



FIGURES



IN THE BUSINESS YEAR 2004/05 YPSOMED MARKEDLY INCREASED SALES AS WELL AS OPERATING AND NET PROFIT.

COMMENTS TO THE FINANCIAL STATEMENTS

Net sales April 1–March 31

in thousand CHF	2004/05	in %	2003/04	in %	Change in %
Own finished products	186 403	77.1	130 573	65.7	42.8
FreeStyle	20 656	8.5	46 324	23.3	-55.4
Other products	34 764	14.4	21 837	11.0	59.2
Total sales	241 823	100.0	198 734	100.0	21.7

Summary – Ypsomed hits new record values

In the 2004/05 business year Ypsomed achieved new highs in terms of sales, profit and investments. Consolidated group sales increased 21.7% on the previous year to CHF 241.8 million. Operating profit improved to CHF 47.5 million, which represents an EBIT margin of 19.7%. Net profit was 16.2%, reaching CHF 39.2 million. In the past 12 months Ypsomed has invested over CHF 71.5 million in expanding production capacities.

Strong growth in sales from core business

In the 2004/05 business year Ypsomed achieved a 42.8% growth in sales in its core business. Sales in the “Own Finished Products” segment, which includes pen systems and pen needles as well as the precision turned metal parts from Ypsotec, rose from CHF 130.6 million to a new record value of CHF 186.4 million. The massive growth is explained primarily by increased volumes of the pen systems which are already on the market and by the successful launch of new pen systems, such as the semi-disposable OptiClik® pen for Lantus from sanofi-aventis or the disposable pen for GonalH® from Serono.

As a result of the termination of the distribution agreement for the FreeStyle blood glucose monitoring system at the end of July 2004, sales of FreeStyle were down 55.4% on the previous year at CHF 20.7 million. By contrast, the increased sales from the direct distribution business by DiaExpert in Germany and in the production of medical products

and components for third parties are all the more pleasing. DiaExpert has been part of Ypsomed since October 1 2003. This yielded a total sales growth of 21.7% for the Ypsomed Group in the 2004/05 business year.

Very low currency risk

In contrast to other medical technology companies, Ypsomed is exposed to virtually no currency risk since all pen systems and, thus, the majority of its turnover, are invoiced exclusively in Swiss francs. The proportion of sales transacted in Swiss francs is expected to increase in the future.

Productivity increased

Due to strong growth in sales and improvements in operations, the Ypsomed Group's margins and results increased as planned. The gross profit of CHF 96.9 million was up 1.9% on the previous year to reach 40.1%. The increase in the gross margin was achieved particularly by improved productivity and by lowering costs in logistics. Investments in the new plant in Solothurn and in state-of-the-art production facilities are leading to far-reaching automation and to consistently high quality. Such investments are particularly worth while in the case of products that are mass-produced.

EBIT-margin increased to 19.7%

The Ypsomed Group achieved an operating profit of CHF 47.5 million in the 2004/05 business year. This corresponds to an EBIT margin of 19.7%, taking Ypsomed closer to its target EBIT of over 20%. The termination of the distribution of FreeStyle brought about a one-off effect on expenditure for marketing & sales, although this was more than balanced by a compensatory payment. Consequently, the marketing & sales costs of CHF 19.1 million were even down slightly on the previous year. However, the total expenditure on research & development was up sharply by 20%. Research & development spending was CHF 20.3 million or 8.4% of sales. Ypsomed has, on the one hand, been increasingly pushing its own development projects for technology and pen system platforms and, on the other hand, has a number of projects under way for existing and new customers. Development contributions from pharma partners, which are mostly milestone-related payments were at a lower level than in the previous year. The net research & development quota is likely to rise to around 5% of sales in the future given the job creation within research & development and the activities that we have set in motion with regard to our own development. General administration costs have remained constant at 6.6% of sales.

Further improvement in net profits

Operating profit before depreciation and amortization (EBITDA) was CHF 69.4 million. Consequently, the EBITDA margin improved from 24.9% to 28.7%. It should be noted that, in contrast to the 2003/04 business year, goodwill in the period under review was not, in accordance with valid IFRS regulations, written off, but subject to an impairment test. Depreciations were up 34% on the previous year from CHF 15.7 million to CHF 21.0 million, even though investments in fixed assets rose almost 90% from CHF 38.0 to CHF 71.5 million. This is explained, on the one hand, by the fact that depreciations on investments could only be done on a pro rata basis in the last business year and, on the other hand, by participation of the pharmaceutical partners in customer-specific investments in production assets. The tools, machinery and plant procured and operated by Ypsomed are sold back to the pharmaceutical partners (at cost price), although they remain in the possession of Ypsomed. Consequently, during the 2004/05 business year, depreciation only rose from 7.9% to 8.7% of sales.

Benefiting from low financing costs and a moderate tax rate, the Ypsomed Group's consolidated net profit also rose to CHF 39.2 million in the 2004/05 business year, which corresponds to a net profit margin of 16.2%. The profit per share thus reached CHF 3.49 based on a total of 11 244 213 Ypsomed shares issued.

COMMENTS TO THE FINANCIAL STATEMENTS

Stronger cash flow and solid equity financing

Cash flow from operating activities was up year-on-year by 183% to CHF 94.8 million, yielding a cash flow margin of 39%. Net cash flow from investing activities amounted to a total of CHF 66.4 million and was used for the expansion of production capacities, amounting to CHF 71.5 million. On the whole, investments were lower than originally planned due to strict cost management and the deferral of certain investments to the next business year. The purchase of conservative and mostly secured financial assets amounted to CHF 70.6 million.

The Ypsomed Group's strong growth is largely cash flow financed. The Ypsomed Group accrued net revenues from the IPO of CHF 206.0 million. The shareholder loan from Willy Michel was reduced to CHF 218.1 million in the 2004/05 business year by converting it to share capital and by part of the proceeds of the IPO.

Consequently, during the 2004/05 business year the balance sheet total increased by 31.5% to CHF 658.5 million. The Ypsomed Group held liquid assets of CHF 125.6 million as per 31st March 2005, CHF 69.6 million of which was invested in financial assets. During the same period, net current assets rose by 122% to CHF 207.1 million. The inventory was down 8.2% to CHF 34.6 million. Trade receivables were practically unchanged from the previous year at 16.4% of sales. The consolidated equity reached CHF 357.2 million by 31st March 2005, corresponding to an equity quota of 54.2%. The return on equity (ROE) calculated based on the average equity since the IPO was 11.3%.

