.4 million. The growth represents an increase in sales of 15.1 % (previous year: CHF 185.4 million). The operating result (EBIT) amounts to CHF 26.9 million (previous year: CHF 28.1 million) with an EBIT margin of 12.6 %. The first half-year is impacted by the costs of the launch activities and amortisations for our new mylife™ YpsoPump® insulin pump to the extent of CHF 7.5 million. The net profit in the first half-year amounted to CHF 23.4 million (previous year: CHF 22.4 million). The increase in net profits was influenced by positive currency exchange rates and lower tax burdens amongst other things.

Ypsomed Diabetes Care: Successful in new markets

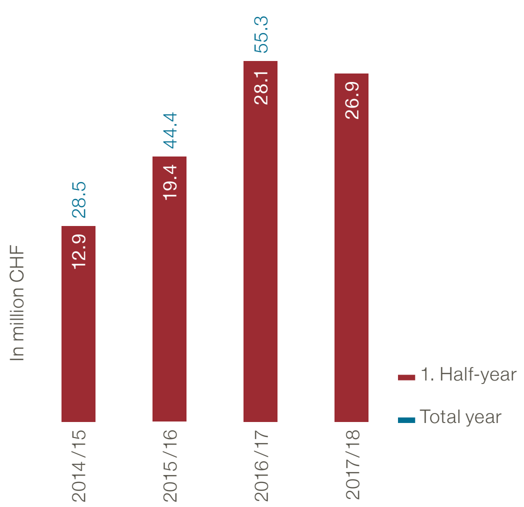
With its mylife™ Diabetescare brand, Ypsomed operates in the direct business with products and services for people with diabetes mellitus. In the Ypsomed Diabetes Care (YDC) segment we showed a growth in turnover of 25.2 % to CHF 141.9 million (previous year: CHF 113.4 million) for the first half-year 2017/18. All sales organisations contributed to the growth of CHF 28.5 million, both in established and newly exploited markets, whereby France demonstrated particularly high growth.

In the YDC segment, the profit is burdened by the launch costs, market development and the supply of the mylife™ YpsoPump®. These initial market introduction costs will lead to higher turnover and profit contributions in the mid-term. The mylife™ YpsoPump® has been on the market for a good year and has meanwhile been launched in six countries and is in the launch phase in a further four countries. Feedback from patients and physicians is very positive and confirms that the demand for an easy-to-operate insulin pump exists in the markets.

Development of turnover at group level



Development of EBIT at group level



Ypsomed Delivery Systems: Strong growth in the second half-year

Pharmaceutical and biotech customers purchase injection systems and corresponding services via the Ypsomed Delivery Systems (YDS) segment. During the first half-year 2017/18, the YDS segment achieved a turnover of CHF 62.7 million. This corresponds to a slight decrease of CHF 1.4 million compared with the previous year. In July 2017, GSK announced to take their GLP-1 product Tanzeum off the market. Larger volumes for GLP-1 pens in the previous year for our customers GSK and AstraZeneca were largely compensated for by products from the new pen and autoinjector platforms. However, based on the current order volumes we expect a growth in turnover of approximately 20 % for the second half-year compared with the first half-year.

The project business in the YDS segment remains at a high level with a continued increase in the number of project acquisitions and a well-filled pipeline.

Others: Slight improvement in a difficult environment

The Others segment consists of our subsidiary Ypsotec and the assets not used operationally. This segment showed a modest recovery from CHF 7.8 million to CHF 8.7 million in a consistently difficult market environment. The increasing demand for production capacities in Czechia has encouraged us to further expand the Tábor site.

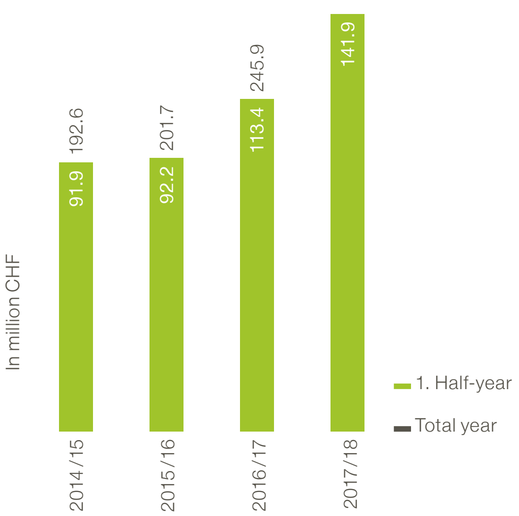
Slight decrease in operating profits

In the first half-year of 2017/18, the operating result (EBIT) decreased by 4.3 % to CHF 26.9 million (previous year: CHF 28.1 million). The EBIT margin is 12.6 % (previous year: 15.2 %).

