



## Letter to Ypsomed's shareholders

### Expectations exceeded

Dear shareholders

In the first half of the 2013/14 business year, the Ypsomed Group generated total consolidated sales of CHF 131.5 million, up by some CHF 11.7 million on the same period in the previous year (CHF 119.7 million). We are delighted that, over the first six months of the 2013/14 business year, we managed to push up sales of goods and services by 10% on the corresponding period of the previous year and improve profitability by an even greater margin. Operating profit rose by 90% from CHF 2.4 million to CHF 4.6 million over the first half of the 2013/14 business year, while net profit grew by as much as 125%, up from CHF 2.0 million to CHF 4.6 million.

#### Diabetes Direct business segment returns to profitability after investment phase

In our Diabetes Direct business, we increased sales from CHF 42.7 million to CHF 55.3 million, a rise of 30% on the previous year. Significant demand for the tubing-free insulin

pump mylife™ OmniPod® proved the main driving force behind this growth: up by 117%, sales more than doubled on the same period of the previous year. However, a rise in sales of 24% and 8% enjoyed by blood glucose meters and the diabetes specialist retailer DiaExpert respectively also contributed to this growth. The improved profitability in the Diabetes Direct business segment has been very pleasing, with operating profit (EBIT) positive for the first time since the launch of the diversification strategy and the expansion of diabetes care. In the corresponding period last year, Ypsomed had not yet broken even in this segment, posting an operating loss of CHF –2.5 million; this contrasts with the operating profit of CHF 1.2 million for the first half of the 2013/14 business year. Strong sales growth and better purchasing terms more than made up for slightly higher marketing and sales overheads. Many years of investment in building up the Diabetes Direct business are beginning to pay off.

#### Customers to launch new pen systems in the Delivery Devices segment

In the Delivery Devices segment, Ypsomed achieved sales of CHF 68.4 million in the first half of the 2013/14 business year, as against CHF 69.1 million in the same period in the

### Ypsomed key figures at a glance

In thousand CHF Unaudited Swiss GAAP FER figures	April 1, 2013 – Sept. 30, 2013	April 1, 2012 – Sept. 30, 2012	Change	in %
<b>Sales of goods and services</b>	<b>131 473</b>	<b>119 745</b>	<b>11 727</b>	<b>9.8%</b>
thereof Delivery Devices*	68 415	69 115	–700	–1.0%
thereof Diabetes Direct Business*	55 322	42 695	12 628	29.6%
thereof Others*	7 736	7 936	–200	–2.5%
<b>Gross profit</b>	<b>30 646</b>	<b>27 360</b>	<b>3 286</b>	<b>12.0%</b>
<b>Gross profit in %</b>	<b>23.3%</b>	<b>22.8%</b>		
<b>Operating profit</b>	<b>4 644</b>	<b>2 429</b>	<b>2 215</b>	<b>91.2%</b>
<b>Operating profit in %</b>	<b>3.5%</b>	<b>2.0%</b>		
<b>Net profit</b>	<b>4 600</b>	<b>2 037</b>	<b>2 563</b>	<b>125.8%</b>
<b>Net profit in %</b>	<b>3.5%</b>	<b>1.7%</b>		
<b>Earnings per share (in CHF)</b>	<b>0.36</b>	<b>0.16</b>	<b>0.20</b>	<b>125.0%</b>
<b>Research and development expenditures, total</b>	<b>11 223</b>	<b>10 240</b>	<b>983</b>	<b>9.6%</b>
<b>Investments in fixed assets</b>	<b>10 146</b>	<b>8 126</b>	<b>2 020</b>	<b>24.9%</b>
<b>Equity ratio in %</b>	<b>62.9%</b>	<b>63.6%</b>		
<b>Employee headcount (as of September 30)</b>	<b>989</b>	<b>1 020</b>	<b>–31</b>	<b>–3.0%</b>
<b>Employees fulltime equivalents (as of September 30)</b>	<b>948</b>	<b>974</b>	<b>–26</b>	<b>–2.7%</b>

\*The segment Delivery Devices comprises the product groups pen systems, pen needles, infusionsets and other injection moldings produced by Ypsomed. The business segment Diabetes Direct Business covers the direct trade in a range of diabetes articles. Segment Others contains the business segment Precision turned parts and real estate currently not used for operational purposes.