Distribution of profit as a repayment of the par value

The good overall annual results allow the Board of Directors to ask the General Meeting of Shareholders to allocate a dividend of CHF 0.90 per share. This corresponds to a distribution quota of 25.8% and is therefore within the range of 15% and 30% announced in the IPO. The total payout of CHF 10.1 million is to take the form of a tax-preferred repayment of the par value of CHF 0.90 per share.

Prospects and risk management

It is safe to assume that the markets in which the Ypsomed Group operates will continue to show sustainably strong growth in the future. On the basis of existing customer forecasts and in view of the attractive pipeline of new developments, Ypsomed is confident that its sales will grow by between 20% and 25% over the next year. Ypsomed will be able to benefit in particular from its long-standing partnership with sanofi-aventis and from the market success of the long-acting insulin Lantus. Thanks to the launch of the OptiClik® pen system in the US and, later on, in other markets, the sanofi-aventis-related proportion of Ypsomed's total sales will rise further and account for more than 50%.

In order to tap the existing market potential, Ypsomed will continue to invest in the research and development of innovative pen systems and expand its existing production capacities massively. This represents a great challenge for the business, workforce and partners involved. The expansion of the business will be extremely demanding technically, organisationally and with regard to personnel. Therefore, delays in the expansion can never be ruled out, even with very careful planning and implementation. Ypsomed attaches the utmost importance to the quality of manufacturing, its processes and the products created. The high quality requirements are continually reviewed and checked in consultation with pharmaceutical partners. In-process quality control is particularly vital in the case of products that are produced in millions. Nevertheless, quality deviations may arise which can lead to higher costs.

Ypsomed is confident, however, that the EBIT margin can rise further to slightly over 20% in the next 12 months. The improvement in profitability is derived, on the one hand, from the product mix and, on the other hand, from the higher production volumes and corresponding advancements in productivity, e.g. through the increased automation and continuous improvements in production, as well as through better use of the established infrastructure. Since Ypsomed mainly distributes its products through established pharmaceutical partners, there will be a rather disproportionately low rise in marketing and distribution costs in the future.

With a view towards safeguarding the far-ranging production expansion, certain pharmaceutical partners are participating in customer-specific investments. In fiscal 2005/06 investments for production expansion will add up to CHF 70 million of which CHF 20 million were deferred from fiscal 2004/05. Approximately 20% of all investments are undertaken by pharmaceutical partners. In subsequent years Ypsomed anticipates annual investments of around CHF 50 million. The Ypsomed Group's exposure to currency and interest risks is regarded as extremely low because it bills in Swiss francs and because of the low fixed rate of interest on the shareholder loan. The Ypsomed Group anticipates an average tax rate of around 15% over the next four years.

To sum up, the Ypsomed Group is confident that it will be able to carry through its forthcoming expansion successfully and thereby further improve its operating performance and profitability.

CONSOLIDATED INCOME STATEMENT

(Audited IFRS figures) in thousand CHF	Notes	April 1, 2004– March 31, 2005	in %	April 1, 2003– March 31, 2004 (combined unaudited)*	in %	11 Months May 1, 2003– March 31, 2004
Sales of goods and services	27	241 823	100.0	198 734	100	185 365
Cost of goods and services sold	20	-144 936	-59.9	-122 877	-61.8	-113 640
Gross profit		96 888	40.1	75 857	38.2	71 725
Research and development reimbursed		5 996	2.5	10 189	5.1	9 015
Research and development expenses		-20 290	-8.4	-16 810	-8.5	-15 412
Research and development – expenses net	20	-14 295	-5.9	-6 621	-3.3	-6 397
Marketing and sales expenses	20, 21	-19 119	-7.9	-22 894	-11.5	-20 971
Administration expenses	20	-15 926	-6.6	-13 209	-6.6	-12 436
Operating profit before goodwill amortization		47 548	19.7	33 133	16.7	31 921
Goodwill amortization	11	0	0.0	-14 691	-7.4	-14 691
Operating profit after goodwill amortization		47 548	19.7	18 442	9.3	17 230
Finance costs – net	23, 24	-1 919	-0.8	-1 188	-0.6	-3 051
Other income	25	36	0.0	276	0.1	273
Profit before taxes		45 665	18.9	17 530	8.8	14 452
Income tax expenses	26	-6 470	-2.7	-3 486	-1.8	-2 862
Net profit		39 195	16.2	14 044	7.1	11 590
Earnings per share (basic and diluted)	29	3.49		1.25		1.03
Net profit before goodwill amortization		39 195	16.2	28 735	14.5	26 281
Operating profit after goodwill amortization		47 548		18 442		17 230
Amortization of goodwill		0		14 691		14 691
Amortization of intangible assets		778		685		646
Depreciation of fixed assets		21 033		15 747		14 747
EBITDA (earnings before interest, taxes, depreciation, amortization)		69 359	28.7	49 565	24.9	47 314

*The 12 months ended March 31, 2004 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 audited 11 months period (May 1, 2003–March 31, 2004) from the Consolidated Financial Statements of Ypsomed.

CONSOLIDATED BALANCE SHEET

(Audited IFRS figures) in thousand CHF	Notes	31.03.05	in %	31.03.04	in %
Assets					
Cash and cash equivalents	4	55 985	8.5	12 616	2.5
Marketable securities	5	69 608	10.6	0	0.0
Trade receivables	6	39 629	6.0	29 986	6.0
Other current assets	7	7 252	1.1	13 008	2.6
Inventory	8	34 602	5.3	37 703	7.5
Total current assets		207 076	31.4	93 313	18.6
Financial assets	9	20	0.0	20	0.0
Deferred income tax assets	26	4 466	0.7	5 179	1.0
Other non-current assets		211	0.0	122	0.0
Fixed assets	10, 12	145 899	22.2	101 570	20.3
Intangible assets	11	300 810	45.7	300 579	60.0
Total non-current assets		451 406	68.6	407 470	81.4
Total assets		658 482	100.0	500 783	100.0
Liabilities and equity					
Trade payables	12	41 634	6.3	16 840	3.4
Current income taxes payable	26	5 389	0.8	3 923	0.8
Other payables and accrued expenses	13	18 445	2.8	12 491	2.5
Total current liabilities		65 468	9.9	33 254	6.6
Non-current financial liabilities to major shareholder	14	218 121	33.1	439 245	87.7
Provisions	15	13 869	2.1	12 556	2.5
Deferred income tax liabilities	26	3 851	0.6	3 888	0.8
Total non-current liabilities		235 842	35.8	455 689	91.0
Share capital	17	140 553	21.3	250	0.0
Group reserves		177 424	26.9	0	0.0
Net profit		39 195	6.0	11 590	2.3
Equity		357 172	54.2	11 840	2.4
Total liabilities and equity		658 482	100.0	500 783	100.0

