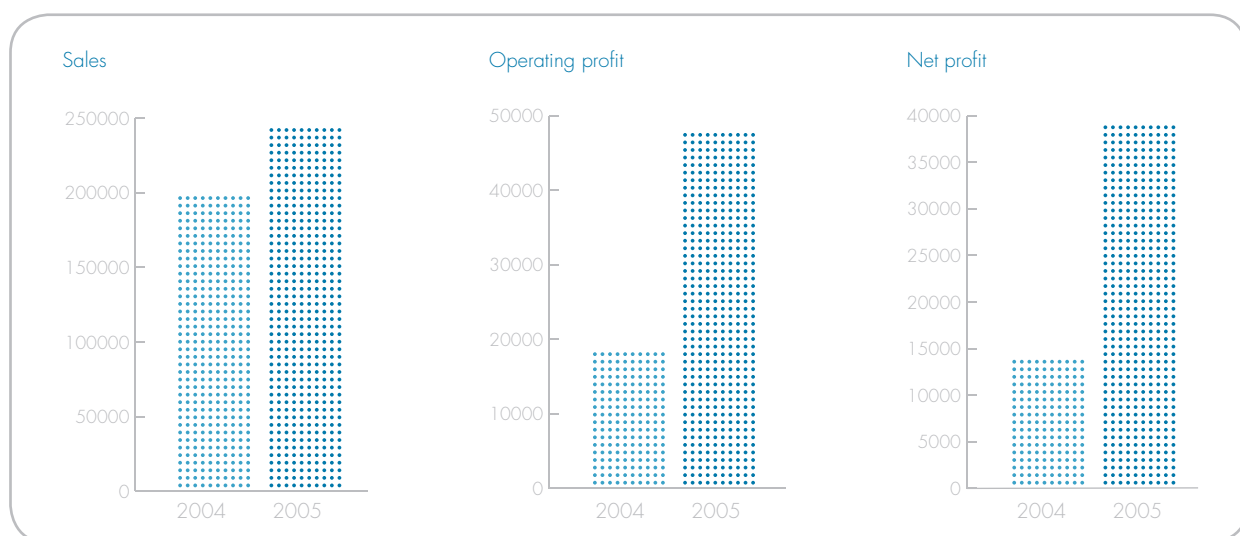


## KEY FIGURES AT A GLANCE APRIL 1–MARCH 31



in thousand CHF	April 1, 2004– March 31, 2005	April 1, 2003– March 31, 2004	Change	in %
Sales of goods and services	241 823	198 734	43 089	21.7%
Gross profit	96 888	75 857	21 031	27.7%
Gross profit in %	40.1%	38.2%		
Research and development expenses (gross)	20 290	16 810	3 480	20.7%
Operating profit before goodwill amortization	47 548	33 133	14 415	43.5%
Operating profit before goodwill amortization in %	19.7%	16.7%		
Operating profit	47 548	18 442	29 106	157.80%
Operating profit in %	19.7%	9.3%		
Net profit	39 195	14 044	25 151	179.1%
Net profit in %	16.2%	7.1%		
Earnings per share (in CHF)	3.49	1.25	2.24	179.1%
Capital expenditures	71 459	37 960	33 499	88.2%
Equity ratio in %	54.2%	2.4%		
Employees headcount (year-end)	933	797	136	17.0%
Employees fulltime equivalent (year-end)	894	764	130	17.0%

## HIGHLIGHTS

Sales growth of 21.7% to CHF 241.8 million.

Operating profit margin increased to 19.7%.

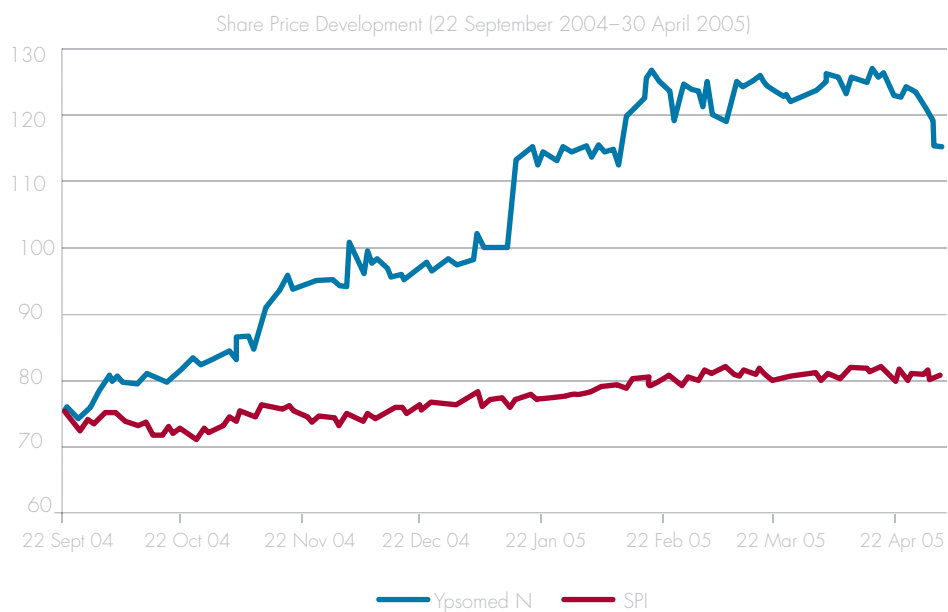
Profit per share of CHF 3.49.

Dividend as nominal value reduction of CHF 0.90 per share.

Launching of Opticlik® pen system with a focus on the US insulin market.

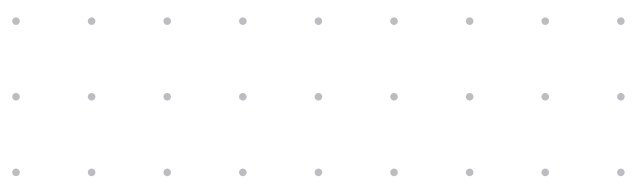
Major extension of production capacity in Solothurn.

373 newly created jobs in the last 2 years, thereof 136 in the last year.





