

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 1 700 employees.

Ypsomed Holding AG

Annual Report 2019/20



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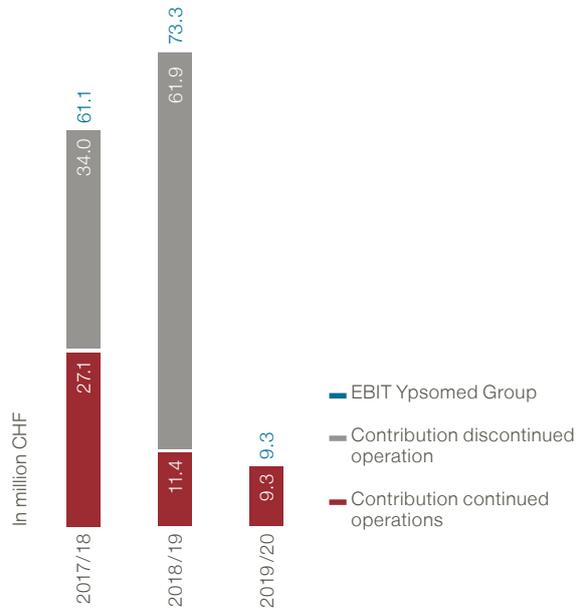


Key figures

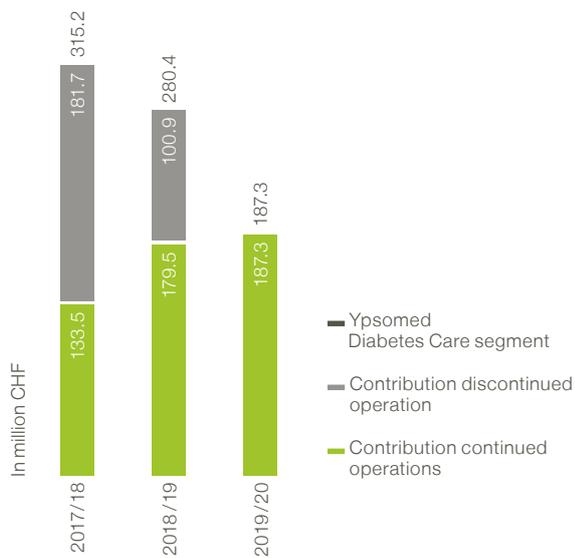
Development of turnover at group level



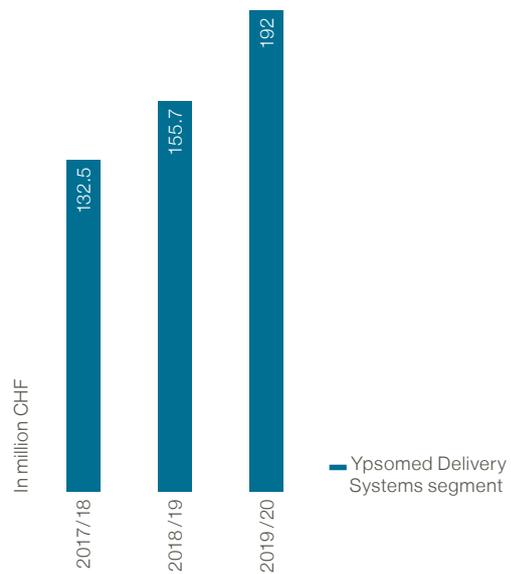
Development of EBIT at group level



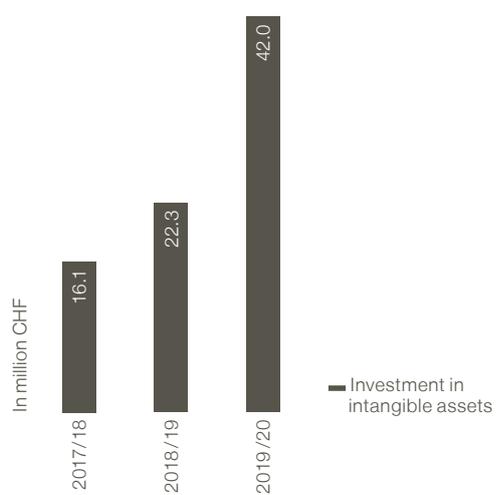
Turnover Ypsomed Diabetes Care



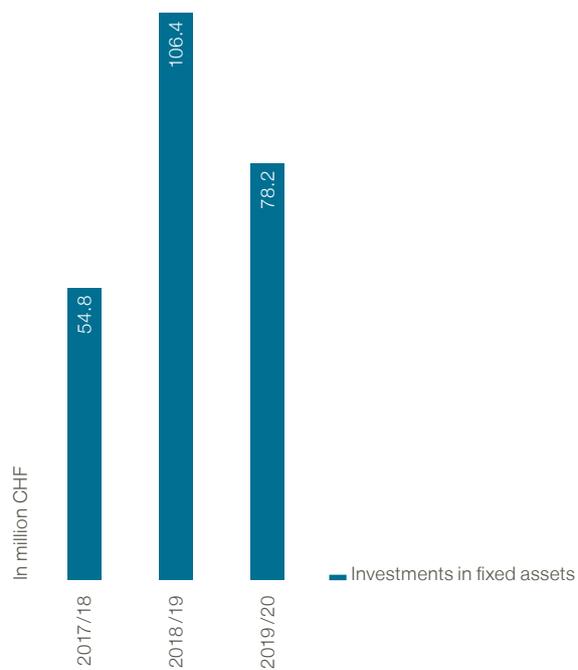
Turnover Ypsomed Delivery Systems



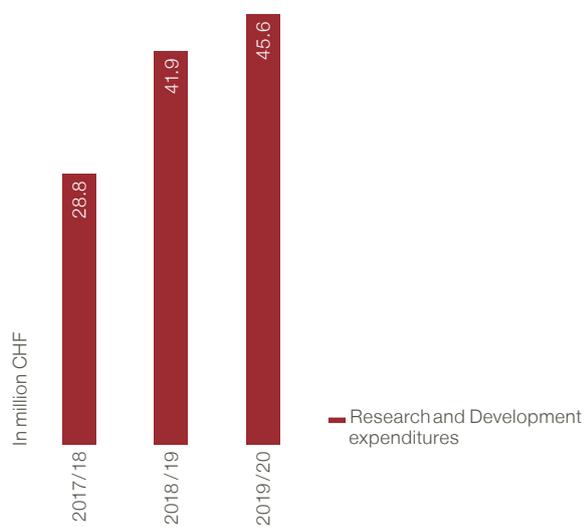
Investment in intangible assets



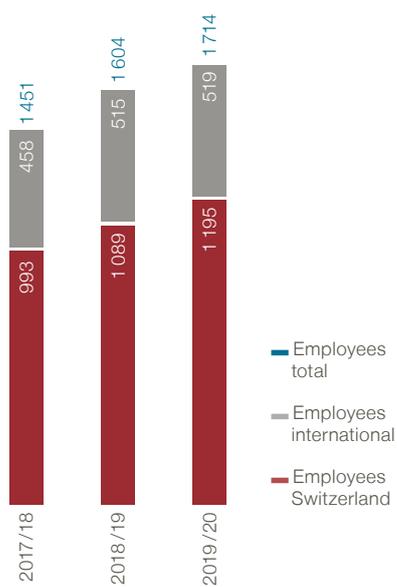
Investments



Research and Development*



Employee headcount



* This includes, among other things, services for own manufactured products as well as for customer-specific adaptations, specific injection moulding tools, tests and clinical trials.



Business model proves itself

Letter to shareholders

Dear shareholders,

The end of the 2019/20 financial year was marked by the global spread of the coronavirus. The pandemic poses major challenges for society as a whole. Our medical devices are vital for chronically ill people. We are aware of this responsibility. We operate a well-functioning risk management system and are appropriately prepared for such situations. Our contingency plans have proven effective during the crisis. We also meet this responsibility to society with our commitment to Switzerland as a production location and with our focus on proprietary products with a high degree of automation in production. This enables us to ensure our production, supply chains and supplies to customers at all times.



Changes as an opportunity

The coronavirus is not only currently shaping events, but will change society and the economy in the long term. In our field of activity we foresee three specific developments in particular, which will be accelerated as a result:

Our vision that self-treatment at home will become a matter of course will continue to grow in importance. Self-medication relieves the burden on the healthcare system, especially in difficult times. This requires intuitive and reliable solutions.

Furthermore, there will also be an acceleration of digitisation in the healthcare sector. Owing to digital therapy management systems, physicians can also view therapy data without having direct patient contact and can continue to accompany their patients. In addition, users can use digital solutions as a support to make their self therapy better and easier. We are continuously developing our products towards networked, smart systems and will therefore continue to expand our competencies and resources in the field of digitisation.

Last but not least, the demand for affordable medical technology products will also gain in importance on international markets. We are ideally positioned for our global expansion plans in the diabetes direct business and our responsibility as a system-relevant provider for pharmaceutical and biotech companies.

Sustainability as an integral part of the strategy

Another topic on which we will focus even more strongly in the future has occupied us in recent financial years: sustainability. Sustainable development, with its three pillars – economy, ecology and society – is now an integral part of our strategic initiatives. On our way to CO₂ neutrality we are focussing on substitution and compensation. Wherever possible, we try to minimise CO₂ emissions and are working on a compensation model in the medium term to achieve our objectives in this area.

We are well positioned for the future with a forward-looking and diversified business model. We have a solid equity base and have secured our liquidity. We will consistently pursue our growth strategy and continue to invest in research and development as well as our employees. Despite the corona crisis and the resulting somewhat lower growth in the coming 2020/21 financial year, we are upholding our medium-term EBIT target of CHF 100 million.



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

Due to the exceptional circumstances in connection with the COVID-19 (coronavirus) pandemic, Ypsomed Holding AG's General Meeting 2020 cannot be held in the usual format. This year's General Meeting will therefore be held on 01 July 2020 in accordance with the requirements of the Swiss Federal Council's Ordinance on Measures to Combat Coronavirus.

Due to these measures, it is not possible for shareholders to attend the General Meeting in person. The Board of Directors has decided that this year exercising of voting rights at the General Meeting will be performed exclusively via independent proxy. As a result, you can only send your instructions for exercising voting rights in writing or electronically to the independent voting rights advisor.

The Board of Directors regrets that this important event cannot be held in the usual form. We thank you for your understanding and look forward to your personal attendance at the General Meeting in the year 2021.

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



Strong, diversified portfolio

Status report

Dear shareholders, valued partners and customers

The 2019/20 financial year was, among other things, marked by the opening and commissioning of our new production plant in Schwerin. We now possess the necessary production capacities to ensure our growth in both business segments over the next few years. We look back on a financial year in which sales in the two main segments grew at different rates. Sales from continuing operations increased overall by 11.6%. We remain convinced that the realignment of our business model towards proprietary products is paying dividends.

Ypsomed Delivery Systems (YDS)

In the Ypsomed Delivery Systems division we can look back on the most successful financial year since the company was founded. After Teva Pharmaceutical Industries Ltd. launched its drug Copaxone® in the Ypsomate® autoinjector in March 2019, prominent pharmaceutical and biotech partners received a further 14 marketing approvals from authorities for drugs in our injection systems or introduced them on the market during the reporting period. Most recently, Teva introduced its drug fremanezumab (Ajovy®) for the preventive treatment of migraine in our Ypsomate® 2.25 in Europe. This is not only the second Ypsomate® project with Teva, but also the first commercial market entry for the Ypsomate® 2.25 autoinjector with larger priming amounts. We can identify the growing need for reliable and easy-to-use injection systems for home use, which improve the quality of life of patients. We can best satisfy this need with our platform products. The fact that our platform approach is proving its value is also demonstrated in that we now serve considerable market shares with our injection systems in several large, relevant therapeutic areas as an independent manufacturer. However, owing to our flexibility in production, we are also able to satisfy smaller customer orders or start-up companies and thus make a significant contribution to the treatment of rare diseases involving small patient numbers.

Ypsomed Diabetes Care (YDC)

In the Ypsomed Diabetes Care division, we counted approximately 14 500 active users of the mylife™ Ypsopump® towards the end of the 2019/20 financial year. This shows us that the small and intuitive insulin pump meets the needs of a growing number of users for an easy-to-use therapy system. We were able to take another important step in January 2020. We have received reimbursement approval for our insulin pump in Canada for the Province of Ontario. Ontario is the most densely populated province and therefore particularly important for success on the Canadian market. Overall, however, we have remained behind our expectations. We had planned almost twice as many new users for the financial year, which led to a significantly lower result at group level. Here we need to become more focussed and improve.

On the one hand, we further developed our insulin pump system by preparing the link to a continuous glucose monitoring system. Our objective is a modular, and thus individualised, insulin pump therapy with an insulin pump fully controlled via the smartphone. On the other hand, we are reviewing our local marketing strategies and working on a promising partnership for the distribution of Ypsopump® in the USA.

Focus of activities in the financial year 2020/21

Based on our strategic orientation and the results of the financial year 2019/20, we will continue to invest in the further development of our product portfolio and drive our global growth in the financial year 2020/21. The Board of Directors and the Executive Management have agreed on the following key areas of action for the coming twelve months:

- We invest in new, improved and digitalised injection systems in order to expand our platform portfolio.
- We are pressing ahead with the further development and industrialisation of our YpsoDose® patch injector.
- In China, we are further expanding the partnerships for our injection systems.
- We are further developing the mylife™ YpsoPump® technically and integrating the data from the Dexcom sensors into our digital therapy management system. The partnership with Dexcom forms the basis for the development of our mylife™ Loop™ programme. The objective is a fully smartphone-controlled insulin pump and an algorithm-supported, highly automated insulin delivery.
- We are preparing our dossier for the submission of the YpsoPump® in the USA for mid 2021 via the new, more flexible ACE approval path with the US health authority FDA.
- We are aiming for a distribution partnership for the YpsoPump® in the USA.
- In Schwerin, we are planning a gradual expansion of our production capacity. The focus is on two additional autoinjector lines and the large-scale production facility for our infusion sets for the mylife™ YpsoPump®.
- We continue to expand our software organisation by establishing a development centre in Barcelona.
- We give greater weight to sustainability by including it as the fourth pillar into our company strategy. We are focussing on substitution and compensation and are striving to achieve the objective of becoming CO₂-neutral at group level by the end of this decade.

We are currently in an extraordinary situation which we have to learn to deal with. The global corona pandemic will undoubtedly have an impact on our business. However, our business model, with products for easy and safe self-medication, puts us in an excellent position.

In the business with our insulin pump, new pump starts are difficult in the current situation. Hospitals, physicians and diabetes centres operate COVID-19-focussed at the moment. We expect that these new pump starts will be largely made up for as soon as operations have returned to normal. In the injection systems business, no significant impact on deliveries of already approved drugs is expected. However, projects with pharmaceutical partners may experience delays in clinical trials or approvals, which may have a corresponding impact on project revenues.

Especially due to the uncertainty surrounding the start of new users on insulin pumps, it is difficult to provide a reliable outlook for the group. In the coming months, we will continue to analyse the situation and evaluate what we can learn from this exceptional situation and what further opportunities it presents for us. For the financial year 2020/21 we expect a growth in turnover and an increase in profitability. From today's perspective, we still consider our medium-term EBIT target of CHF 100 million to be achievable.



Simon Michel

Simon Michel
Chief Executive Officer

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

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.





Groundbreaking partnership

Close to our customers

We have entered into a partnership with Dexcom, a world leader in continuous glucose monitoring systems. This partnership represents an important milestone in our further development of a simple, user-friendly and customisable diabetes therapy. On the one hand, this allows our users to integrate the data from the Dexcom glucose sensors into our mylife™ therapy system and to display glucose trends in the mylife™ App at any time. On the other hand, this forms an important basis for the further development of the mylife™ YpsoPump® into a more highly automated, algorithm-supported and fully integrated insulin pump therapy system. As we consistently develop with a focus on the app, these new functions will also be available to existing mylife™ YpsoPump® users, without the need for changing pumps and without additional costs, simply by updating the mylife™ App.

In the development of our Diabetes Care product portfolio, our focus is on modularity and customisability. After all, our users' freedom of choice is a high priority for us. And as we are in constant dialogue with them, we know that many of our mylife™ YpsoPump® users use Dexcom's continuous glucose monitoring system and wish to integrate this into their existing mylife™ therapy system. This is now possible. The integration of Dexcom into our system also offers new insulin pump users considerable added value when choosing an insulin pump.