## Letter to Ypsomed's shareholders

previous year. At CHF 3.9 million, operating profit was down on the previous year's figure of CHF 5.7 million. The segment result was adversely affected by the product mix and the additional costs incurred in relocating pen needle production from Burgdorf to Solothurn. As you will read over the next few pages, sales and profitability in the Delivery Devices segment are set to increase in the future thanks to newly launched pen systems and a raft of customer inquiries and projects. This will be achieved through greater capacity utilization of the existing infrastructure and a more profitable product mix.

### **Positive market trends expected in the Others segment**

Despite a fall in Ypsotec's sales from CHF 7.9 million to CHF 7.7 million, we reduced the operating loss by CHF 0.3 million to CHF –0.5 million in the first half of the 2013/14 business year. Positive signals from the market and efficiency savings in production should help us return to profitability in the future.

### **Ypsomed increases cash flow from operating activities and invests further in expanding its production capacities**

In the first half of the 2013/14 business year, Ypsomed's cash flow from operating activities rose by 136% year-on-year from CHF 8.8 million to CHF 20.8 million, mainly thanks to improved profitability and a reduction in inventories. These were lower because the back-up stock that had been built up for the relocation of needle production with effect from March 31, 2013, has now been reduced to a normal level. Ypsomed invested CHF 15.4 million in total during the period under review, as against CHF 12.8 million in the corresponding period of the previous year. Of this amount, about 66% (CHF 10.1 million) were invested in fixed assets, primarily new equipment such as automatic pen assembly machines and injection molding tools. These investments were made in light of the increase in customer inquiries and projects. The remaining 34% (around CHF 5.3 million) were invested in intangible assets, mainly in developing our own insulin pump, the mylife™ YpsoPump®. Ypsomed generated positive free cash flow of CHF 5.8 million during the period under review, which is vital for securing long-term business development.

Taking into account the dividend of CHF 2.5 million paid out in July and the increase in current borrowings, Ypsomed generated cash flow of CHF 5.3 million in the first half of the 2013/14 business year, some 50% higher than in the same period last year.

With a high equity ratio of 63%, Ypsomed remains on a very firm financial footing. The current shareholder loan of

CHF 20.0 million is to remain unchanged as major shareholder Willy Michel has waived an annual repayment of CHF 5.0 million, as he did last year and will do again for the next business year. The intention is for the Ypsomed Group to remain under independent, entrepreneurially driven management in the future too.

### **Net profit more than doubled**

At CHF 1.9 million, financial income was up by CHF 1.0 million year-on-year due to the reversal of a value adjustment in the amount of CHF 1.0 million relating to the stake in Bionime Corp. Financial expenses increased to CHF 1.5 million in the first half of the 2013/14 business year, as against CHF 1.0 million in the same period last year. This was mainly due to currency effects and slightly higher financial liabilities. Overall, net profit more than doubled in the first half of the 2013/14 business year and amounts to CHF 0.36 based on the average number of registered shares in issue (previous year: CHF 0.16).

*“The positive trend in the financial figures has endorsed our strategy and entrepreneurial approach. No less important is the fact that we believe Ypsomed to be ideally equipped for the future and are anticipating profitable growth.”*

## Excellent foundations for profitable growth

Ypsomed is ideally equipped for the future, and we are anticipating profitable growth for the following reasons:

### **An attractive pipeline with a large number of projects for new injection systems**

Ypsomed's platforms offer pharmaceutical customers a wide range of user-friendly injection systems at competitive prices. The increase in inquiries from customers worldwide and the many development and industrialization projects currently in progress are very promising. From next year onward, we expect to see the market launch of large numbers of pen systems that Ypsomed has developed and manufactured, particularly for insulin, GLP-1, biosimilars and new liquid drugs. Of course, regulatory framework conditions play an important role in the introduction of injection systems and Ypsomed

cannot influence these directly. We are nonetheless confident that we will expand our customer base significantly over the next two years.

### **Increasing demand for insulin pens and pen needles**

The sharp global increase in diabetes is well-known. The International Diabetes Federation expressly recommends intensive insulin therapy as the optimum form of diabetes treatment. Ypsomed is benefiting from this significant increase in the number of diabetics who self-administer insulin and increasingly use injection systems and pen needles to do so. Demand for both reusable and disposable pens is increasing all over the world. As a result of recent major investments, Ypsomed has the necessary production capacity to manufacture injection systems and pen needles.

