
P R E S S R E L E A S E

Ypsomed improves profitability – promising prospects for growth

Burgdorf, 6th November 2008, 7:00am – Ypsomed benefits from the growth dynamics in drug self-administration, diabetes and insulin. Ypsomed has made a very good start into the 2008/09 business year and is able to present positive results for the first semester:

- Total sales of the Ypsomed group reached CHF 138.2 million in the first half year and the operating profit CHF 16.2 million, which equates to a 2.2 percentage point improvement in the EBIT margin to 11.7%.
- Compared with the same period in the previous year sales increased by 2.8 %, operating profit (EBIT) by 26.9% and consolidated profit by 19.6%. The gross margin improved by 2.4 percentage points from 29.5% to 31.9%.
- The Diabetes business will be strengthened with a distribution agreement for blood glucose monitoring systems from Bionime in Europe from spring 2009. Ypsomed further intends to acquire a 10 % equity stake in Bionime Corp. (Taiwan) for a consideration of approx. CHF 6.5 million.
- Outlook: Ypsomed confirms the guidance and expects a sales growth rate of over 20% in the 2010/11 business year for the following reasons:
 - Ypsomed signed several important new contracts with pharmaceutical customers for injection systems partially for large volumes expected to be launched in the 2010/11 business year;
 - In 2010 Ypsomed will manufacture the SoloStar[®] disposable pen for the successful long-acting insulin Lantus[®] from Sanofi-Aventis;
 - Ypsomed is gradually increasing the production capacity for pen needles;
 - Ypsomed will continuously increase sales with blood glucose monitoring systems and will presumably launch the continuous injection device for insulin in the second half of the 2010/11 business year.

Distribution of blood glucose monitoring systems will strengthen Ypsomed's diabetes business

Ypsomed will strengthen the diabetes business with the distribution of blood glucose monitoring systems in Europe from spring 2009. The systems for the self-monitoring of blood glucose levels manufactured by Bionime will extend the existing diabetes product range offered by Ypsomed's European subsidiaries. CEO Richard Fritschi comments enthusiastically: „With the investment in Bionime, Ypsomed is emphasising the close partnership in the area of blood glucose monitoring systems in Europe on one hand; on the other hand, there are options for future collaboration with Bionime both as a production partner in Asia and as a platform for the distribution of Ypsomed pen needles in Asia and Eastern Europe.“ Bionime's chairman Roy Huang explains, why Bionime wants to partner with Ypsomed: “Ypsomed has a strong market presence in the diabetes business in Europe and direct customer access as well as a high level of expertise and a track record of many years.” The blood glucose monitoring systems manufactured by Bionime are based on patented and advanced technology, allowing precise and reliable measurements based on cost-efficient production. Bionime was established in 2002; it has its headquarters in Taiwan and sites in Switzerland, the People's Republic of China and the

USA and has approximately 360 employees. The company launched its blood glucose monitoring system successfully in 2005, is already profitable and is currently privately owned. Ypsomed intends to acquire a 10% equity stake in Bionime Corp., Taichung, for approximately CHF 6.5 million.

Two acquisitions in the diabetes direct business strengthen market position in Germany

In the first half of the 2008/09 business year, Ypsomed has significantly grown in the diabetes direct business through its 100% subsidiary DiaExpert with over 33.6%, both organically and through the acquisition of Florian Müller last year. In asset-based deals, Sanitavital and Medizin Service Flemming – two of DiaExpert's competitors in Germany – will be acquired by the end of 2008. The two acquisitions will strengthen Ypsomed's market position in the diabetes direct business.

Ypsomed acquires important customer projects – Significant investments in innovation

Chairman Dr. h.c. Willy Michel is convinced about Ypsomed's strategy: „The strategic decision taken about four years ago to develop the Ypsomed technology platforms at the company's risk and expense is now paying off: in the past half year, Ypsomed signed several new contracts with leading pharmaceutical companies for injection systems and Ypsomed is in the evaluation for 10 major client projects“. For reasons of confidentiality, Ypsomed is unable to disclose the names of the customers and the areas of application at the moment. The new injection systems are both for drugs which are already on the market and for drugs still going through the approval process. The anticipated production volumes will be substantial but will be dependent on the timing of the approvals and precise market launch of the drugs. The foundations for Ypsomed's success are continuous investments in innovation and a strong research and development. Research & development spending remained high in the first half, with a total of CHF 18.1 million or 13.1% of sales. Ypsomed currently has approximately 250 patent families and has actively continued negotiations with regard to the use of non-exclusive licence rights for Ypsomed patents. Ypsomed has successfully negotiated another contract, which was recently signed.