# CONTENT



Key figures and highlights	Cover
Letter to shareholders	2
Ypsomed in the 2004/05 business year	8
Ypsomed well positioned for growth	18
Leadership with innovative products	24
Financials of the Ypsomed Group	30
Consolidated financial statements	36
Four-year overview	55
Financial statement of Ypsomed Holding AG	56
Corporate Governance	60
Information for investors	73
Glossary	74



# MILESTON



ES

**IN ITS FIRST YEAR AS A PUBLICLY QUOTED COMPANY  
YPSOMED POSTED EXTREMELY SATISFYING RESULTS.  
WE REMAIN VERY CONFIDENT ABOUT THE FUTURE  
PROGRESS OF THE GROUP.**

# LETTER TO SHAREHOLDERS

## Dear Shareholders,

2004/05 has proved to be another successful year for the Ypsomed Group. Over the past 12 months we have managed to further consolidate our leading position as the world's largest independent manufacturer of injection systems through strong growth in our core business. This was achieved with a clear strategy of technological leadership and a focus on innovative injection systems and pen needles. The cornerstones of our success are the many long-established and new partnerships with pharmaceutical customers, as well as the expertise and enthusiasm of the over 900 employees who work for Ypsomed.

### Pleasing annual results

In financial 2004/05 the Ypsomed Group's consolidated sales rose 21.7% and hit a new record high of CHF 241.8 million. In the core business (pen systems, pen needles and Ypsotec) sales even increased by 42.8%. We were particularly pleased with a 157.8% rise in operating profit to CHF 47.5 million, representing an operating profit margin of 19.7%. There was also a striking improvement in net profit, which rose 179.1% to CHF 39.2 million. This leads to a net profit per share of CHF 3.49 in the first year since the IPO. This will allow the Board of Directors of the Ypsomed Group to ask the Annual General Meeting of Shareholders to approve a dividend of CHF 0.90 per share. The payout is to take the form of a tax-preferred repayment of the par value.

### Increasing trend towards self-medication

The Ypsomed Group has been able to profit from the increasing trend towards injectable drugs which patients can administer themselves. An increasing number of pharmaceutical companies are using innovative devices for the self-injection of medicines as these make a significant contribution towards the success of the treatment and also allow patients a better quality of life. Injection pens are simple to use, less painful and more accepted psychologically than the use of traditional needles. Thanks to straightforward, user-friendly devices, compliance of patients can be improved, leading to greater treatment success. Injection systems are therefore an important factor in the success of pharmaceutical and biotech companies and, in an increasingly competitive market environment, are an important marketing tool which can take a company's drugs ahead of the competition.

### Sustainable strong potential for growth

Injection therapies are being extended to ever more new areas of treatment. In addition to the current main application in diabetes, conditions such as anemia, hepatitis, hormone therapies, infertility, osteoporosis, psoriasis, rheumatoid arthritis, thrombosis or growth disorders are predestined for injection devices. The overall market is growing steadily due to increasingly ageing populations in industrial countries. In addition, pharmaceutical and biotech companies have a substantial number of new substances in the pipeline which can be used to treat the causes of some serious illnesses for the first time and will significantly improve patients' quality of life. Since many of these new drugs are large molecules, produced using biotechnological processes, and will have to be injected on account of their chemical structure, the market for custom-made injection systems will increase in the future.

### **The launch of OptiClik®**

Ypsomed's successful strategy is exemplified by the OptiClik® injection system which was recently launched in the US. In a development project over a number of years, Ypsomed developed the world's first semi-disposable pen system for the long-acting insulin Lantus for sanofi-aventis. The innovative OptiClik® is a pen system designed and patented by Ypsomed which combines the advantages of reusable pens with those of disposables. Ypsomed will greatly benefit for two reasons: firstly, Lantus is enjoying ongoing strong growth and secondly, the market penetration of insulin pen systems in the US market is still very low at around 12% and expected to grow significantly over the coming years. We were able to supply our partner sanofi-aventis with a modern, innovative system for the successful Lantus insulin in the form of the OptiClik® pen. Lantus from sanofi-aventis is the leading long-acting insulin and has only been available in the US market in normal syringes up to now. Since the penetration rate for pens is unusually low in the US for historic reasons (up to now the market has been dominated by Lilly), it offers great potential for an innovative pen system like OptiClik®.

### **Innovation, quality and reliability**

Ypsomed has enjoyed a successful working relationship with most of its pharmaceutical customers for many years. For example, it has been working with sanofi-aventis for 18 years, and has established itself as an innovative, competent and reliable partner. In addition to the ability to offer custom-made solutions through innovative technology, Ypsomed must also possess the capability to mass-produce complex products to a consistently high quality standard. In order to survive in a global competitive market, the Ypsomed Group has invested large amounts on an on-going basis in research & development, as well as in production technology.

Ypsomed is a global technology leader in the area of injection systems. Research & development forms the basis for its innovative products. Ypsomed has long-established experience in development and manufacturing and currently employs over 60 highly skilled engineers in research & development. With over 150 patent families, Ypsomed pursues an active patent strategy, thereby continuously safeguarding its technological position. Switzerland, with its skilled workforce in microtechnology, microelectronics and engineering, is an ideal location in which to operate.

## LETTER TO SHAREHOLDERS

### **Our commitment to Switzerland as an economic centre**

Although there is a tendency nowadays for firms to relocate production to low-wage countries, Ypsomed has decided not only to continue production in Switzerland, but also to expand it. All the products manufactured by Ypsomed are of high quality, complex and demanding. They combine sophisticated electronics and mechanics, whilst achieving the high safety requirements required for our customers. However, in some cases the innovative quality of Ypsomed products is also demonstrated by their simplicity. For example, the OptiSet®, millions of which are produced, only comprises 7 plastic elements. Our pharmaceutical partners depend on the reliability and high standards of quality of Ypsomed products. Switzerland does more than just fulfil these high requirements; it boasts not only a well educated, highly skilled workforce, but also high productivity and flexibility. Furthermore, Ypsomed produces the custom-made pen systems in large volumes, necessitating high investment in automation. In the past year alone, the Ypsomed Group invested over CHF 71.5 million in machinery, plant and buildings. Long-term development projects with customers, our own patents and know-how, high standards of quality and reliability, as well as large investments in production plants set the bar high for our rivals and will also help to safeguard Ypsomed's strategic position in the future.