### **Established mylife™ Diabetescare business sector with further potential for growth**

Thanks to its diabetes expertise, acknowledged for decades across the industry, Ypsomed has built up a second key pillar in diabetes care in recent years in the form of mylife™ Diabetescare. Today, Ypsomed has a presence in more than 50 countries via its own subsidiaries in Europe and India and partnerships with distributors, and, in addition to pen needles and infusion sets, it also sells blood glucose meters and the mylife™ OmniPod® tubing-less insulin pump. Ypsomed is delighted with the success of mylife™ OmniPod® and sees further growth potential both in existing markets and also from launching it in new countries. In future, Ypsomed will focus on its own mylife™ product range and will divest DiaExpert, the specialist diabetes retailer. We set the process for this in motion in May 2013.

### **Back to our roots with the new Ypsomed insulin pump**

One important success factor for Ypsomed's future is the mylife™ YpsoPump®, developed in-house, which will be launched in its first markets from the end of 2014. Ypsomed will manufacture the new insulin pump itself, marking a firm return to its successful roots as Disetronic.

### **Increasing profitability**

We have rigorously implemented operational cost savings and optimized our production processes, for example by centralizing pen needle production in Solothurn. At the same time, we have invested in expanding our capacity, which we will now be utilizing to the full.

### **Outlook**

The growth in sales in the mylife™ Diabetescare business and the completed and forthcoming pen system launches in various markets give us great confidence, allowing us to give the following forecast for the 2013/14 financial year: We anticipate sales growth of almost 10% and expect earnings before interest and taxes (EBIT) of about CHF 10 million.

We wish to thank you, our valued shareholders, for your confidence in us.



**Dr. h. c. Willy Michel**

Chief Executive Officer  
and Chairman of the Board of Directors



**Simon Michel**

Senior Vice President  
Marketing & Sales

## Ypsomed Delivery Systems

### Ypsomed Delivery Systems booming

This can be seen from the large number of new inquiries and concrete projects with customers for Ypsomed injection systems and from the market launches of Ypsomed pen systems by pharmaceutical customers scheduled for the next 12 to 24 months. The first six months of the 2013/14 business year alone saw the market launch of new insulin pens by Lupin Ltd. in India, by Tonghua Dongbao Pharmaceutical Co., Ltd. in the People's Republic of China and by MJ Biopharm/Bioswiss in South Africa.

### Ypsomed continues to expand its partnership in China

In September 2013, Ypsomed announced that its longstanding partner and pharmaceutical customer, Tonghua Dongbao Pharmaceutical Co., Ltd., had launched a new pen system for insulin in the Chinese market. The Sulin Pen is a low-cost, reusable pen based on the YpsoPen® technology platform. The Sulin Pen is the fourth pen system to be supplied to Tonghua Dongbao Pharmaceutical Co., Ltd. by Ypsomed and the Chinese company will use it to gain further market shares in China. The attractively priced Sulin Pen is ideally suited for tapping into rural areas with lower purchasing power. The new Sulin Pen thus complements the Gansulin Pen, also developed by Ypsomed, which has been on the market for several years and is very popular as a premium product, particularly in the cities of the People's Republic of China.

*“As one of the leading local insulin manufacturers, Tonghua Dongbao Pharmaceutical Co., Ltd. trusts the quality and reliability of Ypsomed’s pen systems and sees them as a key factor in its own market success over the past ten years in China.”*

### Ypsomed launches its first ServoPen® in India

The Ypsomed project team customized a new version of the ServoPen® technology platform in a record time of just four and a half months, so that the first production batches were ready for delivery at the beginning of the financial year. Lupin Ltd., Ypsomed’s new customer in India, is the country’s third-largest pharmaceutical company and a world leader in the manufacture of generic drugs.

Thanks to Ypsomed’s speedy development and production, Lupin Ltd. was able to bring the Lupisulin Pen for the administration of Lupin’s human insulin, Lupisulin, to the Indian market as early as May of this year. Today, more than 51 million people in India have diabetes and their number is rising sharply. Experts are forecasting an increase to about 85 million diabetics by 2030.