CONSOLIDATED CASH FLOW STATEMENT

(Audited IFRS figures) in thousand CHF	Notes	April 1, 2004– March 31, 2005	April 1, 2003– March 31, 2004*	May 1, 2003– March 31, 2004
Net profit		39 195	14 044	11 590
Depreciation of fixed assets	10	21 033	15 747	14 747
Amortization of intangible assets	11	778	685	646
Goodwill amortization	11	0	14 691	14 691
Change in provisions	15	1 313	1 500	1 175
Unrealized losses from marketable securities	5	441	0	0
Income tax expenses	26	6 470	3 486	2 862
Cash flow from operating activities before changes in net working capital		69 230	50 153	45 711
Increase (-)/decrease (+) in trade receivables	6	-9 643	-10 539	-11 439
Increase (-)/decrease (+) in other current and non-current assets	7	5 667	-6 081	-6 329
Increase (-)/decrease (+) in inventories	8	3 101	-6 968	-8 002
Increase (+)/decrease (-) in trade payables	12	24 794	7 349	4 311
Increase (+)/decrease (-) in other payables and accrued expenses	13	5 954	4 259	4 563
Income tax paid	26	-4 328	-4 632	-2 280
Cash flow from operating activities		94 775	33 540	26 535
Purchases of fixed assets	10	-71 459	-37 960	-37 017
Disposals of fixed assets	10, 12	6 101	641	614
Purchases of intangible assets	11	-1 013	-998	-991
Disposals of intangible assets	11	1	37	37
Acquisition (net of cash)		0	-1 396	-1 396
Cash flow from investing activities		-66 370	-39 676	-38 753
Increase (-)/decrease (+) in marketable securities	5	-70 049	0	0
Increase (+)/decrease (-) in current financial liabilities		0	-4 200	-4 200
Increase (+)/decrease (-) in non-current financial liabilities to major shareholder	14	-121 374	21 578	21 578
Increase (+)/decrease (-) in equity		206 387	-2 519	0
Cash flow from financing activities		14 964	14 859	17 378
Total cash flow		43 369	8 723	5 160
Cash and cash equivalents as of April 1	4	12 616	3 893	7 456
Cash and cash equivalents as of March 31	4	55 985	12 616	12 616
Net increase (+)/decrease (-) in cash and cash equivalents		43 369	8 723	5 160
Interest received		321	102	101
Interest paid		1 152	2 255	2 251

*The 12 months ended March 31, 2004 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 audited 11 months period (May 1, 2003–March 31, 2004) from the Consolidated Financial Statements of Ypsomed.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Audited IFRS figures) in thousand CHF	Share capital	Group reserves and share premium	Retained earnings	Total
Balance as of April 1, 2003				
Founding of company May 1, 2003	250			250
Net profit 1.5.03–31.03.04			11 590	11 590
Balance as of March 31, 2004	250		11 590	11 840
Balance as of April 1, 2004	250		11 590	11 840
Net profit 1.4.04–31.03.05			39 195	39 195
Capital increase	140 303	177 639		317 942
Transaction costs related to capital increase		-11 958		-11 958
Reserves from reversed merger		166		166
Currency translation differences		-13		-13
Balance as of March 31, 2005	140 553	165 834	50 785	357 172

CONSOLIDATED FINANCIAL STATEMENTS ACCOUNTING POLICIES

1. General information

Ypsomed Holding AG is a stock corporation (Aktiengesellschaft) established on December 29, 2003 under the Swiss law with registered office in Burgdorf (Canton of Berne, Switzerland).

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 and manufacture infusion pumps and had started the injection systems business in 1986.

In 2003, Roche Holding AG acquired all shares of Disetronic Holding AG by way of a public tender offer. In the context of the public tender offer, Roche and Willy Michel, who directly and indirectly held approximately 33% of the shares of Disetronic Holding AG, had entered into the Transaction Agreement dated February 10, 2003, by which Willy Michel agreed, among other things, to indirectly sell to Roche, the shares of Disetronic Holding AG.

Simultaneously, Willy Michel acquired, indirectly through Finox Beteiligungen AG, from Disetronic Holding AG, the shares of Ypsomed AG (formerly known as Disetronic Injection Systems AG), Ypsotec AG (formerly known as Décolletage AG) and TecPharma Licensing AG (formerly known as Disetronic Services AG) and certain other assets comprising the injection business by a share and asset purchase agreement dated February 10, 2003 (the SAPA). Both the Transaction Agreement and the SAPA were closed on April 30, 2003.

Ypsomed Holding AG acquired the shares in its three direct subsidiaries Ypsomed AG, Ypsotec AG and TecPharma Licensing AG from Finox Beteiligungen AG pursuant to a share purchase agreement dated 23 March 2004. Further, the Company acquired various claims (loans) from Finox Beteiligungen AG under a loan agreement. On July 28, 2004, Finox Beteiligungen AG was merged with Ypsomed Holding AG.

In 2004, Ypsomed was listed on the SWX Swiss Exchange. Trading started on September 22, 2004.

Operating in the field of medical technology, Ypsomed is an independent manufacturer of injection pens for pharmaceutical and biotech companies, as well as a supplier of pen needles. Ypsomed's core business consists of developing and marketing products and services allowing patients to administer their own medication. The Group operates three production sites in Burgdorf, Grenchen and Solothurn and a sales and distribution network across Europe.

