

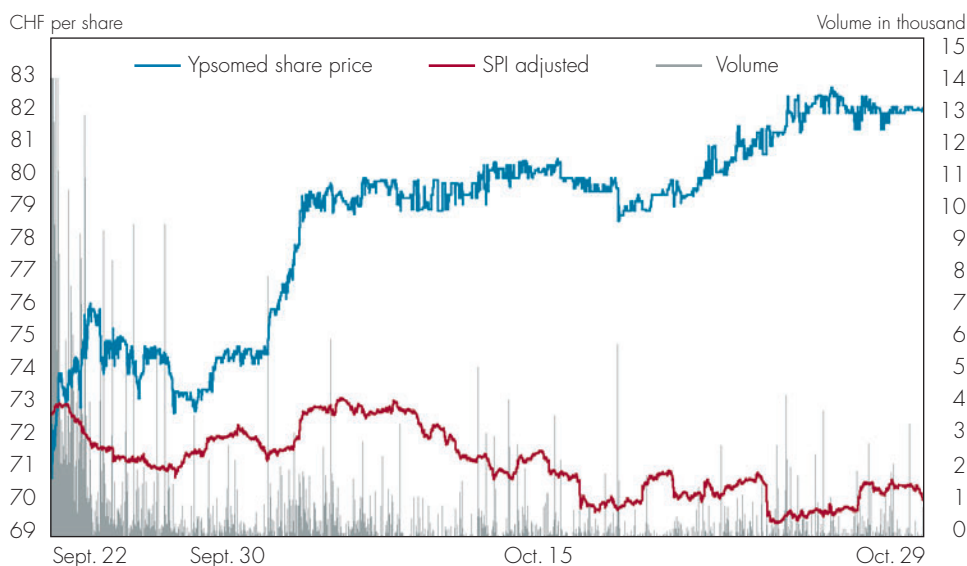
# Semiannual Report Ypsomed 2004/05



## Key figures at a glance

April 1– September 30	2004	2003	Change	in %
in thousand CHF (Earnings per share in CHF)				
Sales of goods and services	116 017	86 757	29 260	33.7
Gross profit	45 629	32 362	13 267	41.0
Research and development expenses	9 032	8 320	712	8.6
Operating profit before goodwill amortization	21 950	14 567	7 383	50.7
Net profit	17 963	5 442	12 521	230.1
Earnings per share	1.60	0.48	1.12	230.1
Capital expenditures	36 162	18 777	17 385	92.6
Equity ratio in %	53.5	2.4		
Employees (as of September 30)	833	641	192	30.0

## Share price development since IPO



The Ypsomed Holding AG share price has risen steadily since the IPO on September 22, 2004. It was trading at CHF 82.15 at the end of October 2004, which represents an increase of 20.8% compared to the issue price of CHF 68. The SPI fell by 3.3% over the same period.

# Ypsomed on track

## Dear Shareholder

The Ypsomed Group recorded a strong first half in the 2004/05 business year, with continued above-average growth in sales and profits as well as completing a successful IPO on the SWX Swiss Exchange. There was strong demand among institutional and private investors for the share offering in Ypsomed Holding AG, which, with an issue price of CHF 68 per share, was more than 7.6 times subscribed. The share price has risen steadily since the first day of trading on September 22, 2004, when trading opened at CHF 73 per share. We would like to thank you, our shareholders, for the confidence you have shown in us and view this as a sign of your faith in the continued growth of the Ypsomed Group.

## Strong sales growth in core activities

During the first six months of the 2004/05 business year, the sales growth of 33.7% was in line with our expectations. Consolidated group sales increased to CHF 116.0 million, compared with CHF 86.8 million in the first half of 2003/04. Pen systems and pen needles generated sales of CHF 79.5 million, an increase of 27.1% on the prior-year figure. This growth in our core activities was supported by several factors:

- Ypsomed is benefiting from the market growth in insulin, and in particular from Aventis' success in the market with its long-acting basal insulin Lantus. Aventis will launch the new OptiClik pen for Lantus in the United States in the near future. The potential in the US market for the OptiClik pen is regarded as particularly high, given that the current penetration rate for insulin pens is still low at less than 20%.
- The pen market for growth hormone delivery is growing stronger than expected.
- Sales from the pre-filled Gonal-f® pen system for treating infertility, which was introduced into the market by Serono in April 2004, are reflected in our sales figures for the first time.
- The focus of Ypsomed on pen needles sales.