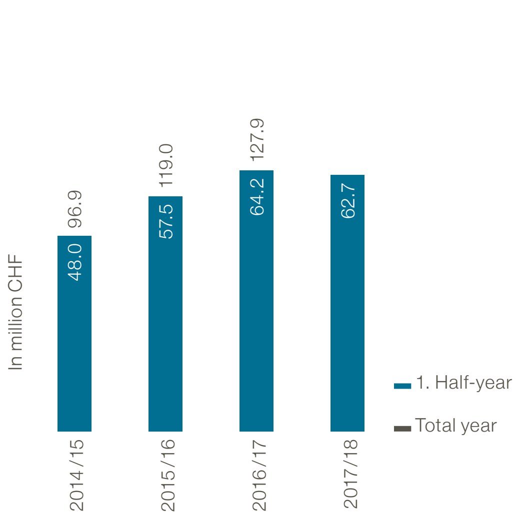
The following factors have affected the result of the first half-year:

- The geographic expansion into new markets has burdened the operating result in the YDC segment. Insulin pump therapy is well established in the newly exploited countries Australia, Spain, Belgium and Poland, which expands the future sales potential for the mylife™ YpsoPump®.

Turnover Ypsomed Diabetes Care



Turnover Ypsomed Delivery Systems



- The market introduction programmes and amortisation of the development costs to the amount of CHF 3.1 million and the time necessary to establish the new mylife™ YpsoPump® represented a burden of CHF 7.5 million.
- With the mylife™ OmniPod® we were again able to demonstrate convincing growth during the first half-year. However, price regulations had a negative effect on the profit margin, particularly in France, a strong growth market.
- The installation and commissioning of additional machines and automated equipment for our pen and autoinjector platforms caused additional costs.
- During the current year the provisions of CHF 1 million for charges to marketing expenditure made at the end of the business year 2016/17 were dissolved. This contrasted with dissolving guarantee provisions of CHF 0.7 million in the previous year.
- Compared with the previous year, production utilisation in the YDS segment was temporarily down slightly. During the second half-year production utilisation will be increased considerably better.

Building of new markets and production sites affect cash flow

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

In the first half of the financial year 2017/18, the cash flow from business operations decreased slightly from CHF 36.2 million to CHF 31.4 million compared with the previous year's period. Additional turnover and longer payment deadlines led to higher customer balances with accordingly higher capital commitments.

Our investment operations during the reporting period increased to CHF 26.4 million (previous year: CHF 17.4 million). CHF 6 million of this went on the new building in Burgdorf for our competence centre for moulding injection tools, our extended laboratory and the technical testing centre as well as new office workplaces in Burgdorf and Solothurn. A further CHF 5 million were invested in expanding production capacity for the pen and autoinjector platforms.

Furthermore, CHF 10 million were spent on extending the production facilities in Burgdorf and Solothurn and for the in-depth planning of the new production site in Schwerin. An additional CHF 5.6 million were invested into intangible assets. The majority went into the further development of our injection and infusion systems.

On 6 July CHF 16.4 million were distributed as tax-exempted dividends from capital reserves. Own shares were purchased at a low share price for approximately CHF 8 million. The short-term financial debt to banks increased by CHF 15 million during the first half-year.

Equity capital remains stable at a high level

Simon Michel
Chief Executive Officer

In terms of balance sheet, the level of liquid assets amounted to CHF 35.4 million for the first half-year 2017/18. The high cash holdings give us the necessary flexibility in the operative business and allow us to invest further into expanding our production capacities, particularly in our new production site in Schwerin. Our total equity amounts to CHF 303.8 million (previous year: CHF 301.8 million). Our new equity ratio is 69 %.

Outlook

According to the current position, our second half-year will be considerably better compared with the reporting period.

The strong growth in turnover in the YDS segment with corresponding higher production utilisation has a positive effect on our forecast. We expect a growth in turnover of approximately 18 % versus the forecast 15 %. On this basis, we will raise the outlook for the operating result to approximately CHF 60 million.

The focus is on the user
Our portfolio moves into the future

According to estimates by the International Diabetes Federation (IDF), the number of people affected by diabetes will increase worldwide to roughly 650 million by the year 2040. More than 10 % of those affected are insulin dependent. The expenditure on diabetes therapy will also increase. One of the reasons lies in the elaborate therapy management. Patients must often record their blood glucose values by hand, and documentation of the therapeutic data is correspondingly poor. This hinders therapy settings and the resulting therapeutic success, making it even more important to simplify the future for diabetic patients and to adapt therapeutic management to today's and future lifestyles. We are moving in this direction with our current portfolio and plan to connect our portfolio even more in the future.