The consolidated financial statements have been approved for issue by the Board of Directors on 12 May 2005.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements for 2004/05 (April 1, 2004 – March 31, 2005) have been prepared in accordance with International Financial Reporting Standards (IFRS). They are based on the financial statements of the individual Ypsomed Companies prepared for the same reporting period using consistent accounting policies.

The consolidated financial statements for the eleven month period ended 31 March 2004 (May 1, 2003 – March 31, 2004) have been prepared in accordance with IFRS. The financial information for the month of April 2003 has been prepared using the audited consolidated financial statements of the Ypsomed injection business unit of Disetronic Holding AG, which have been prepared in accordance with IFRS.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities, as of the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on expectations of the future and are believed to be reasonable under the circumstances as of the preparation of the financial statements. Actual outcomes could differ from those estimates.

All figures included in these financial statements and notes to the financial statements are rounded to the nearest CHF 1000 except where otherwise indicated.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss.

Changes in accounting policies

In 2004/05, Ypsomed adopted the new standard IFRS 3 Business Combinations. IFRS 3 requires simultaneous adoption with IAS 36 Impairment of assets and IAS 38 Intangible assets. Goodwill arising from acquisitions will no longer be amortized. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The adoption of IFRS 3 would effect the prior year as follows:

Increase in Intangible assets	14.691 million
Increase in retained earnings	14.691 million
Increase in basic earnings per share	CHF 1.31
Increase in diluted earnings per share	CHF 1.31

There was no impact on opening retained earnings at 1 April 2004 from the adoption of IFRS 3.

Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the costs of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

Foreign currency transactions are translated to the reporting currency using the exchange rate prevailing at the dates of the transactions. 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 recognized in the income statement as financial income or expense.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and time deposits maturing within three months.

Trade receivables

The balance sheet carrying value corresponds to the nominal value less appropriate value adjustments for claims when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

CONSOLIDATED FINANCIAL STATEMENTS ACCOUNTING POLICIES

Other current assets

The balance sheet carrying value corresponds to the nominal value less appropriate value adjustments. Valuation adjustments are made when there is objective evidence that the Group will not be able to realize the recorded value of the assets.

Inventories

Trade inventories and raw materials are valued at the lower of cost and net realizable value. Goods in process and finished products produced by the Company are stated at the cost of manufacturing the goods and include the associated general production costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Thus, adjustments are made to inventory with a lower net realizable value than cost. Inventory that cannot be sold is written off in full.

Financial assets

Financial assets are valued according to the type of investment, either at fair value or amortized cost.

Fixed assets

Fixed assets are valued at historical acquisition or production cost less depreciation. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

– Buildings	25 to 40 years
– Plant, machinery and equipment	3 to 10 years
– Office equipment and vehicles	3 to 8 years
– Other fixed assets	2 to 10 years

Long-term leasing agreements, which are equivalent to the purchase of assets with long-term financing (finance leases), are recognized at the beginning of the lease as an asset and valued at market or, if lower, the present value of minimum lease payments and depreciated over the duration of the lease according to the straight-line method of depreciation.

Intangible assets

Goodwill on acquisitions

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Other intangible assets

Patents are shown at historical cost. Patents have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives of 15–20 years. EDP software is capitalized on the basis of the costs incurred to acquire the software and bring the software to use. These costs are amortized over the estimated useful lives of four years.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non current financial liabilities to shareholders

The carrying amount of shareholder loans is determined based on the nominal amount, taking into consideration interest rate, repayment terms and other relevant contractual agreements.

Provisions

The Group has a present legal or constructive obligation as a result of a past event, if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Retirement benefits

Group companies operate defined contribution plans abroad and defined benefit plans in Switzerland for retirement benefits along with the state social insurance schemes. The costs of retirement benefits are generally borne equally by the employees and the companies and are transferred to the companies' retirement benefits plans. For defined benefit plans, if the 10% corridor according to IAS 19.95 is exceeded, the actuarial gains or losses are charged to the income statement on a straight-line basis over the employees' expected average remaining working lives.

In conformity with IAS 19 (revised), pension liabilities in schemes with defined benefit characteristics (Switzerland) have been presented based on the Projected Unit Credit Method. The values as of 31 March 2005 have been derived from the latest actuarial validation dated 1 April 2004.

Contributions made by the Group to defined contribution pension plans are recognized as an expense in the year in which they occur.

Taxes

Tax provisions are made on the basis of reported profits and include taxes on capital as well as non-reclaimable withholding taxes on dividends, licenses and management fees. They are calculated in conformity with the tax laws prevailing in the individual countries.

Deferred income tax is provided in full, using the comprehensive liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Tax provisions are adjusted continuously to allow for changes in local tax legislation.

Revenue recognition

Revenue from sale of goods is recognized when risk and benefit of ownership have been transferred to the buyer. Appropriate provisions are made for all costs arising in connection with the sale including the costs of return of goods.

Reimbursements for product development

Reimbursements from third parties, for the development of new products on order, are recognized in the period during which the development costs are incurred.

Research and development

Research and development costs are recognized as an expense in the period in which they are incurred. The criteria for capitalizing development costs according to IAS 38, Intangible Assets, are currently not fulfilled. Fixed assets used for research and development are capitalized and written off over their useful lives according to the straight-line method of depreciation.

3. Financial risk management

Foreign exchange risk

The Group is exposed to the effects of fluctuations in exchange rates of foreign currencies. Foreign exchange contracts (forward transactions and option contracts) are concluded from time to time with recognized financial institutions to hedge against material exchange-rate exposure. The outstanding contracts at the end of the business year are stated at market values. Any gains or losses are reported in the income statement.

Interest rate risk

The credit instruments utilized by the Group are fixed rate in nature in order to lessen the impact of interest rate fluctuations on Group earnings.