### **Considerable expansion of production capacities**

In order to meet our pharmaceutical partners' orders on time, we had to increase our production capacity significantly last year. The Ypsomed Group is operating at full capacity in Burgdorf, prompting us to establish and expand a new production facility in Solothurn. Consequently, the production capacities required for the launch of OptiClik® in the US have been built in Solothurn. The building on the Ziegelstatt site, covering a total of 30 000 m<sup>2</sup>, was completely renovated within a few months and geared up for the operation of some 45 injection-moulding machines and 5 automated assembly and printing systems. At the same time, a management team was assembled, and over 170 new employees were recruited in Solothurn.

### **Strong share price performance since the IPO**

One of the primary reasons for floating Ypsomed Holding AG in September 2004 was the need for capital to fund the further expansion of Ypsomed's manufacturing facilities. At the same time, it was also intended to secure the long-term development and independence of the Ypsomed Group. There was strong demand among institutional and private investors for the shares in Ypsomed Holding AG which were made available for subscription. The issue was 7.6 times covered at the issue price of CHF 68.00. Since the first day of trading on 22nd September 2004, when the Ypsomed stock opened at a price of CHF 73.00 per registered share, the share price has risen continuously.

## Outlook

The successful IPO has given the Ypsomed Group the financial strength and independence to make selective use of any opportunities which arise for growth. In future, we will prioritise investment in our own innovative pen systems, auto-injectors and pen needles. We expect this to yield increased profitability with growth in sales of between 20% and 25% over the coming year. Our target of an EBIT margin of over 20% should be achieved within the next 12 months.

Ypsomed stands to benefit well from the market launch of OptiClik®, the further expansion of OptiSet® and from growth in other areas of treatment and will, therefore, continue to show strong growth in its pen systems and pen needles businesses. Current customer forecasts confirm this expectation. Production capacities in Solothurn and, to a lesser extent, in Burgdorf will therefore need to be expanded further. This will trigger further investments of around CHF 70.0 million in the 2005/06 business year and of around CHF 50.0 million the following year.

Some important decisions will have to be taken in the coming months in connection with the launch of new pen systems. The Ypsomed Group currently has several research and development projects as well as customer projects under way. The customer projects relate both to existing applications and to pen systems for new drugs. In addition to reusable pen systems, this also involves auto-injectors and disposable pen systems which could lead to production on a considerable scale.

On the whole, we are optimistic about further growth in the Ypsomed Group's sales and profitability. However, implementing the expansion plans represents a great challenge both technically and in terms of organisation and demands total commitment on the part of all employees, as well as from suppliers and partners. We are delighted to be tackling these challenges together and have every confidence in our future success.

## Thanks

Ypsomed's success is due in no small part to the outstanding commitment shown by our workforce. We would therefore like to extend a big thank-you to all our valued employees. We would also like to thank our customers, partners, suppliers and shareholders for the loyalty and trust that they have shown in us.



Willy Michel  
Chairman of the Board of Directors



Matthew Robin  
CEO





**YPSOMED CONCENTRATES ON CLEARLY DEFINABLE CORE MARKETS. WITH INNOVATIVE DEVICES AND SYSTEMS FOR SELF ADMINISTERED MEDICATION, YPSOMED OFFERS BOTH CUSTOMERS AND PATIENTS COMPREHENSIVE BENEFITS.**

## YPSOMED IN THE 2004/05 BUSINESS YEAR



YPSOMED HAS A SOLID BASE WHICH WAS FURTHER STRENGTHENED OVER THE COURSE OF THE BUSINESS YEAR. IT WAS POSSIBLE TO EXPAND EXISTING ACTIVITIES AND TO CONTINUE THE SUCCESS STORY BEGUN IN 1986.

Ypsomed was one of two pillars of the well-known Disetronic Group until the Group's activities in Infusion Systems and Continuous Glucose Measurement (GlucOnline) were sold to Roche Holding in April 2003. The Injection Systems Division was bought out of the Group at that time and has operated since then as an independent company under the name Ypsomed. Today the Ypsomed Group is the leading independent developer and manufacturer of custom-made injection pens for the treatment of diabetes, growth disorders or infertility, as well as for further therapeutic areas. Ypsomed has well-established partnerships with numerous leading pharmaceutical and biotech companies such as sanofi-aventis, Genentech, Lilly, Pfizer, Roche and Serono.

### **The IPO milestone**

In order to cope with the very fast pace of growth, extensive investment has to be made on an ongoing basis in production facilities in Switzerland, as well as in the technological advancement of Ypsomed's products. This could not be funded from the company's available resources alone. Consequently, in 2004 various financing alternatives were considered with the aim of covering Ypsomed's finance requirements, using equity if possible.



In a first step, Ypsomed's financial needs for its expansion were covered by Willy Michel, pharmaceutical partners and the BVgroup Private Equity, which issued a loan of CHF 10.0 million. To secure long term financing, the IPO on the SWX Swiss Exchange was planned for autumn 2004 and went ahead successfully.

Credit Suisse First Boston acted as global manager and book runner for the IPO, while the Berner Kantonalbank, Bank Sarasin and Lombard Odier Darier Hentsch acted as co-managers. There was strong demand among both institutional and private investors, mainly from Switzerland.

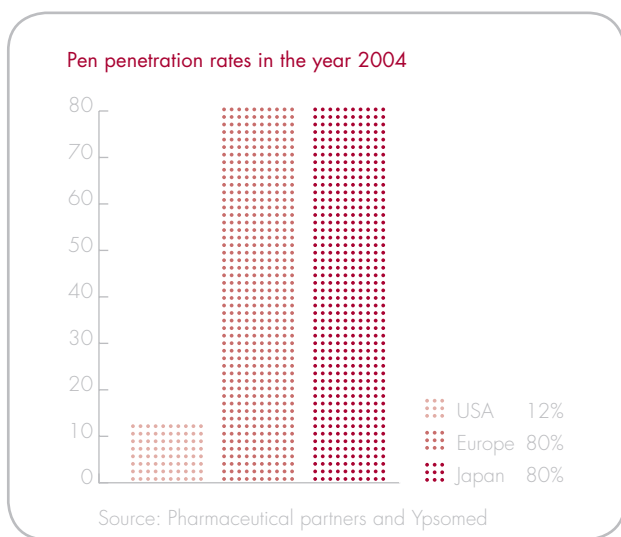
The share price has risen steadily since the first day of trading on 22nd September 2004, when trading opened at a price of CHF 73.00 per share. By the end of the calendar year the share price had already risen to CHF 97.00 and was trading at CHF 124.00 when Ypsomed Holding AG's 2004/05 business year closed on 31st March 2005. This represents an increase of 82% on the issue price of CHF 68.00. Ypsomed's IPO was by far the most successful of the four IPOs on the SWX Swiss Exchange in 2004.