The mylife™ YpsoPump® System becomes a linked insulin pump with the mylife™ App. Data recording and exchange are performed via Bluetooth®. The system is completed with the new mylife™ Unio™ Neva blood glucose meter which is also connected to the App via Bluetooth®. This enables users to combine the pump and blood glucose data in the mylife™ App and to receive automated therapy suggestions, such as meal bolus suggestions. In a next step, the mylife™ YpsoPump® will also be controlled directly via the mylife™ Control App.

Cooperation with partners increases customer benefits

In addition to the prefilled NovoRapid® PumpCart®, users can fill an empty cartridge with the insulin of their choice using the self-fillable mylife™ YpsoPump® Reservoir. As a result, the mylife™ YpsoPump® can be used with every fast acting insulin.

Users will have even more options in the future. In the next few years we will be offering more prefilled cartridges for the mylife™ YpsoPump®. Furthermore, the data from sensors of continuous blood glucose monitoring systems are to be integrated into the mylife™ insulin pump system.

Our product portfolio of the future

The "Internet of Things" also determines the further development of our digital therapy support and offers. In future, the mylife™ App will become even more intelligent and will be able to support users better in their daily life.

- Bolus suggestions based on blood glucose data, active insulin and consumed carbohydrates
- Observation App for parents and care takers for more safety in therapy of children and those in need of care
- Even faster and better linking with the physician to optimise therapy

We will also be adapting our portfolio in the areas of digital service and customer service.

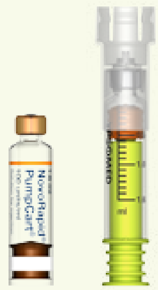
- Interactive, digital product training
- Messaging services to customer service
- Automated ordering in the mylife™ online shops
- Location search of supply sources for replacement devices or additional consumables

- Interactive, digital product training
- Messaging services to customer service
- Automated ordering
- Supply sources

- mylife™ App
- mylife™ Control App for insulin pumps

- Bolus suggestion calculator
- Therapy suggestions
- Observation App for parents and care takers
- Connection of therapy data to HCP

- Prefilled 1.6 ml cartridge (NovoRapid® PumpCart®)
- Compatible with more prefilled cartridges
- Sensor data from continuous blood glucose monitoring systems



Disclaimer
The Bluetooth® word mark and logos are registered trademarks owned by Bluetooth SIG, Inc., and any use of such marks by Ypsomed AG is under license.

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

Design of mylife™ YpsoPod® according to current planning.

We concentrate on our own products
Portfolio development is progressing

As of July 2018 we will stop distributing the OmniPod® tubing free insulin pump in Europe. The distribution of the patch pump will then be taken over in the European countries by the manufacturer, Insulet Corp. This allows us to focus fully on our own products, the mylife™ YpsoPump®, our own infusion sets, as well as pen needles, and on complementing the portfolio mid-term with our own tubing free insulin pump, the mylife™ YpsoPod®.

Insulet Corp. and Ypsomed have decided not to extend the distribution agreement. Insulet has presented us with contractual and pricing conditions which made an extension of the agreement impossible for us. Details of the contractual severance are presently being discussed. We will receive compensation of approx. CHF 50 million from Insulet Corp. for successfully establishing the European market over the past seven years. The exact amount will depend on the number of OmniPod® customers we have gained until 30 June 2018. The compensation will compensate the effects on the results due to the non-extension of the distribution agreement. For the business years 2018/19 and 2019/20 we expect a temporary decrease in turnover and profit share in the Ypsomed Diabetes Care segment, until the mylife™ YpsoPump® is established in all markets.

Ongoing development of the portfolio

The severance from Insulet Corp. also opens up new opportunities for us. Our dedicated and experienced team of development engineers has been working on our own tubing free mylife™ YpsoPod® insulin pump for some time now. Due to the design construction our future product offers considerably better financial conditions than the OmniPod®. It remains our objective to cover the various segments in the insulin pump market and to ensure that users have freedom of choice in insulin pump therapy.

Greater flexibility and higher margins

As of now we will focus on our own products, the already successfully launched mylife™ YpsoPump® and the upcoming mylife™ YpsoPod®, as well as our mylife™ Software, our blood glucose meters and pen needles. A product portfolio in which the core product, the insulin pump, is of our own manufacture, offers a number of major advantages. This allows us to drive the digital integration of our products faster and more directly without additional interfaces. In the near future we also want to integrate the sensor data for continuous glucose monitoring (CGM) to give our customers greater flexibility and various options in diabetes management. We will be able to react even more flexibly on the market with our future portfolio and can positively influence our future margins in the Diabetes Care segment. Viewed from the mid-term, ending the Insulet distribution agreement will increase our profits and strengthen our position as a Diabetes Care company.