Credit risk

Credit risk associated with financial assets is controlled by the Group's policy of dealing solely with first-class counterparties, by ongoing credit reviews and by limiting aggregated individual risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following consolidated figures of the notes for the 12 months ended March 31, 2004, 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 audited 11 months period (May 1, 2003–March 31, 2004) from the Consolidated Financial Statements of Ypsomed.

in thousand CHF, unless otherwise stated

1. Consolidation scope

	Interest held	Share capital	Research and development	Production	Marketing and sales	Financing and services
Ypsomed Holding AG, CH-Burgdorf		CHF 140 552 663				X
Ypsomed AG, CH-Burgdorf	100%	CHF 500 000	X	X	X	X
TecPharma Licensing AG, CH-Burgdorf	100%	CHF 100 000				X
Ypsotec AG, CH-Grenchen	100%	CHF 1 000 000		X	X	
Ypsomed GmbH, DE-Sulzbach	100%	EUR 100 000			X	
DiaExpert GmbH, DE-Sulzbach	100%	EUR 50 000			X	
Feelfree GmbH, DE-Sulzbach	100%	EUR 25 000			X	
Ypsomed AB, SE-Nacka Strand	100%	SEK 100 000			X	
Ypsomed S.A.S., FR-Paris	100%	EUR 50 000			X	
Ypsomed BV, NL-Vianen	100%	EUR 50 000			X	
Ypsomed Srl, IT-Verona (in liquidation)	100%	EUR 50 000			X	

During 2004/05, the newly founded Feelfree GmbH, Sulzbach, Germany, was included in the consolidation for the first time. As of July 7, 2004, Décolletage AG, Grenchen, Switzerland, was renamed to Ypsotec AG.

2. Reversed merger

As of July 28, 2004, 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 Beteiligungen AG. Finox Beteiligungen AG 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
Net assets	166

3. Foreign currencies

	Balance sheet Year-end rates		2004/05	Income statement Average rates	
	31.03.05	31.03.04		01.05.03– 31.03.04	01.04.03– 30.04.03
EURO (EUR)	1.55	1.56	1.54	1.55	1.50
US-Dollar (USD)	1.20	1.28	1.22	1.32	1.38
Sweden (100 SEK)	16.93	16.80	16.92	17.01	16.35
Norway (100 NOK)	18.87	18.55	18.60	18.68	19.13
Denmark (100 DKK)	20.81	20.97	20.70	20.86	20.17
UK (GBP)	2.26	2.33	2.26	2.23	2.17

4. Cash and cash equivalents

	31.03.05	31.03.04
Cash, Postal accounts	2 363	859
Banks	53 622	11 757
Total	55 985	12 616

5. Marketable securities

Marketable securities are broadly diversified in notes, obligation funds and other similar investments traded in active markets.

	31.03.05	31.03.04
Currency exposure		
CHF	52 150	
EUR (translated in CHF)	17 458	
Total	69 608	0

6. Trade receivables

	31.03.05	31.03.04
Trade receivables	40 086	30 197
Provision for bad and doubtful debts	-457	-211
Total	39 629	29 986

7. Other current assets

	31.03.05	31.03.04
Accrued income and prepaid expenses	1 705	3 109
Other receivables	5 547	9 899
Total	7 252	13 008

8. Inventory

	31.03.05	31.03.04
Raw materials and supplies	3 594	2 472
Goods in process	19 585	18 534
Finished products	15 957	22 023
Gross inventory	39 136	43 029
Valuation adjustment	-4 534	-5 326
Total	34 602	37 703

As of 31 March 2004, the finished products inventory included CHF 7.3 million of FreeStyle products.

9. Financial assets

	31.03.05	31.03.04
Investment in Cooperative Energy Burgdorf	20	20
Total	20	20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Fixed assets

	Land and buildings	Plant, machinery & equipment	Other fixed assets	Assets under construction	Total 2004/05	Total 01.05.03– 31.03.04	Total 01.04.03– 30.04.03
Cost							
At 01.04.04							
01.05.03/01.04.03	52 921	94 709	5 434	5 959	159 023	125 809	124 893
Additions	16 171	46 074	702	8 512	71 459	36 900	943
Disposals		-8 123	-104		-8 227	-3 594	-27
Transfers	891	2 645	100	-3 636	0	-92	0
Currency translation differences	-1	-1	-2		-4	0	0
At 31.03.05							
31.03.04/30.04.03	69 982	135 304	6 130	10 835	222 251	159 023	125 809
Accumulated depreciation							
At 01.04.04							
01.05.03/01.04.03	-10 156	-44 424	-2 873	0	-57 453	-46 027	-45 027
Depreciation	-2 025	-17 853	-1 151		-21 029	-14 747	-1 000
Disposals		2 082	48		2 130	3 308	0
Transfers					0	12	0
Currency translation differences					0	0	0
At 31.03.05							
31.03.04/30.04.03	-12 181	-60 195	-3 976	0	-76 352	-57 453	-46 027
Net book value at							
01.04.04							
01.05.03/01.04.03	42 765	50 285	2 561	5 959	101 570	79 782	79 866
Net book value at							
31.03.05							
31.03.04/30.04.03	57 801	75 109	2 154	10 835	145 899	101 570	79 782

There are no fixed assets pledged to secure loans and there are no long-term leasing agreements (finance leases). The fire-insurance value of fixed assets at 31 March 2005 amounted to CHF 260.2 million (previous year: CHF 191.1 million).

11. Intangible assets

	Goodwill	Other intangible assets	Total 2004/05	Total 01.05.03– 31.03.04	Total 01.04.03– 30.04.03
Cost					
At 01.04.04/01.05.03/01.04.03	313 719	7 059	320 778	321 467	7 741
Additions		1 013	1 013	1 352	7
Disposals		-28	-28	-2 133	0
Transfers			0	92	0
Currency translation differences	-4	1	-3	0	0
At 31.03.05/31.03.04/30.04.03	313 715	8 045	321 760	320 778	7 748
Accumulated depreciation					
At 01.04.04/01.05.03/01.04.03	-14 691	-5 508	-20 199	-6 948	-6 909
Amortization		-777	-777	-15 337	-39
Disposals		28	28	2 096	0
Transfers			0	-10	0
Currency translation differences		-2	-2	0	0
At 31.03.05/31.03.04/30.04.03	-14 691	-6 259	-20 950	-20 199	-6 948
Net book value at 01.04.04/01.05.03/01.04.03	299 028	1 551	300 579	314 519	832
Net book value at 31.03.05/31.03.04/30.04.03	299 024	1 786	300 810	300 579	800

12. Advance payments of OEM partners

Our OEM partners settle payments for production machinery that are tailored specifically to their products. In the year under review, advance payments of over CHF 33.4 million were made. CHF 6.3 million of this amount has already been set off against completed machinery. This machinery remains in our possession but is no longer included in the fixed assets. The amounts charged to OEM partners are included in the disposals in the fixed assets analysis. The remaining advance payments of CHF 27.1 million are included in the trade payables.