The number of Ypsomed shareholders has increased steadily since the IPO. At the end of March 2005, a total of 4947 shareholders had been entered into the Register of Shares. 87.1% of the registered shareholders are resident in Switzerland. Thus, shares in Ypsomed Holding AG are not only held by large institutional investors, they are also held by private investors in particular. This meant that another important target set by the company and by Willy Michel, who remains the majority shareholder with 8.0 million shares (71.1%), has been achieved.

### **Strategically well positioned**

Not content with just maintaining its leading position in the injection system market for devices, Ypsomed aims to expand it further. Both its long-term partnerships with pharmaceutical and biotech companies and its own strengths play an important role. Ypsomed has over 18 years experience and is renowned for the continuously high standards of quality, safety and reliability of the products which it markets, as well as for the competence which it has shown in diabetes. Due to its broad-based-technology platform with over 150 patent families, Ypsomed is the sector's leader in terms of technology and innovation.

## YPSOMED IN THE 2004/05 BUSINESS YEAR



### Technology leadership and high barriers to entry

Alongside Novo Nordisk and Lilly which produce pen systems exclusively for use with their own marketed drugs, Ypsomed is, by quite a margin, the largest manufacturer of injection systems. There are several reasons why Ypsomed has managed to secure a leading position ahead of its smaller rivals. On the one hand, an extensive range of patents belonging to Novo Nordisk, Lilly and Ypsomed, who are the three leading providers, limit the possibilities of existing and potential competitors considerably. On the other hand, development projects undertaken in association with customers generally take several years and require a high degree of engineering competence.

In order to meet the stringent requirements of the numerous development projects with pharmaceutical customers on schedule, Ypsomed has increased its workforce in research & development in the past business year from 50 employees to 64. In view of the full product pipeline, the workforce in the research & development department is likely to be increased by a further 30% in the coming 12 months. In addition to customer-specific projects, work is under way on the development of several

innovative platform technologies which can be used for disposable and reusable pens, as well as for auto-injectors. Some of these technologies will be available for customer projects in the course of this business year.

The production of pen systems in large volumes creates the need for heavy investment in production plant both at Ypsomed and at the pharmaceutical customer's factory (e.g. for specific drug container filling and packaging systems). Since the drugs and the injection systems are generally filed together, this gives rise to a close partnership between Ypsomed and its partners via the development cooperation. Particular importance is attached to aspects in the areas of regulatory compliance, quality assurance, logistics and just-in-time production.



Satisfying the special requirements in the area of medical technology and fulfilling customer-specific needs in a timely fashion, to consistently high quality standards and with a high level of reliability, takes years of experience, a well-coordinated organisation and the expertise and flexibility of every single employee. These are the strengths of Ypsomed those which our customers value and depend upon. Ypsomed proactively and continuously strives to achieve this "excellence", making it an all-important choice of partner for the successful launch of new self-injected drugs.

### **Ypsomed's Vision**

Ypsomed builds on solid foundations and, through the openness and commitment of its employees, strives to achieve perfection for customers within its clearly defined core business. These strategic concepts are embodied in a new sculpture in the entrance lobby in Burgdorf, illustrating to both employees and visitors alike Ypsomed's vision for the future – of making a substantial contribution to the success of treatment and thereby improving the quality of people's lives. Using innovative equipment and systems for the self-injection of medication. The sculpture makes this vision a tangible one.

### **Long-term partnerships with pharmaceutical customers**

Ypsomed-operates on the basis of partnerships of many years standing in the areas of injection systems. These begin early with the joint development of injection systems and generally run from the market launch through the complete lifespan of a particular drug. In the case of disposable pen systems, the drug and pen are filed together, whereby for regulatory purposes the pen is considered to be primary packaging.

Ypsomed sells its pen systems exclusively via pharmaceutical partners. The precise terms of the business relationship between Ypsomed and its pharmaceutical customers are defined in individual contracts. The contracts are generally concluded for a number of years, guaranteeing mutual interests and long-term cooperation. Last year, several important contracts set to run for several years were once again signed, including the contracts with our largest customer, sanofi-aventis.

## YPSOMED IN THE 2004/05 BUSINESS YEAR

### **Effective key account management**

Customers need to know precisely who their contacts are within Ypsomed. Therefore, Ypsomed's marketing & sales department is structured on the basis of the key account management principle in order to provide quick and effective service and support for individual customers. Internal coordination between marketing & sales, research & development, as well as production, logistics and quality management represents a great challenge. This applies both to new developments, as well as to new generations of pen systems for existing drugs which have already been launched. Pivotal to this is the effective industrialisation of products to allow production to run efficiently and as simply as possible.

### **US market launch of the OptiClik® pen**

The successful launch of OptiClik® for the long-acting insulin Lantus from sanofi-aventis represents a major milestone in Ypsomed's corporate history and will contribute significantly to further strong growth. OptiClik®, which has been patented by Ypsomed, is the first semi-disposable pen system and combines the advantages of reusable pens with those of disposables. The reusable dialling module offers multi-feature functionality with a large, high visibility electronic-display and enlarged dosing range of between 1 to 80 insulin units. The disposable module with the integrated insulin cartridge is connected with an easy, one-step "click" to the reusable control unit, thereby significantly improving the handling for patients.