CGM versus BGM

With continuous glucose monitoring (CGM) systems, unlike with conventional blood glucose monitoring (BGM), the glucose value is not only measured during the actual measurement, but continuously by means of a sensor. To this end, the user wears a CGM sensor on the skin for several days. A short and fine needle with the actual sensor is placed in the subcutaneous fatty tissue and measures the glucose values. The sensor sends the data via Bluetooth® to the mylife™ App on the smartphone. In conventional blood glucose measurement, e.g. using our BGM systems mylife™ Unio™ or mylife Aveo™, a small drop of blood is extracted from the fingertip and applied to a test strip which is read by the meter.

This means that the CGM system not only provides its users with individual snapshots of the glucose content in the blood, as is the case with conventional systems, but also provides a continuous curve for monitoring glucose levels. CGM is of course also appreciated for the fact that the numerous finger pricks are eliminated.

Through our partnership with Dexcom, we are now expanding our approach to freedom of choice. Our users can decide for themselves whether they wish to use one of our BGMs or the Dexcom CGM as an integral part of our mylife™ system.

Easy integration of the CGM into the mylife™ system

To integrate Dexcom's G6 sensors, all that is required is an update to the mylife™ App. Nothing needs to be changed on the mylife™ YpsoPump®. Calibration, configuration and settings of the Dexcom sensors can be performed directly in the mylife™ App. Through the integration of the Dexcom CGM system, the user can discreetly view all the pump and glucose data at once – via the mylife™ App on the smartphone. The mylife™ App has similar functions to the Dexcom App. It also alerts the user when glucose levels are too high or too low. The CGM data can be shared wirelessly with the attending physician via the mylife™ Cloud, in the same way as the pump data has been up to now.

Milestone in the mylife™ Loop™ product development programme

The partnership with Dexcom and the integration of CGM data into the mylife™ system is an important step in our mylife™ Loop™ product development programme. The objective of our mylife™ Loop™ programme is a modular and individualised diabetes therapy that is as simple as possible for the user. We achieve this objective with an insulin pump which is completely controlled via the smartphone and with the option of an algorithm-controlled automatic insulin delivery, also referred to as “looping”.

We continue to advance development of our mylife™ App for the smartphone-controlled insulin pump. The new app will be able to access the pump directly, so the user no longer needs to take out the pump to operate it. The capability of a more automated insulin delivery is made possible by integrating Dexcom’s TypeZero® algorithm into our mylife™ system.



All therapy-relevant data at a glance in a single app

- Glucose data from Dexcom’s G6 sensors are integrated into the Ypsomed therapy management system.
- All therapy-relevant data (CGM and insulin pump data) are displayed in the mylife™ App.
- The mylife™ App alerts users and caregivers when glucose levels are too high or too low.

Insulin pump control and automated insulin delivery via smartphone

- Modular diabetes therapy system with the mylife™ YpsoPump®, which can be fully controlled via smartphone.
- mylife™ Loop™: capability to use the TypeZero® algorithm for a more automated insulin delivery.



mylife™ Academy

Diabetes management education

India is home to the second highest number of people with diabetes in the world. It is a monumental task for India to be able to treat people with diabetes in the best possible way. It requires medication, medical equipment and, very importantly, knowledge. The latter is what Ypsomed India has been propagating with its mylife™ Academy for the last few years. With the introduction of the mylife™ YpsoPump® on the market at the beginning of the year, Ypsomed India has reached another important milestone.

Diabetes is a huge challenge in India. 77 million adults and thus 9% of the adult population are diagnosed with diabetes type 2. This is the second largest number worldwide after China (116 million).¹ We realised that to offer people with diabetes in India the best possible treatment, it was not enough to launch our mylife™ Diabetescare products on the market. We have recognised the need to raise knowledge and awareness about the best possible diabetes treatments among healthcare professionals and people with diabetes. Therefore, Ypsomed India established its mylife™ Academy in 2012, an education and training programme for healthcare professionals with the goal of promoting the well-being of people living with diabetes. In 2019, mylife™ Academy also became active in India's neighbouring countries.

Sharing diabetes knowledge

The goal of the mylife™ Academy is to augment the competencies of professionals engaged in the support of people with diabetes. In education and training courses, technical as well as soft skills are shared. The target

group of these trainings are diabetes educators, nurses, dieticians, physicians and clinicians. In addition, there are also activities for people with diabetes and their families. Apart from educating healthcare professionals and supporting people with diabetes, there is a third segment in which mylife™ Academy is active: prevention. It involves programmes that educate the population about healthy living. We are aiming at creating an interdisciplinary network thanks to which people can profit from one another's experience.

The mylife™ Academy courses are taught by professionals in different subject areas. There is also a mylife™ Academy Advisory Board with experts in the field of management and healthcare. It consists of academicians, policy makers and experienced healthcare professionals such as clinical psychologists, senior nursing staff and diabetes educators.

Invitation by the Minister of Health of Bhutan

Since 2019, mylife™ Academy activities have also taken place in India's neighbouring countries Nepal, Bangladesh and Bhutan. In those countries, we work together with customers as well as business associates and offer joint courses. In this context, we were invited by the Minister of Health of Bhutan, Ms Dr Dechen Wangmo, to talk about our mylife™ Academy courses in Bhutan. In our meeting, Ms Dr Wangmo asked us to expand our curriculum and to include the topics digitisation and connectivity in it as well.

Improvement of knowledge and skills

Sanjay Rajpal, General Manager of Ypsomed India, explains that the greatest success of the mylife™ Academy programme is to see the improvement in people's knowledge and skills: "Most of the programme's courses are practical, which makes the impact of them visible. It is very satisfying to observe what participants take with them from our courses."

¹ IDF Diabetes Atlas

Ms Charu Ahuja is India's first mylife™ YpsoPump® user. She was diagnosed with type 1 diabetes when she was 15 years old. Today, she is a 43 years old business woman with a Master's degree in Commerce and two MBAs who likes to walk, do yoga and meditate in her free time. Leading an active life, she appreciates an insulin pump very much.

Ms Charu Ahuja



Have you used an insulin pump before or is the mylife™ YpsoPump® your first pump?

No. I have not used a pump before. I used insulin pens before I started with the pump in January 2020.

Where did you hear about the mylife™ YpsoPump® for the first time?

I serve in a religious community where I met Mr Sanjay Rajpal and in a conversation, I got to know that he is the country manager for Ypsomed in India, which intrigued me to discover more about it.

Why did you decide to get the mylife™ YpsoPump®?

I had heard about insulin pumps before. I was told some myths, which is why I never thought about using one. However, an Ypsomed representative met me in person at my home, explaining the pumps functions with a demo and answering all my questions to my satisfaction. I was then able to take a 15-day trial before I was convinced that this was what I wanted.

What do you think about being the first mylife™ YpsoPump® user in India?

I think people who are insulin dependent must use a pump instead of being on short and long acting injections. There are many advantages of using a pump: freedom from injections, better and consistent control of blood sugar levels and thus avoiding hypoglycaemia and hyperglycaemia as well as better prevention of organ damages and other complications.

Do you think that in the future there will be many more pump users in India?

Absolutely. People are being more aware of the latest technology and breakthroughs for better management and control of diabetes. Nothing could be more significant than to live a life of freedom, ensuring mental and physical well-being.

What can companies like ours do to improve diabetes therapy in India?

In India, it is essential to educate people on what diabetes means and what complications it can have if not managed properly. Companies should offer seminars and demonstrations of devices and present testimonials of people who have been using insulin pumps or pens and who have improved their quality of life by using these devices.

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.





Added value through self-treatment at home

Pharmaceutical companies are increasingly developing medicines that no longer have to be administered intravenously in hospital or at the physician's practice to relieve the burden on the healthcare system and improve convenience for users. This increases the demand for solutions and supporting technologies for self-medication at home. Yet the focus is also on the quality of treatment and adherence to therapy. For these reasons, there is considerable demand from our customers for injection devices that are easy to use. With our YpsoMate® and YpsoMate® 2.25 autoinjectors and our YpsoDose® patch injector we satisfy this need perfectly. Our vision of self-treatment as a natural procedure aims to increase the quality of life of users and improve therapy. Our SmartServices™ provide additional added value to our platform products.

Chronic diseases represent a great burden in terms of time and emotion for those affected. To receive drug therapy, they need to visit their physician or hospital at regular intervals. However, this not only places a burden on people with chronic diseases, but also on the healthcare system. Our user-friendly injection devices offer a solution for both of these challenges and are therefore in great demand on the market.

Application in various therapeutic areas

Our YpsoMate® autoinjector is extremely successful on the market. The drugs marketed using the YpsoMate® are, for example, used to treat severe asthma, rheumatoid arthritis, osteoporosis or multiple sclerosis.

We offer the YpsoMate® in two variants. The YpsoMate® can handle prefilled, standardised 1 ml cartridges with filling volumes up to 1.0 ml. The YpsoMate® 2.25 is designed to accommodate larger filling volumes. A first customer variant of the YpsoMate® 2.25 was approved by the authorities in Europe and the US this year and is already on the market in Europe. It is used to treat migraine.

Larger volumes of up to 10 ml can be administered with the YpsoDose® patch injector, for which we are currently conducting technical feasibility studies with several pharmaceutical companies and preparing clinical trials in the medium term.

Safe application due to simple operation

It is the ease of use that makes our products so attractive for home use. For injection with the YpsoMates® or the YpsoDose® patch injector, the user only has to perform a few steps, which prevents errors in application. Additional added value is provided by SmartServices™,

which we offer based on the Philips HealthSuite Digital Platform (HSDP). Our devices are integrated into the digital therapy systems of our pharmaceutical partners via SmartServices™.

Smart support for correct injections

To be able to use SmartServices™ and to make the injection data available to the pharmaceutical partner or the user, the SmartPilot™ is used. The SmartPilot™ is a reusable add-on connected via Bluetooth® for use with the two YpsoMate® autoinjectors. When used in clinical studies, SmartPilot™ can help to identify typical errors in application and allows users to be trained more specifically, as well as increasing the transparency of data quality in the study. As a component of the commercial products on the market, SmartPilot™ will make a significant contribution to improved application safety and increased therapy adherence.

The SmartPilot™ provides options for authenticating the drug at the point of use. This way, the user can be notified if the medication is not correct, if the medication has expired, if it is counterfeit or if it is affected by a recall. Furthermore, the SmartPilot™ allows the user to be guided step by step through the administration process. It gives the user the opportunity to view a video-based guide in real time on the app connected to the SmartPilot™. It also has functions for detecting application errors and gives corresponding correction instructions via the app. In addition it reminds the user when the next injection is necessary.

Our user-friendly products satisfy customer needs.



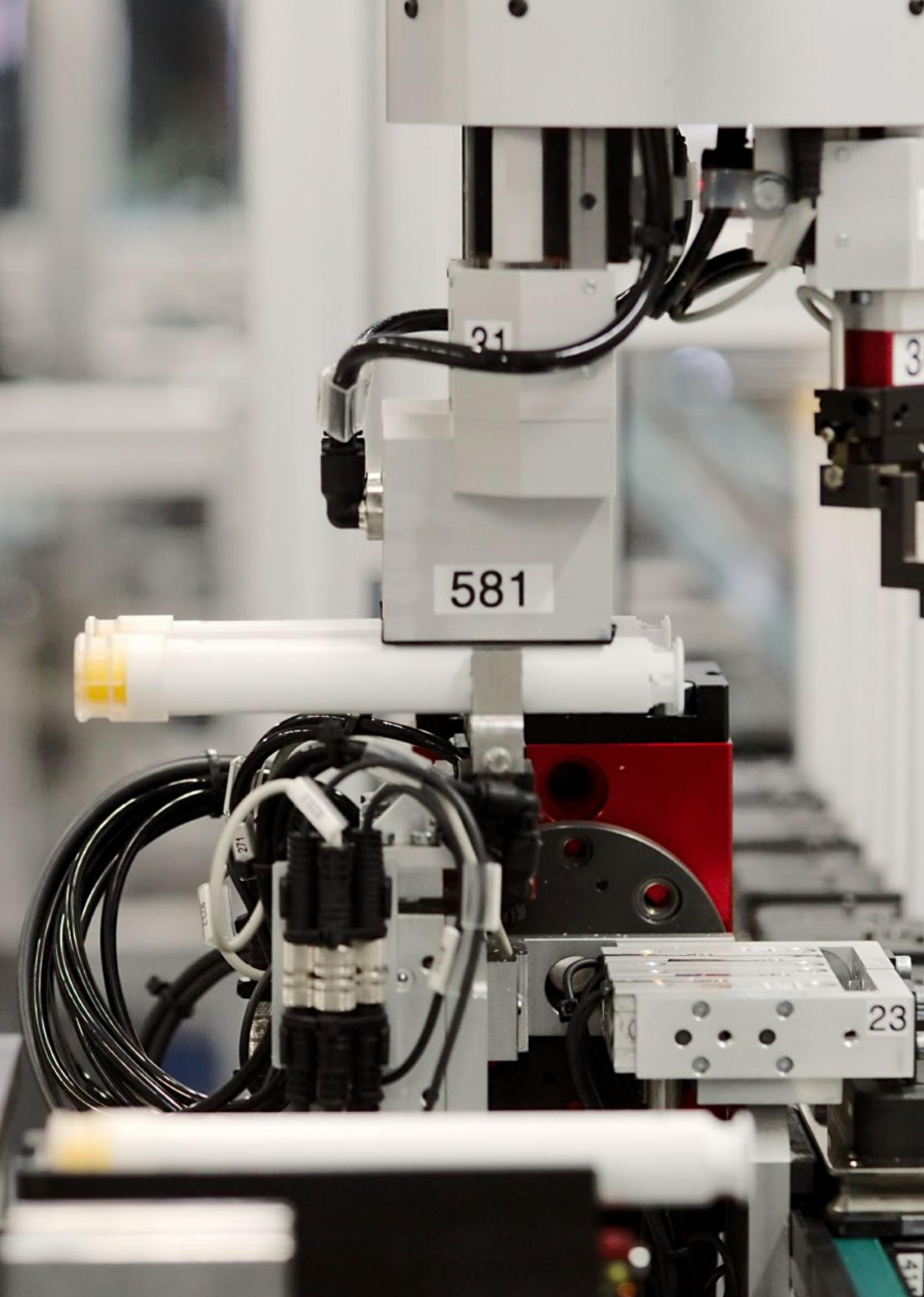
Important information to improve adherence to therapy

Incorrect applications and a lack of adherence to therapy represent a major problem for healthcare payers. Incorrectly administered medication can lead to a deterioration in the state of health or to secondary diseases. With the SmartPilot™, pharmaceutical companies will in future, among other things, be able to collect data on the time and success of injections in a secure and encrypted system. This data can be shared with the attending physician so that he/she has the opportunity to support the patient even better in the therapy.

Healthcare payers themselves are also interested in this information. They are already using service companies to ensure compliance with therapies for patients, be it through online services, phone calls or home visits. This becomes particularly relevant in the healthcare system, where adherence to therapy and thus the success of the therapy is a prerequisite for the assumption of costs.

Dozens of products awaiting approval

Our YpsoMate® autoinjectors have established themselves in the market. Meanwhile, seven drugs using the YpsoMate® have received marketing approval and dozens are on their way to market. We are also on track with our YpsoDose® patch injector.



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Success on the Chinese market

Platform strategy – the key factor

Today, China is the largest global market for reusable pens and Ypsomed is the most important supplier for local insulin manufacturers. As the most populous country with strong economic growth, China also has enormous potential for disposable pens and autoinjectors. There are a large number of local pharmaceutical companies with a focus on the domestic market and the cost reimbursement system is constantly being expanded. In addition to its great potential, the Chinese market also presents major challenges. There is enormous time and cost pressure. Our platform strategy enables us to master these challenges well, which is why we are operating successfully in China.

Our injection devices have been designed as platform products. This has the great advantage that we do not have to develop a completely new product from scratch for every order. The platforms are developed, tested, patented, industrialised and can be easily customised within certain limits. This saves us – and therefore also our customers – time and costs. This applies in particular to the Chinese market.

Successful handling of time and cost pressure

The Chinese government is trying to slow down the growth of healthcare costs and is exerting strong pressure on costs by introducing tender systems. For their part, Chinese pharmaceutical customers expect rapid market launches to have a chance versus competitors. In addition, time pressure is high and the willingness to invest during the clinical studies phase is low. We can satisfy these requirements with our platform products.