13. Other payables and accrued expenses

	31.03.05	31.03.04
Accrued expenses	15 845	10 316
Other payables	2 600	2 175
Total	18 445	12 491

14. Non-current financial liabilities to major shareholder

	Interest rate	Maturity	Carrying amount	
			31.03.05	31.03.04
Loan W. Michel as of March 31, 2005	0.50%	31.03.10	218 121	439 245

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.

In 2004/05, interest of CHF 1.0 million was paid to W. Michel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Provisions

	Guarantees	Pensions	Restructuring	Other	Total 2004/05	Total 01.05.03– 31.03.04	Total 01.04.03– 30.04.03
At 01.04.04							
01.05.03/01.04.03	3 089	9 467	0	0	12 556	11 670	4 457
Additions	1 912		1 658	295	3 865	3 512	325
Unused amounts reversed				-939	-939	-30	0
Utilization		-1 615			-1 615	-2 596	0
Transfers		-959		959	0	0	0
Currency translation differences		-6	8		2	0	0
At 31.03.05							
31.03.04/30.04.03	5 001	6 887	1 666	315	13 869	12 556	4 782

Guarantees

Ypsomed develops, manufactures and sells products for the medical device industry. Defects in material or faults of production can result in compensatory amounts or product cancellations. Provisions are posted due to business management principles and relate to returns and warranties.

Restructuring

Provision for restructuring contains remaining cost for the restructuring of the European sales network after the distribution of FreeStyle has been ceased.

16. Pension obligation

The amounts recognized in the balance sheet are determined as follows:

	31.03.05	31.03.04
Present value of benefit obligation	57 455	44 977
Market value of plan assets	52 029	37 305
Underfunding	5 426	7 672
Provision (note 15)	-6 887	-9 467
Unrecognized asset due to IAS 19.58	-14	0
Unrecognized actuarial (gain)/loss	-1 475	-1 795

The amounts recognized in the income statement are as follows:

	2004/05	01.05.03– 31.03.04	01.04.03– 30.04.03
Current service cost	4 991	4 478	407
Interest cost	1 799	1 628	148
Amortization of actuarial loss	0	0	26
Expected return on plan assets	-1 679	-1 426	-130
Adjustment due to IAS 19.58	-14	0	0
Employee contributions	-2 469	-2 085	-190
Total included in personnel expense	2 628	2 595	261

Movement in the liability recognized in the balance sheet:

Underfunding as of 01.04.04/01.05.03/01.04.03	9 467	9 468	9 468
Total expenses – as shown above	2 628	2 595	261
Contribution paid	-5 208	-2 596	-261
Provision as per 31.03.05/31.03.04/30.04.03 (note 15)	6 887	9 467	9 468

The principal actuarial assumptions used are as follows:

Discount rate	4.0%	4.0%	4.0%
Expected rate of return on assets	4.5%	4.5%	4.5%
Expected rate of salary increase	2.5%	2.5%	2.5%
Rate of pension increase	1.0%	1.0%	1.0%

The actual return on plan assets was CHF 1.882 million.

17. Share capital

Share capital (in thousand CHF)	2004/05	2003/04
At 01.04.	250	n/a
Founding of Ypsomed Holding AG		250
Capital increase/IPO	140 303	
At 31.03.	140 553	250

Number of shares		
At 01.04.	2 500	n/a
Founding of Ypsomed Holding AG		2 500
Capital increase/IPO	11 241 713	
At 31.03.	11 244 213	2 500

Ypsomed Holding AG was founded on December 29, 2003, with a share capital of CHF 250 000, consisting of 2 500 shares with a nominal value of CHF 100. With the IPO in September 2004, a total of 11 244 213 shares with a nominal value of CHF 12.50 were issued.

Conditional share capital (in thousand CHF)	2004/05	2003/04
At 01.04.	0	n/a
Capital increase/IPO	2 000	
At 31.03.	2 000	0

Number of conditional shares		
At 01.04.	0	n/a
Capital increase/IPO	160 000	
At 31.03.	160 000	0

18. Contingent liabilities

The Group has contingent liabilities in respect of 3rd party sureties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

Expiry schedule:	31.03.05	31.03.04
2005	109	296
2006		
2007		
2008	300	300
unlimited in time	402	403
Total	811	999

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Commitments

	31.03.05	31.03.04
Royalties for consultation and intellectual properties related to research and development projects until 31 December 2008	2 731	3 718

20. Operating expenses

	2004/05		2003/04		01.05.03–31.03.04	
Cost of goods and services sold	144 936	74.6%	122 877	74.2%	113 640	74.0%
Research and development	14 295	7.4%	6 621	4.0%	6 397	4.2%
Marketing and sales	19 119	9.8%	22 894	13.8%	20 971	13.7%
Administration expenses	15 926	8.2%	13 209	8.0%	12 436	8.1%
Total	194 276	100.0%	165 601	100.0%	153 444	100.0%
Cost of materials	66 994	34.5%	75 015	45.3%	69 319	45.2%
Personnel expenses	70 903	36.5%	60 156	36.3%	55 545	36.2%
Depreciation	21 811	11.2%	16 431	9.9%	15 392	10.0%
Other operating expenses	34 568	17.8%	13 999	8.5%	13 188	8.6%
Total	194 276	100.0%	165 601	100.0%	153 444	100.0%

21. Blood glucose monitoring system FreeStyle

Due to suspension of distribution of the blood glucose monitoring system FreeStyle, its manufacturer, Abbott, USA, made a one-off compensation payment of USD 13.2 million (CHF 16.8 million) in the year 2004/05 under review. CHF 13.5 million of this covers operating costs incurred in our European sales network and CHF 3.3 million is included as earnings under "Marketing and sales".