Smart Devices close the data gap
Tremendous potential for clinical studies

Before a medicinal product receives marketing authorisation in combination with an injection device, it goes through strict, multi-phase clinical trials. These studies are time-consuming and involve considerable administrative effort. In addition, the study participants do not always fully comply. This means that the quality of the collected data can suffer. The solution is offered by intelligent injection systems.

Demands in the healthcare sector are changing due to digital, linked products and services. Patient benefits, real-time therapy monitoring, efficient remuneration systems and short as possible phases for launching therapeutic products all drive the development of innovative therapeutic solutions. However, clinical studies for the approval of medicinal products slow down this process. Patients taking part in these studies are often subject to considerable personal effort and the individually perceived effort-benefit ratio is not always obvious. As a consequence, high drop-out rates and non-compliant therapeutic behaviour are not uncommon, and this affects the quality of the data. Conducting trials is associated with considerable administrative effort for the study centres as the collected data often needs to be recorded manually, making evaluation time-consuming and tedious. In the end this delays the market launch of the medicinal product.

Connected solutions for clinical studies

Intelligent and connected devices for the injection of medicines offer new solutions for reducing the hurdles in clinical studies. Intelligent devices take patients through the individual operating stages and the correct use of the injection device results in higher data quality. At the same time, simple operation increases the number of participants and reduces study drop-outs. These "smart devices" also reduce the administrative effort for users and study centres alike. All data is recorded electronically, correctly and without gaps. This gives study centres new insights into therapeutic behaviour in real-time.

SmartPilot™ increases therapeutic success

SmartPilot™ converts the YpsoMate® autoinjector into such an intelligent solution. The attachable device is equipped with sensors and records the handling steps of the user. Via the connection with an App, the SmartPilot™ leads the user through the injection process step by step and gives audible and visual feedback when the injection is completed correctly or if the user makes a mistake. The reminder function of the corresponding App also ensures that injections are not omitted. The application data are sent to the study centres via the Cloud and can also, for example, be made available to physicians or caregivers to let them monitor therapy better or to intervene in time if correction is necessary.

From the study to the market

SmartPilot™ has been designed for our YpsoMate® platforms for 1 ml as well as 2.25 ml syringes. This allows our pharmaceutical customers to transfer the results from the clinical studies one-to-one to the end product which is finally approved for the market.

SmartPilot™ allows patient-oriented study designs

- Less effort for patients increases their motivation to participate.
- The reminder function and step-by-step instructions lead to fewer study drop-outs and operating errors.
- Less administrative effort and better data quality through electronic data capture.
- Insights into patient behaviour enable possible improvements in therapy.

Ypsomed's project pipeline on track
The platforms are prepared for the future

Ulrike Bauer is responsible for our corporate client business. In this interview she explains why the pipeline for projects is not easy to plan. She illustrates how we can serve new market trends with our platform strategy and how the project business will change in the future.

Ulrike Bauer
Senior Vice President
Delivery Systems

A lot happens between acquiring a customer project and the market introduction of a medicinal product. Adaptation of the platform products to customer requirements, providing production capacity and registration are performed in close cooperation with the customer. How is a customer project normally handled at Ypsomed?

A customer project generally passes through five phases. Following the project acquisition phase, the customer project enters the adaptation and implementation phase. During this second phase the platforms are adapted to the customer-specific wishes and needs, and the existing production equipment is set up for the new customer variant. This allows us to manufacture first samples with which the customer starts the third phase, very often a Phase III clinical study. After a successful study, this is followed by phase four, the registration, where we supply our customers with all relevant data. Once the authorities have approved the product, the fifth phase is where the medicinal product is launched on the market together with our injection systems. Depending on the platform, we work on a number of projects in all the phases.

The course of projects is not always predictable and can only be influenced to a limited extent. How can one explain the, sometimes, long phases leading up to commercialisation?

This is due to a number of reasons. In our business we deal with an above average number of strict requirements which need to be fulfilled before a product can be commercialised. And rightly so, after all we are dealing with the health of the users of our products. The duration and the results of the clinical studies in particular, are not in our hands. This is where most of the time delays occur. The administrative effort for such studies is extremely high, both for the study centres as well as the patients. Patients discontinue participation, new patients need to be recruited, and the data quality suffers. In future, therapy compliance can be increased during clinical studies with our intelligent SmartPilot™. We foresee tremendous potential for our SmartPilot™ in supporting our customers in the clinical studies phase and thus shortening the time-to-market.