Owing to our platform strategy and economies of scale, we have an attractive cost structure, as new products are based on existing platforms and do not need to be developed anew. Furthermore, we can efficiently individualise

the product and thus adapt it to the customer's wishes. These advantages make our platform products sought-after products on the cost-sensitive and fast-paced Chinese market.

Profitable orders at smaller quantities

The attractive cost structure due to the economies of scale of our platform products enables us to realise projects with smaller quantities economically and quickly. This allows for profitable cooperation not only with the existing large Chinese pharmaceutical companies, but also with smaller, in particular with start-up, companies.

The platform strategy provides enormous relief for smaller companies. They can fully concentrate on the development of their drug and when it comes to the method of administration, they can fall back on a previously developed product base without losing valuable time prior to the clinical trial of their drug. At the same time they benefit from low development costs and risks.

Local presence and personal contact

Another key factor for our success in China, in addition to our platform strategy, is our local presence. Our local Chinese team maintains personal contact with our customers, which is highly appreciated. The local team speaks the same language and lives the same culture as our customers. This is of great importance, because culture plays an essential role in Chinese business relations.

Just as important as the relationship between the Chinese team and our customers is the close relationship between our colleagues in China and our headquarters in Switzerland. Switzerland has an excellent image in China. Close collaboration between headquarters and our subsidiary therefore ensures that our vision, image and our competencies can be presented in a professional and locally adapted manner.

Our corporate goals are aimed at the long term and sustainability.

To achieve these goals, we rely on common values and guidelines. We accept our responsibility towards society and our company-specific stakeholders.





On the right track

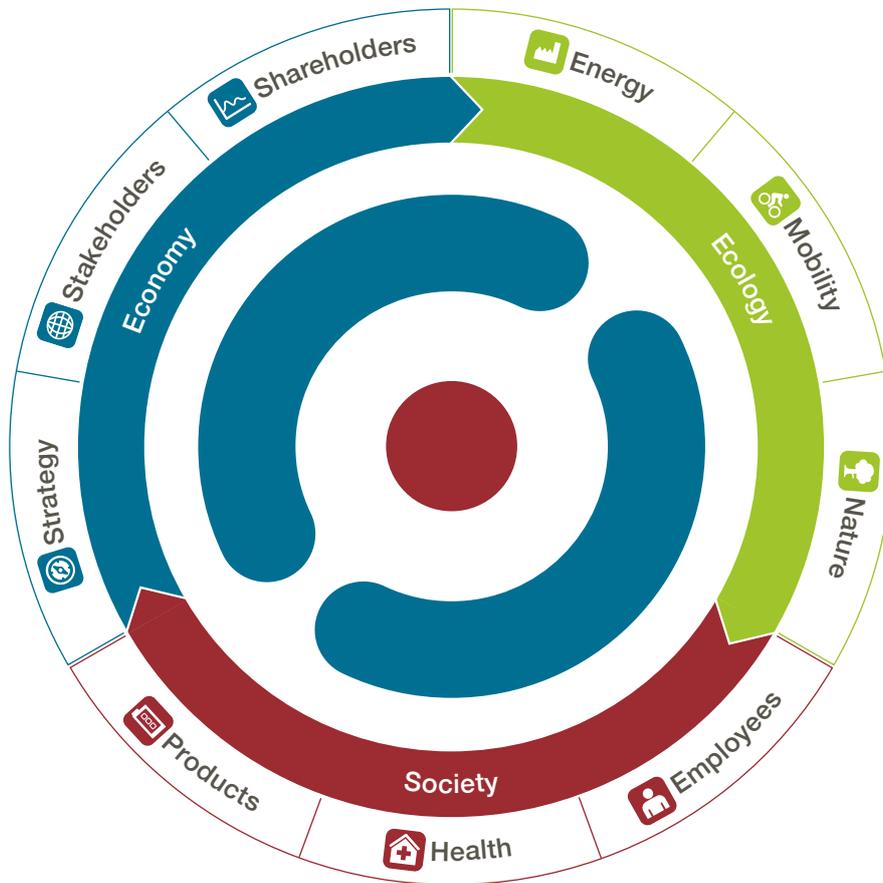
News on the sustainability programme

Sustainable development is traditionally based on three pillars – economy, ecology and society. Our sustainability programme is therefore also geared to these three areas. The status report shows: we are on track.

Sustainability is Ypsomed's fourth main strategic focus alongside expansion, innovation and the optimisation of operating processes. In doing so, we guide our company towards the circular economy and strive for CO₂ neutrality. However, these two ecological goals can only be achieved if Ypsomed remains profitable and involves society.

Ypsomed's strategic focus

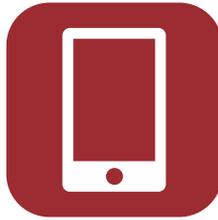
Our sustainability programme, therefore, not only addresses ecology, but also the areas of economy and society. The overriding goals of these three areas are long-term profitability, CO₂ neutrality through substitution (according to the closed-loop principle) and compensation, as well as acting responsibly towards our stakeholders. Each of these areas is in turn divided into three specific fields of action.



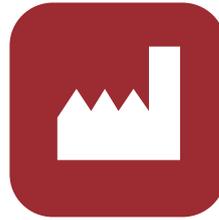
Our strategic priorities



Expansion
Establishment as a global supplier



Innovation
Digitisation of the portfolio



Optimisation of operating processes
Expanding cost leadership



Sustainability
Orientation towards the circular economy

Economy

In the area of economy, we focus on the three fields of action – **strategy, stakeholders** and **shareholders**.

Strategy

Our strategy of establishing ourselves as a global supplier, digitising our portfolio, expanding our cost leadership and aligning ourselves with the circular economy is a future-oriented approach. We ensure our high level of innovation with continued investment into research and development. We optimise operating processes with new technologies and through lean management.

Stakeholders

When dealing with our stakeholders, we attach great importance to honest, open and responsible conduct. We comply with the rules of conduct that we have defined in our Code of Conduct. This includes guidelines on social responsibility, on dealing with the working environment and on the managing of assets. We also demand ethical behaviour from our suppliers, which means responsibility towards employees, society and the environment. They meet the requirements which we specify in our Code of Conduct for Suppliers.

Shareholders

Our commitment to our shareholders and investors lies in long-term profitability and a sustainable dividend policy.

Ecology

In the field of ecology, we focus on measures in the areas of **energy, mobility** and **nature**.

Energy

We have two major successes to report from activities in the field of energy. Firstly, we have already been able to save 3 100 MWh of natural gas at our production site in Solothurn in the 2019/20 financial year due to waste heat recovery from our cooling systems and air compressors and the installation of heat pumps (see graph on Energy in 1 000 MWh). By utilising the heat generated and replacing a large part of the fossil fuel natural gas, we were able to save 560 t of CO₂. This means that we were able to reduce CO₂ emissions in connection with heating at the Solothurn site by 60 % compared with the previous year. To give a comparison, 560 t of CO₂ is equivalent to approximately 4 million km of driving a vehicle. During the current financial year we expect to save even more fossil energy and are aiming for a medium-term reduction to less than 5 %.

The second success story regarding activities in the field of energy comes from Schwerin. At our new production site in Germany we use injection moulding machines with innovative technology. These have temperature control units with intelligent and efficient controls, with which electricity consumption can be reduced significantly. Compared with conventional injection moulding machines, the new generation consumes 36 % less energy. In future, these energy-efficient injection moulding machines will apply to new purchases in all Ypsomed production plants. (See graph on Energy Efficiency.)

Mobility

With regard to activities in the field of mobility we are still a long way from reaching the goal of CO₂ neutrality. The majority of our sales force still has to travel by car. In the future, hybrid/electric vehicles are to be considered when purchasing replacements and the vehicle fleet is to become more environment-friendly every year. To further support this trend, we have been providing our employees with free electricity for hybrid or electric vehicles for sever-

al years. Charging stations at the Solothurn site have recently been added to the charging stations already installed at the headquarters in Burgdorf.

Furthermore, our system for promoting public transport, which acts like a steering tax, is still proving successful. All employees in Switzerland receive a half-fare card free of charge. This is financed by the charges paid by our employees for the use of the company's own parking spaces. In addition, every apprentice receives a full-fare season ticket free of charge.

Nature

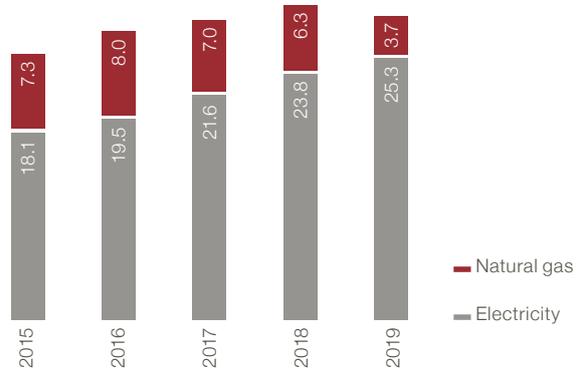
Regarding activities relating to nature, we can report initial test results for more sustainable materials and packaging. We use conventional plastics in our injection devices and their packaging. Our long-term objective is to replace these plastics step by step with more sustainable plastics or even new, alternative, CO₂-neutral materials. For our field of application, ecological comparisons show that recycled plastic or plastics made from vegetable waste could be the right path to follow. During the current financial year, we will continue the analyses with various alternative materials and test them for use in injection system housings and transport containers.

Furthermore, we intend to have more and more transport containers returned to us and use them several times. At least in those cases where the use of reusable containers makes sense from an ecological point of view and is possible due to cooperation with our customers. In a pilot project, the delivery trays are currently already being used twice. In future, their use is to be extended to at least five cycles.

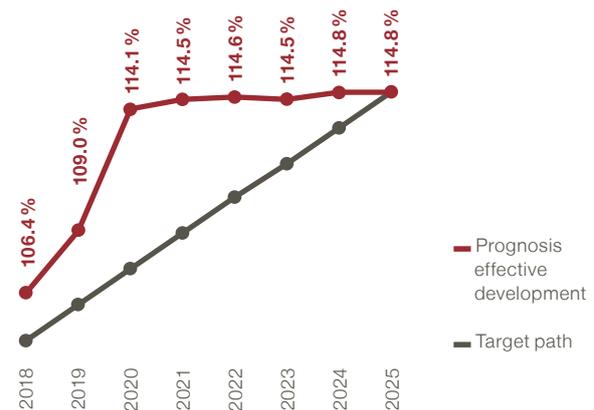
As we will not succeed in CO₂-neutral production in the near future, we must invest in the substitution of CO₂ emissions. With our Ahueni Reforestation Programme in Kenya we are creating optimal conditions for this, as we want to control the generation of CO₂ certificates ourselves and not have to buy them on the market in the long term. Since the programme began two years ago, we have already planted 200 000 trees. By the end of this year the number should be 350 000. The trees planted represent around 30 different indigenous tree species. The aim is to recreate a forest similar to the one that existed there many years ago, before it had to give way to urban sprawl and agriculture. By drilling wells and collecting rainwater, there is enough water for the nursery, the freshly planted trees as well as several surrounding villages. Reforestation binds carbon in the long term, new habitats for plants and animals are created and people are given the opportunity to participate in the project by regenerating the ecosystem. This is therefore a thoroughly sustainable programme, and one which we will continue to drive forward with great commitment in the future.

Ypsomed wants to operate CO₂-neutrally in the future. To this end, we calculate our CO₂ footprint and started implementing CO₂-reducing measures five years ago. Since Ypsomed, as a manufacturer of medical products based on plastics, will not be able to manufacture CO₂-free in the foreseeable future, we will start offsetting the non-substituted tons of CO₂ in the near future.

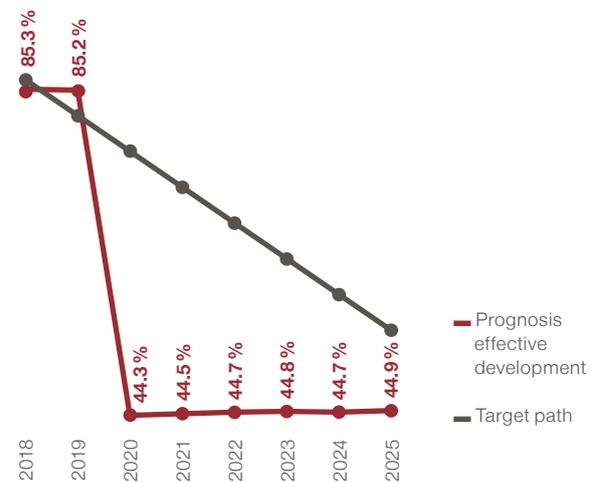
Energy in 1000 megawatt hours (MWh)*



Energy efficiency*

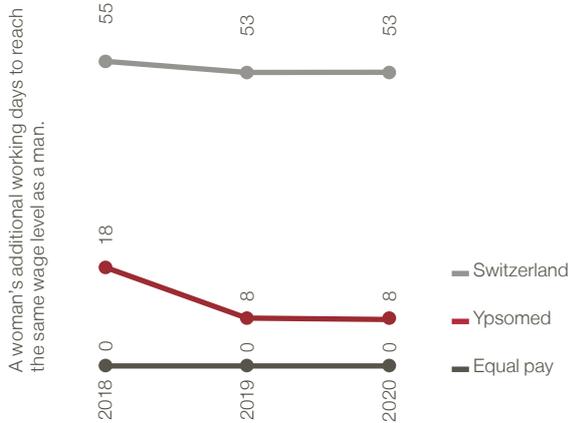


CO₂ intensity (fuels)*

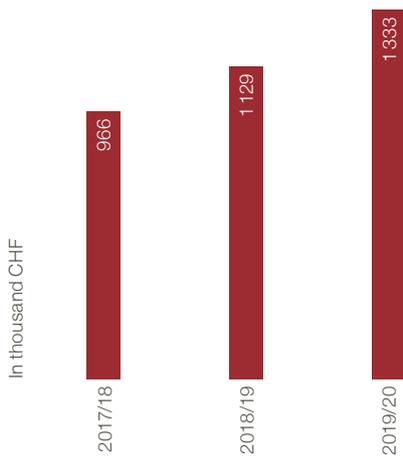


* Ypsomed companies in Switzerland

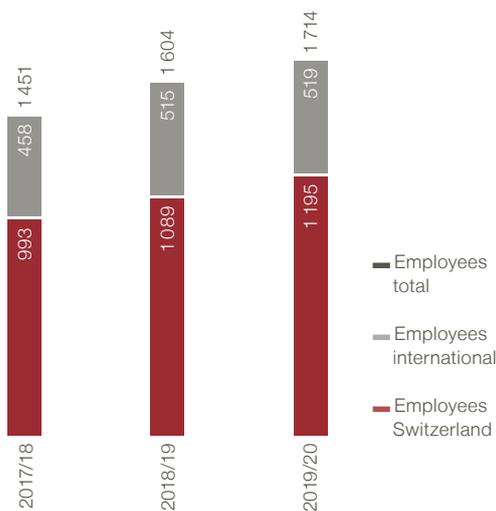
Equal Pay Day in Switzerland and at Ypsomed*



Expenditure on further education



Employee headcount



Since the compliance market based on the Kyoto Protocol came to a standstill a good two years ago, and the community of sovereign states under the Paris Climate Protocol has not yet been able to agree on a new mechanism, we are currently in the process of identifying new, trustworthy CO₂ certificate sources. At the same time, we are continuing to invest in our Ahueni Reforestation Programme in Kenya, with the aim of offsetting CO₂ in the medium to long term through self-generated CO₂ certificates in accordance with the UNFCCC standard, thus becoming CO₂ neutral, or even CO₂ negative, as an industrial group.

Society

In the area of society, we focus on three fields of action – **employees**, **health** and our **products**, with which we make a significant contribution to the health of people suffering from chronic diseases.

Employees

In terms of employees, one of the most important focus areas is the constant recognition of our potential and the consistent development and promotion of our competencies. This commitment begins at the apprentice level. Some 60 apprentices are currently completing vocational training with us, in eleven different professions. The objective is to offer the apprentices a permanent position after their apprenticeship and to develop them further. On average, 80 % of all apprentices take up a position with Ypsomed after completing their apprenticeship.

Another important aspect of employee development is talent management. In the past financial year, we introduced a structured talent management process comprising various instruments such as the People Dialogue (employee reviews) with new and also clearly defined dialogue and development topics. With the structured talent management process, we ensure that the right employees can do the right job in the right place and that their talents are utilised and promoted as effectively as possible.