Ypsomed acquired the diabetes direct distribution business (sales directly to patients) from Roche in autumn 2003. This business in Germany (DiaExpert) generated sales of CHF 10.6 million in the period under review.

Year-on-year sales of the FreeStyle blood glucose monitoring system were down slightly overall as a result of the termination of the distribution agreement with TheraSense. Revenues between April and the end of July 2004 amounted to CHF 18.8 million, during which period a one-time compensatory payment of CHF 16.8 million was also agreed with Abbott. This amount has already been paid in full to Ypsomed and thereof as per end of September 2004, income of CHF 13.9 million has been deferred. Ypsomed is currently involved in intensive negotiations with two partners with regard to the distribution of a new blood glucose monitoring device. We are confident to be able to communicate the outcome of these discussions in the near future.

## Margins and net profit increased

The Ypsomed Group's earnings and margins improved in the first half of 2004/05 as planned. Gross profit increased to CHF 45.6 million and the gross margin grew to 39.3%. Marketing & sales expenses amounted to 11.1% of sales. Given the number of development projects underway, total research and development expenses increased to CHF 9.0 million in absolute terms, but, due to reimbursed development expenses from our pharmaceutical partners of CHF 5.4 million, remained unchanged on a net basis as a percentage of sales at 3.1%. The EBITDA margin increased from 24.9% to 28.3%. Operating profit before goodwill amortization amounted to CHF 22.0 million for the period under review, an increase of 50.7% compared with the prior-year level. This increased the operating margin before goodwill amortization from 16.8% to 18.9%. Ypsomed Group's consolidated net profit increased to a total of CHF 18.0 million or 15.5% of net sales, which corresponds to earnings per share of CHF 1.60.

### Production capacities expanded significantly

The significant expansion of production capacities in Solothurn and Burgdorf resulted in capital expenditures of CHF 36.2 million in the first six months of the current business year.

### Successful financing through IPO

Cash flow from operating activities increased 151.1% as compared with a year earlier, rising to CHF 43.8 million and as of September 30, 2004, the consolidated equity amounted to CHF 335.6 million, or 53.5% of the balance sheet. The change in equity was due to two factors: first, the pre-IPO conversion of CHF 99.75 million from a shareholder loan granted by Willy Michel into share capital and, second, net revenues of CHF 206.0 million from the IPO. The IPO proceeds increased the cash position as of end of September 2004 to CHF 105.1 million and simultaneously reduced the shareholder loan granted to the company by Willy Michel to CHF 218.1 million.

### Outlook

The aging population and the sedentary lifestyle of today's society are fuelling strong, sustained growth in the diabetes market. The launch of OptiClik will allow Ypsomed to be a major beneficiary of the expansion in this market and to continue significantly growing its business in pen systems and pen needles. The client forecasts currently available confirm this scenario and provide the basis for a significant expansion of production capacities. The pipeline for new pen projects is very promising, particularly since it includes a number of pens for drugs which have already been approved, thereby reducing the regulatory uncertainty.

Given that no further FreeStyle sales will be booked in the second half, the full-year sales growth forecast for the Ypsomed Group in the 2004/05 business year remains unchanged at 15–25%. We expect a further improvement in net profit. With growth so strong, our capital expenditure will be considerable this year and will reach around CHF 90.0 million.



The pre-filled Gonalf® pen system developed for Serono for treating infertility has been available on the market since spring 2004.



NPS Pharmaceuticals intends to use a new type of pen system from Ypsomed to inject the substance PREOS® for treating osteoporosis.