With the OptiClik® pen, we have been able to supply our partner sanofi-aventis with a modern, innovative system for the successful Lantus insulin. Lantus from sanofi-aventis is the leading long-acting insulin and has only been available on the US market in normal syringes up to now. Since the penetration rate for pens is unusually low in the US for historic reasons

(up to now the market has been dominated by Lilly), it offers great potential for an innovative pen system like OptiClik®. Ypsomed feels sure that the launch of OptiClik® on the US market will signal a shift in the administering of insulin from normal syringes and needles to modern pen systems and pen needles. We expect Novo Nordisk to offer its new insulin Levemir/Detemir primarily in pen systems and Lilly/Amylin to use pens as the only means of administering Exenatide. Once again we are seeing how certain markets become attractive to Ypsomed once the competition in them increases.

### **Launch of the Gonal-f® disposable pen for Serono**

In April 2004, following a multi-month period of development, Serono and Ypsomed jointly launched the Gonal-f® disposable pen for the treatment of infertility. Thanks to its rapid acceptance and positive feedback from patients, the number of countries where the Gonal-f® disposable pen is distributed has increased continuously over the course of the year. The demand for the Gonal-f® pen from Serono was unexpectedly large and as a result rapid adjustments had to be made to production capacities.

### **Continuous growth in other treatment areas**

Over the past business year, sales in pen systems in other treatment areas, for example growth hormones therapy, have increased continuously and were in line with our expectations. Ypsomed currently supplies three of the five largest companies offering growth hormone (Genentech, Lilly and Pfizer)

### **The future's bright for pen needles**

Ypsomed is currently the third largest manufacturer of pen needles (Penfine/Clickfine and Optifine) and will grow this business area further in the future. We aim to expand the needle business by tapping into new markets in Europe and the US, working closely with new distributors and/or pharmaceutical partners. Particular attention will be given to developing new partnerships with pharmaceutical firms, and to expand existing relationships, so as to make selective use of synergy effects in the marketing of pens and needles. We were pleased with the performance of the Clickfine/Penfine needles in the last business year, particularly in Germany, France, Switzerland and in the UK, where we entered into a contract with a new distributor which reaped early rewards.

### **Termination of the agreement with TheraSense**

The distribution of the FreeStyle blood glucose monitoring system, which was taken over from Disetronic during the sale to Roche, was terminated at the end of July 2004 following Abbott's takeover of TheraSense. Owing to the termination of this agreement, overall sales from the FreeStyle blood glucose monitoring system were down on last year. Sales of CHF 20.7 million were achieved in the business year 2004/05; at the same time, a one-off compensation payment was agreed with Abbott.

### **Growing diabetes direct business**

During the period under review, the successful diabetes direct distribution business in Germany (DiaExpert) achieved substantial growth in sales. DiaExpert customers generally receive product delivered to their home by the next day if they submit their orders by phone, fax or online by midday. The direct business will be continued in the future because it positively supports Ypsomed's diabetes competence and gives it direct access to this market. Given the pressure of increased costs and the moves towards improving customer service, the direct business is set to gain in importance. Therefore, Ypsomed will continue to expand DiaExpert direct sales in Germany and actively explore ways of distributing directly to patients in other European countries, in order to improve its proximity to its customers. Today Ypsomed already has direct or indirect contact with about 450 000 patients who are treated with insulin in Germany.

### **Change of direction for the European organisation**

As part of the strategic decision to focus on pen systems and pen needles, the activities of the European subsidiaries were analysed and redefined. The focus of European sales was shifted to pen needles, with diabetes activities in Germany being strengthened by the diabetes direct distribution business DiaExpert. As of March 31 2005, 28 positions in the subsidiaries are under termination. At the same time however, high-responsibility posts have been created within marketing and distribution for pen needles in Europe.

## YPSOMED IN THE 2004/05 BUSINESS YEAR

### **Massive expansion in production capacities**

Production capacities have been expanded massively as a result of the launch of OptiClik® and the strong growth in other existing injection systems. Due also to the limited labour pool in and around Burgdorf, making it difficult for Ypsomed to recruit staff and limiting the expansion of production facilities there, a second production facility was set up in Solothurn.

Since January 2004 production capacity in Solothurn has been selectively expanded in three stages within the scope of clearly defined internal projects. Additional buildings had to be purchased to provide an adequate production area for OptiClik® and for the second production plant for OptiSet®. One especially challenging task was sourcing all the injection moulding machines and tools and getting these up and running on schedule, together with automated handling and assembly systems, some of which are extremely complex.

Given the strong demand from our pharmaceutical partners and with the launch of new pen systems, there will be further sharp increases in production capacities in the 2005/06 business year. In addition, we plan to expand markedly the pen needle production in Solothurn. Another challenge facing us in the new business year will be the industrialisation of new pen systems, some of which are based on new technology platforms. Simultaneously providing a high level of security of supply and an efficient production process will require additional resources.

### **Additional specialists recruited**

A major challenge over the last 12 months was the recruitment of the necessary specialists since the challenging and complex environment of medical technology calls for proven experts. As a successful strongly growing medical technology firm which gained additional media exposure through its IPO, we have managed to fill most vacancies and to train our new specialist personnel internally.

In the course of its strong expansion, Ypsomed has created over 170 new jobs at the Solothurn plant over the last 18 months. While there were only 15 people employed in Solothurn at the start of 2004, about 170 had been recruited by the end of March 2005. Another 30 or so new positions will be filled before the end of 2005, taking the workforce at the new plant in Solothurn to over 200.

The research & development, quality management and regulatory affairs departments have also been enlarged greatly and management been increased selectively, in line with the sharp growth in the workforce.

### **A very committed workforce**

We were only able to keep to our ambitious timetable thanks to the strong commitment shown by project teams, employees and many external suppliers. As of January 2005 all required equipment was either installed, verified and validated or was already in normal production. While Solothurn was tooling up for operation, production at Burgdorf was running around the clock, seven days a week. As a result, committed deliveries could be maintained at all times during the critical expansion phase.

These special arrangements were only possible thanks to our dedicated, flexible and highly motivated workforce. Employees had to work additional hours so as to meet orders on time. With the introduction of annual working time in January 2005, Ypsomed is aiming to meet the needs of its employees and implement a progressive and flexible working time model.