The practice-oriented leadership development programme Leading for Future, which we also launched last year, specifically develops the leadership skills we need to remain successful in the future. In a pilot project it was identified which leadership competencies should be developed. Together with their direct supervisor, each executive chose a current challenge from their personal leadership routines, which they could use to test and reflect on the new competences most relevant to them. These so-called business challenges are therefore not simply theoretical laboratory exercises, but are current cases from concrete everyday management routines. This ensures the practical relevance of Leading for Future. The executives are accompanied in this project by members of the management who act as mentors. The programme is supplemented by tailor-made learning opportunities in the form of peer coaching, seminars, reflection workshops, webinars, etc.



The fact that our continuous measures in the area of employee development lead to a higher level of satisfaction among employees is reflected in our biennial employee survey with its very positive feedback over the past few years. The next survey will be conducted in autumn 2020.

And of course, activities relating to the equality of employees must not remain unmentioned here. Ypsomed reached Equal Pay Day on January 8, 2020. An important step on the way to equal pay. For comparison purposes, the average Equal Pay Day in Switzerland is February 22 (see graph Equal Pay Day in Switzerland and at Ypsomed).

Health

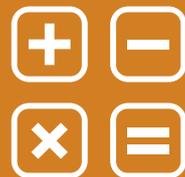
In terms of activities in the field of health, our vision of “making selfcare simpler and easier” is very much the focal point. Self-medication at home increases the quality of life for people with chronic diseases and at the same time reduces the costs for the healthcare system. With our products we make a significant contribution here. We attach great importance to the availability and costs of our products. With country-specific pricing based on reimbursement contributions, our aim is to keep the cost price for users as low as possible and the costs for the healthcare systems within a realistic range. Our platform approach also enables the production of smaller volumes, which means that our products can also be used to treat rare diseases.

Products

Our activities in the field of products focus on the user-friendliness and quality of our products and on the quality of our customer service. Our infusion and injection systems are extremely user-friendly and thus allow self-treatment at home. Our employees demonstrate an extremely high quality awareness, which is reflected in our products. Our customer service is available around the clock, seven days a week and is represented locally. This enables us to advise our customers in all countries in their local language and we are familiar with the local regulations and the particularities of the healthcare system.

**In the 2019/20 financial year,
we achieved a sales growth
of CHF 41.0 million in continuing
operations.**

The operating result (EBIT) amounted
to CHF 9.3 million. The net
profit amounts to CHF 11.5 million.





Capacity expansion dominates the annual result

In the financial year 2019/20, we achieved consolidated sales of CHF 393.9 million (previous year: CHF 453.8 million). In the previous year, we generated a turnover of CHF 352.8 million in continuing operations without contributions of the mylife™ OmniPod®. On this comparative basis, we achieved growth of CHF 41.0 million or 11.6% in the reporting period. The operating result (EBIT) amounted to CHF 9.3 million (previous year: CHF 73.3 million). In the previous year, the mylife™ OmniPod® business contributed CHF 61.9 million to the result. Net profit amounts to CHF 11.5 million (previous year: CHF 60.1 million).

Ypsomed Delivery Systems increases turnover by 23.3%

The turnover in the Ypsomed Delivery Systems (YDS) segment increased by 23.3% or CHF 36.3 million in the 2019/20 financial year. The turnover for the reporting period amounts to CHF 192.0 million (previous year: CHF 155.7 million).

- In the segment of pens and autoinjectors, we achieved a growth in sales of 35.7%. In the financial year 2019/20 we delivered 14 new autoinjectors and pens to pharmaceutical companies.
- After elimination of the previous year's sales due to offsetting specific equipment and injection moulds in connection with a project stop of a pharmaceutical partner in the US insulin biosimilar business, this corresponds to a sales growth of 51%.
- Sales in the contract manufacturing segment were 6.5% below the previous year's level. Sales declined by CHF 3 million, largely due to foreign currency effects. Turnover with Sanofi therefore makes up 10.6% of the group's turnover.

Ypsomed Diabetes Care below expectations

In the Ypsomed Diabetes Care (YDC) segment, we achieved sales of CHF 187.3 million in the 2019/20 financial year (previous year: CHF 280.4 million). The previous year's turnover includes the expected compensation of Insulet Corp. to the amount of CHF 49.8 million as well as the contributions from the distribution of the mylife™ OmniPod® until June 30, 2018. In continuing operations, including the dealer contract with DiaExpert, our specialist diabetes dealer for the distribution of the Omnipod® in Germany, we generated a sales growth of CHF 7.8 million, which is equivalent to 4.4%. Growth was curbed by foreign currency effects of around CHF 9 million.

- Sales of the mylife™ YpsoPump® increased by 14.4% in the reporting period. The French market grew strongly in the previous year and is below the previous year's level in the current reporting period.
- At the end of January 2020, we received reimbursement approval for the YpsoPump® in the Province of Ontario, an important submarket in Canada. This is an important step for further market entry in Canada, as Ontario is the country's most densely populated province.
- Business with pen needles in the reporting period was 11.2% below the previous year's level due to the sales development in the USA.
- Business with blood glucose monitoring systems is only slightly below the previous year due to currency effects, although the overall market is clearly declining.

The Others segment suffers from negative industry trends

In the Others segment, which consists primarily of our subsidiary Ypsotec, we achieved sales of CHF 14.5 million, which is approximately CHF 3.1 million below the previous year's result. Ypsotec suffers from the current negative economic development in the industry.

Expansion and focus on in-house developed products

The gross margin for the 2019/20 financial year is 23.0% (previous year: 34.5%). Adjusted for the one-off compensation from Insulet Corp., the gross margin for the previous year was 26.4%. The Schwerin production plant, which secures the production space and technical infrastructure for our medium-term growth, is burdening the gross margin due to the commissioning as well as the depreciation of buildings and infrastructure, which are already designed for high volumes. Marketing and selling expenses increased slightly due to the expansion of the sales organisation in Canada. Administration costs are CHF 2 million lower than in the previous year.

Commissioning of Schwerin site affects net profits

The operating result for the 2019/20 financial year was CHF 9.3 million (previous year: CHF 73.3 million). After adjusting the result for discontinued operations, the EBIT in the previous year amounted to CHF 11.4 million. The following factors have impacted the result for the 2019/20 financial year:

- The mylife™ YpsoPump® burdens the result with CHF 47.6 million. Due to the adjustment of the approval strategy of the insulin pump with the US health authority FDA, there was a one-off value adjustment of around CHF 3 million. Furthermore, depreciation and commissioning of the clean room at the new production site in Schwerin for the future production of infusion sets for the mylife™ YpsoPump® burden the result.
- The commissioning of the Schwerin production site and the first write-offs burden the financial year (particularly during the second half of the year) with a total of CHF 6 million.
- The increase in turnover and higher utilisation of the production capacity for injection systems as well as continued high project revenues made a positive contribution to earnings.
- License income of CHF 7.5 million (previous year: CHF 6.7 million) for claimed and ongoing patents in the area of injection systems contributed positively to the result. These revenues are included under “Other operating income”.

The net financial result is CHF –1.8 million (previous year: CHF –3.5 million), of which CHF 0.8 million is interest expense. In the 2019/20 financial year, we generated an income on tax income of CHF 4.0 million, compared with expenses of CHF 9.7 million in the previous year. This was due to accounting effects from the sale of patents and trademarks between two Swiss group companies. Further details and descriptions of this business transaction can be found in Appendix No. 19.

In the 2019/20 financial year, we generated a net profit of CHF 11.5 million (previous year: CHF 60.1 million). The net profit margin is 2.9% (previous year: 13.3%). The earnings per share are CHF 0.91 (previous year: CHF 4.77).

High investments in production expansions

In the financial year 2019/20, we generated an operative cash flow of CHF 49.1 million from business activities (previous year: 59.9 million). In the reporting period, the cash flow for investments in property, plant and equipment amounted to CHF 76.7 million (previous year: CHF 106.8 million). The majority of the investments went into the group’s infrastructure and production expansion. The group invested a total of CHF 13.0 million into expanding capacity for the YpsoMate® autoinjector. CHF 26.2 million was invested in infrastructure and equipment at the new production plant in Schwerin. For the Swiss companies, the figure amounted to CHF 37.6 million.

We invested an additional CHF 42.0 million (previous year: CHF 22.3 million) into intangible assets. The majority of CHF 16.0 million was invested into the further development of the mylife™ YpsoPump®, the mylife™ App and the mylife™ YpsoPod®. We invested CHF 15.2 million in the development and further advancement of autoinjector and pen platforms. We added CHF 3.1 million to the accounts for development software and ERP systems.

Our short-term financial liabilities to banks amount to CHF 183.0 million (previous year: CHF 112.0 million). On 05 July 2019, CHF 6.9 million were distributed as tax-exempted dividends from capital contribution reserves.

Sustainable dividend policy

In the interests of a sustainable dividend policy, the Board of Directors will propose to the Annual General Meeting that approximately CHF 2.5 million be distributed in dividends. This is taking into account the fact that the net profit includes CHF 4.0 million in tax income that has not yet been collected. Shareholders will be paid CHF 0.20 per registered share for the 2019/20 financial year (previous year: CHF 0.55). CHF 0.10 are to be paid out from reserves from capital contributions and CHF 0.10 from retained earnings. According to the newly applicable tax law, no more than 50% of the dividend may be distributed from tax-privileged reserves from capital contributions. The Annual General Meeting of the Ypsomed Holding AG will be held on 01 July 2020.



Consolidated income statement

(Audited Swiss GAAP FER figures) in thousand CHF

	Annex	01 April 2019– 31 March 2020	in %	01 April 2018– 31 March 2019	in %
Sales of goods and services	20	393 866	100.0 %	453 765	100.0 %
Cost of goods and services sold		-303 290	-77.0 %	-297 351	-65.5 %
Gross profit		90 577	23.0 %	156 413	34.5 %
Marketing and sales expenses		-67 175	-17.1 %	-66 016	-14.5 %
Administration expenses		-21 981	-5.6 %	-24 070	-5.3 %
Other operating income		9 367	2.4 %	8 828	1.9 %
Other operating expenses		-1 498	-0.4 %	-1 811	-0.4 %
Operating profit	20	9 289	2.4 %	73 344	16.2 %
Financial income	17	4 417	1.1 %	3 197	0.7 %
Financial expenses	18	-6 250	-1.6 %	-6 660	-1.5 %
Profit before income taxes		7 456	1.9 %	69 880	15.4 %
Income taxes	19	3 996	1.0 %	-9 744	-2.1 %
Net profit		11 452	2.9 %	60 136	13.3 %
Earnings per share (diluted and undiluted) in CHF	25	0.91		4.77	
Operating profit		9 289		73 344	
Depreciation and impairment of fixed assets		30 365		25 747	
Amortisation and impairment of intangible assets		22 434		19 141	
EBITDA (operating profit before depreciation and amortisation)		62 088	15.8 %	118 232	26.1 %



Consolidated balance sheet

(Audited Swiss GAAP FER figures) in thousand CHF

Assets	Annex	31 March 2020	in %	31 March 2019	in %
Cash and cash equivalents	3	13394	2.0%	12083	2.1%
Securities	6	8940	1.3%	0	0.0%
Trade receivables	4	76290	11.3%	89695	15.3%
Other current assets		11502	1.7%	11348	1.9%
Prepayments and accrued income		14672	2.2%	11308	1.9%
Current income tax assets		60	0.0%	153	0.0%
Inventories	5	56286	8.3%	52412	8.9%
Customer machinery		5242	0.8%	1791	0.3%
Total current assets		186387	27.6%	178789	30.4%
Long term receivables	21	43484	6.4%	47361	8.1%
Financial assets	6	185	0.0%	8723	1.5%
Deferred income tax assets	19	33069	4.9%	2813	0.5%
Fixed assets	7	309097	45.8%	268644	45.7%
Intangible assets	8	102516	15.2%	81419	13.9%
Total non-current assets		488351	72.4%	408959	69.6%
Total assets		674738	100.0%	587748	100.0%
Liabilities and equity					
Financial liabilities	10	182999	27.1%	112000	19.1%
Trade payables		24044	3.6%	19348	3.3%
Prepayments from customers		11917	1.8%	12729	2.2%
Current income tax payable		22839	3.4%	6663	1.1%
Other payables		3911	0.6%	3867	0.7%
Accrued liabilities and deferred income		26678	4.0%	31757	5.4%
Provisions	12	2599	0.4%	1518	0.3%
Total current liabilities		274987	40.8%	187883	32.0%
Non-current liabilities to major shareholder	10	10000	1.5%	10000	1.7%
Other non-current financial liabilities		0	0.0%	18	0.0%
State-subsidised payments	11	7687	1.1%	3644	0.6%
Provisions	12	4723	0.7%	4500	0.8%
Deferred income tax liabilities	12	2168	0.3%	2900	0.5%
Total non-current liabilities		24579	3.6%	21061	3.6%
Share capital	13	178994	26.5%	178994	30.5%
Capital reserves		112196	16.6%	119128	20.3%
Own shares/Translation exchange differences		-25321	-3.8%	-17169	-2.9%
Goodwill acquired offset		-322892	-47.9%	-322892	-54.9%
Retained earnings		432195	64.1%	420743	71.6%
Total equity		375172	55.6%	378804	64.5%
Total liabilities and equity		674738	100.0%	587748	100.0%



Consolidated statement of cash flows

(Audited Swiss GAAP FER figures) in thousand CHF

	Annex	01 April 2019– 31 March 2020	01 April 2018– 31 March 2019
Net profit		11 452	60 136
Depreciation and amortisation of fixed and intangible assets		52 799	44 888
Loss from impairment (+)/Reversal of impairment (-)	6/18	-481	1 317
Change in provisions (incl. deferred income taxes)		-29 788	564
Other expenses/income that do not affect the fund		-11	970
Increase (-)/decrease (+) in long term receivables (not affecting cash and cash equivalents)	21	1 345	-47 361
Gain (-)/loss (+) of fixed and financial assets		-180	-181
Increase (-)/decrease (+) in trade receivables		11 798	6 370
Increase (-)/decrease (+) in other receivables and prepayments and accr. income		-3 996	-2 512
Increase (-)/decrease (+) in inventories		-4 853	6 033
Increase (-)/decrease (+) in customer machinery		-3 451	5 735
Increase (+)/decrease (-) in trade payables		3 540	-11 869
Increase (+)/decrease (-) in prepayments from customers		-812	-452
Increase (+)/decrease (-) in other payables and accr. liabilities and deferred income		11 728	-3 780
Cash flow from operating activities		49 089	59 859
Decrease of long term receivables	21	2 531	
Disposal of financial assets	6	51	252
Purchases of fixed assets	7	-76 750	-106 803
Disposals of fixed assets	7	315	411
Purchases of intangible assets	8	-41 981	-22 250
Cash flow from investing activities		-115 834	-128 390
Proceeds (+)/repayment (-) from borrowings	10	71 017	63 000
State-subsidised payments	11	4 576	3 739
Purchase (-)/disposals (+) of own shares	13	0	-5
Distribution of capital reserves		-6 932	-17 644
Cash flow from financing activities		68 661	49 089
Effect of foreign currency translation		-604	-587
Total cash flow		1 311	-20 029
Cash and cash equivalents as of 01 April		12 083	32 111
Cash and cash equivalents as of 31 March		13 394	12 083
Net increase (+)/decrease (-) in cash and cash equivalents		1 311	-20 029



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 01 April 2018	178 994	136 777	-6 595	-5 349	-322 892	360 607	341 542
Net profit						60 136	60 136
Distribution of dividends from capital contribution reserves		-17 644					-17 644
Disposal of own shares		-5					-5
Translation exchange differences				-5 225			-5 225
Balance as of 31 March 2019	178 994	119 128	-6 595	-10 574	-322 892	420 743	378 804

	Share capital	Group reserves and share premium	Treasury shares	Cumulative translation reserve	Goodwill offset	Retained earnings	Total
Balance as of 01 April 2019	178 994	119 128	-6 595	-10 574	-322 892	420 743	378 804
Net profit						11 452	11 452
Distribution of dividends from capital contribution reserves		-6 932					-6 932
Translation exchange differences				-8 153			-8 153
Balance as of 31 March 2020	178 994	112 196	-6 595	-18 726	-322 892	432 195	375 172



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 – under construction – Schwerin (DE) and has a sales and distribution network across Europe. The shares of Ypsomed Holding AG have been traded on SIX Swiss Exchange since 2004.