The market for injection systems is very competitive and the requirements change continuously. What advantages does Ypsomed offer over competitors?

We are the technology and cost leader. Our proven and industrialised platforms offer added value to our customers. With the platform approach we are in a position to rapidly respond to current trends and to implement customer requirements quickly and whithout complication. We do not have to buy extra, new assembly lines, but can modify the existing lines accordingly. Another of our advantages is the close proximity of production, development and customer care. Our development and project teams are close to production. This allows us to react swiftly and have everything under control. This reduces the risk for our customers considerably. In addition, Ypsomed places great value on adherence to delivery dates, quality, openness and partnership. As the injection system should never be the critical component in the approval process of a new medicinal product, this behaviour is highly appreciated by our customers.

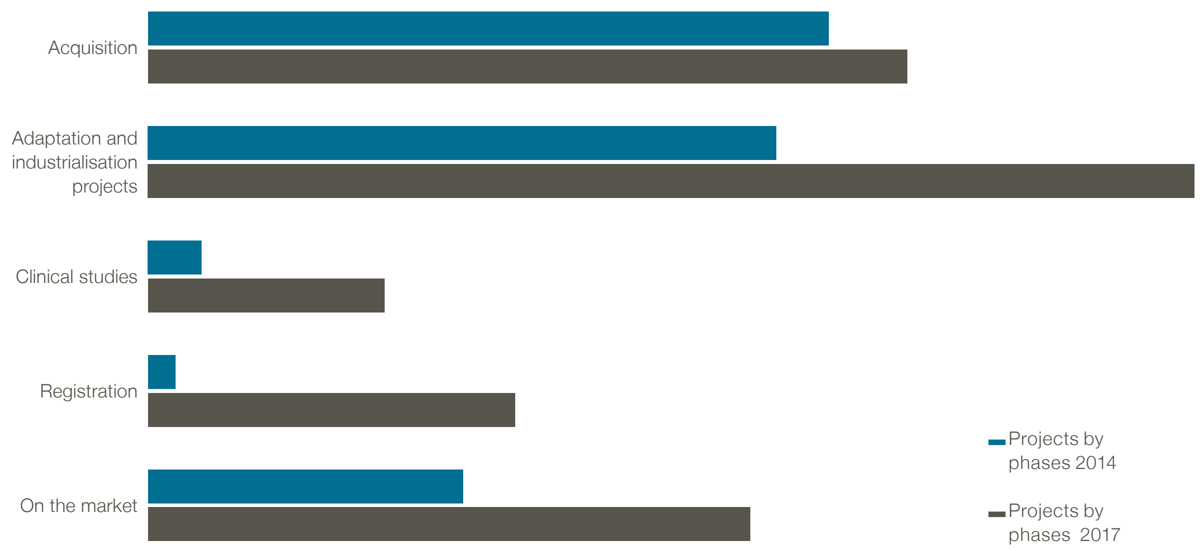
Many new trends can be observed on the market, and they all need to be addressed. Biosimilars are entering the market and new applications with more complex active ingredients and large injection volumes are being discussed. How flexible does one have to be these days and how flexible is Ypsomed?

We have already been observing these new trends and requirements for a long period. New indication fields demand new products and solutions. Medicinal products no longer need to be injected so frequently, sometimes only once a month, but therefore in larger volumes. At the same time, the viscosity of some medicinal products has increased. And this is where our platform strategy pays off yet again. For example, we also offer our YpsoMate® autoinjector for the standard 1 ml syringe as a 2.25 ml syringe and as a Pro-variant with a more powerful drive for higher viscosities. These are based on the YpsoMate® platform, in other words, they are a further development of the standard. The development of YpsoDose®, a patch injector for injections between 5 and 10 ml and injection times of up to 15 minutes is progressing at full pace. We are flexible enough to be able to respond to new customer requirements in the shortest of times.

It is not only the indications that are changing. The requirements for injection devices are also changing in the age of the “Internet of Things” and digitisation. What are Ypsomed’s plans and what does the future look like for the business with pharmaceutical and biotechnology companies?

For us, the future is also digital. We will digitise our platforms step by step. Our SmartPilot™ is a first example of how “smart devices” will complement our platforms in future. We see this as offering users true added value and being able to improve therapy compliance and thus the therapeutic results. This is where we are expanding our know-how in-house. For some time now, we have employed a team which is exclusively tasked with digital innovations. We have in-house competence in the development of apps or for Cloud solutions and can include these right from the beginning in the implementation of customer projects as well as the new and further developments of our platforms. At the same time, we are also entering into collaborations with external professionals, for example, from industry and technical universities. We are sure that we will not miss the latest developments. We are very well positioned for the future.