### **Education and training are key to our success.**

Ypsomed attaches great importance to education and training. Strong employee growth and the high quality requirements dictate the need for this. To achieve its goals in this area, Ypsomed appointed a new training coordinator in November 2004 whose job it is to manage and coordinate education and training programmes. This means that training should be conducted even more professionally, both internally and externally.

Ypsomed also focuses on an apprentice programme. To ensure that it has an adequately skilled workforce in place in the future as well, Ypsomed is aiming to increase its staff of apprentices to about 5% of its workforce over the next few years. In addition, we will also be launching a programme during the coming business year to promote health and safety at work.

### **Sustainable success**

Environmental compatibility and sustainability are important targets for the Ypsomed Group and key elements in any decision-making process. This task is managed by the Environmental Coordinator.

As a general rule, all the production processes at the Ypsomed Group are environmentally compatible.

Plastics are processed in the injection moulding process without any harmful substances escaping. In order to minimise plastic waste, the moulds are equipped with state-of-the-art hot-runner technology which enables the parts to be injected directly. Any plastic waste that does arise is taken to the regional waste incineration facility where it is used as a high-grade fuel or is sent to plastic reprocessing firms which use it to make new products. The assembly processes do not generally negatively impact the environment.

The cooling systems which are required in the plastics industry are absolutely state-of-the-art. They are free of substances which can damage the ozone layer and draw their cooling water from the ground water without contaminating it (in Burgdorf) or operate as closed systems (in Solothurn). No water is taken from the drinking water supply.

Ypsomed is continuing Disetronic's sponsorship tradition and supports projects in the areas of social and cultural affairs, specialist training and sport for the general public. Every year about 1% of the consolidated net profit is approved by the Board of Directors for sponsorship in the areas specified.

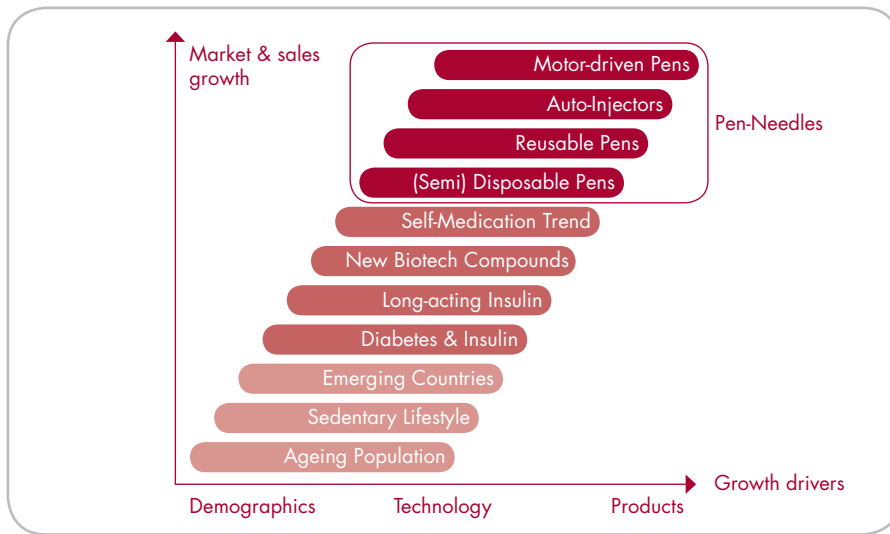


# GROWTH



**YPSOMED IS PROFITING FROM THE INCREASING TREND FOR PATIENTS TO ADMINISTER MEDICINES THEMSELVES. THAT IS WHY NUMEROUS SORTS OF THERAPY ARE PREDESTINED FOR THE USE OF PENS.**

## YPSOMED WELL POSITIONED FOR GROWTH



THE GOOD ORDER SITUATION AND SEVERAL SUSTAINABLE GROWTH FACTORS LED TO OVER PROPORTIONAL GROWTH IN SALES AND PROFIT. THIS WILL CONTINUE IN THE CURRENT BUSINESS YEAR.

The Ypsomed Group has enjoyed great success in the 2004/05 business year. There have been further improvements in both turnover and profitability. Based on our customer forecasts, we expect to record growth in sales of 20% to 25% for the 2005/06 business year. An EBIT margin of over 20% should be achieved within the next 12 months. The expansion in the production capacities at Solothurn and the partial increase at Burgdorf will necessitate total investments of around CHF 70.0 million in the 2005/06 business year and of around CHF 50.0 million the following year. The IPO has provided the Ypsomed Group with the necessary resources to fund this high rate of growth and the expansions that it entails. This means that Ypsomed can remain independent in the long-term and maintain its flexibility.

### Attractive project pipeline

In future, we will invest in primarily our own innovative pen systems, auto-injectors and pen needles. Ypsomed stands to benefit from the increasing market penetration of OptiClik® pens, the further expansion of OptiSet® and from growth in other therapeutic areas and will, therefore, continue to show strong growth in the market for pens. Given the increasing



market penetration of pen systems and auto-injectors, there is also considerable potential for growth in the distribution of the pen needles which we produce, especially in the US market. Furthermore, some important decisions will have to be taken in the coming months in connection with the launch of new pen systems. Ypsomed is currently working on several research & development projects as well as customer projects. Customer projects relate both to existing applications and to pen systems for new drugs. In addition to reusable pen systems, these also include auto-injectors and disposable pen systems which could lead to a considerable volume of production.

### **Sustainable growth factors**

Ypsomed's strong growth in turnover is based on a wide range of innovative products. The success is driven by a number of growth factors including demographic trends and new technology, in particular biotechnology.

An ageing population and increasingly sedentary lifestyles are leading to a whole range of serious metabolic diseases, one of the best known of which is diabetes. The rapid rise of diabetes is not only taking place in industrialised countries, it is also spreading increasingly in emerging and developing countries. India, China and numerous other Asian countries are particularly hard hit and have an increasing need for insulin. The number of diabetics is increasing worldwide at a rate of around 3% a year, and growth in the insulin market stands at over 10%.

## YPSOMED WELL POSITIONED FOR GROWTH



In order to meet the growing requirements, the pharmaceuticals and biotech industries are carrying out ongoing research into new substances and are bringing new drugs into the market which can still only be administered by injection due to their molecular structure. In particular Ypsomed has profited from the great success which sanofi-aventis has enjoyed with Lantus, which has now become the world's leading long-acting insulin. In 2004 alone sanofi-aventis sales with Lantus rose by 79.7%.