### New projects and orders won

In the first six months of the 2013/14 business year, Ypsomed was successful in acquiring a significant number of new customer projects for injection systems. Numerous inquiries from pharmaceutical customers all over the world have resulted in projects relating to alternative versions, development and industrialization in both Burgdorf and Solothurn. The interest in Ypsomed’s injection systems comes from major pharmaceutical groups with a global reach, from smaller biotech companies looking for marketing partners during their clinical trials, and from regional pharmaceutical manufacturers in newly industrialized countries. Blockbuster drugs whose patents are expiring are seeing competition from generic and biosimilar products. Successor products or new original products are also entering advanced clinical phases. In these markets, Ypsomed offers pharmaceutical customers the opportunity to complement their product with a tried-and-tested, robust and user-friendly injection system.

*“The pharmaceutical industry is experiencing major changes and is increasingly using modern pen systems and autoinjectors both for new original products and for biosimilars.”*

## Attractive and broadly diversified pipeline

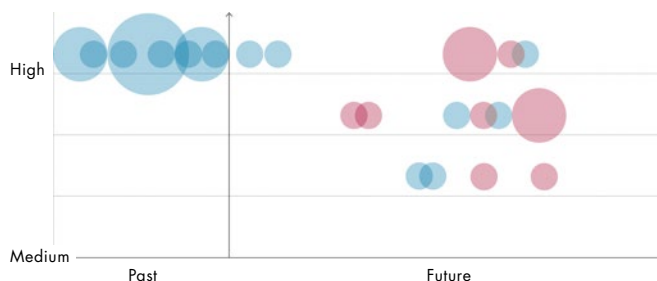
Ypsomed is currently working on a large number of projects for new injection systems. In the field of reusable pen systems, Ypsomed offers a premium product in the spring-driven ServoPen® and a modern pen for price-sensitive markets in the YpsoPen®. As can be seen in the schematic, a total of sixteen customer requests for reusable pen systems are in the pipeline, six of which are highly likely to be launched onto the market. Two customers are about to launch new insulin pens in high-growth, newly industrialized countries. The YpsoPen® and the ServoPen® are ideally suited for the administration of insulin as well as other drugs such as growth and parathyroid hormones.

In terms of the disposable pens, pharmaceutical customers are interested in the sophisticated UnoPen™ and the unique, patented LyoTwist™ Pen, which is used in combination with dual chamber cartridges. Twelve customer requests are currently in the pipeline, of which five are highly likely to be brought to the market. We are particularly pleased that two of these customers have above-average sales potential.

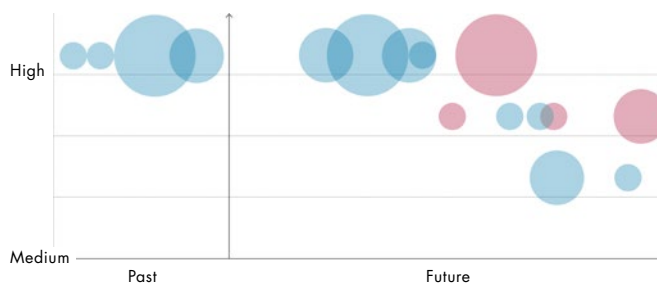
In the field of autoinjectors, Ypsomed offers disposable, single-use autoinjectors for prefilled syringes made of glass or plastic in the YpsoMate™ and YpsoMate™ Control. A total of eight autoinjector requests and projects are in the pipeline, with market introduction scheduled for the medium term. Several YpsoMate™ customers are currently conducting handling studies and a number of clinical trials are being planned.