**Net Sales** April 1–September 30

in thousand CHF	2004	in %	2003	in %	Change in %
Own finished products	79 473	68.5	62 545	72.1	27.1
FreeStyle	18 803	16.2	22 555	26.0	-16.6
Other products	17 741	15.3	1 657	1.9	970.7
<b>Total sales</b>	<b>116 017</b>	<b>100.0</b>	<b>86 757</b>	<b>100.0</b>	<b>33.7</b>

After its successful IPO, the Ypsomed Group has the financial means and autonomy to actively exploit opportunities which present themselves from a position of strength. In doing so, the Group intends to follow a focused strategy. Rigorous customer orientation and the highest quality of products and processes are vital in shaping our success.

We remain very confident regarding the future development of the Ypsomed Group. Coping with such massive growth requires a considerable amount of commitment

and flexibility, however, especially from our employees. We would like to take this opportunity to thank them, our suppliers and our partners for their dedication and hard work.



Willy Michel  
Chairman



Matthew Robin  
CEO



With OptiClik, Aventis, our largest client, has a state-of-the-art pen device for injecting insulin.

# Consolidated Income Statement April 1 – September 30

(Unaudited IFRS figures) in thousand CHF	Notes	2004	in %	2003 <sup>1)</sup>	in %
<b>Sales of goods and services</b>	7	<b>116 017</b>	<b>100.0</b>	<b>86 757</b>	<b>100.0</b>
Cost of goods and services sold		-70 388	-60.7	-54 395	-62.7
<b>Gross profit</b>		<b>45 629</b>	<b>39.3</b>	<b>32 362</b>	<b>37.3</b>
Research and development reimbursed		5 411	4.7	5 613	6.5
Research and development expenses		-9 032	-7.8	-8 320	-9.6
Research and development – expenses net		-3 621	-3.1	-2 707	-3.1
Marketing and sales expenses		-12 834	-11.1	-9 283	-10.7
Administration expenses		-7 224	-6.2	-5 805	-6.7
<b>Operating profit before goodwill amortization</b>		<b>21 950</b>	<b>18.9</b>	<b>14 567</b>	<b>16.8</b>
Goodwill amortization		0	0.0	-6 659	-7.7
<b>Operating profit after goodwill amortization</b>		<b>21 950</b>	<b>18.9</b>	<b>7 908</b>	<b>9.1</b>
Finance costs – net	8	-1 519	-1.3	-657	-0.8
Other income		160	0.1	85	0.1
<b>Profit before taxes</b>		<b>20 591</b>	<b>17.7</b>	<b>7 336</b>	<b>8.5</b>
Income tax expenses		-2 628	-2.3	-1 894	-2.2
<b>Net profit</b>		<b>17 963</b>	<b>15.5</b>	<b>5 442</b>	<b>6.3</b>
<b>Earnings per share</b> (Basic and diluted)		<b>CHF 1.60<sup>2)</sup></b>		<b>CHF 0.48<sup>2)</sup></b>	
<b>Net profit before goodwill amortization</b>		<b>17 963</b>	<b>15.5</b>	<b>12 101</b>	<b>13.9</b>
Operating profit after goodwill amortization		21 950		7 908	
Amortization of goodwill		0		6 659	
Amortization of intangible assets		332		370	
Depreciation of fixed assets		10 537		6 652	
<b>EBITDA</b> (Earnings before interest, taxes, depreciation, amortization)		<b>32 819</b>	<b>28.3</b>	<b>21 589</b>	<b>24.9</b>

<sup>1)</sup> The 6 months ending September 30, 2003 represent the mathematical combination in form of the sum of the audited one month period (April 1 – April 30, 2003) from the Historical Combined Financial Statements of Ypsomed's injection business and the unaudited 5 months period (May 1, 2003 – September 30, 2003) from the Consolidated Financial Statements of Ypsomed. The Historical Combined Financial Statements for the one month period ending April 30, 2003 have been derived from the financial statements and accounting records of the Disetronic Group and reflect significant assumptions and allocations. The Consolidated Financial Statements for the five month period ended September 30, 2003, have been prepared in accordance with IFRS and are in line with the Swiss Code of Obligations. Ypsomed has adopted all IAS or IFRS effective for the fiscal year ended March 31, 2004.