22. Distribution of staff by country and function

Personnel at 31 March (full-time equivalents)	Production and Logistics	R&D	Marketing and sales	Admin- istration	Total 31.03.05	Total 31.03.04
Switzerland	617	61	21	87	786	637
Germany ¹⁾	14		55	13	81	74
Netherlands			5	1	5	7
Italy					0	11
France ¹⁾			12	3	15	15
Scandinavia			7	1	8	20
Total	631	61	99	104	894	764

¹⁾ thereof dismissed employees,
due to restructuring

	25	3	28	
Headcount			933	797

23. Financial income

	2004/05	2003/04	01.05.03– 31.03.04
Interest income	321	102	101
Gains from securities	683	0	0
Foreign exchange gains	890	2 750	841
Other financial income	237	18	0
Total	2 131	2 870	942

24. Financial expense

	2004/05	2003/04	01.05.03– 31.03.04
Interest expense	1 152	2 255	2 251
Losses from securities	728	0	0
Foreign exchange losses	2 063	1 715	1 659
Other financial expense	108	88	83
Total	4 051	4 058	3 993

25. Other income

	2004/05	2003/04	01.05.03– 31.03.04
Real estate income (rental income)	338	336	309
Real estate expense	-292	-110	-85
Other non-operating income	-10	50	49
Total	36	276	273

26. Taxes

	2004/05	2003/04	01.05.03– 31.03.04
Income taxes	5 799	4 603	4 364
Deferred taxes	671	-1 117	-1 502
Total	6 470	3 486	2 862

The tax charge on the Group's profit before taxes differs from the theoretical amount that would arise using the basic tax rate for Ypsomed AG, Burgdorf as follows:

Profit before taxes	45 665	17 530	14 452
Tax calculated at a tax rate of 22% (expected)	10 046	3 856	3 179
Effect of reduced tax rates	-3 576	-370	-317
Tax charge	6 470	3 486	2 862

The company benefits from reduced tax rates that are subject to change from year to year. Changes in reduced tax rate impact the company's effective tax rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The amounts stated in the consolidated balance sheet comprise the following positions:

	31.03.05	31.03.04
Current income taxes:		
Income taxes payable	-5 389	-3 923
Net current income taxes	-5 389	-3 923
Deferred income taxes:		
Deferred income tax assets	4 466	5 179
Deferred income tax liabilities	-3 851	-3 888
Net deferred income taxes	615	1 291

The amounts for deferred income taxes stated in the consolidated balance sheet are reported under long-term assets and long-term liabilities.

Under deferred tax assets, tax-loss carryforwards are only taken into account if the associated tax credits can be realized. As per the balance sheet date the company has unrecognized tax-loss carryforwards of CHF 1.3 million.

The assets and liabilities as well as credits and debits from deferred taxes are made up of the following positions:

	31.03.05	31.03.04
Deferred income tax assets:		
Tax-losses carried forward	4 120	4 193
Impact from intercompany profit	346	986
Total	4 466	5 179
Deferred income tax liabilities:		
Trade receivables	254	239
Inventory	1 017	1 032
Provisions	-72	0
Tax valuation differences	1 199	1 271
Fixed assets	2 333	2 499
Intangible assets	319	111
Other timing differences	0	7
Accelerated tax depreciation	2 652	2 617
Total	3 851	3 888

27. Segment information

The primary reporting format is by business segments and the secondary reporting format by geographical area because the group is affected predominantly by its products and services. The Ypsomed Group has one business segment "injection systems and accessories". The disclosures below represent the secondary reporting segment.

Breakdown by geographical location:

	2004/05	Sales		31.03.05	Assets		Net capital expenditure		
		2003/04	01.05.03– 31.03.04		31.03.04	2004/05	2003/04	01.05.03– 31.03.04	
Switzerland	19 705	17 956	16 728	639 092	468 357	66 078	36 967	36 044	
Europe excl. Switzerland	218 944	175 877	164 164	19 390	32 426	288	1 914	1 887	
North America	2 985	4 723	4 295	0	0	0	0	0	
Rest of world	189	178	178	0	0	0	0	0	
Total	241 823	198 734	185 365	658 482	500 783	66 366	38 881	37 931	

Sales are allocated to the country in which the customer (end user) respectively the OEM partner is located. Sales of pen-systems to OEM partners are mainly billed to European subsidiaries of the OEM partners. These sales are, in the geographical segmentation, shown as sales Europe. OEM sell the pen systems worldwide. Assets and capital expenditure are indicated where the subsidiaries are located.

28. Transactions with related parties

The compensation of the members of the Board of Directors of Ypsomed Holding AG amounted to a total of CHF 565 000 (previous year: CHF 565 000). In 2004/05, interest of CHF 1.0 million was paid to W. Michel for the shareholder loan according to note 14.

29. Earnings per share

	2004/05	2003/04	01.05.03– 31.03.04
Reported net profit in thousand CHF	39 195	14 044	11 590
Number of issued shares at nominal value of CHF 12.50	11 244 213	11 244 213	11 244 213
Earnings per issued share in CHF (Basic and diluted)	3.49	1.25	1.03

The 11 months from 1 April 2003 to 31 March 2004 have been calculated with the total number of issued shares after IPO.

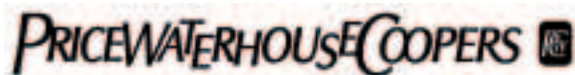
30. Financial instruments

To hedge against a part of the exchange-rate exposure according to note 5, the following foreign exchange contract is used:

Position	Face value	Currency	Expiry	Fair value in CHF
EUR hedged against CHF	9 700 000	EUR	24.06.05	12 106

The unrealised gain of CHF 12 106 arising on 31 March 2005 from the valuation of the contract is posted to the income statement and reported in the balance sheet under other current assets.

No hedge accounting is applied.