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

The consolidated financial statements were approved for issue by the Board of Directors on 19 May 2020 and recommended for acceptance to the General Meeting of Shareholders in Burgdorf on 01 July 2020.

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 as financial income or expenses (individual financial statements).

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 con-

gruent 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.

Listed securities

Listed securities are valued at stock market prices on the balance sheet date.

Trade receivables/

other receivables as well as long term receivables

Trade receivables, other receivables as well as long term receivables are valued at nominal amount 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 and inspection equipment	3 to 8 years
● Software and hardware	3 to 5 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 five 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 23 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.

State-subsidised grants

State-subsidised payments are shown as liabilities, which are reversed proportionately according to the specific depreciable life of the respective tangible fixed asset item that was qualified as state-subsidy. The reversal is posted net after deducting the cost of depreciation. The state-subsidised payments are disclosed within "cash flow from financing activities" in the consolidated statement of cash flows.

Pension benefit obligations

The pension benefit obligations of the group companies in respect of old age, death and disability comply with the statutory provisions and regulations in the respective countries. The employees of the Swiss companies have a legally independent pension fund for retirement, death and disability. The pension funds are financed by employer and employee contributions (defined contribution plan). The actual economic impact of pension plans on the company is calculated as of the balance sheet date. An economic benefit is capitalised provided it will be available to reduce the company's future pension expenses. An economic obligation is recognised as a liability if the conditions for establishing a provision are met. Any unconditionally available employer contribution reserves are recognised as assets. The economic impacts of surpluses or deficits in the pension funds on the group, as well as a change in any employer contribution reserves, are recognised as profit or loss and reported as personnel expenses in addition to the contributions deferred to the reporting period.

Current income taxes

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

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

income. The changes in deferred tax assets and liabilities are recognised in the consolidated income statement. Taxes on transactions that are reported in equity are also recognised in equity.

Net sales and sales recognition

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

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

Long-term contracts: Development and industrialisation projects are accounted for according to the percentage-of-completion method (POCM), if the respective criteria are met. 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. If the criteria for the application of POCM are not met, the respective revenue is disclosed according to the amount of the realisable cost (without recognising any profit). However, respective losses and non-recoverable costs are debited directly and reduces the profit of the financial year.

The long-term contracted projects according to POCM are disclosed within the reporting lines inventories, trade receivables 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

Derivative financial instruments are entered into for hedging purposes and carried at market value. The adjustment of the changes in market value is recorded in the same way as for the underlying transaction

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.

Ongoing arbitration proceedings

For further details of the arbitration proceedings against Insulet Corp. please refer to notes 21.

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 as of 31 March 2020 amount to CHF 91.3 million (previous year: CHF 73.2 million).

Provisions for warranties

When determining the provisions for warranties, management takes into account currently marketed own products and sets the provisions necessary to cover all callable claims based on the maturity and characteristics of the products as well as experience. As of 31 March 2020 Ypsomed discloses provisions for warranties of CHF 3.1 million (previous year: CHF 1.8 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 2020 amount to CHF 5.3 million. (previous year: CHF 1.4 million). In the 2019/20 financial year there were special effects due to sales of brands and patents within the group. These are described in section 19 of the Appendix.

6. Impact of the COVID-19 pandemic on business

Ypsomed is a manufacturer of drug delivery systems that are classified as important drugs under the COVID-19 regime (for example insulin). In the insulin pump business, new pump starts have proven difficult or impossible for some time as hospitals and diabetes centres have had to run a COVID-19-focussed operating mode. We expect that these new pump starts will probably be made up for as soon as operations return to normal. In the area of injection systems, no significant influences on deliveries of injection systems for approved drugs are expected. In the projects with pharmaceutical partners, delays may occur, for example in studies or approvals, and these may have a corresponding impact on project earnings. The Ypsomed Group has a high level of self-financing and liquidity is ensured through bank limits.



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	Share capital	Research & Development	Production	Marketing & Sales	Financing & Services
Ypsomed Holding AG, CH-Burgdorf		CHF 178993807				●
Ypsomed AG, CH-Burgdorf	100%	CHF 10000000	●	●	●	●
Ypsomed Distribution AG, CH-Burgdorf	100%	CHF 6000000			●	
TecPharma Licensing AG, CH-Burgdorf	100%	CHF 100000				●
Ypsotec AG, CH-Grenchen	100%	CHF 1000000		●	●	
Ypsotec s.r.o., CZ-Tábor	100%	CZK 33200000		●	●	
Ypsomed GmbH, DE-Liederbach	100%	EUR 100000			●	
DiaExpert GmbH, DE-Liederbach	100%	EUR 50000			●	
Ypsomed Produktion GmbH, DE-Schwerin	100%	EUR 16000000		●		
Ypsomed Distribution GmbH, DE-Rheinfelden	100%	EUR 25000				●
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 172316470			●	
Ypsomed Ltd., UK-Esrick	100%	GBP 300000			●	
Ypsomed GmbH, AT-Vienna	100%	EUR 35000			●	
Ypsomed S.r.l., IT-Varese	100%	EUR 50000			●	
Ypsomed Australia Pty Ltd., AU-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 1000000			●	
Ypsomed AS, NO-Drammen	100%	NOK 2000000			●	
Ypsomed Oy, FI-Masala	100%	EUR 50000			●	
Ypsomed ApS, DK-Glostrup	100%	DKK 50000			●	
Ypsomed Inc., US-Dover	100%	USD 1			●	
Ypsomed Medical Devices Co. Ltd., CN-Peking	100%	CHF 500000				●

* A capital increase was carried out at Ypsomed India Private Ltd. in February 2020.

In the 2019/20 financial year, the subsidiary in the USA (Ypsomed Inc.) and a representative office in Germany (Ypsomed Distribution GmbH) were newly founded. The financial year of each company runs from 01 April to 31 March of the following year. Only TecPharma Licensing AG has a balance sheet date of 31 December.

2. Foreign currencies

	Balance sheet year-end rates		Income statement average rates	
	31 March 2020	31 March 2019	2019/20	2018/19
Euro (EUR)	1.06	1.12	1.10	1.15
US Dollar (USD)	0.96	1.00	0.99	0.99
Swedish Krona (100SEK)	9.55	10.75	10.30	11.06
Norwegian Krone (100NOK)	9.21	11.56	10.96	11.91
Danish Krone (100DKK)	14.17	14.97	14.68	15.38
Czech Koruna (100CZK)	3.86	4.34	4.28	4.46
Indian Rupee (100INR)	1.27	1.44	1.40	1.42
British Pound (GBP)	1.19	1.30	1.25	1.30
Australian Dollar (AUD)	0.59	0.71	0.67	0.72
Polish Zloty (100 PLN)	23.26	26.04	25.49	26.73
Canadian Dollar (CAD)	0.68	0.74	0.74	0.75
Chinese Yuan Renminbi (100CNY)	13.48	14.77	14.17	14.77

3. Cash and cash equivalents

	31 March 2020	31 March 2019
Cash	29	25
Postal accounts	1 228	667
Bank accounts	12 137	11 391
Total	13 394	12 083

4. Trade receivables

	31 March 2020	31 March 2019
Trade receivables	76 644	89 892
Provision for bad and doubtful debts	-354	-197
Total	76 290	89 695

Provision for bad and doubtful debts	2019/20	2018/19
At 01 April	197	196
Addition	262	122
Use	-64	-67
Reversal	-23	-47
Currency translation differences	-19	-7
At 31 March	354	197

5. Inventories

	31 March 2020	31 March 2019
Raw materials and supplies	6 810	6 710
Goods in process	23 511	19 456
Finished products	27 488	27 961
Gross inventories	57 809	54 126
Valuation allowance	-1 522	-1 715
Total	56 286	52 412

6. Financial assets

	31 March 2020	31 March 2019
Bionime Corp. Taiwan	0	8 510
Other financial assets	185	213
Total	185	8 723

In March 2020 it was decided to sell the shares in Bionime Corp. within the space of one year. Accordingly, the investment was reclassified to current assets at the end of the financial year 2019/20.

7. Fixed assets

Cost	Land and buildings	Machinery and equipment	Other fixed assets	Assets under construction	Buildings for investment purposes	Total
At 01 April 2018	80 320	251 617	15 604	60 444	19 089	427 074
Additions	4 656	23 757	3 589	72 951	1 467	106 421
Disposals	-36	-7 094	-695			-7 826
Transfers	7 748	24 313	306	-33 601		-1 233
Currency translation differences	-287	-558	-177	-2 261		-3 283
At 31 March 2019	92 400	292 035	18 628	97 534	20 556	521 153
Accumulated depreciation						
At 01 April 2018	-41 524	-174 493	-11 422	0	-7 321	-234 760
Depreciation	-2 671	-20 389	-1 956		-732	-25 747
Disposals	36	7 038	522			7 596
Transfers		20	-20			0
Currency translation differences	20	273	109			402
At 31 March 2019	-44 139	-187 551	-12 766	0	-8 053	-252 509
Net book value at 01 April 2018	38 796	77 124	4 183	60 444	11 767	192 314
Net book value at 31 March 2019	48 261	104 484	5 862	97 534	12 502	268 644
Cost						
At 01 April 2019	92 400	292 035	18 628	97 534	20 556	521 153
Additions	3 355	27 878	4 420	42 194	306	78 155
Disposals		-4 766	-584			-5 350
Transfers	31 487	54 276	2 112	-82 498	-7 144	-1 767
Currency translation differences	-1 665	-1 983	-335	-2 001		-5 984
At 31 March 2020	125 578	367 440	24 241	55 229	13 718	586 206
Accumulated depreciation						
At 01 April 2019	-44 139	-187 551	-12 766	0	-8 053	-252 509
Depreciation	-3 396	-23 818	-2 741		-596	-30 550
Disposals		4 678	538			5 216
Transfers	-1 484	-1 705	-124		3 316	3
Currency translation differences	78	487	167			731
At 31 March 2020	-48 940	-207 910	-14 926	0	-5 333	-277 109
Net book value at 01 April 2019	48 261	104 484	5 862	97 534	12 502	268 644
Net book value at 31 March 2020	76 638	159 530	9 315	55 229	8 385	309 097

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 2019/20 amounted to CHF 0.2 million (previous year: CHF 0.2 million) and are included in

other operating income in the income statement. The reclassification of investment properties concerns the office buildings 1 and 5 in Solothurn, which are now used by Ypsomed for operational purposes.

8. Intangible assets

Cost	Development costs	Patents	Software	Client base/ Other	Total
At 01 April 2018	112 954	660	27 237	12 139	152 990
Additions	19 409		2 761	80	22 250
Disposals	-1 042			-24	-1 066
Transfers			1 233		1 233
Currency translation differences	-50		-44	-250	-344
At 31 March 2019	131 272	660	31 187	11 945	175 063
Accumulated amortisation					
At 01 April 2018	-44 206	-660	-18 932	-12 053	-75 852
Amortisation	-14 938		-4 119	-83	-19 141
Disposals	1 042			24	1 066
Currency translation differences			37	245	282
At 31 March 2019	-58 103	-660	-23 015	-11 867	-93 644
Net book value at 01 April 2018	68 748	0	8 305	86	77 139
Net book value at 31 March 2019	73 169	0	8 172	78	81 419
Cost					
At 01 April 2019	131 272	660	31 187	11 945	175 063
Additions	36 538		5 385	58	41 981
Disposals			-115		-115
Transfers			1 764		1 764
Currency translation differences	-148		-115	-245	-509
At 31 March 2020	167 661	660	38 105	11 758	218 184
Accumulated amortisation					
At 01 April 2019	-58 103	-660	-23 015	-11 867	-93 644
Amortisation	-18 247		-4 151	-36	-22 434
Disposals			115		115
Currency translation differences	5		50	240	295
At 31 March 2020	-76 345	-660	-27 001	-11 663	-115 668
Net book value at 01 April 2019	73 169	0	8 172	78	81 419
Net book value at 31 March 2020	91 317	0	11 104	95	102 516

Capitalised development costs include products in the development phase amounting to CHF 26.2 million (previous year: CHF 11.2 million), products in the industrialisation phase amounting to CHF 5.1 million (previous year:

CHF 6.6 million), products in the pre-launch phase amounting to CHF 3.3 million (previous year: CHF 0.0 million) and products in the marketing phase amounting to CHF 56.7 million (previous year: CHF 55.4 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	2019/20	2018/19
At 01 April	323 887	324 482
Accumulated currency translation differences	-757	-594
At 31 March	323 130	323 887
Accumulated amortisation		
At 01 April	-323 887	-324 482
Amortisation, scheduled amortisation over 5 years	0	0
Change in accumulated currency translation differences	757	594
At 31 March	-323 130	-323 887
Net book value at 01 April	0	0
Net book value at 31 March	0	0

The value of acquired goodwill would have been completely absorbed if the same had been hypothetically capitalised.

10. Financial liabilities

	31 March 2020	31 March 2019
Fixed advances banks (current)	182 999	112 000
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 12 months. The average interest rate is 0.5%. As at 31 March 2020, the maximum credit line for fixed advances was CHF 210 million. Interest of CHF 0.8 million (previous year: CHF 0.6 million) was paid on fixed advances in 2019/20.

Since 01 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 2022. No repayment will be made in the financial year 2020/21. 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 2019/20.

11. State-subsidised grants

Ypsomed receives state-subsidies – granted by the German federal state of Mecklenburg-Vorpommern – that is fully related to the set-up of the production site in Schwerin (DE), i.e. the construction of the building and the procurement of movably capital tangible assets (Purpose: Facilitating the industrial economy with funds taken from the joint initiative “Improvement of the structure of the regional economy”). The overall amount of these state-subsidies amounts EUR 9.8 million at most, and they are dependent on the ultimate amount of investment.

In the 2019/20 financial year, Ypsomed received further subsidies amounting to EUR 4.2 million. The subsidies are carried as liabilities and released in line with the

depreciation period of the respective subsidised asset. The production facility was commissioned in the course of the 2019/20 reporting year and the subsidies carried as liabilities were released in proportion to the recorded depreciation.

The conditions for receiving the subsidies were met as of the cut-off date.

	2019/20	2018/19
At 01 April	3 644	0
Funds received	4 576	3 739
Partial reversal of subsidies	– 186	0
Currency translation differences	– 347	– 95
At 31 March	7 687	3 644

12. Provisions

	Taxes	Warranties	From pension plans	Restructuring	Other	Total
At 01 April 2018	2 897	1 362	0	185	3 338	7 782
Additions	414	562			1 545	2 522
Release	– 410					– 410
Utilisation		– 140		– 180	– 601	– 921
Currency translation differences	– 2			– 5	– 48	– 55
At 31 March 2019	2 900	1 785	0	0	4 234	8 918
of which current	0	959	0	0	559	1 518

At 01 April 2019	2 900	1 785	0	0	4 234	8 918
Additions	2	2 378		223	1 545	4 148
Release	– 732	– 322			– 176	– 1 230
Utilisation		– 744			– 1 625	– 2 368
Currency translation differences				– 8	– 46	– 54
At 31 March 2020	2 169	3 097	0	215	3 932	9 413
of which current	0	1 241	0	215	1 142	2 599

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 warranties and also to replacement costs for withdrawn products. The company's management bases these provisions on the estimated potential warranty 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 warranty claims that may occur for products on the market. The provisions extend for the average life of the products, which is between one and five 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

The restructuring provisions are related to a restructuring programme at subsidiaries to adapt to market conditions.

Other provisions

The other provisions are based on estimates and mainly include provisions for long-service awards of employees. In this context, CHF 0.3 million was formed and CHF 0.5 million used in the year under review. As at 31 March 2020, provisions for long-service awards amounted to CHF 2.5 million (previous year: CHF 2.7 million). In addition, CHF 0.9 million was used for legal costs in connection with the ongoing arbitration proceedings with Insulet Corp. and 0.4 million was newly added.

13. Share capital

Share capital (in thousand CHF)	2019/20	2018/19
At 01 April	178 994	178 994
At 31 March	178 994	178 994
Shares issued at 31 March	12 649 739	12 649 739
Treasury shares at 31 March	46 786	46 786
Shares outstanding at 01 April	12 602 953	12 602 953
Shares outstanding at 31 March	12 602 953	12 602 953

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 nominal amount of CHF 14.15. As of 31 March 2020, the Ypsomed Group and the employee pension fund held 63 242 treasury shares in total (previous year: 63 242).