In order to improve patient acceptance and therapeutic success, pharmaceutical firms are making increasing use of innovative injection systems, such as disposable and semi-disposable pens or auto-injectors. Modern, user-friendly systems such as these afford the patient greater flexibility and a better quality of life. They also encourage self-injection by the patient which is also desirable from an economic perspective in view of the increasing financial burden caused by healthcare costs. However, innovative injection systems also offer marketing advantages for pharmaceutical companies, e.g. to set them apart from their rivals or within the scope of modern lifecycle management.

### **Rapid growth brings with it a challenge**

On the whole, the Ypsomed Group is very confident about further growth in sales, and that it can further raise profitability. However, implementing the expansion plans represents a great technical and organisational challenge as well as with regard to personnel. In addition to the timely investment in complex systems, tools, machinery and automated assembly equipment, we must also integrate new parts of the organisation into existing processes. At the same time, the required human resources have to be built up further and trained. As a result, personnel recruitment will once again be an important factor during the coming business year.



However, a great deal of attention is also being given to retaining and training personnel in the future. The necessary activities are being defined and implemented and based on the needs of the individual departments in order to commit personnel on a more long-term basis. Strong growth dictates that training needs to focus on the areas of leadership and people management, work organisation and “train-the-trainers”.

Even though certain risks can never be ruled out fully, Ypsomed feels confident about its future success. The company is in an excellent position to succeed in exploiting the potential that exists for growth. The forthcoming expansion once again demands total commitment on the part of all employees, suppliers and partners. Ypsomed has repeatedly demonstrated in the past that it is capable of meeting stringent requirements and is confident that it can continue to live up to its own expectations as it moves ahead into the future.



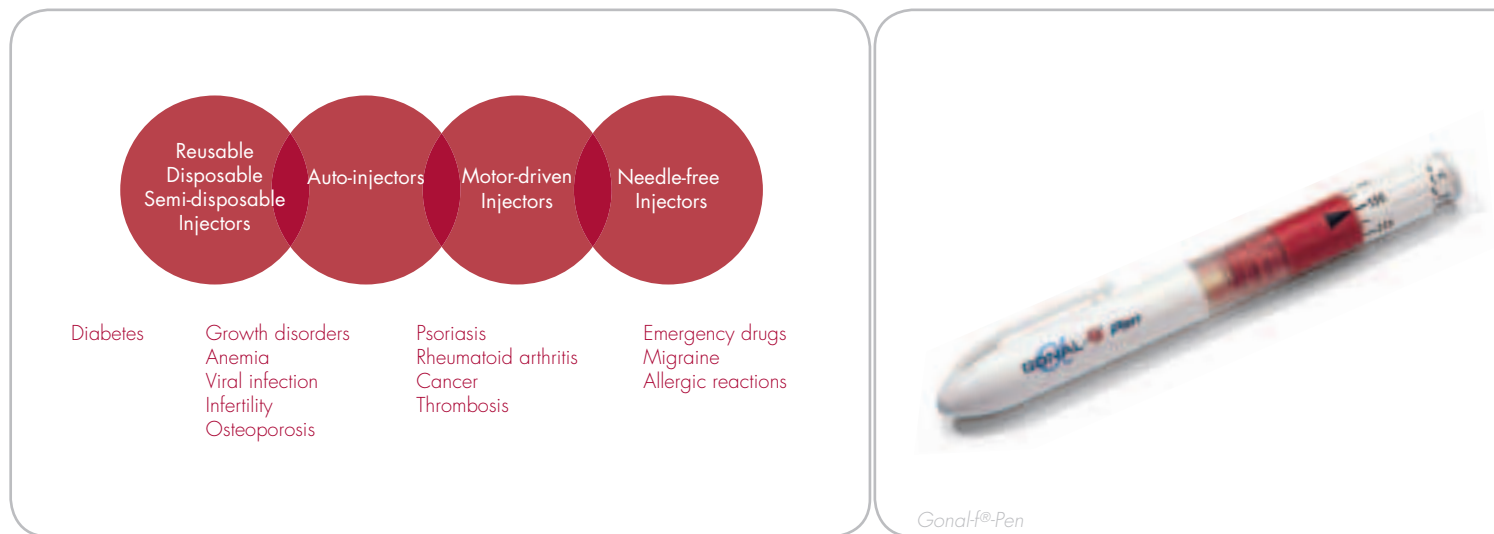
# INNOVATION



ON

**YPSOMED IS THE TECHNOLOGY LEADER IN THE AREA OF PEN SYSTEMS. A GREAT DEAL OF IMPORTANCE IS ATTACHED FROM AN EARLY STAGE TO STRATEGIC COOPERATIONS WITH PHARMA AND BIOTECH PARTNERS.**

## LEADERSHIP WITH INNOVATIVE PRODUCTS



THE TREND IS TOWARDS SELF INJECTION. WITH INNOVATIVE PEN SYSTEMS FOR NUMEROUS SORTS OF THERAPIES YPSOMED IS IN AN EXCELLENT POSITION TO MAINTAIN ITS LEADING MARKET POSITION.

### Injection systems

#### Pre-filled/disposable

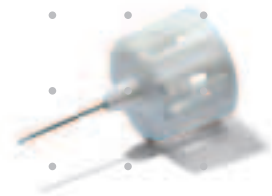
The disposable pen with its variable dosing and Dose Memory® function is disposed of once the drug reservoir is empty. The dose selection is retained following dose administration and does not need to be reset when injecting a constant dose on a regular basis. The production and assembly of disposable pens are automated.

#### Reusable pens

In reusable pens the cartridge is replaced once the drug reservoir is empty. The reusable dialling module offers an electronic display to indicate the precise dose of drug set. Two types of cartridges are used in reusable pens. Single chamber cartridges for liquid medication and dual-chamber cartridges for lyophilised preparations (powder) including the appropriate diluting solutions. The reusable dialling module has a life time of about 2 to 3 years.



