
MEDIA RELEASE

Ypsomed increases EBIT and invests in long-term profitability

Burgdorf, 23.05.2019, 7.00 a.m. – In the financial year 2018/19, Ypsomed achieved consolidated sales of CHF 453.8 million (previous year: CHF 466.1 million). In continuing operations, Ypsomed achieved a sales growth of CHF 68.4 million, which represents an increase of 24%. The operating result (EBIT) amounts to CHF 73.3 million (previous year: CHF 61.1 million). Net profit for the 2018/19 financial year amounts to CHF 60.1 million (previous year: CHF 52.1 million).

Compared to the previous year, there was only a slight decline in sales of only 2.7% despite the termination of the mylife™ OmniPod® business. The operating result includes CHF 49.8 million in revenue and profit-related compensation from Insulet Corp. for the development of the European distribution structure for the Omnipod®.

Strong growth due to own manufactured insulin pump for Ypsomed Diabetes Care

The Ypsomed Diabetes Care (YDC) segment achieved sales of CHF 280.4 million (previous year: CHF 315.2 million). Compared to the previous year, sales of the mylife™ YpsoPump® insulin pump more than trebled. The development in the French market is particularly encouraging. In continuing operations, without the direct distribution of mylife™ OmniPod®, the YDC segment generated sales growth of CHF 46.0 million, which is equivalent to 34%. This includes a trade contract for the direct distribution of the Omnipod® in Germany as from 01 July 2018 by Ypsomed's diabetes specialist retailer DiaExpert.

Ypsomed Delivery Systems increases turnover by 17.5%

In the Ypsomed Delivery Systems (YDS) segment, Ypsomed increased sales by CHF 23.2 million to CHF 155.7 million in the 2018/19 financial year (previous year: CHF 132.5 million). This corresponds to a growth in turnover of 17.5%. YDS achieved a sales growth of CHF 17.2 million or 18.5% for the injection systems. This was also attributable to increased income from development and industrialisation projects and the first commercial deliveries of the YpsoMate® autoinjector. In the contract manufacturing segment, turnover grew by CHF 6.1 million or 15.4% in the 2018/19 financial year.

Expansion and focus on own manufactured products

The gross margin increased to 34.5% in the financial year 2018/19 (previous year: 30.0%). Adjusted for the one-off compensation from Insulet Corp., the gross margin for the 2018/19 financial year was 26.4%. DiaExpert's greater share of turnover at lower trading margins diluted the gross margin. Establishing the new processes for the production plant in Schwerin, Germany, and higher amortisation of mylife™ YpsoPump® have impacted the gross margin. In addition, the commissioning and first-time depreciation of automated systems and machines have had an impact on the gross margin. Expenses for marketing and sales and administration rose by CHF 8.0 million. Following

the discontinuation of the mylife™ OmniPod®, Ypsomed has not only maintained its country sales and marketing structures, but also continues to invest in the consistent establishment of new subsidiaries.

Increase in net profits by 15.5%

The operating result for the 2018/19 financial year was CHF 73.3 million (previous year: CHF 61.1 million). The EBIT margin is now at 16.2% (previous year: 13.1%). After adjustment by the compensation payment and the EBIT contribution from discontinued operations of CHF 12 million, the EBIT contribution from continuing operations amounts to CHF 11.4 million. The mylife™ YpsoPump® has burdened the result with CHF 30.8 million. Marketing and sales structure costs of CHF 20 million previously covered by the mylife™ OmniPod® have weighed on the result of the mylife™ YpsoPump® since 01 July 2018. On 21 December 2018, arbitration proceedings were initiated against Insulet Corp. to claim the booked compensation. Instead of the expected approximately USD 25 million for the first six months, Insulet Corp. has transferred USD 2.6 million.

Additional license income of CHF 3.9 million for claimed and ongoing patents in the area of injection systems contributed positively to the result. The net financial result amounts to CHF – 3.5 million (previous year: CHF 0.9 million). Compared to the previous year, this is mainly due to foreign currency effects and the value adjustment of the investment in Bionime Corp. Net profits increased by 15.5% from CHF 52.1 million to CHF 60.1 million. The net profit margin is now 13.3% (previous year: 11.2%). The earnings per share have increased to CHF 4.77 (previous year: CHF 4.14).

High investments for growth

In the financial year 2018/19, Ypsomed generated a cash flow from operating activities of CHF 59.9 million (previous year: 53.3 million). Due to the arbitration proceedings against Insulet Corp., which are expected to last several years, for collection of the outstanding balance of compensation of CHF 47.4 million, the amount is now reported under long-term receivables and no longer contributes to the operating cash flow. In the reporting period, the cash flow for investments in fixed assets amounted to CHF 106.8 million (previous year: CHF 51.0 million). This for, amongst others, the construction of the production plant in Schwerin and the expansion and renewal of the infrastructure at the existing sites. An additional CHF 22.3 million (previous year: CHF 16.1 million) were invested into intangible assets.