*“Ypsomed currently has a large number of customer requests and projects in the pipeline, many of them with a fixed timescale for market launch and some with major sales potential for the future.”*

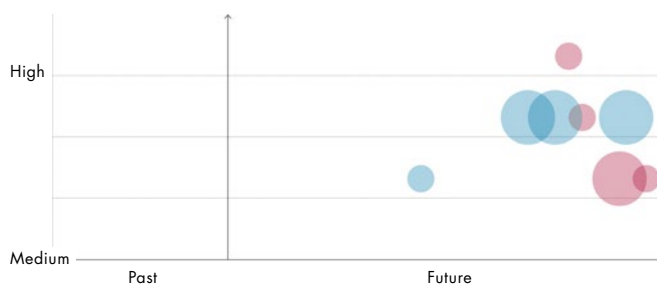
### Reusable injection systems



### Disposable injection systems



### Autoinjectors



Original products  
Generic drugs/biosimilars

## mylife™ Diabetescare

### mylife™ OmniPod® sales continue to grow

As stated above, in the first six months of the 2013/14 financial year Ypsomed has once again managed to achieve a major increase in sales of the mylife™ OmniPod® insulin patch pump. Ypsomed's specialist sales force for diabetes and insulin pumps in Germany, the United Kingdom, Switzerland, the Netherlands, Austria, Sweden and Norway is developing the relevant markets intensively and with great success. Pump users, diabetes specialists and physicians are provided with targeted information about the many advantages of the patch pump and with training in the world's first tube-less insulin pump, which is still unique in Europe. The market share enjoyed by the mylife™ OmniPod® has now grown to over 10% in the Netherlands, the United Kingdom and Switzerland, while also increasing strongly in the other European markets.

mylife™ OmniPod®



### Comprehensive mylife™ diabetes range

Since the introduction of the umbrella brand mylife™ Diabetescare exactly four years ago, Ypsomed has consistently expanded its diabetes product range: with products manufactured in-house, such as new pen needles, safety pen

needles and infusion sets, and with exclusive commercial products, such as the innovative mylife™ OmniPod® from Insulet Inc. or the blood glucose meter from Bionime Corp., as well as with other accessory products, such as lancets.

mylife™ Diabetescare product range



## Different markets in Europe

The European markets for the sale of diabetes products vary substantially with respect to healthcare insurance systems, sales channels and regulatory provisions. Whereas, for example, Ypsomed subsidiary DiaExpert in Germany supplies over 170,000 customers directly with diabetes products, direct sales of this type are not permitted in France. There is also a fundamental difference in the amount reimbursed for products and in the freedom of product choice. As a result of the significant cost pressure in the healthcare sector, a trend can also be seen towards tender procedures, in which certain products are purchased by national or regional service providers in a bidding process. The heterogeneous nature of the individual markets means that a local presence with sales locations is fundamental for the success of the Ypsomed Group. The section below provides an overview of the markets in which Ypsomed is active.

### Germany (established in 2003<sup>1</sup>)

The two German subsidiaries, Ypsomed GmbH and DiaExpert GmbH, in Liederbach near Frankfurt am Main, form the largest distribution organization in the Ypsomed Group, employing a combined total of about 170 staff. Distribution in Germany covers the entire mylife™ Diabetescare product range. The sales force in Germany specializes in intensive insulin therapy and focuses primarily on diabetes centers, specialist practices and their diabetes patients, particularly insulin pump users. Ypsomed also offers 24/7 customer service in Germany. Ypsomed is also active as a specialist diabetes retailer via DiaExpert GmbH and has signed contracts with all the health insurance institutions to provide comprehensive care and direct delivery to their customers numbering about 170,000. The broad range of diabetes products also includes competitor products. In future, Ypsomed intends to focus on the growing Diabetescare business for intensive insulin and insulin pump therapy with its own mylife™ range and is therefore in negotiations with interested parties regarding the sale of DiaExpert.

### France (established in 2003<sup>1</sup>)

Ypsomed S.A.S. has its headquarters in Paris and is currently the second-largest distribution organization in the Ypsomed Group in terms of sales. The French market for diabetes aids, such as pen needles, infusion sets and blood glucose test strips, is shrinking slightly at present as a result of price reductions and volume quotas. This makes the marked increase in sales by the French subsidiary even more pleasing, particularly because it has not yet been possible to introduce the mylife™ OmniPod® insulin patch pump in France as marketing authorization and cost reimbursement have not been arranged. The sales force, numbering about 30, principally sell to diabetes centers and pharmacies because of the state-regulated sales channels. An additional peculiarity in France is that patients are provided with insulin pumps exclusively via the institutionalized care services of the French social security system. France has the highest costs per insulin pump patient in Europe and has announced that this model is to be revised. As a result of the increase in insulin pump therapy in France, Ypsomed sees promising sales potential for the mylife™ OmniPod® and, from the start of 2015 onwards and for its own insulin pump.

