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M E D I A   R E L E A S E

Ypsomed improves earnings margin at slightly lower revenue level

Burgdorf, 26th May 2009, 7:00am – In an economically challenging environment Ypsomed achieved solid results in the 2008/09 business year and is outstandingly positioned in the growth markets of self-medication of liquid drugs and diabetes care. Ypsomed made significant upfront investments that will lead to a considerable increase in revenues and earnings from the business year 2010/11 onwards. Furthermore Ypsomed plans a capital increase in the amount of approx. CHF 100 million.

- In the business year 2008/09 the Ypsomed Group achieved consolidated sales of CHF 272.6 million and an operating profit of CHF 30.4 million, which corresponds to an EBIT margin of 11.2%.
- Ypsomed has experienced strong sales growth with pen needles and in the diabetes direct business, but compared to the previous year overall sales were lower by 5% (-3.2% in local currencies respectively) due to lower pen volumes for Sanofi-Aventis.
- Ypsomed invested over CHF 33.4 million in proprietary and customer specific product developments as well as CHF 43.7 million in fixed assets in the business year 2008/09. In addition, Ypsomed also invested CHF 6.4 million for a 10% equity stake in Bionime Corp. (Taiwan), whose blood glucose monitoring system Ypsomed will start to distribute from May 2009 in Europe.
- At present, Ypsomed is in a build-up phase and expects a revenue growth of over 20% for the business year 2010/11 as well as a clearly increased EBIT margin for the following reasons: Ypsomed will start the distribution of the blood glucose monitoring system Pura™, which will strengthen the diabetes business; Ypsomed continues to add new production capacity for its pen needle business step by step; Ypsomed will start the production of components for the SoloStar® pen of Sanofi-Aventis by the end of 2009, and Ypsomed has attracted four important new pharma customers for its injection systems, which will probably be launched starting from the business year 2010/11 onwards.
- In a capital increase in the amount of approx. CHF 100 million, a considerable part of the existing shareholder loan provided by Dr. h.c. Willy Michel will be converted in ordinary shares, which will on the one hand further increase the equity ratio, and on the other hand secure the flexibility to independently finance the growth of the company.

Ypsomed generates sales of CHF 272.6 million
In the 2008/09 business year, Ypsomed generated consolidated sales of CHF 272.6 million. Although Ypsomed experienced strong growth with pen needles and in the diabetes direct business, the decreasing volume of Sanofi-Aventis pens could only partially be compensated, as previously communicated. Moreover, consolidated sales were around CHF 5.0 million lower due to foreign currency effects from the pen needle and diabetes direct business, with the result that

Group sales overall were some 5% below last year's level (-3.2% in local currencies). In the Delivery Devices segment, Ypsomed achieved sales of CHF 209.0 million with injection systems and pen needles and revenues of CHF 63.6 million in the diabetes direct business, which equals to a sales increase of 7.7% in the diabetes direct business.

Ypsomed improves operating profit margin at EBIT level from 10.8% to 11.2%
In the 2008/09 business year, Ypsomed generated a gross profit of CHF 84.0 million, an operating profit before interest, taxes, depreciation and amortization (EBITDA) of CHF 56.5 million and an operating profit (EBIT) of CHF 30.4 million. Despite a slight decline in sales Ypsomed thus achieved the previous year's values at the EBIT and EBITDA level and increased the profitability margin from 19.2% to 20.7% at EBITDA level, and from 10.8% to 11.2% at EBIT level. Not taking into account the preparation cost for the new injection systems (e.g. for SoloStar®) and for the launch of the new blood glucose monitoring system amounting to CHF 2.6 million as well as excluding non-recurring bad debt losses of CHF 1.8 million from the pen needle business, the profitability of Ypsomed would have been significantly higher in the 2008/09 business year, with an EBITDA margin of 22.3% and an EBIT margin of 12.8%.

Ypsomed reaches consolidated net profit of CHF 26.2 million – Par value repayment of CHF 0.60 per share
In the 2008/09 business year, Ypsomed achieved a consolidated net profit of CHF 26.2 million, equating to a net profit per share of CHF 2.33 based on 11 244 213 shares issued. Return on sales reached 9.6% and despite lower sales improved by 0.4% compared to the previous year, although unrealized exchange losses of CHF 3.4 million reduced the consolidated net profit after tax. Compared to the previous year, Ypsomed benefited from a positive tax effect from the treatment of loss carry-forwards of its subsidiaries. At the General Meeting of Shareholders to be held in Bern on June 24, 2009, Ypsomed will propose a repayment of par value in place of a dividend, providing tax-free earnings for certain private individuals. The repayment of par value should amount to CHF 0.60 per registered Ypsomed share.

Ypsomed increases research and development expenditure to CHF 33.4 million and invests CHF 43.7 million in fixed assets
Expenditure on research and development increased during the last business year to CHF 33.4 million and was thereby 6.9% higher than the previous year's CHF 31.2 million. The growing number of projects for pharmaceutical customers is reflected in a rise in customer payments for development services by 52% from CHF 6.4 million to CHF 9.7 million. In the 2008/09 business year, Ypsomed made investments in tangible assets totalling CHF 43.7 million, 2.2% more than the previous year's figure of CHF 42.7 million. Most of the investments went into setting up production for the new pen needle and safety pen needle as well as for the production of new injection systems, in particular the production of components for the SoloStar® disposable pen from Sanofi-Aventis. In addition, Ypsomed invested in the renovation and expansion of existing infrastructure and buildings. These investments not only allowed Ypsomed to improve operating processes, through the commissioning of the new Buchmatt logistics and production site in Burgdorf among other things, but also to make a contribution to the reduction of energy costs through environmentally-sound renovations. Ypsomed increased the cash flow from operating activities before changes in net current assets in the 2008/09 business year to CHF 57.3 million and therefore was able to completely cover the cash flow for investments in tangible assets and the participation in Bionime Corp. as well as the acquisitions in the diabetes direct business in the total amount of CHF 49.6 million.