<sup>2)</sup> Calculated with total number of registered shares after IPO 11 244 213.

# Consolidated Balance Sheet

(Unaudited IFRS figures) in thousand CHF	Notes	30.09.04	in %	31.03.04	in %	30.09.03	in %
<b>Assets</b>							
Cash and cash equivalents		105 136	16.8	12 616	2.5	5 922	1.2
Trade receivables		37 504	6.0	29 986	6.0	24 240	5.1
Other current assets		11 753	1.9	13 008	2.6	8 557	1.8
Inventory		40 363	6.4	37 703	7.5	32 906	6.9
<b>Total current assets</b>		<b>194 756</b>	<b>31.0</b>	<b>93 313</b>	<b>18.6</b>	<b>71 625</b>	<b>15.1</b>
Financial assets		20	0.0	20	0.0	20	0.0
Deferred income tax assets		5 426	0.9	5 179	1.0	4 024	0.8
Other non-current assets		201	0.0	122	0.0	12	0.0
Fixed assets		126 672	20.2	101 570	20.3	91 301	19.3
Intangible assets		300 592	47.9	300 579	60.0	306 956	64.8
<b>Total non-current assets</b>		<b>432 911</b>	<b>69.0</b>	<b>407 470</b>	<b>81.4</b>	<b>402 313</b>	<b>84.9</b>
<b>Total assets</b>		<b>627 667</b>	<b>100.0</b>	<b>500 783</b>	<b>100.0</b>	<b>473 938</b>	<b>100.0</b>
<b>Liabilities and equity</b>							
Trade payables		16 768	2.7	16 840	3.4	14 439	3.0
Current income taxes payable		6 096	1.0	3 923	0.8	4 225	0.9
Other payables and accrued expenses	6	35 833	5.7	12 491	2.5	8 484	1.8
<b>Total current liabilities</b>		<b>58 697</b>	<b>9.4</b>	<b>33 254</b>	<b>6.6</b>	<b>27 147</b>	<b>5.7</b>
Non-current financial liabilities to shareholders	5	218 121	34.8	439 245	87.7	424 612	89.6
Provisions		11 563	1.8	12 556	2.5	12 919	2.7
Deferred income tax liabilities		3 673	0.6	3 888	0.8	3 568	0.8
<b>Total non-current liabilities</b>		<b>233 357</b>	<b>37.2</b>	<b>455 689</b>	<b>91.0</b>	<b>441 098</b>	<b>93.1</b>
Share Capital		140 553	22.4	250	0.0	250	0.1
Group reserves		177 097	28.2	0.0	0.0	0.0	0.0
Net profit		17 963	2.9	11 590	2.3	5 442	1.1
<b>Equity</b>		<b>335 613</b>	<b>53.5</b>	<b>11 840</b>	<b>2.4</b>	<b>5 692</b>	<b>1.2</b>
<b>Total liabilities and equity</b>		<b>627 667</b>	<b>100.0</b>	<b>500 783</b>	<b>100.0</b>	<b>473 938</b>	<b>100.0</b>