### United Kingdom (established in 2010)

The Ypsomed subsidiary with headquarters in Selby, North Yorkshire, which was set up in 2010, has grown substantially over the past three years, boosted by regulatory changes in the healthcare system. The long-established National Health Service (NHS) has delegated budget responsibility and product purchasing powers to regional Clinical Commissioning Groups (CCGs). With its broad portfolio of diabetes products, excellent service and competitive prices, Ypsomed has therefore been able to sign contracts in several regions, leading to increased sales. The market share enjoyed by the mylife™ OmniPod® is already over 10% after only a short period of time, which is particularly pleasing. The British subsidiary, which will be beefing up its current 15-strong workforce, illustrates the potential available for Ypsomed with its comprehensive mylife™ Diabetescare range in the event of regulatory changes.

<sup>1</sup> Successor to the subsidiaries of Disetronic, established in 1984.



### **The Netherlands (established in 2003<sup>1</sup>)**

In the Netherlands, Ypsomed BV with its staff of ten focuses mainly on the sale of mylife™ OmniPod® insulin patch pumps, something it does very successfully: in just under three years, Ypsomed has acquired a market share of almost 15% because over half of all new customers have chosen a mylife™ OmniPod® insulin pump and many long-term insulin pump customers have also switched to Ypsomed. In addition to the expertise of the Ypsomed staff, they particularly value the comprehensive 24/7 customer service, ideal for the future sale of Ypsomed's own insulin pump. In future, Ypsomed also wants to market the other mylife™ Diabetescare products, such as pen needles and blood glucose meters, more actively in the Netherlands.

### **Switzerland (established in 2003<sup>1</sup>)**

In Ypsomed's home market of Switzerland, the innovative mylife™ Diabetescare products increased their sales for the first six months of 2013/14 by 40% despite a largely saturated market. The sales team in Switzerland focuses on dealing with qualified diabetes specialists and hospitals as well as homes for the elderly and care homes. Ypsomed has also signed cooperation agreements with pharmacy chains. Diabetic patients in Switzerland are often treated by family physicians and not by diabetes specialists. This means that Ypsomed has some major growth opportunities in its home market of Switzerland with the mylife™ OmniPod® and further down the line with its own Ypsomed insulin pump.

### **Nordics (established in 2003<sup>1</sup>)**

The Ypsomed AB Nordic subsidiary covers Sweden, Norway, Finland and Denmark. Ten employees in all work in these countries via their own sales offices. Sales in recent years have been primarily of pen needles, often via bidding processes in Sweden and Finland. These regional tenders for multi-year contracts initially delayed the market entry for some mylife™ Diabetescare products, but today Ypsomed is successfully selling blood glucose meters in the Scandinavian countries alongside pen needles. At the start of 2013, Ypsomed Nordic was also granted marketing authorization in Sweden and Norway for the mylife™ OmniPod® insulin patch pump, sparking an upward trend in sales figures. The local authorities' bidding processes mean that patients and physicians have fewer products to choose from and that often only the cheapest products are considered.

### **Austria (established in 2011)**

Ypsomed GmbH, headquartered in Vienna, was founded in late 2011. Having its own branch in Austria meant that the market could be developed more intensively and market authorization for the mylife™ OmniPod® obtained quickly. Since then, the Austrian subsidiary has enjoyed growth, encompassing all the products from the comprehensive mylife™ Diabetescare range. The sales team in Austria focuses specifically on hospitals, homes for the elderly and care homes, in addition to diabetes specialists. In organizational terms, the 24/7 customer service is provided from Switzerland and Germany. Cost pressures in the healthcare system in Austria has forced manufacturers to supply patients directly, increasingly bypassing wholesalers and pharmacies.

<sup>1</sup> Successor to the subsidiaries of Disetronic, established in 1984.