OptiClik®-Pen



### Auto-injectors

In auto-injectors, the needle insertion and injection of drug is automatic. Auto-injectors therefore offer the advantage of a lowered injection barrier and higher safety features. Stored in the auto-injection cartridge the needle remains invisible before and after the injection preventing accidental or unintended injection with used needles. Auto-injectors are the device of choice for drugs in mono-dose formulation which are less frequently injected and/or do not require variable dosing. The immediate injection through application of the device on the skin also makes auto-injectors particularly appropriate for emergency drugs (migraine; anaphylactic shock).

### Main areas of application

#### Anemia (deficiency of blood)

Anemia occurs for different reasons, but essentially means that blood does not carry enough oxygen; classic symptoms are pallor, tiredness, breathlessness and palpitations (heart is beating irregularly or faster or more forcefully than it should, given the level of activity demanded of it).

### Reco®-Pen

**Customer:** Roche

**Pen:** Reusable with variable dosage

**Drug:** NeoRecormon® (Epoetin beta, EPO)

**Cartridge:** 1 ml dual-chamber cartridge with lyophilised epoetin beta, including diluting solution

**Dosing:** 25–500 µl per injection, 3 x weekly

### Diabetes

Diabetes is a chronic metabolic disorder resulting from under-production of insulin in the body or from restricted sensitivity of the body to the presence of insulin. In people with diabetes, the blood sugar is no longer absorbed from the blood cells in the requisite quantity. As a result, there is too much glucose in the blood (hyperglycaemia/excess sugar), which is then secreted in part via the kidneys. In type-1 diabetes (also known as insulin-dependent or juvenile diabetes) the body produces insufficient insulin, if any, because most or all of the insulin-producing cells in the pancreas have become damaged by a viral infection. It generally develops during a person's youth and has to be treated by administering insulin. Type-1 diabetes accounts for about 10% of all cases of diabetes and, given its clear symptoms, is generally correctly diagnosed and treated.

## LEADERSHIP WITH INNOVATIVE PRODUCTS

In type-2 diabetes (also known as non-insulin-dependent or maturity-onset diabetes), which is much more common, the pancreas produces insulin, however it does so in insufficient quantities or with insufficient effect. It is triggered, among other things, by over-eating or lack of exercise and is, therefore, commonly referred to as an illness of affluence. Type-2 diabetes is generally found in people who are over the age of 40 and who carry excess weight. It is initially treated by following a healthy diet and by taking more physical exercise. Tablets and insulin injections may be considered in later phases. According to estimates, about half of all people who currently have type-2 diabetes are unaware that they have it. If diabetes is undiagnosed or inadequately treated, this can have serious consequences for the kidneys, nerves, eyes or blood vessels.

### OptiSet®

**Customer:** sanofi-aventis

**Pen:** Disposable with variable dosage and DosisMemory® function

**Drug:** Lantus® und Insuman®

**Cartridge:** 3ml Insulin zu 100 IU/ml

**Dosing:** insulin units per injection, can be set in increments of 2 insulin units

### OptiPen® Pro

**Customer:** sanofi-aventis

**Pen:** Reusable with variable dosage and rapid resetting of the threaded rod

**Drug:** Lantus® und Insuman®

**Cartridge:** 3ml Insulin zu 100 IU/ml

**Dosing:** Two types of pens with dosage increments of 1 IU (10 µl) and 2 IU (20 µl) up to a maximum dose of 60 IU per injection

### OptiPen®

**Customer:** sanofi-aventis

**Pen:** Reusable with variable dosage

**Drug:** Lantus® und Insuman®

**Cartridge:** 3ml zu 100 IU/ml

**Dosing:** Pen with dosage increments of 1 IU (10 µl) and 2 IU (20 µl) up to a maximum dose of 60 IU per injection

### OptiClik®

**Customer:** sanofi-aventis

**Pen:** Semi-disposable, i.e. a combination of a reusable and a disposable pen.

**Drug:** Lantus® (long-acting insulin, generally given once a day)

**Cartridge:** 3 ml 100 IU/ml

**Dosing:** 1 IU bis max. 80 IU per injection

### Hepatitis C

Hepatitis is an inflammation of the liver which is caused by a virus, the hepatitis C virus (HCV).

#### Roferon®-Pen

Customer: Roche

Pen: Reusable with variable dosage

Drug: Roferon®-A (Interferon-alpha)

Cartridge: 0.6 ml ampoule

Dosing: 16,7–300,6 µl per injection

### Infertility

(Follicle Stimulating Hormone (r-hFSH)

FSH is a gonadotropic hormone (a hormone secreted by the anterior pituitary gland and placenta), which stimulates growth of specific follicles in female, and activates sperm-forming cells in male. Used for treating infertility.

#### Gonal-f®-Pen

Customer: Serono

Pen: Disposable

Drug: Gonal-f®

Cartridge: 3ml von 300, 450 oder 900 IU.

Dosing: 37.5 IU dosage increments

### Osteoporosis

An abnormal loss of bony tissue resulting in fragile porous bones most common in post-menopausal women.

#### Preos®-Pen

Customer: NPS Pharmaceuticals

Pen: Reusable

### Growth hormone therapy

In growth hormone therapies an endogenous hormone is used to treat disturbances in growth in young people.

#### Humatro-Pen®

Customer: Eli Lilly

Pen: Reusable with variable dosage

Drug: Humatrope®

(lyophilised growth hormone)

Cartridge: 3 ml

Dosing: 40–800 µl per injection

#### Genotropin®/Genotonorm® Pen

Customer: Pfizer

Pen: Reusable with variable dosage

Drug: Genotropin®/Genotonorm®

Cartridge: 1 ml dual-chamber cartridge with lyophilised Genotropin, including diluting solution

Dosing: 15–500 µl per injection

#### Nutropin AQ Pen®

Customer: Genentech

Pen: Reusable with variable dosage

Drug: Nutropin AQ®

Cartridge: 2 ml

Dosing: 20–800 µl per injection

### Pen needles

Ypsomed produces and distributes Penfine universal click/Clickfine universal and Optifine pen needles. The pen needles with the unique click-on function fit all our pens, as well as all the standard competitors' pens on the market. They are available in four different lengths: 6mm, 8mm, 10mm and 12mm.