# Consolidated Cash Flow Statement April 1 – September 30

(Unaudited IFRS figures) in thousand CHF	Notes	2004	2003 <sup>1)</sup>
<b>Net profit</b>		<b>17 963</b>	<b>5 442</b>
Depreciation of fixed assets		10 537	6 652
Amortization of intangible assets		332	370
Goodwill amortization		0	6 659
Change in provisions		-993	1 863
Income tax expenses		2 628	1 894
<b>Cash flow from operating activities before changes in net working capital</b>		<b>30 467</b>	<b>22 880</b>
Increase (-)/decrease (+) in trade receivables		-7 518	-4 794
Increase (-)/decrease (+) in other current and non-current assets		1 183	-1 756
Increase (-)/decrease (+) in inventories		-2 660	-2 171
Increase (+)/decrease (-) in trade payables		-72	4 948
Increase (+)/decrease (-) in other payables and accrued expenses	6	23 342	252
Income tax paid		-917	-1 904
<b>Cash flow from operating activities</b>		<b>43 825</b>	<b>17 455</b>
Purchases of fixed assets	9	-35 813	-18 423
Disposals of fixed assets		171	412
Purchases of intangible assets		-349	-354
Disposals of intangible assets		0	19
<b>Cash flow from investing activities</b>		<b>-35 991</b>	<b>-18 346</b>
Increase (+)/decrease (-) in current financial liabilities		0	-4 200
Increase (+)/decrease (-) in non-current financial liabilities to shareholders	5	-221 124	7 120
Increase (+)/decrease (-) in equity		305 810	0
<b>Cash flow from financing activities</b>		<b>84 686</b>	<b>2 920</b>
<b>Total Cashflow</b>		<b>92 520</b>	<b>2 029</b>
Cash and cash equivalents as of April 1		12 616	3 893
Cash and cash equivalents as of September 30		105 136	5 922
<b>Net increase (+)/decrease (-) in cash and cash equivalents</b>		<b>92 520</b>	<b>2 029</b>
Interest received		70	13
Interest paid		638	1 782
Income taxes paid		917	1 904

<sup>1)</sup> The 6 months ending September 30, 2003 represent the mathematical combination in form of the sum of the audited one month period (April 1 – April 30, 2003) from the Historical Combined Financial Statements of Ypsomed's injection business and the unaudited 5 months period (May 1, 2003 – September 30, 2003) from the Consolidated Financial Statements of Ypsomed. The Historical Combined Financial Statements for the one month period ending April 30, 2003 have been derived from the financial statements and accounting records of the Disetronic Group and reflect significant assumptions and allocations. The Consolidated Financial Statements for the five month period ended September 30, 2003, have been prepared in accordance with IFRS and are in line with the Swiss Code of Obligations. Ypsomed has adopted all IAS or IFRS effective for the fiscal year ended March 31, 2004.

# Consolidated Statement of Changes in Equity April 1 – September 30

(Unaudited IFRS figures)

in thousand CHF	Share capital	Group reserves and share premium	Retained earnings	Total
<b>Balance as of April 1, 2003</b>				
<b>Founding of new company May 1, 2003</b>	<b>250</b>			<b>250</b>
Net profit 1.4.–30.9.03			5 442	5 442
<b>Balance as of September 30, 2003</b>	<b>250</b>	<b>0</b>	<b>5 442</b>	<b>5 692</b>
<b>Balance as of April 1, 2004</b>	<b>250</b>		<b>11 590</b>	<b>11 840</b>
Capital increase	140 303			140 303
Group reserves and share premium		165 507	0	165 507
Net profit 1.4.–30.9.04			17 963	17 963
<b>Balance as of September 30, 2004</b>	<b>140 553</b>	<b>165 507</b>	<b>29 553</b>	<b>335 613</b>

The share capital consists of 11 244 213 fully paid in registered shares with a nominal value of CHF 12.50. The shareholders' equity of the parent company Ypsomed Holding AG is the basis for the declaration of dividends.

# Notes to the Consolidated Interim Financial Statements

in thousand CHF (unless mentioned otherwise)

## 1. Accounting policies

These consolidated interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended March 31, 2004 except for the application of IFRS 3 Business Combinations. Goodwill arising from the acquisition of Ypsomed AG, TecPharma Licensing AG and Ypsotec AG is no longer amortized. Not implementing IFRS 3 would have resulted in an additional amortization of CHF 8.0 million. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

## 2. Foreign currencies

	Balance sheet	Income statement
	Closing rates	Average rates
EURO (EUR)	1.55	1.54
US-Dollar (USD)	1.25	1.28
Sweden (100 SEK)	17.13	16.80
Norway (100 NOK)	18.58	18.56
Denmark (100 DKK)	20.85	20.88
UK (GBP)	2.26	2.33