Development of projects by phases over the last three years



Consolidated income statement

(Unaudited Swiss GAAP FER figures) in thousand CHF	Notes	1 April 2017 – 30 Sept. 2017	in %	1 April 2016 – 30 Sept. 2016	in %
Sales of goods and services	2	**213 363**	**100.0 %**	185 386	100.0 %
Cost of goods and services sold		**–151 662**	**–71.1 %**	–124 182	–67.0 %
Gross profit		**61 701**	**28.9 %**	61 204	33.0 %
Marketing and sales expenses		**–26 855**	**–12.6 %**	–25 590	–13.8 %
Administration expenses		**–9 502**	**–4.5 %**	–8 858	–4.8 %
Other operating income		**2 482**	**1.2 %**	2 350	1.3 %
Other operating expenses		**–893**	**–0.4 %**	–972	–0.5 %
Operating profit	2	**26 932**	**12.6 %**	28 135	15.2 %
Financial income	4	**4 248**	**2.0 %**	1 498	0.8 %
Financial expenses	4	**–3 880**	**–1.8 %**	–2 630	–1.4 %
Profit before income taxes		**27 300**	**12.8 %**	27 003	14.6 %
Income taxes		**–3 897**	**–1.8 %**	–4 574	–2.5 %
Net profit		**23 403**	**11.0 %**	22 429	12.1 %
Earnings per share (basic and diluted) in CHF	5	**1.86**		1.78	
Operating profit		**26 932**		28 135	
Depreciation of fixed assets		**8 939**		9 355	
Amortisation of intangible assets		**6 734**		4 548	
EBITDA (operating profit before depreciation and amortisation)		**42 604**	**20.0 %**	42 037	22.7 %

Consolidated balance sheet

(Unaudited Swiss GAAP FER figures) in thousand CHF

Assets	Notes	30 Sept. 2017	in %	31 March 2017	in %
Cash and cash equivalents		35 448	8.0 %	38 884	9.2 %
Trade receivables		72 421	16.4 %	63 699	15.1 %
Other current assets		7 189	1.6 %	6 806	1.6 %
Prepayments and accrued income		11 193	2.5 %	10 060	2.4 %
Current income tax assets		139	0.0 %	29	0.0 %
Inventories		53 993	12.3 %	48 320	11.5 %
Customer machinery		4 715	1.1 %	7 580	1.8 %
Total current assets		**185 097**	**42.0 %**	175 378	41.6 %
Financial assets		8 961	2.0 %	10 378	2.5 %
Deferred income tax assets		2 576	0.6 %	3 855	0.9 %
Fixed assets		171 451	38.9 %	158 615	37.6 %
Intangible assets		72 474	16.5 %	73 575	17.4 %
Total non-current assets		**255 463**	**58.0 %**	246 422	58.4 %
Total assets		**440 560**	**100.0 %**	421 801	100.0 %

Liabilities and equity	Notes	30 Sept. 2017	in %	31 March 2017	in %
Financial liabilities		42 000	9.5 %	27 000	6.4 %
Trade payables		27 433	6.2 %	21 956	5.2 %
Prepayments from customers		8 304	1.9 %	12 536	3.0 %
Current income tax payable		5 504	1.2 %	4 036	1.0 %
Other payables		5 415	1.2 %	5 611	1.3 %
Accrued liabilities and deferred income		31 190	7.1 %	29 407	7.0 %
Provisions		1 558	0.4 %	2 460	0.6 %
Total current liabilities		**121 404**	**27.5 %**	103 006	24.5 %
Non-current liabilities to major shareholder		10 000	2.3 %	10 000	2.4 %
Other non-current financial liabilities		55	0.0 %	57	0.0 %
Provisions		2 486	0.6 %	2 970	0.7 %
Deferred income tax liabilities		2 806	0.6 %	3 972	0.9 %
Total non-current liabilities		**15 347**	**3.5 %**	16 999	4.0 %
Share capital		178 994	40.6 %	178 994	42.4 %
Capital reserves		134 259	30.5 %	150 677	35.7 %
Own shares / Translation exchange differences		–18 502	–4.2 %	–13 530	–3.2 %
Goodwill acquired offset		–322 892	–73.3 %	–322 892	–76.6 %
Retained earnings		331 950	75.3 %	308 547	73.1 %
Total equity	6	**303 809**	**69.0 %**	301 796	71.5 %
Total liabilities and equity		**440 560**	**100.0 %**	421 801	100.0 %