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Report of the group auditors
to the general meeting of
Ypsomed Holding AG
Burgdorf

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes, pages 36 to 53) of Ypsomed Holding AG for the year ended March 31, 2005.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Hanspeter Gerber

Marcel Durand

Berne, May 12, 2005

FOUR-YEAR OVERVIEW April 1–March 31

in thousand CHF	2004/05	2003/04	2002/03	2001/02
Own finished products ¹⁾	186 403	130 573	90 773	73 014
FreeStyle	20 656	46 324	36 201	17 432
Other products ²⁾	34 764	21 837	10 213	10 168
Total Sales	241 823	198 734	137 187	100 614
Gross profit	96 888	75 857	42 270	25 659
Gross profit in %	40.1%	38.2%	30.8%	25.5%
Operating profit	47 548	18 442	14 204	6 689
Operating profit in %	19.7%	9.3%	10.4%	6.6%
Net profit	39 195	14 044	12 061	5 776
Net profit in %	16.2%	7.1%	8.8%	5.7%
Depreciation of fixed assets	21 033	15 747	12 913	11 485
Amortization	778	15 376	531	488
EBITDA ³⁾	69 359	49 564	27 648	18 662
EBITDA ratio in %	28.7%	24.9%	20.2%	18.5%
Total current assets	207 076	93 313	61 078	44 790
Total non-current assets	451 406	407 470	81 884	72 327
Total current liabilities	65 468	33 254	23 229	16 517
Total non-current liabilities	235 842	455 689	8 050	5 022
Balance sheet total	658 482	500 783	142 962	117 117
Cash flow from operating activities	94 775	33 540	20 398	6 496
Cash flow from investing activities	-66 370	-39 676	-22 481	-18 468
Cash flow from financing activities	14 964	14 859	4 044	12 864
Issued shares	11 244 213			
Earnings per share (basic-diluted) in CHF ⁴⁾	3.49	1.25	1.07	0.51
Dividend per issued share (in CHF) ⁵⁾	0.00	n/a	n/a	n/a
Book value per issued share (in CHF)	31.76			
Stock prices (in CHF): year's highest	126.50	n/a	n/a	n/a
Stock prices (in CHF): year's lowest	70.65	n/a	n/a	n/a
Stock prices (in CHF): year-end	124.00	n/a	n/a	n/a
Market capitalization (in million CHF)	1 394	n/a	n/a	n/a
Average headcount	891	761	535	420
Average fulltime equivalent	845	722	508	399
Year-end headcount	933	797	560	440
Year-end fulltime equivalent	894	764	537	422
Sales per average fulltime equivalent	286 037	275 130	270 208	252 177

¹⁾ Sales of injection moulding products for 3rd parties included in "Other products"

²⁾ Direct trade business of DiaExpert GmbH in Germany included since October 1, 2003

³⁾ Operating profit before interest, taxes, depreciation and amortization

⁴⁾ Previous years are calculated with total number of registered shares after IPO

⁵⁾ The Board of Directors will recommend to the 2005 General Meeting of Shareholders that, instead of a dividend payment, the nominal value of the Ypsomed share be reduced by CHF 0.90 and this amount be repaid to shareholders.

BALANCE SHEET YPSOMED HOLDING AG

INDIVIDUAL FINANCIAL STATEMENTS

in thousand CHF	31.03.05	31.03.04
Assets		
Cash and cash equivalents	40 288	32
Marketable securities	69 608	0
Accrual of dividends from Group companies	21 200	13 500
Accrued income and prepaid expenses	63	0
Other current assets	218	0
Total current assets	131 377	13 532
Loans to Group companies	107 266	109 631
Investments	326 030	331 449
Total non-current assets	433 296	441 080
Total assets	564 673	454 612
Liabilities and equity		
Trade payables	221	0
Accrued expenses and deferred income	824	50
Current income taxes payable	45	0
Current payables to Group companies	9 182	3 970
Total current liabilities	10 272	4 020
Non-current financial liabilities to major shareholder	218 121	439 245
Total non-current liabilities	218 121	439 245
Share capital	140 553	250
Reserves	177 538	0
Retained earnings	17 363	0
Net profit	826	11 097
Equity	336 280	11 347
Total liabilities and equity	564 673	454 612

INCOME STATEMENT YPSOMED HOLDING AG

INDIVIDUAL FINANCIAL STATEMENTS

in thousand CHF	01.04.04– 31.03.05	29.12.03– 31.03.04
Income		
Financial income	27 560	15 161
Total income	27 560	15 161
Expense		
Amortization and depreciation	23 181	3 995
Financial expenses	2 049	0
Administration expenses	1 458	68
Income taxes	46	1
Total Expense	26 734	4 064
Net profit	826	11 097

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	31.03.05	31.03.04
Retained earnings	11 047	0
Retained earnings Finox Beteiligungen AG	6 316	0
Net profit for business year	826	11 097
Retained earnings at disposal of the General Meeting	18 189	11 097
Allocation to free reserves	0	50
Dividends ¹⁾	0	0
To be carried forward	18 189	11 047

¹⁾ The Board of Directors will recommend to the 2005 General Meeting of Shareholders that, instead of a dividend payment, the nominal value of the Ypsomed share be reduced by CHF 0.90 and this amount be repaid to shareholders.

NOTES TO THE FINANCIAL STATEMENTS 2004/05 OF YPSOMED HOLDING AG

Income

Financial income mainly consists of dividends and interest income.

Assets

Dividends of CHF 21 200 000 of the full consolidated subsidiaries of Ypsomed Holding AG were prematurely posted to the income statement.

Share capital

The share capital of CHF 140 552 662 consists of 11 244 213 registered shares with a nominal value of CHF 12.50 each.

Conditional share capital

The company has a conditional share capital totalling of CHF 2 million. The company may issue a maximum of 160 000 fully paid up registered shares of nominal value CHF 12.50 each to selected employees and members of the Board of Directors.

Important shareholders

	Registered shares	Capital share	Vote share
Willy Michel ¹⁾	8 000 000	71.1%	71.1%
BV Holding AG, Bern ²⁾	163 399	1.5%	1.5%

¹⁾ The shares are subject to a lock-up until September 21, 2005.

²⁾ 50% of the shares are subject to a lock-up until September 21, 2005, the remaining 50% until September 21, 2006.

Investments

	Interest held	Share capital
Ypsomed AG, CH-Burgdorf	100%	CHF 500 000
Ypsotec AG, CH-Grenchen	100%	CHF 1 000 000
TecPharma Licensing AG, CH-Burgdorf	100%	CHF 100 000

REPORT OF THE STATUTORY AUDITORS

PRICEWATERHOUSECOOPERS 

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Report of the statutory auditors
to the general meeting of
Ypsomed Holding AG
Burgdorf

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes, pages 56 to 58) of Ypsomed Holding AG for the year ended March 31, 2005.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Hanspeter Gerber



Marcel Durand

Berne, May 12, 2005