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).

14. Long-term contracts according to Percentage-of-Completion-Method (POCM)

	2019/20	2018/19
Revenue from development and industrialisation services (POCM)	23 805	15 515
Long-term contracts according to POCM in the balance sheet	31 March 2020	31 March 2019
Trade receivables	2 547	1 289
Inventories	1 524	185
Prepayments from customers	7 456	10 087

15. Personnel expenses

	2019/20	%	2018/19	%
Wages and salaries	136 928	83.6	128 542	84.2
Social security expenses	23 313	14.2	21 505	14.1
Other personnel expenses	3 482	2.1	2 583	1.7
Total	163 723	100.0	152 630	100.0

Personnel at 31 March (full-time equivalents)	31 March 2020	31 March 2019
Australia	10	7
Belgium	2	2
China	6	4
Denmark	3	3
Germany	253	236
Finland	3	3
France	39	31
India	8	10
Italy	12	16
Canada	7	10
Netherlands	10	11
Norway	1	2
Austria	7	7
Poland	2	2
Sweden	7	8
Switzerland	1 137	1 039
Spain	10	9
Czechia	90	101
Great Britain	20	22
United States of America	1	0
Total	1 627	1 522
Headcount	1 714	1 604

16. 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 64 % of the group's workforce as at 31 March 2020, 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 2020, the pension scheme held a value fluctuation reserve of CHF 22.3 million (previous year: CHF 32.2 million). The surplus in the value fluctuation reserve, i.e. the amount by which the reserves exceed the target value of 18.0% (previous

year: 18.0%) of assets, stands at CHF 0.0 million (previous year: CHF 1.3 million). This corresponds to a calculated level of cover within the meaning of Art. 44 of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV2) of 111.3% based on a technical interest rate of 1.5% and BVG 2015 (previous year: 118.7%, technical interest rate 1.5% and BVG 2015). The board responsible for the pension scheme decided in the previous year not to use the surplus in the value fluctuation reserve to reduce contributions. This surplus thus did not represent an economic benefit within the meaning of Swiss GAAP FER 16 and was therefore not capitalised. Pension costs as part of personnel expense correspond to the standard contribution payments by the group companies involved.

	Surplus/deficit	Economic benefit/obligation	Contributions concerning the business period	Pension benefit expenses within personnel expenses	
	31.03.2020	31.03.2020	31.03.2019	2019/20	2018/19
Pension institutions with surplus	0	0	0	7092	6285
Pension institutions without own assets	0	0	0	1188	1337

Per end of the financial years 2018/19 and 2019/20, there were no employer contribution reserves existing.

17. Financial income

	2019/20	2018/19
Interest income	6	26
Gains from sale of securities	12	0
Reversal impairment of Bionime Corp.	481	0
Foreign exchange gains	3601	2477
Dividends/other financial income	317	694
Total	4417	3197

In the 2019/20 financial year the impairment of Bionime Corp. was reduced by 0.5 million. The dividend from Bionime Corp. amounts CHF 0.3 million in the reported financial year (previous year: CHF 0.7 million).

18. Financial expenses

	2019/20	2018/19
Interest expenses	781	592
Impairment financial assets	0	1317
Foreign exchange losses	5270	4519
Other financial expenses	199	233
Total	6250	6660

19. Income taxes

	2019/20	2018/19
Current income taxes	27 151	10 366
Deferred income taxes	-31 146	-622
Total	-3 996	9 744
Weighted average tax rate in %	-53.6 %	13.9 %
Gewichteter durchschnittlicher Steuersatz in % ohne Sondereffekte	14.8 %	13.9 %

In Switzerland, the tax reform and AHV financing (STAF) was adopted in 2019, which now affects the Swiss group companies for the first time. The objective of STAF is to establish an internationally compliant and competitive tax system for companies. Privileged taxation is no longer in conformity with the law. Under this system, the Ypsomed Group can, among other things, claim tax relief for research and development activities as well as for patents. The tax rates of the individual companies within the group may vary. Differences in the allocation of earnings to the companies also affect the effective tax rate.

Special effects in current taxes

As per 31.12.2019, intercompany sales of trademarks and patents of TecPharma Licensing AG to Ypsomed AG amounted to CHF 242.0 million. Current taxes of CHF 21.5 million were due on the gain on the sale of this intercompany transaction in the financial year. The group average tax rate used to calculate deferred income tax items is 11.9 % (previous year: 18.4 %). The change in deferred tax

rates compared to the previous year resulted in a reduction in expenses of CHF 1.1 million, mainly due to the application of STAF.

Special effects in deferred taxes

At group level, there are now valuation differences due to sales of brands and patents within the group, as the brands and patents were capitalised by Ypsomed AG. Since 01.01.2020, these are depreciated linearly for tax purposes over 10 years. Deferred income tax assets on this transaction amount to CHF 26.6 million. These were assessed at the future income tax rate of 11.275 %, taking advantage of the maximum STAF relief.

	31 March 2020	31 March 2019
Capitalised deferred tax assets	33 069	2 813
of which temporary differences	27 724	1 383
of which not yet utilised tax-loss carryforwards	5 345	1 430

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 deferred income tax assets of CHF 0.1 million on

expired and unusable loss carryforwards were reversed. CHF 4.0 million in assets were created for newly incurred losses.

20. 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 FER 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 2018/19	Ypsomed Diabetes Care	Ypsomed Delivery Systems	Others	Eliminations	Group
Sales of goods and services to third-party customers	280 425	155 730	17 610		453 765
Intersegmental sales			2 206	-2 206	0
Total sales of goods and services	280 425	155 730	19 816	-2 206	453 765

Operating profit					73 344
EBIT margin					16.2%
Investments in fixed and intangible assets					128 671
Depreciation/Amortisation/Impairment					44 888

Financial year 2019/20	Ypsomed Diabetes Care	Ypsomed Delivery Systems	Other	Eliminations	Group
Sales of goods and services to third-party customers	187 309	192 032	14 526		393 866
Intersegmental sales			1 085	-1 085	0
Total sales of goods and services	187 309	192 032	15 611	-1 085	393 866

Operating profit					9 289
EBIT margin					2.4%
Investments in fixed and intangible assets					120 136
Depreciation/Amortisation/Impairment					52 799

Sales of goods and services by regions	2019/20	2018/19
Switzerland	34 221	20 486
Europe	276 295	297 974
North America*	40 165	103 602
Rest of the World	43 185	31 702
Total	393 866	453 765

* In 2018/19 this includes the expiration fee of Insulet Corp. in the amount of CHF 49.8 million (see Appendix No. 21).

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 part-

ners are made mainly to their European group companies. These companies market the products worldwide.

21. 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 agreement with

Insulet Corp. ended on 30 June 2018. The Ypsomed Diabetes Care segment in the regions of Switzerland and Europe was affected as follows:

	2019/20	2018/19
Net revenues from third-party customers – mylife™ Omnipod® until 30 June 2018		51 098
Revenue from expiration fee for market establishment		49 846
Total net revenue	0	100 944
Operating profit	0	61 896

As contractually agreed compensation for the establishment of the European distribution structures for Omnipod®, Ypsomed booked an income of CHF 49.8 million (USD 50.2 million) as a compensation fee from Insulet Corp. as on 30 June 2018. The calculation depends on the number of Omnipod® deliveries to existing customers within the twelve months after expiration of the distribution agreement. According to the contract the real payment shall be quarterly computed by Insulet Corp. on the basis of the number of real deliveries. The contract foresees the first quarterly due payment as per end of November 2018 encompassing the months July to September 2018, end of February 2019 for the months October to December 2018, at the end of May 2019 for the months January to March 2019 and then at the end of August 2019 for the months April to June 2019. Instead of the expected approximately USD 50 million, Insulet Corp. transferred USD 5.1 million to Ypsomed without disclosing a calculation basis. Due to the lack of a mutual understanding Ypsomed has initiated arbitration proceedings against

Insulet Corp. as of 21 December 2018, which is in adherence to respective stipulations in the distribution agreement. Both Ypsomed's management and their legal advisors assume that Ypsomed will prevail these arbitration proceedings with a predominant likelihood. In the course of the arbitration proceedings Insulet Corp. has asserted a counterclaim of USD 18.7 million, i.a. due to allegedly insufficient sales efforts. This claim is inconsistent with the effectively realised sales increase of 44% in the course of the last contractual year. Today's estimation may foresee a verdict on the applicable method of computation in 2021. The outstanding receivables for the Expiration Fee amounts to CHF 43.5 million as of 31 March 2020 and it is disclosed in the balance sheet in reporting line long term receivables. The amount of USD 18.7 million of the counterclaim is disregarded in the financial statements.

22. Contingent liabilities

Ypsomed has unlimited contingent liabilities (mainly guarantees) from current business activities with regard to third parties to the amount of CHF 2.4 million (previous year: CHF 1.0 million). Ypsomed is of the opinion that it is

unlikely that these contingent liabilities will be utilised. In addition there are contingencies and commitments in the context of law cases that could occur in the course of normal business operations.

23. 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 2020	31 March 2019
Less than 1 year	2 745	3 022
1 to 5 years	7 106	6 540
Over 5 years	4 729	5 570
Total	14 580	15 132

The above overview includes a lease agreement concluded between Ypsomed AG and Techpharma Management AG, a company controlled by Willy Michel. The rent, starting from 01 June 2020, is based on an independent rental valuation and amounts to CHF 840 000 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 in the previous year and ends on 31 December 2029, the total obligation until expiry of the contract amounts to CHF 8.2 million.

Further contractual obligations	31 March 2020	31 March 2019
Purchase commitments for products	16 783	9 975
Obligations for the purchase of fixed assets	14 100	9 209
Obligations for the purchase of intangible assets	3 307	3 037
Liabilities for miscellaneous purchasing	782	946
Total	34 972	23 167

24. 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:

	2019/20	2018/19
Techpharma Management AG (interest according to Note 10)	70	70
Techpharma Management AG (compensation for rented business premises)	907	907
Techpharma Management AG (amounts in accordance with service contract)	129	137
Total	1 105	1 113

Since 01 January 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 89. 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 90.

25. 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.

	2019/20	2018/19
Net profits in thousand CHF	11 452	60 136
Number of outstanding shares weighted on a monthly basis	12 602 953	12 602 953
Earnings per share in CHF (diluted and undiluted)	0.91	4.77

26. Compensation statement and significant shareholders

See the notes to the financial statements 2019/20 of Ypsomed Holding AG from page 70 and the Compensation Report from page 101.

27. Derivative financial instruments

At the end of May 2019, Ypsomed Holding AG concluded a EUR loan with Cross Currency Swap (CCS). For the period from 03.06.2019 – 03.06.2020, Ypsomed Holding AG received a loan amounting to EUR 40.1 million, which entitles to draw on CHF 45.0 million (EUR/CHF 1.1225). At the end of the term, the CHF 45.0 million are due for repayment at a fixed rate of EUR/CHF 1.1225. The contractual interest rate is 0.21 % p.a. on the CHF 45.0 million. There is no risk of currency exchange or interest rates.

in million CHF	Contract value		Asset		Liability	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Derivative financial instruments						
EUR Credit EUR 40.1 million					42.4	
Cross Currency Swap for currency hedging	42.4				2.6	



Report of the group auditors



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To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, 19 May 2020

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 to the consolidated financial statements (pages 36 to 62), for the year ended 31 March 2020.



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 2020 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 26.2 million (prior year: CHF 11.2 million), products in the industrialization phase of CHF 5.1 million (prior year: CHF 6.6 million), products in the pre-launch phase of CHF 3.3 million (prior year: CHF 0 million) and products in the marketing phase of CHF 56.7 million (prior year: CHF 55.4 million). These development costs totaling CHF 91.3 million (prior year: CHF 73.2 million) represent a significant balance sheet item alongside property, plant and equipment and trade receivables. 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 in the profitability analysis with internal 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 in the input parameters and whether the calculation models used were clerically accurate.

Our audit procedures did not lead to any reservations with regard to the impairment of capitalized development costs.



Impairment of the compensation payment receivable

Audit matter The long-term receivables include compensation of CHF 43.5 million (prior year: CHF 47.4 million) for the establishment of the European Omnipod sales structures that has not yet been paid by Insulet. Management estimated the amount of the compensation in the prior year. Insulet failed to accept the amount of the agreed compensation payment, as a result of which Ypsomed filed an application to initiate arbitration proceedings in December 2018. Among other things, Ypsomed is suing for the CHF 43.5 million in these proceedings. Ypsomed comments on the matter in section 4 of the basis for the consolidated financial statements and in section 21 of the notes to the consolidated financial statements.

Our audit response In the prior year, we evaluated whether the calculation model used for the estimate was clerically accurate and checked the input parameters against sales statistics from the prior years. We also studied and assessed the contracts in place between Ypsomed and Insulet. This year, we evaluated the recoverability of the receivable through discussions with management and internal legal experts, including on the status of the arbitration proceedings. In addition, we obtained written statements from the lawyers involved. We also checked whether the correct exchange rate was applied through comparisons with publicly available information. Furthermore, we evaluated the creditworthiness of the counterparty by analyzing the published annual and quarterly financial statements and media reports.

Our audit procedures did not lead to any reservations with regard to the valuation of the compensation for the Omnipod sales structures.



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

Enclosures

- ▶ Consolidated financial statements (consolidated income statement, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes)



Balance sheet of Ypsomed Holding AG – statutory financial statements

In thousand CHF

Assets	31 March 2020	31 March 2019
Cash	1 866	364
Securities	8 940	
Other short-term receivables	21	19
Prepayments and accrued income	0	13 817
Total current assets	10 827	14 200
Investments	314 987	314 987
Financial assets	0	8 510
Long-term receivables group companies	556 250	281 643
Total non-current assets	871 237	605 140
Total assets	882 064	619 340
Liabilities and equity	31 March 2020	31 March 2019
Trade payables third parties	1	28
Other short-term payables to third parties	28	
Short-term financial liabilities to bank	133 999	100 000
Short-term financial liabilities to group companies	34 643	12 038
Accrued liabilities and deferred income	753	880
Short-term income taxes payable	66	26
Total current liabilities	169 489	112 972
Long-term interest-bearing financial liabilities to major shareholder & president of Board of Directors (Techpharma Management AG, CH-Burgdorf)	10 000	10 000
Long-term interest-bearing financial liabilities to intra-group companies (Ypsomed Distribution Ltd.)	14 828	18 727
Total non-current liabilities	24 828	28 727
Total liabilities	194 317	141 699
Share capital	178 994	178 994
Legal contribution reserves		
Capital contribution reserves	111 149	118 081
Disagio	- 150	- 150
Legal reserve		
General legal reserves	50	50
Free reserves		
Retained earnings	187 262	141 387
Net profit	217 038	45 874
Own shares	- 6 595	- 6 595
Total shareholders' equity	687 747	477 641
Total liabilities and shareholders' equity	882 064	619 340



Income statement of Ypsomed Holding AG – statutory financial statements

In thousand CHF

01 April 2019–
31 March 202001 April 2018–
31 March 2019

Operating expenses

Administrative expense	882	1 047
Cost of services sold	700	700
Total operating expenses	1 582	1 747

Operating result**-1 582** -1 747

Financial income

Interest income third (others)	0	3
Interest income investments	2 479	2 241
Dividend income	220 316	49 496
Gains from securities/reversal of impairment	493	0
Income own shares	0	0
Foreign exchange gains	2	4
Total financial income	223 290	51 743

Financial expense

Interest expense	-690	-516
Interest expense to investments	-404	-230
Expenses own shares	0	-5
Impairment financial assets	0	-1 317
Foreign exchange losses	-3 363	-1 906
Other financial expenses	-59	-57
Total financial expenses	-4 516	-4 031

Financial result**218 775** 47 712**Profit before taxes****217 192** 45 966

Taxes	-154	-91
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Profit	217 038	45 874
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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 2020	31 March 2019
Retained earnings	187 262	141 387
Net profit for financial year	217 038	45 874
Retained earnings at disposal of the General Meeting of Shareholders	404 299	187 262
Distribution of dividend from retained earnings*	-1 260	
Allotment from capital contribution reserves*	1 260	6 932
Distribution of dividend from capital contribution reserves*	-1 260	-6 932
Carried forward to the next year	403 039	187 262

* The Board of Directors proposes to the General Meeting of Shareholders a distribution of retained earnings in the amount of CHF 0.10 and a tax free distribution of capital contribution reserves in the amount of CHF 0.10 (previous year: CHF 0.55) per share. The total distribution based on the actual share capital as of 31 March 2020 will be approximately CHF 2.5 million (previous year: CHF 6.9 million).