Consolidated statement of cash flows

(Unaudited Swiss GAAP FER figures) in thousand CHF	Notes	1 April 2017 – 30 Sept. 2017	1 April 2016 – 30 Sept. 2016
Net profit		**23 403**	22 429
Depreciation of fixed and intangible assets		**15 672**	13 902
Loss from impairment (+) / Reversal of impairment (–)	4	**1 382**	671
Change in provisions (incl. deferred income taxes)		**–1 246**	1 264
Other expense / income that does not affect the fund		**–1 686**	290
Gain (–) / loss (+) of fixed and financial assets		**–113**	–13
Increase (–) / decrease (+) in trade receivables		**–6 120**	6 582
Increase (–) / decrease (+) in other receivables and prepayments and accrued income		**–1 277**	–3 825
Increase (–) / decrease (+) in inventories		**–4 680**	–2 540
Increase (–) / decrease (+) in customer machinery		**2 865**	–2 036
Increase (+) / decrease (–) in trade payables		**5 168**	–3 290
Increase (+) / decrease (–) in prepayments from customers		**–4 233**	2 160
Increase (+) / decrease (–) in other short-term payables and accrued liabilities and deferred income		**2 287**	614
Cash flow from operating activities		**31 424**	36 209
Purchases of fixed assets		**–20 933**	–13 255
Disposals of fixed assets		**116**	73
Purchases of intangible assets		**–5 578**	–4 257
Cash flow from investing activities		**–26 395**	–17 440
Repayment of financial liabilities to major shareholder		**0**	–5 000
Proceeds (+) / repayment (–) from borrowings		**15 000**	1 000
Disposal of own shares		**–8 048**	0
Distribution of capital reserves	6	**–16 406**	–12 613
Cash flow from financing activities		**–9 453**	–16 613
Effect of foreign currency translation		**988**	145
Total cash flow		**–3 436**	2 301
Cash and cash equivalents as of April 1		**38 884**	25 507
Cash and cash equivalents as of September 30		**35 448**	27 809
Net increase (+)/decrease (–) in cash and cash equivalents		**–3 436**	2 301

Consolidated statement of changes in equity

(Unaudited Swiss GAAP FER figures) in thousand CHF	Share capital	Group reserves and share premium	Treasury shares	Cumulative translation reserve	Goodwill offset after taxes	Retained earnings	Total
Balance as of 1 April 2016	178 994	162 647	–3 830	–9 383	–322 892	262 300	267 836
Net profit from half-year						22 429	22 429
Distribution of dividends from capital contribution reserves		–12 613					–12 613
Translation exchange differences				–304			–304
Balance as of 30 September 2016	178 994	150 034	–3 830	–9 687	–322 892	284 729	277 349

	Share capital	Group reserves and share premium	Treasury shares	Cumulative translation reserve	Goodwill offset after taxes	Retained earnings	Total
Balance as of 1 April 2017	178 994	150 677	–3 090	–10 440	–322 892	308 547	301 796
Net profit from half-year						**23 403**	**23 403**
Distribution of dividends from capital contribution reserves		**–16 406**					**–16 406**
Disposal of own shares		**–13**	**–8 035**				**–8 048**
Translation exchange differences				**3 063**			**3 063**
Balance as of 30 September 2017	**178 994**	**134 259**	**–11 125**	**–7 377**	**–322 892**	**331 950**	**303 809**

Notes to the consolidated interim financial statements

Figures in thousand CHF unless otherwise stated.

1. Accounting policies

Basics

This consolidated semiannual balance includes the non-audited consolidated half-year financial statement of the Ypsomed Holding AG and its subsidiaries for the reporting period ending 30 September 2017. The consolidated semiannual balance was prepared in compliance with Swiss GAAP FER 31 interim reporting. The accounting principles applied to the preparation of the semiannual balance comply with the accounting principles on which the consolidated balance per 31 March 2017 was based. The consolidated semiannual balance was released for publication by the Board on 26 October 2017.The business operations of Ypsomed are not subject to major seasonal or cyclic fluctuations within the business year.

Preparation of the semiannual balance necessitates that Management make certain estimates and assumptions which may affect the assets and liabilities balanced on the effective reporting date and the revenues and expenditures given for the reporting period. These estimates and assumptions are based on future expectations and are deemed as being appropriate at the point in time of preparing the semiannual balance. The actual figures may differ from these estimates.

2. Segment information

Ypsomed openly discloses turnover according to the sales structure, by Ypsomed Delivery Systems (YDS: injection systems) and Ypsomed Diabetes Care (YDC: insulin pumps, infusion sets, pen needles, blood glucose monitoring systems and other accessories). Pharmaceutical and biotech customers purchase injection systems and corresponding services via the YDS segment. This concerns B2B business and is managed directly from the headquarters in Burgdorf. In the YDC segment, the products are marketed directly to hospitals, physicians, pharmacies and patients via Ypsomed's subsidiaries and distributors. The Others segment consists of Ypsotec and the assets not used operationally.