## Ypsomed subsidiaries in Europe

### Netherlands

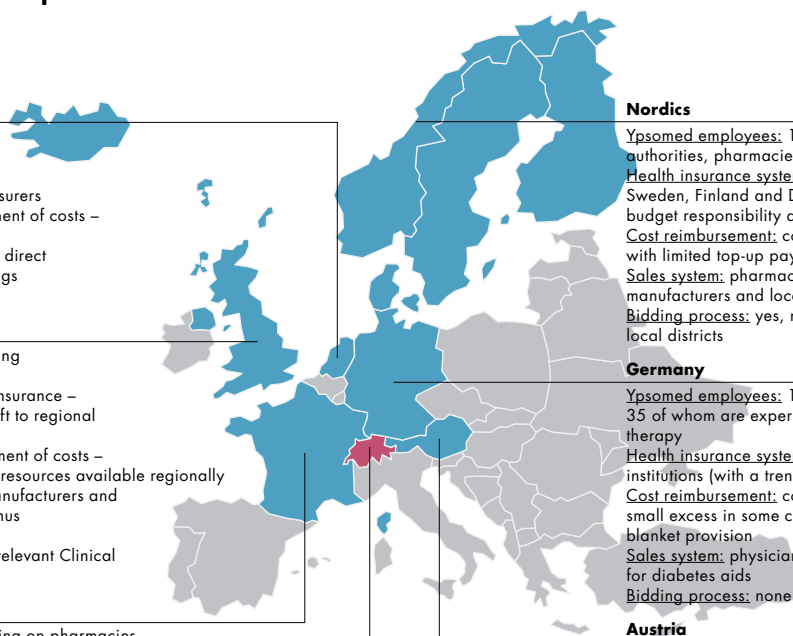
**Ypsomed employees:** 10 employees focusing on diabetes centers and insulin pump therapy  
**Health insurance system:** private health insurers  
**Cost reimbursement:** complete reimbursement of costs – with volume restrictions in some cases  
**Sales system:** physicians, pharmacies and direct sales, including online pharmacies for drugs  
**Bidding process:** none

### United Kingdom

**Ypsomed employees:** 15 employees focusing on pharmacies and hospitals  
**Health insurance system:** national social insurance – National Health Service (NHS), recent shift to regional decentralized budget responsibility  
**Cost reimbursement:** Complete reimbursement of costs – dependent in some cases on the financial resources available regionally  
**Sales system:** direct contracts between manufacturers and Clinical Commissioning Groups (CCGs), thus bypassing wholesalers and pharmacies.  
**Bidding process:** yes, regionally with the relevant Clinical Commissioning Groups (CCGs).

### France

**Ypsomed employees:** 30 employees focusing on pharmacies and diabetes practices  
**Health insurance system:** national social insurance  
**Cost reimbursement:** complete reimbursement of costs  
**Sales system:** exclusively via pharmacies – direct sale is prohibited  
**Bidding process:** none



### Nordics

**Ypsomed employees:** 10 employees focusing on local authorities, pharmacies and diabetes practices  
**Health insurance system:** national social insurance – Sweden, Finland and Denmark (in part) with decentralized budget responsibility at a local district level  
**Cost reimbursement:** complete reimbursement of costs – with limited top-up payment in some cases  
**Sales system:** pharmacies, but direct contracts between manufacturers and local authorities in Sweden and Finland  
**Bidding process:** yes, nationally and regionally in local districts

### Germany

**Ypsomed employees:** 170 (including DiaExpert), 35 of whom are experts specializing in intensive insulin therapy  
**Health insurance system:** private health insurance institutions (with a trend towards consolidation)  
**Cost reimbursement:** complete reimbursement of costs – small excess in some cases, with a trend towards blanket provision  
**Sales system:** physicians, pharmacies and direct sales for diabetes aids  
**Bidding process:** none

### Austria

**Ypsomed employees:** 5 employees focusing on specialists in diabetes, hospitals and homes for the elderly  
**Health insurance system:** public social insurance in each federal province (professional groups)  
**Cost reimbursement:** complete reimbursement of costs  
**Sales system:** primarily direct contracts between manufacturers and the provincial social insurance institutions, increasingly bypassing wholesalers and pharmacies  
**Bidding process:** None

### Switzerland

**Ypsomed employees:** 10 employees focusing on diabetes specialists, hospitals and homes for the elderly  
**Health insurance system:** private health insurers with basic and supplementary insurance  
**Cost reimbursement:** complete reimbursement of costs – with excess  
**Sales system:** physicians, wholesalers, pharmacies and direct sales via online shop  
**Bidding process:** none