Sustainable dividend policy

In the interests of a sustainable dividend policy, the Board of Directors will propose to the Annual General Meeting that the distribution be adjusted for the portion of the compensation payment booked but not yet paid by Insulet Corp. in order to avoid external financing of the dividend payment. For the past financial year 2018/19, the shareholders will accordingly be paid a dividend of CHF 0.55 per registered share (previous year: CHF 1.40), exempt from withholding tax, from reserves arising from capital contributions.

Focus of activities in the financial year 2019/20

Based on the strategic orientation and the results of the financial year 2018/19, Ypsomed defined the following key areas of action for the coming twelve months:

- Following the successful launch of the mylife™ YpsoPump® in 17 countries Ypsomed starts to sell in other important markets such as Canada, India, Bulgaria and Croatia.
- As part of the approval process for the insulin pump by the U.S. Food and Drug Administration (FDA), an additional study could not be submitted on time. Ypsomed will resubmit the mylife™ YpsoPump® and expects approval in the United States by the end of the financial year. At the same time, the further development of the mylife™ YpsoPump® into an Open Protocol enabled insulin pump is being driven forward.

- In the segment Ypsomed Delivery Systems, the focus is on the introduction of several pen and autoinjector systems and the provision of the YpsoDose® large volume injector for clinical studies.
- Ypsomed is driving the establishment of new data-based business models and is continuing to expand its software and hardware business. The first SmartPilot™ prototypes will be delivered to pharmaceutical partners for study purposes.
- Ypsomed continues to work on the implementation of the new Medical Device Regulation (MDR). The programme is well prepared and on schedule.
- The sustainability programme introduced in 2018 will be intensified in the current financial year.

Outlook

As announced, Ypsomed expects a temporary decline in sales and profits for the 2019/20 financial year. This is due to the complete discontinuation of the mylife™ OmniPod® business. For the following financial year 2020/21, Ypsomed expects that the mylife™ YpsoPump® and the product launches from the YDS business will compensate for the decline in sales. As part of the growth strategy, Ypsomed will also continue to invest more in expansion, research and development in the current financial year. However, Ypsomed is creating the basis for sustainable and profitable growth. The medium- and long-term business development assessment remains positive. In the financial year 2019/20, sales will amount to around CHF 415 million. At the EBIT level, Ypsomed expects an amount between CHF 25 million and CHF 30 million for the 2019/20 financial year. For continuing operations, this corresponds to a growth of 119% to 163%. Based on the growth strategy, Ypsomed is committed to a medium-term EBIT target of over CHF 100 million.

Changes to the Board of Directors

Gerhart Isler, member of the Board of Directors and Compensation Committee of the Ypsomed Group, will step down from the Board of Directors at the 2019 Annual General Meeting. The Board of Directors proposes to the 2019 Annual General Meeting that Dr. Martin Münchbach be elected as a new member of the Board of Directors and as a member of the Compensation Committee. He is Managing Partner and Senior Investment Advisor for BB BIOTECH VENTURES. He holds a PhD in Protein Chemistry from ETH Zurich, an MSc in Biochemistry and a Master in Industrial Engineering and Management from ETH Zurich. His many years of experience in the life sciences sector will enable him to make a significant contribution to the business development of injection systems.

For further information, please contact Thomas Kutt, Head of Investor Relations at Ypsomed Holding AG, at the telephone number +41 34 424 35 55 or by e-mail (thomas.kutt@ypsomed.com). You can find detailed background information on the 2018/19 figures in the 2018/19 Annual Report of Ypsomed Holding AG at www.ypsomed.com (under Media & Investors).

About the Ypsomed Group

The Ypsomed Group is a leading developer and manufacturer of injection and infusion systems for self-medication and a renowned diabetes specialist with over 30 years' experience. As a leader in innovation and technology, Ypsomed is the preferred partner for pharmaceutical and biotech companies for the supply of pens, autoinjectors and infusion systems to administer liquid drugs. Ypsomed promotes and sells its product portfolio under the umbrella brands mylife™ Diabetescare directly to patients or through pharmacies and clinics and under YDS Ypsomed Delivery Systems as business-to-business to pharmaceutical companies. Ypsomed has its headquarters in Burgdorf, Switzerland, and operates a global network of manufacturing sites, subsidiaries and distributors. The Ypsomed Group employs almost 1'600 employees. Additional information is available under www.ypsomed.com.