Innovative technology platforms enhance the leading position

CEO Richard Fritschi wants to further expand Ypsomed's leading position: „Whenever pharmaceutical companies consider the use of injection systems for the user-friendly, precise and safe administration of their liquid drugs, they always talk to Ypsomed. As the world's leading independent developer and manufacturer of injection systems, Ypsomed has an impressive track record with some 25 years' experience and a broad and highly developed product range thanks to its new technology platforms.“ Ypsomed can offer pharmaceutical customers various reusable pens, disposable pens or auto-injectors with different functionalities such as fixed and variable delivery quantities, combined with single or multiple dosages.

Pharmaceutical companies seek to differentiate themselves via injection systems – Ypsomed convinces in handling studies

Pharmaceutical and biotech companies not only use injection systems for their innovative biotech-based liquid drugs but also increasingly for biosimilars and generics. Since the patents for various major drugs have already expired or will do so shortly, competition in the pharmaceutical industry is strongly increasing. If the effects of the drugs are virtually the same, pharmaceutical and generic companies have to differentiate themselves via innovative, user-friendly injection systems if they wish to avoid losing market share. Customer expectations have also changed. Previously patients were satisfied with pre-filled disposable syringes or vials but today they expect user-friendly, simple, safe pen systems or auto-injectors. Ypsomed offers its customers prototypes for handling studies based on its own technology platforms. In a recent handling and comparative study, 9 out of 10 patients preferred the Ypsomed pen system, which led the pharma customer to choose Ypsomed as a supplier.

Ypsomed teams up with an additional distributor in the USA for pen needles

Sales of pen needles also developed positively in the first half of 2008/09, allowing Ypsomed to outperform the market in terms of growth. Particularly pleasing was the fact to acquire the third largest retailer in the USA, with approximately 2500 pharmacies, as a new distributor for Ypsomed's patented pen needles. Expansion of the company's additional production capacity in Switzerland is still ongoing and is a few months behind the original schedule due to problems with a subcontractor.

Sales increased by 2.8% to CHF 138.2 million

With consolidated sales of CHF 138.2 million, Ypsomed has achieved its target following the first six months of the 2008/09 business year, up 2.8% on the same period in the previous year. Sales in the Delivery Devices segment, which includes pen needles, amounted to CHF 105.8 million. The lower sales with pen systems for Sanofi-Aventis could only partially be compensated. Co-operation with our main customer Sanofi-Aventis is today very good at all levels. Orders for Ypsomed's pen systems such as the OptiSet® for the 2009 calendar years are slightly higher than previously expected. In addition, the start of the production of the SoloStar® pen for Sanofi-Aventis' successful insulin Lantus® is scheduled for the end of the 2009 calendar year. In the Diabetes Direct business, the acquisition of Florian Müller on 27 July 2007 had a positive impact. Sales increased by 33.6% to CHF 32.4 million (+36.5% in local currency).

Considerable improvement in the gross margin to 31.9%

The operational measures to improve processes and reduce costs continue to have an impact: the gross margin improved clearly from 29.5% to 31.9% in the first half of the 2008/09 business year. Administration costs were further reduced. With 1 213 employees as per 30 September 2008, the workforce remained unchanged. At CHF 14.0 million, expenditures on marketing and sales included the one-off loss of receivables of CHF 1.3 million and consequently only increased in line with the higher sales in the diabetes direct business. Research & development spending also remained high in the first half, with a total of CHF 18.1 million or 13.1% of sales. Of this figure, CHF 8.1 million was capitalised in accordance with accounting standards for in-house developments, such as the continuous injection device, the safety pen needle and, for the first time, for the new servo-pen for insulin administration. Payments by customers for development services rose to CHF 5.1 million in the first half year.

Operating profit margin increased to 11.7%

Thanks to the operational improvements, both EBITDA and EBIT improved in the first half of 2008/09. Compared to the same period in the previous year, EBITDA improved from CHF 24.3 million to CHF 27.0 million, which equates to an EBITA margin of 19.5%. Operating profit (EBIT) increased by 26.9% from CHF 12.7 million to CHF 16.2 million. Compared to the same period in the previous year, the EBIT margin improved by 220 basis points from 9.5% to 11.7%. Without the bad debt loss, the EBIT margin in the first half of 2008/09 would have been 1.0% higher.