## 3. Reversed merger

During the first quarter, Finox Beteiligungen AG was merged with Ypsomed Holding AG. As a result of this merger, Ypsomed Holding AG has assumed all present and future obligations and potential liabilities of Finox. Finox has brought in the following assets and liabilities to Ypsomed Holding AG:

Cash	2 871
Other current assets	3 641
Loan to Ypsomed Holding AG	450 006
Current financial liabilities	- 6 000
Other current liabilities	- 6 941
Non-current financial liabilities to major shareholder	- 443 411
<b>Net assets</b>	<b>166</b>

## 4. Earnings per share

Net profit in thousand CHF:	17 963
Number of registered shares at a nominal value of CHF 12.50:	1 124 423
Earnings per registered share (Basic and diluted):	CHF 1.60

## 5. Non-current financial liabilities to shareholder

Loan W. Michel as of September 30, 2004	218 121
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The loan carries an interest rate of 0.5% and may be repaid at any time by Ypsomed Holding AG, either partially or in full. The loan is due for repayment on March 31, 2010.

## 6. Other payables and accrued expenses

Accrued compensatory payment from Abbott	13 894
Accrued IPO expenses	4 200
Other payables and accrued expenses	17 739
<b>Total as of September 30, 2004</b>	<b>35 833</b>

As of September 30, 2004, CHF 13.9 million of the CHF 16.8 million redemption payment received from Abbott for the FreeStyle blood glucose monitor is classed as deferred income and will cover outstanding associated costs in the second half 2004/05.

## 7. Net sales

	1.4.04–30.9.04	1.4.04–30.9.03
Own finished products	79 473	62 545
FreeStyle	18 803	22 555
Other products	17 741	1 657
<b>Total sales</b>	<b>116 017</b>	<b>86 757</b>

Abbott took over distribution of the FreeStyle blood glucose monitor with effect from August 1, 2004. Consequently, no further FreeStyle sales have been recorded since this date.

Ypsomed took over the business of direct distribution of diabetes products to end clients in Germany from Roche with effect from October 2003. CHF 10.6 million of sales of these products is included in the sales figures for other products for the period April 1 to September 30, 2004.

## 8. Finance costs – net

Interest income	70
Foreign exchange gain	180
<b>Total financial income</b>	<b>250</b>
Interest expenses	638
Foreign exchange loss	1 131
<b>Total financial expenses</b>	<b>1 769</b>
<b>Total finance costs – net</b>	<b>1 519</b>

In the period from July 1, 2004 to September 30, 2004 interest of TCHF 459 has been credited to W. Michel for the outstanding shareholder's loan.

## 9. Purchases of fixed assets

Purchases of fixed assets	35 813
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In the first half, there was substantial capital expenditures in the expansion of production capacity in Solothurn and Burgdorf.

## 10. Segment information

The Ypsomed Group has one primary business segment "injection systems and accessories".

# Information for Investors

## Stock listing

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

Ticker symbols:

YPSN (Telekurs)

YPSN.S (Reuters)

YPSN SW (Bloomberg)

Securities number 1939 699

ISIN CH 001 939 699 0

## Corporate information

Upon request, shareholders, financial analysts and representatives of the media can be provided with company publications on a regular basis. You can register to receive such publications and can find additional information on the company and its products on our website [www.ypsomed.com](http://www.ypsomed.com).

## Contact

Ypsomed Holding AG

Daniel Kusio, Head of Investor & Public Relations

Barbara Mischler, Assistant Investor & Public Relations

Tel +41 34 424 41 11

Fax +41 34 424 41 55

[www.ypsomed.com](http://www.ypsomed.com)

[investor@ypsomed.com](mailto:investor@ypsomed.com)

## Annual Report

Publication of annual results: May 27, 2005

## Annual General Meeting of Shareholders

June 22, 2005 in Burgdorf

**Ypsomed Holding AG**

Brunnmattstrasse 6

P.O. Box

CH-3401 Burgdorf

Switzerland

Tel +41 34 424 41 11

Fax +41 34 424 41 55

[www.ypsomed.com](http://www.ypsomed.com)

[investor@ypsomed.com](mailto:investor@ypsomed.com)