Due to possible competitive disadvantages, disclosure of the segment results is abstained from in compliance with Swiss GAAP FER 31/8. Compared with relevant competitors, this leads to considerably greater transparency in the area of injection systems and insulin pumps in terms of costs as well as margin structures, with Ypsomed being the only company giving detailed segment profitability information. The relevant competitors are largely companies without public access to financial data (Owen Mumford, Haselmeier, SHL Group) or are major corporations with large reporting segments and corresponding diluted comparative information (Roche, Medtronic). Accordingly, a further disclosure with regard to the competing companies results in a considerable competitive disadvantage. Furthermore, such information can have a negative effect on the negotiating position with customers and suppliers.

Half-year 2016/17	Ypsomed Diabetes Care	Ypsomed Delivery Systems	Others	Eliminations	Group
Sales of goods and services to third-party customers	113375	64171	7840		185386
Intersegmental sales			970	–970	0
Total sales of goods and services	113375	64171	8810	–970	185386
Operating profit					28135
EBIT margin					15.2%
Investments in fixed and intangible assets					17512
Depreciation/Amortisation/Impairment					13902

Half-year 2017/18	Ypsomed Diabetes Care	Ypsomed Delivery Systems	Others	Eliminations	Group
Sales of goods and services to third-party customers	**141937**	**62734**	**8692**		**213363**
Intersegmental sales			**686**	**–686**	**0**
Total sales of goods and services	**141937**	**62734**	**9379**	**–686**	**213363**
Operating profit					**26932**
EBIT margin					**12.6%**
Investments in fixed and intangible assets					**26511**
Depreciation/Amortisation/Impairment					**15672**

3. Discontinued operations

On 21.07.2017, Ypsomed announced that the distribution agreement with Insulet Corp. for the distribution of the OmniPod® will not be extended. The existing agreement with Insulet Corp. ends per 30.06.2018. The Ypsomed Diabetes Care segment in den regions Switzerland and Europe is affected as follows:

	Total year 2016/17	**Half-year 2017/18**	Half-year 2016/17
Sales of goods and services to third-party customers	121 474	**79 924**	53 358
Operating profit	24 117	**14 399**	9 902

4. Financial income

	Half-year 2017/18	Half-year 2016/17
Interest income	**670**	323
Dividend income	**3 554**	1 172
Foreign exchange gains	**24**	3
Total financial income	**4 248**	1 498

Interest expense	**145**	177
Impairment of financial asset Bionime	**1 382**	671
Foreign exchange losses	**2 261**	1 722
Other financial expense	**92**	60
Total financial expense	**3 880**	2 630

5. 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.

	Half-year 2017/18	Half-year 2016/17
Net profit in thousand CHF	23 403	22 429
Number of outstanding shares weighted on a monthly basis	12 595 524	12 612 817
Earnings per share in CHF (basic and diluted)	**1.86**	1.78

6. Payment to shareholders

As per 6 July 2017, CHF 1.30 per share were paid to the shareholders free of withholding tax from capital reserves. The total payment amounted to CHF 16.4 million (previous year: CHF 12.6 million).

Information policy

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

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

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

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

MIRABAUD Securities LLP (www.mirabaud.com)
Daniel Jelovcan

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

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

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

Stock listing

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

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

Key upcoming dates

24 May 2018
Press conference and presentation of the annual results 2017/18, Burgdorf

27 June 2018
General Meeting of Shareholders

Contact

Ypsomed Holding AG
Thomas Kutt
Head of Investor Relations
thomas.kutt@ypsomed.com

Telephone +41 34 424 35 55

www.ypsomed.com

Publisher
Ypsomed Holding AG, Burgdorf

Text, Concept and Design
Ypsomed AG, Marketing Communications, Burgdorf

Printing
Stämpfli AG, Bern

The Ypsomed Group publishes its annual reports in English and German. The German version is legally binding.

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.

Links to third-party websites and other references to the information of third parties are offered as a courtesy; we accept no responsibility for any third-party information.

All product names mentioned in this report are trademarks owned by or licensed to the Ypsomed Group. Third-party trademarks are marked with ® combined with the product name.

Ypsomed Holding AG
Brunnmattstrasse 6
P.O. Box
3401 Burgdorf
Switzerland

Phone +41 34 424 41 11
Fax +41 34 424 41 22

www.ypsomed.com
info@ypsomed.com

YPSOMED
SELFCARE SOLUTIONS