Notes to the statutory financial statements of Ypsomed Holding AG

General

The creation of the annual financial statements 2019/20 is in adherence to the regulations of the Swiss Reporting Authorisation (32nd title of Swiss Code of Obligations) 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 01 January 2013).

Assets and Liabilities

Assets are valued no higher than the purchasing costs, listed securities at market value. All changes in values are posted in the profit and loss results. No provisions are made for a fluctuation reserve. Liabilities are valued at their nominal value.

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.

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 annual average of full time equivalents was 0 – in both the reported financial year and the previous year.

Securities/financial assets

As it was decided to sell the shares in Bionime Corp., the investment was reclassified from financial assets to current assets. The impairment on the shares of Bionime Corp. amounts to CHF 1.0 million as of 31.03.2020 (previous year as of 31.03.2019: CHF 1.5 million).

Derivative financial instruments

At the end of May 2019, Ypsomed Holding AG concluded a EUR loan with Cross Currency SWAP (CCS). For the period from 03.06.2019 – 03.06.2020, Ypsomed Holding AG received a loan amounting to EUR 40.1 million, which entitles to draw on CHF 45.0 million (EUR/CHF 1.1225). At the end of the term, the CHF 45.0 million are due for repayment at a fixed rate of EUR/CHF 1.1225. The contractual interest rate is 0.21 % p.a. on the CHF 45.0 million. There is no risk of currency exchange or interest rates.

Financial revenue

In the reporting year 2019/20, the subsidiary TecPharma Licensing AG distributed a dividend of CHF 220.0 million. This dividend is largely based on the profit realised from the intercompany sale of all patents and brands to Ypsomed AG, Burgdorf. The value adjustment of the securities of Bionime Corp. could be partially reversed due to an increased stock market price.

Financial expenditure

The foreign currency valuation of the loan to Ypsomed Produktion GmbH resulted in an unrealised foreign currency loss of CHF 3.3 million.

Taxes

Ypsomed Holding AG will be taxed for the last time until 31.12.2019 under the old tax law with the holding privilege. As from 01.01.2020, the corporate tax reform STAF comes into effect.

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).

Impact of the COVID-19 pandemic on business

We refer to the consolidated financial statements on page 45.

Significant shareholders and shareholder groups

	31 March 2020		31 March 2019	
	Number of shares	Capital and vote share	Number of shares	Capital and vote share
Shareholder group Michel family	9475254	74.9%	9410368	74.4%

As of 31 March 2020, no further notifiable holdings have been reported.

Own shares

	31 March 2020		31 March 2019	
	Number of shares	Ø price (CHF)	Number of shares	Ø price (CHF)
Own shares at the beginning	46786		46786	
Purchase of own shares				
Disposal of own shares				
Own shares held	46786		46786	

Investments

	31 March 2020		31 March 2019	
	Capital and vote share	Book value (CHF)	Capital and vote share	Book value (CHF)
Ypsomed AG, CH-Burgdorf	100%	293812758	100%	277180644
Ypsotec AG, CH-Grenchen	100%	13643520	100%	13643520
TecPharma Licensing AG, CH-Burgdorf	100%	1529702	100%	18161816
Ypsomed Distribution AG, CH-Burgdorf	100%	6000000	100%	6000000
Ypsomed BVBA, BE-Brussels	1%	1177	1%	1177
Total Investments		314987157		314987157

In connection with the sale of "IPR and Contracts" in accordance with the Asset Purchase Agreement dated 31.12.2019, the goodwill (incl. value adjustment) of TecPharma Licensing AG in the accounts as of 31.12.2019 was transferred to Ypsomed AG in accordance with the tax ruling of 06.12.2019.

Financial assets

	31 March 2020		31 March 2019	
	Capital and vote share	Book value (CHF)	Capital and vote share	Book value (CHF)
Bionime Corp., Taiwan	0.0%	0	8.6%	8509936
Total financial assets		0		8509936

In March 2020 it was decided to sell the shares in Bionime Corp. within the space of one year. Accordingly, the investment was reclassified to current assets at the end of the financial year 2019/20.

Indirect and substantial investments

	Holding by	Capital and vote share	
		31 March 2020	31 March 2019
Ypsomed GmbH, DE-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, DE-Schwerin	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed India Private Ltd., IN-New Delhi	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Ltd., UK-Esclrick	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed GmbH, AT-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., AU-Sydney	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed s.r.o., CZ-Prague	Ypsomed AG, CH-Burgdorf	100%	100%
DiaExpert GmbH, DE-Liederbach	Ypsomed GmbH, DE-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%	100%
Ypsomed BVBA, BE-Brussels	Ypsomed AG, CH-Burgdorf	99%	99%
Ypsomed Diabetes, S.L., ES-Barcelona	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Canada inc., CA-Montreal	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed AS, NO-Drammen	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Oy, FI-Masala	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed ApS, DK-Glostrup	Ypsomed AG, CH-Burgdorf	100%	100%
Ypsomed Inc., US-Dover	Ypsomed AG, CH-Burgdorf	100%	
Ypsomed Distribution GmbH, DE-Rheinfelden	Ypsomed AG, CH-Burgdorf	100%	

In the course of the financial year 2019/20 the subsidiary companies Ypsomed Inc. (USA) and Ypsomed Distribution GmbH were founded.

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 2020	31 March 2019
Credit Suisse (Schweiz) AG, CH-Zurich guarantee in connection with credit business for Ypsomed AG	62 500	40 000
BNP Paribas (Suisse) SA, CH-Geneva guarantee in connection with tender transactions of subsidiaries	10 000	10 000

Long-term receivables group companies

In thousand CHF

	31 March 2020	31 March 2019
Ypsomed AG, CH-Burgdorf	473 838	221 268
Ypsotec AG, CH-Grenchen	20 031	17 288
Ypsomed Produktion GmbH, DE-Schwerin	62 381	43 087
Total loans to shareholdings	556 250	281 643

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

As at 31 March 2020, 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 2020	31 March 2019
Dr. h.c. Willy Michel, President	909 4212	9 022 925
Indirect investments	71 173	80 673
Total Willy Michel	9 165 385	9 103 598
Anton Kräuliger, Vice President	5 100	5 100
Gerhart Isler, member until 26.06.2019		8 100
Paul Fonteyne, Member	0	0
Dr. Martin Münchbach, member since 26.06.2019	0	0
Total shares Board of Directors	9 170 485	9 116 798

Members of Executive Management

Simon Michel, CEO	164 125	156 961
Dr. Beat Maurer, Senior Vice President Legal Services & Intellectual Property	500	500
Niklaus Ramseier, Senior Vice President Finance/IT (CFO)	1 069	1 069
Hans Ulrich Lehmann, Senior Vice President Technology	46	0
Ulrike Bauer, Senior Vice President Marketing & Sales Delivery Systems	275	275
Dr. Eberhard Bauer, Senior Vice President Marketing & Sales Diabetes Care	1 610	1 610
Frank Mengis, Senior Vice President Operations	200	200
Michael Zaugg, Senior Vice President Human Resources	0	0
Total shares Executive Management	167 825	160 615

Refer to the Corporate Governance on page 84 for details of the shareholder group Michel family and their share ownership.



Report of the statutory auditors



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To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, 19 May 2020

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 67 to 73), for the year ended 31 March 2020.



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 2020 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.

Our audit procedures did not give rise to any reservations with regard to the impairment of investments and loans.



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

Enclosures

- ▶ Financial statements (balance sheet, income statement and notes)
- ▶ Proposal regarding the appropriation of available earnings



Multi-year overview

In thousand CHF

	2019/20	2018/19	2017/18	2016/17
Sales of goods and services*	393 866	453 765	466 119	389 555
Gross profit	90 577	156 413	139 825	125 478
Gross profit in %	23.0 %	34.5 %	30.0 %	32.2 %
Operating profit	9 289	73 344	61 070	55 298
Operating profit in %	2.4 %	16.2 %	13.1 %	14.2 %
Net profit	11 452	60 136	52 060	46 247
Net profit in %	2.9 %	13.3 %	11.2 %	11.9 %
Depreciation of tangible assets	30 365	25 747	19 744	21 500
Amortisation of intangible assets	22 434	19 141	14 725	10 965
EBITDA**	62 088	118 232	95 539	87 763
EBITDA in %	15.8 %	26.1 %	20.5 %	22.5 %
Current assets	186 387	178 789	218 311	175 378
Non-current assets	488 351	408 959	281 928	246 422
Current liabilities	274 987	187 883	142 453	103 006
Non-current liabilities	24 579	21 061	16 245	16 999
Balance sheet total	674 738	587 748	500 239	421 801
Capital expenditure	-78 155	-106 421	-54 798	-27 482
Cash flow from operating activities	49 089	59 859	53 269	75 064
Cash flow from investing activities	-115 834	-128 390	-65 820	-38 052
Cash flow from financing activities	68 661	49 089	4 595	-23 231
Issued shares at 31 March	12 649 739	12 649 739	12 649 739	12 649 739
Average shares outstanding	12 602 953	12 602 953	12 586 645	12 613 915
Earnings per share in CHF (basic/diluted)	0.91	4.77	4.14	3.67
Dividend per share (in CHF)	0.20	0.55	1.40	1.30
Book value per issued share (in CHF)***	29.66	29.95	27.00	23.86
Share price: year's highest (in CHF)	160.00	154.70	228.70	200.70
Share price: year's lowest (in CHF)	102.40	111.60	132.50	137.70
Share price: year-end (in CHF)	125.00	127.50	145.90	190.50
Market capitalisation (in million CHF)	1 581	1 613	1 846	2 410
Average headcount	1 684	1 531	1 394	1 272
Average full-time equivalent	1 602	1 451	1 328	1 209
Year-end headcount	1 714	1 604	1 451	1 314
Year-end full-time equivalent	1 627	1 522	1 384	1 256
Sales per average full-time equivalent (in CHF)	245 859	312 725	350 993	322 213

* See basis for the consolidated financial statements on page 40.

** Operating profit before depreciation and amortisation.

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

The Corporate Governance report describes the management and control principles at the highest corporate level of Ypsomed Holding AG and its subsidiaries.

This is based on the directive of the SIX Swiss Exchange on corporate governance.





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 20 June 2019 (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 infusion pumps, 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, 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 91 under the section on the definition of competences. 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). Im-

plementation of the basic principles and values laid down in the Code of Conduct is reviewed on an ongoing basis during the company's day-to-day business. To this purpose, the Board of Directors receives information on a regular basis regarding experiences with the Code of Conduct.

Group structure

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

History of Ypsomed's development

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

Listed group company

Ypsomed Holding AG, which has its headquarters in Burgdorf, is the parent company of the Ypsomed Group. It has a share capital of CHF 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, security number 1939699/ticker symbol: YPSN.

	Per 31 March 2020	Per 31 March 2019
Market capitalisation in CHF	1 581 217 375	1 612 841 723
In % of equity	421.5*	425.8*
Share price in CHF	125.00	127.50
Price/earnings ratio	137.56**	26.7**

* Equity capital on 31 March 2020: kCHF 375 172
Equity capital on 31 March 2019: kCHF 378 804

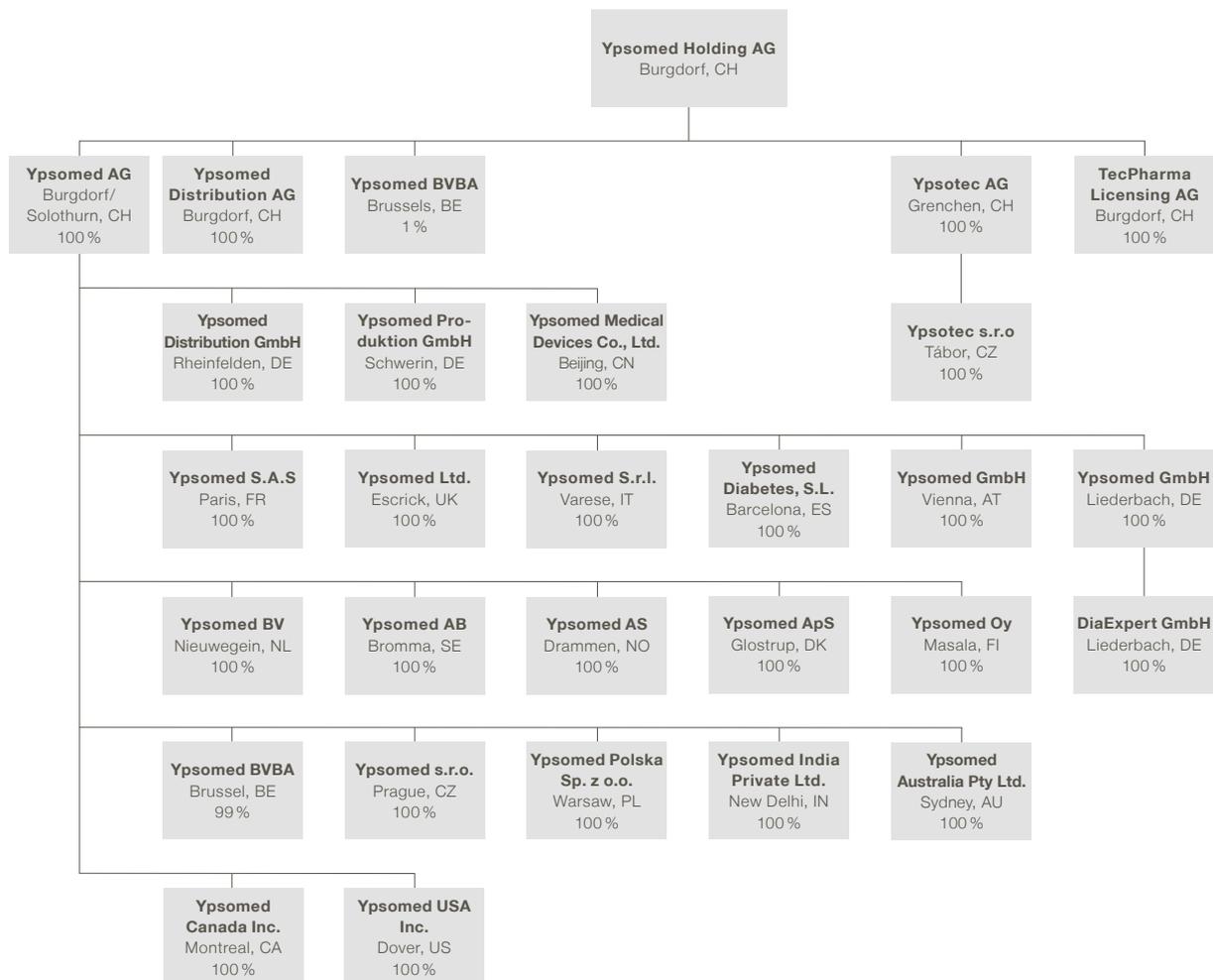
** Earnings per share as at 31 March 2020: CHF 0.91
Earnings per share as at 31 March 2019: CHF 4.77

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 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 2020



The capital of each company is given in the appendix to the consolidated annual balance, see page 45 under 1. Consolidation scope.



Capital structure

Share capital

The share capital of Ypsomed Holding AG amounts to CHF 178993806.85. It is divided into 12649739 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 2020.

Authorised share capital

The Ypsomed Holding AG does not own authorised share capital as of 31 March 2020.

Shares and participation certificates

The 12649739 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 capital.

Dividend rights certificates

Ypsomed Holding AG owns no dividend rights certificates.