Ypsomed invests in capacity expansion

Investments in fixed assets totalled CHF 20.4 million in the first half of the 2008/09 business year and were primarily focused on the expansion of pen needle production, the industrialization of customer projects and on adjustments to the logistics and production infrastructure. Ypsomed expects a total of CHF 35 to 40 million in capital investments for the 2008/09 business year.

A further increase in equity – sound financing

In the first half of 2008/09, Ypsomed's balance sheet improved further. The equity increased compared with the same period in the previous year by CHF 5.6% to CHF 424.4 million, which equates to an equity ratio of 68.3% by September 30, 2008. Ypsomed has no bank debt and the shareholder loan by Dr. h.c. Willy Michel was reduced again by an additional CHF 20 million to CHF 140 million.

New management for Marketing & Sales

Detlef Jantos, member of the management of Ypsomed and responsible for Marketing & Sales, will be leaving Ypsomed at the end of 2008 for family reasons, and will take on a new management position with a medical technology company near his home in Munich. Ypsomed regrets his decision but would like to take this opportunity to thank him for his valuable and successful work for over 8 years in developing Marketing & Sales – in particular the European subsidiary companies and DiaExpert. The Marketing & Sales responsibility, which has been managed to date by Detlef Jantos, will be divided into Marketing & Sales for pen systems and needles, located in Burgdorf, and the European subsidiaries and the diabetes direct business managed from Liederbach (Germany). From today, responsibility for Marketing & Sales of pen systems and needles will be assumed by Simon Michel, in addition to his current role heading Infusion Business. Responsibility for Marketing & Sales in the diabetes direct business and for the European subsidiaries will remain with Dr. Jörg Markus Paul.

Simon Michel and Dr. Jörg Markus Paul will both be appointed members of the executive management team and will report directly to CEO Richard Fritschi.

Outlook: attractive prospects and great confidence

As the figures demonstrate, Ypsomed's operating performance is significantly better, the quality of its products and its business processes have improved and the costs have been reduced as targeted. For the 2008/09 business year the previous guidance can be confirmed with sales expected at the prior year's level and a slightly improved EBIT margin. For the 2009/10 business year, Ypsomed is currently expecting sales growth in the moderate single digits. A significant jump in sales with a sales growth rate of over 20% is to be expected in the 2010/11 business year. Chairman Dr. h.c. Willy Michel explains the reasons for the anticipated growth: „The growth drivers lie in the start of the production of the SoloStar® pen, the planned launch of several injection systems based on our own technology platforms by new pharmaceutical customers, increased pen needle sales as well as in increasing revenues from the blood glucose monitoring system business and the anticipated start of the distribution of Ypsomed's continuous injection device in selected European countries within the second half of the 2010/11 business year.” In the next 18 months, the management of Ypsomed will make active preparations for this period of rapid growth. In addition to keeping a tight rein on important development and industrialization projects, the focus will be on product quality and the stability of business processes. Ypsomed is active in fast growing markets with its injection systems, pen needles, blood glucose monitoring systems and diabetes direct business and is therefore very confident that it will be able to benefit to an above average degree from this growth in future. Ypsomed is innovative, financially sound and offers promising perspectives both for employees and for shareholders.

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 semi-annual report and additional information are available in electronic form at www.ypsomed.com.

Key figures of the Ypsomed Group (April 1 – September 30)

	H1 2008/09	H1 2007/08	Change	in %
Sales of goods and services	138'228	134'510	3'718	2.8
thereof Delivery Devices	105'791	110'224	-4'433	-4.0
thereof Diabetes Direct Business	32'437	24'286	8'151	33.6
Gross profit	44'070	39'642	4'428	11.2
Gross profit in %	31.9%	29.5%		
Operating profit	16'172	12'740	3'432	26.9
Operating profit in %	11.7%	9.5%		
Net profit	13'626	11'396	2'230	19.6
Net profit in %	9.9%	8.5%		
Earnings per share (in CHF)	1.21	1.01	0.20	20.2
Research and development expenditures total	18'127	14'944	3'183	21.3
Investments in fixed assets	20'359	16'134	4'225	26.2
Equity ratio in %	68.3%	64.7%		
Employee headcount (as of September 30)	1'213	1'214	-1	-0.1
Employees fulltime equivalents (as of September 30)	1'158	1'165	-7	-0.6

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