Ypsomed with solid financing increases the equity ratio from 65.4% to 69.1%
Ypsomed's consolidated balance sheet reported equity of CHF 437.0 million as of March 31, 2009, corresponding to an equity ratio of 69.1%. Compared with the previous year, Ypsomed's equity ratio thus improved by 3.7%. Ypsomed continues to have very solid financing, with over CHF 11.3 million of cash and cash equivalents and marketable securities available as well as unused credit limits of CHF 30 million with banks. Ypsomed did not report any bank debts as of March 31, 2009, and has reduced the shareholder loan from Dr. h.c. Willy Michel by a further CHF 20.0 million to CHF 140.0 million.

Capital increase to further improve the equity ratio and secure the financing of the anticipated growth

Ypsomed wants to further increase the equity ratio of the Group by a capital increase of approx. CHF 100 million, in which all existing shareholders are offered subscription rights. A part of the existing shareholder loan will be converted into new shares and all existing shareholders in the free float will be able to subscribe to new shares, thereby securing the financing of a possible increase in the stake in Bionime, the imminent market development for the new blood glucose monitoring system and high upfront investments in setting up production for new injection systems. Chairman Dr. h.c. Willy Michel states: “I am personally and very strongly convinced about the excellent future growth prospects of Ypsomed and I therefore commit upfront to buy all non-subscribed shares.” The shareholder loan outstanding after this process has been extended on a long-term basis. The transaction will most probably take place immediately after the General Meeting of Shareholders on June 24, 2009. The subscription price will be set at a discount of 2 – 3% to prevailing market conditions at the end of the subscription period, which will probably last from 25th June to 3rd July 2009. The new shares will be eligible for the par value repayment scheduled for September 2009. Full information concerning the capital increase will be published after the General Meeting of Shareholders.

Ypsomed has excellent growth prospects

Ypsomed is very well positioned in the attractive growth markets of self-medication and diabetes care and benefits from a high level of growing demand for pen systems, pen needles and diabetes care products, not least due to demographic developments and a worldwide change in our way of living. CEO Richard Fritschi explains: “Patients’ needs for self-injection systems for liquid drugs and other diabetes care products are independent from economical cycles. Furthermore, the costs are predominantly fully reimbursed by health insurance providers. Ypsomed can build on long-term and very long-lasting relationships between customer and supplier. Thanks to our innovative technology platforms we have successfully attracted four new important pharma customers in the last business year and we are currently in the evaluation phase for over a dozen potential projects.”

Outlook

At present, Ypsomed is in a challenging build-up phase in order to fully exploit the excellent opportunities for growth. For the business year 2009/10, Ypsomed is expecting a single digit percentage increase in sales combined with a slightly lower EBIT margin due to the cost for the market launch of the new Pura™ blood glucose monitoring system in Europe and because of additional costs for set-up of the production for new injection systems, which will only start to generate revenues within the 2010/11 business year. Ypsomed plans investments in the ongoing business year of around CHF 40 million. Chairman Dr. h.c. Willy Michel is confident: “In the 2010/11 business year, Ypsomed expects a significant jump in sales of over 20%. Profitability should also substantially increase and the EBIT margin should increase again over 15% within the next few years.” Our high level of confidence is based on the start of production of components for the Sanofi-Aventis SoloStar® pen at the end of 2009, higher expected sales from the pen needles business and the sale of blood glucose monitoring systems in Europe as well as the planned launch of several injection systems based on our own technology platforms by new pharma customers as from the 2010/11 business year.”

Further information is available from Daniel Kusio, Head of Investor & Public Relations at Ypsomed Holding AG. Tel. +41 34 424 41 43 or Tel. +41 34 424 41 11. This press release, the annual report 2008/09 and the presentation as well as additional information are available in electronic form at www.ypsomed.com.

Key figures of the Ypsomed Group (April 1 – March 31)

	2008/09	2007/08	Change	in %
Sales of goods and services	272'580	287'468	-14'888	-5.2
thereof Delivery Devices	209'007	228'423	-19'416	-8.5
thereof Diabetes Direct Business	63'573	59'045	4'528	7.7
Gross profit	84'001	90'197	-6'196	-6.9
Gross profit in %	30.8%	31.4%		
Operating profit	30'426	30'976	-550	-1.8
Operating profit in %	11.2%	10.8%		
Net profit	26'166	26'583	-417	-1.6
Net profit in %	9.6%	9.2%		
Earnings per share (in CHF)	2.33	2.37	-0.04	-1.6
Research and development expenditures total	33'399	31'241	2'158	6.9
Investments in fixed assets	43'698	42'741	957	2.2
Equity ratio in %	69.1%	65.4%		
Employee headcount (as of 31st March)	1'209	1'210	-1	-0.1
Employees fulltime equivalents (as of 31 st March)	1'153	1'150	3	0.2

Audited IFRS figures. In thousand CHF. Earnings per share in CHF

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