Changes in capital

The capital changed as follows in the past years: changes in the share capital up to 31 March 2020 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
31.03.17	Holdings	12649739	14.15	178993806.85	112905629.34
01.04.17	Transfer of net profit carried forward to retained earnings				10537645.05
06.07.17	Dividend from capital contribution reserves				
31.03.18	Buying/disposal of own shares				
31.03.18	Net profit				
31.03.18	Holdings	12649739	14.15	178993806.85	123443274.39
01.04.18	Transfer of net profit carried forward to retained earnings				17943907.24
05.07.18	Dividend from capital contribution reserves				
31.03.19	Buying/disposal of own shares				
31.03.19	Net profit				
31.03.19	Holdings	12649739	14.15	178993806.85	141387181.63
01.04.19	Transfer of net profit carried forward to retained earnings				45874326.41
05.07.19	Dividend from capital contribution reserves				
31.03.20	Buying/disposal of own shares				
31.03.20	Net profit				
31.03.20	Holdings	12649739	14.15	178993806.85	187261508.04

Net profit	Own shares	Other capital reserves (disagio)	Capital contribution reserves	General legal reserves	Total equity
10537645.05	-3089869.53	-150000.00	152130982.80	50000.00	451378194.51
-10537645.05					451378194.51
			-16405938.90		434972255.61
	-3505085.03				431467170.58
17943907.24					449411077.82
17943907.24	-6594954.56	-150000.00	135725043.90	50000.00	449411077.82
-17943907.24					449411077.82
			-17644134.20		431766943.62
					431766943.62
45874326.41					477641270.03
45874326.41	-6594954.56	-150000.00	118080909.70	50000.00	477641270.03
-45874326.41					477641270.03
			-6931624.15		470709645.88
					470709645.88
217037679.63					687747325.51
217037679.63	-6594954.56	-150000.00	111149285.55	50000.00	687747325.51



Shareholder structure

Registered shareholders

There were 6 238 shareholders owning shares registered in the Share Register on 31 March 2020 (previous year: 6 485 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 2020	Number of shareholders as at 31 March 2019
1 to 100	3 580	3 721
101 to 1000	2 424	2 520
1001 to 10 000	204	210
10 001 to 100 000	25	29
over 100 000	5	5

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 Techpharma Management AG, which he controls, 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 2020, the “Michel family” shareholder group holds a combined total of 9 475 254 (previous year: 9 410 368) registered shares in Ypsomed Holding AG, which represents 74.9 % (previous year: 74.4 %) 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 ff. 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 two thirds of the votes represented and an absolute majority of the nominal share capital represented at the meeting.

Convertible bonds and options

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

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 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 Swiss AG, and Chairman (since 2012 until the Annual General Meeting 2020, a member since 2007) of the Board of Directors of Adval Tech Holding AG, which is listed on the SIX Swiss Exchange. He is also Chairman of the Board of Directors of Solarstadt Burgdorf AG. Since 2016 he has been an 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 (SVIK) 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). Until Summer 2019 he was Chairman of the Board of Directors of Metalyss AG (since 1978). He continues to be 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.

Paul Fonteyne

Member of the Board of Directors of Ypsomed Holding AG since 2018. After graduating from Brussels University with a degree in chemical engineering and an MBA from Carnegie Mellon University in Pittsburgh, he held various positions at Abbott Laboratories Inc. and Merck and Co. Inc. He joined the Boehringer Ingelheim Group in 2003. For the first five years, he headed the Human Pharmaceuticals Division in the USA. From 2008 to 2011, he lived in Germany to lead the worldwide marketing team for human pharmaceuticals. During his tenure at Boehringer Ingelheim, the company experienced strong sales, profit and profitability growth in the USA. From 2012 to 2018, he was Chairman of the Board of Directors and CEO of Boehringer Ingelheim USA as well as Country Managing Director for the United States. Paul Fonteyne previously served as Chairman of the National Pharmaceutical Council (NPC), and was a member of the board of Pharmaceutical Research and Manufacturers of America (PhRMA). He is currently a member of the Board of Directors of the four clinical phase biotechnology companies ResTORbio Inc, Gelesis Inc and Apellis Pharmaceuticals Inc, all based in Boston, and DalCor Inc, based in London. He also serves on the Board of Directors of AMAG Pharmaceuticals Inc. in the Boston area. He is associated as Executive in Residence with Canaan Partners (Venture Capital).

Dr. Martin Münchbach

Member of the Board of Directors of Ypsomed Holding AG since the Annual General Meeting in June 2019. After graduating from the ETH Zurich in natural sciences with a doctorate in protein chemistry and a post-graduate degree in economics, business and management sciences from the ETH Zurich, he worked in various positions for venture capital companies in Switzerland. Since 2004, he has been Senior Investment Advisor Private Equity at Bellevue Asset Management AG in Küsnacht, ZH and is currently Managing Partner of BB Pureos Bioventures, a venture capital company specializing in early-stage financing for the promotion of innovative young drug development companies with a focus on Switzerland and Europe. Through his work as a venture capitalist, he has built up numerous medical technology and biotechnology companies that have brought innovative drugs and diagnostics to market. Martin Münchbach has served on the Board of Directors of 4-Antibody AG in Basel, Optimer Pharmaceuticals Inc. in San Diego, USA and Radius Health Inc. in Waltham, USA, among others. He is currently a Director of Alentis Therapeutics AG in Basel and Binx Health Ltd. in Trowbridge, UK.

Members of the Board of Directors

Name	Nationality	Year of birth	Position	Member since	Elected until GM
Dr. h.c. Willy Michel*	CH	1947	Chairman	1984	2020
Anton Kräuliger**	CH	1946	Vice Chairman	2007	2020
Gerhart Isler**	CH	1949	Member	2008	2019***
Paul Fonteyne**	BE/USA	1961	Mitglied VR	2018	2020
Dr. Martin Münchbach**	DE/CH	1970	Member	2019****	2020

* 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

*** Gerhart Isler resigned from the Board of Directors at the Annual General Meeting in June 2019.

**** Dr. Martin Münchbach was newly elected to the Board of Directors at the Annual General Meeting in June 2019.

Anton Kräuliger will step down from the Board of Directors at the Annual General Meeting 2020. The Board of Directors proposes to the Annual General Meeting 2020 to elect Gilbert Achermann to the Board of Directors and as a member of the Compensation Committee.



Dr. h.c. Willy Michel



Anton Kräuliger



Paul Fonteyne



Dr. Martin Münchbach

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 61. 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 2020, a loan amount totalling CHF 10 million was still outstanding. Since 01 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 2020 are: Ypsomed Holding AG may repay the loan in full or in part at any time. However, it is repayable by 31 March 2022 at the latest. Techpharma Management AG has waived giving notice in the financial year 2020/21. 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 01 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 2019 and Willy Michel was also re-elected as chairman. The results of the first election can be seen in the table on page 87. 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 2019 elected Anton Kräuliger, Paul Fonteyne and Dr. Martin Münchbach 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 2019. In addition, the Board of Directors convened for 2 days in March 2020 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 2020 and in the General Meeting of Shareholders in June 2019.

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 2019 and at the Strategy Meeting in March 2020 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	DE/CH	1964	Chief Operating Officer (COO)	2015
Hans Ulrich Lehmann	CH	1966	Senior Vice President Technology	2000
Dr. Eberhard Bauer	DE	1960	Senior Vice President Diabetes Care	2012
Ulrike Bauer	DE/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, 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. He is a Member of the Board of Directors of Unictetra AG, sitem-insel AG and Forster Rohner AG. Simon Michel has been a member of the board of the Chamber of Commerce in the Cantons of Berne and Solothurn and since 2015 a member of the board of Swiss Medtech, 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 COO and member of management at Nobel Biocare AG, responsible for the global production sites and global supply chain. 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 (1990–1999). 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). He has been a member of the Board of Qualitech AG since 2017.

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 Diabetes Care. Since July 2014, member of Executive Management and responsible for 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 Delivery Systems, with Ypsomed (pre-2003 with Disetronic) since 2001 in different functions and since 2014 a member of Executive Management and responsible for the Delivery Systems business area. Previously Product Manager with Mettler Toledo (1996 – 2001). She has a degree in chemical engineering and biotechnology at the University of Applied Sciences 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). Moreover, he was Consultant and Management Member at schärpartners ag (2004 to 2007), Head of HR Services at Valiant Holding (2007 to 2008), Head of HR Recruiting at BKW FMB AG (2008 to 2011). Michael Zaugg held several part-time mandates: Member of the Board of Directors at Poolside AG in Zurich, Member of the Board at IngCH, lecturer at the ZfU and the University of St. Gallen Further Education Centre in the field of Talent Management, as well as the University of Bern on the topic of “Leadership in an innovative environment”, and President of the ABB Childcare Centres. Education: studied Economics at the University of Basel (degree: lic.rer.pol) with business focus on personnel management and marketing. Executive Master of Human Resources Management at the Institute for Applied Psychology in Zurich.

Beat Maurer

Dr. iur., attorney-at-law, Senior Vice President Legal and Intellectual Property, Secretary to the Board of Directors of Ypsomed Holding AG, with Ypsomed (pre-2003 with Disetronic) since 1992, prior to that tax and legal consultant with a trust and auditing company. Education: degree in Law from the University of Fribourg, studied at the Free University of Berlin, took a doctorate in law at the University of Bern and was admitted to the bar in the Canton of Bern. Beat Maurer has been a judge specialising in issues relating to business law and intellectual property law at the commercial court of the Canton of Bern since 2002. He is also President of Swiss Medtech's "Legal & Compliance" Group, the umbrella organisation for Swiss medical technology Swiss Medtech.

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.

Management contracts

There are no management contracts.



Simon Michel – Chief Executive Officer (CEO)



Frank Mengis – Senior Vice President Operations (COO)



Hans Ulrich Lehmann – Senior Vice President Technology (CTO)



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 2019/20 can be found in the Compensation Report 2019/20, as of page 101.



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 2019 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 2020. 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. Shareholders may give their proxies and instructions to the independent proxy in writing or in an electronic form determined by the Board of Directors. The details regarding the electronic issuance of powers of attorney and instructions to the independent proxy are explained in the invitation to the Annual General Meeting.

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 2019 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 0.26 million. During the reporting year, Ypsomed Holding AG and its group companies were invoiced a total of CHF 0.06 million by the auditors for additional non-auditing services like 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:

Credit Suisse, Zurich: Christoph Gretler
Zürcher Kantonalbank, Zurich: Sibylle Bischofberger Frick
Vontobel AG, Zurich: Daniel Buchta
Mirabaud Securities LLP: Daniel Jelovcan
Octavian AG, Zurich: Tanya Hansalik

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

Equity trading

The registered shares of Ypsomed Holding AG are traded on the SIX Swiss Exchange.

Ticker symbols:
YPSN (Telekurs)
YPSN.S (Reuters)
YPSN SW (Bloomberg)
Security number 1 939 699
ISIN: CH 001 939 699 0

Important dates

01 July 2020: General Assembly of Shareholders, Burgdorf

03 November 2020: Media conference and analysts' presentation of the semiannual figures 2019/20, Zurich

26 May 2021: Media conference and analysts' presentation of the annual figures 2020/21, Burgdorf

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Compensation report

The Compensation Report for Ypsomed Holding AG for the financial year 2019/20 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 01 July 2020, 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 2021 and for the members of Executive Management for the duration of the following financial year 2021/22 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 2020.

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 01 July 2020 until the next Ordinary General Meeting of Shareholders in 2021	Review of the principles and proposal to Board of Directors	Proposal to GM	Approval at the GM of 01 July 2020
	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 2019/20	Recommendation	Proposal to GM	Approval at the GM of 01 July 2020
	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 2021/22	Review of the principles and proposal to Board of Directors	Proposal to GM	Approval at the GM of 01 July 2020
	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 2019/20	Recommendation	Proposal to GM	Approval at the GM of 01 July 2020
	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 2019 to the General Meeting of Shareholders 2020 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 ⁵/₈ % of the fixed component. The amount of the performance-related component is dependent on the targets achieved vis-à-vis the set targets, based on two thirds of the consolidated EBIT margin and one third of the consolidated sales. In the reporting year, this amounted to CHF 2333 resp. 0.6% of the fixed basic compensation for all Directors of the Board, based on a target attainment level of 1.7%. If target attainment had been 100%, the performance-related components would have totalled around CHF 140 000. The attendance fee amounts to CHF 1 500 for every meeting that lasts at least half a day (previous year: CHF 1 500). No attendance fee is paid for shorter meetings and participation in strategy meetings and the General Meeting of Shareholders. Participation in the compensation committee is not remunerated separately. Board of Directors' fees and attendance fees are paid to the members of the Board of Directors after the General Meeting of Shareholders in July 2020. 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 2019/20 is given in the table on page 104.

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 58 671 resp. 10.9% of the fixed basic compensation, based on a target attainment level of 21.75%. If target attainment had been 100%, the performance-related component would have been around CHF 211 000 higher. The amount of the performance-related component to the other Members of Executive Management in the reporting year amounted to CHF 138 035 resp. 6.4% of the fixed basic compensation, based on a target attainment level of 25.5%. If target attainment had been 100%, the performance-related component would have been around CHF 405 000 higher.

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.

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 2019/20 is given in the table on page 104.

104 Compensation report

Board of Directors compensation (certified by auditor)

Gross, in thousand CHF	Fixed compensation		Performance-related compensation*		Employer contribution to social insurance		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Dr. h.c. Willy Michel, Chairman	154.5	154.5	0.8	47.5			155.3	202.0
Anton Kräuliger, Vice Chairman	94.5	94.5	0.5	28.5			95.0	123.0
Paul Fonteyne	94.5	93.0	0.5	28.5			95.0	121.5
Gerhart Isler, member till 26.06.2019	1.5	94.5		28.5		7.0	1.5	130.0
Prof. em. Dr. Norbert Thom		1.5						1.5
Dr. Martin Münchbach, member since 26.06.2019	93.0		0.5		7.4		100.9	
Total performance-related compensation	438.0	438.0	2.3	133.0	7.4	7.0	447.7	578.0

Highest compensation to Willy Michel **155.3** 202.0

Further remuneration to affiliated persons of Willy Michel:

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

No further compensation

Of the total fixed compensation of kCHF 520.0 approved at the General Meeting of Shareholders on 25 June 2019 was not exhausted by kCHF 82.0 (excluding social security contributions).

* The full performance-related compensation for the Board of Directors comes to a total of kCHF 2.3 (previous year: kCHF 135.0). The performance-related component amounts to kCHF 2.3 (previous year: kCHF 133.0) with additional corresponding employer contributions to the social insurances of kCHF 0.0 (previous year: kCHF 2.0).

Executive Management compensation (certified by auditor)

Gross, in thousand CHF	Fixed compensation		Other compensation		Performance-related compensation*		Employer contribution to social insurance		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Simon Michel, CEO	539.5	521.4	0.0	0.0	58.7	248.5	69.9	81.0	668.1	850.9
Add. members	2 173.0	2 102.7	5.0	0.0	138.0	511.3	369.4	387.4	2685.5	3 001.4
Subtotal	2 712.5	2 624.1	5.0	0.0	196.7	759.8	439.3	468.4		
Total management compensation									3 353.6	3 852.3

Highest compensation to Simon Michel **668.1** 850.9

The fixed compensation of kCHF 2 712.5 with employer contributions to social security of kCHF 423.5 amounts to a total of kCHF 3 136.0. Of the fixed compensation of kCHF 3 600.0 approved at the General Meeting of Shareholders on 26 June 2019 for the financial year 2019/20 was not exhausted by around kCHF 464.0.

* The full performance-related compensation for Executive Management comes to a total of kCHF 212.5 (previous year: kCHF 819.6) – performance-related component was an additional kCHF 196.7 (previous year: kCHF 759.8). The corresponding employer contributions to the social insurances were kCHF 15.8 (previous year: kCHF 59.8).

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 2020.

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 104.

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.
- 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 permissible compensation from the authorised, fixed compensation amounts or the additional amounts subject to Art. 20 VegüV.
- 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 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.
- 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.

Investments held by the Board of Directors and Executive Management

See notes on the annual financial statement 2019/20 of Ypsomed Holding AG, page 70.



Auditor report on the remuneration report



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To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, 19 May 2020

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 2020. 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 104 of the remuneration report.



Board of Directors' responsibility

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



Auditor's responsibility

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

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

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



Opinion

In our opinion, the remuneration report for the year ended 31 March 2020 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

Enclosure

- ▶ Remuneration report 31 March 2020



Glossary

Asthma

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

Autoinjector

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

Basal rates

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

Biosimilar

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

Blood sugar (blood glucose)

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

Blood sugar monitoring (blood glucose monitoring)

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

Bolus

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

Cannula

See Pen needle.

Cartridge

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

CE registration

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

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 (hyperinsulinemia) 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.

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.

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 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.

Migraine

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

Multiple sclerosis

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

Originator drug

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

Osteoporosis

Osteoporosis is a classical age-related disease that causes bones to become weak and brittle and it therefore increases the risk of a broken bone.

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.

®/™

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

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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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