**The possibility of further expansion into new territories, involving subsidiaries in both Western and Eastern Europe, is being assessed on an ongoing basis.**

## International distributors and subsidiary in India boost sales

Positive sales growth was achieved in almost all distributor markets in the first six months of the 2013/14 financial year, specifically in the US, Israel and the other Western countries, but also in politically tense regions such as North Africa. It is gratifying to see the increase in sales in China, where, through existing insulin pen customers and large numbers of new pen projects, Ypsomed has access to local insulin producers interested in Ypsomed’s high-quality pen needles. This is opening new doors for Ypsomed, both directly to producers and also to independent distributors. It gives Ypsomed the

opportunity to further increase pen needle sales as the number of pen users in China rises steadily. The “Swissness” of Ypsomed’s pen needles, manufactured entirely in Switzerland, is important to our longstanding distribution partners and their customers.

The subsidiary in India, which employs a staff of ten, achieved growth of over 30% on the same period in the previous year. Pen needles and blood glucose meters saw particularly strong sales growth.

## Consolidated income statement

(unaudited Swiss GAAP FER figures) in thousand CHF

	Notes	April 1, 2013 – Sept. 30, 2013	in %	April 1, 2012 – Sept. 30, 2012	in %
Sales of goods and services	2	131 473	100%	119 745	100.0%
Cost of goods and services sold		-100 827	-76.7%	-92 386	-77.2%
<b>Gross profit</b>		<b>30 646</b>	<b>23.3%</b>	<b>27 360</b>	<b>22.8%</b>
Marketing and sales expenses		-20 326	-15.5%	-19 382	-16.2%
Administration expenses		-6 721	-5.1%	-6 393	-5.3%
Other operating income		2 079	1.6%	1 957	1.6%
Other operating expenses		-1 035	-0.8%	-1 113	-0.9%
<b>Operating profit</b>	<b>2</b>	<b>4 644</b>	<b>3.5%</b>	<b>2 429</b>	<b>2.0%</b>
Financial income	3	1 914	1.5%	963	0.8%
Financial expenses	3	-1 529	-1.2%	-960	-0.8%
<b>Profit before income taxes</b>		<b>5 029</b>	<b>3.8%</b>	<b>2 432</b>	<b>2.0%</b>
Income taxes		-429	-0.3%	-395	-0.3%
<b>Net profit</b>		<b>4 600</b>	<b>3.5%</b>	<b>2 037</b>	<b>1.7%</b>
<b>Earnings per share</b> (basic and diluted) in CHF	<b>4</b>	<b>0.36</b>		<b>0.16</b>	
Operating profit		4 644		2 429	
Depreciation of fixed assets		9 234		9 696	
Amortization of intangible assets		2 632		2 569	
<b>EBITDA</b> (operating profit before depreciation and amortization)		<b>16 510</b>	<b>12.6%</b>	<b>14 694</b>	<b>12.3%</b>

## Consolidated balance sheet

(unaudited Swiss GAAP FER figures) in thousand CHF

Assets	Notes	Sept. 30, 2013	in %	March 31, 2013	in %
<b>Cash and cash equivalents</b>		14 908	4.3%	9 613	2.8%
<b>Trade receivables</b>		29 851	8.5%	31 189	9.1%
<b>Other current assets</b>		5 424	1.6%	4 474	1.3%
<b>Prepayments and accrued income</b>		7 472	2.1%	6 198	1.8%
<b>Current income tax assets</b>		94	0.0%	100	0.0%
<b>Inventories</b>		52 491	15.0%	56 573	16.6%
<b>Customer machinery</b>		1 159	0.3%	584	0.2%
<b>Total current assets</b>		<b>111 399</b>	<b>31.9%</b>	<b>108 731</b>	<b>31.8%</b>
<b>Financial assets</b>		9 393	2.7%	8 338	2.4%
<b>Deferred income tax assets</b>		8 320	2.4%	7 897	2.3%
<b>Fixed assets</b>		162 366	46.5%	161 686	47.3%
<b>Intangible assets</b>		57 775	16.5%	55 141	16.1%
<b>Total non-current assets</b>		<b>237 853</b>	<b>68.1%</b>	<b>233 062</b>	<b>68.2%</b>
<b>Total assets</b>		<b>349 252</b>	<b>100.0%</b>	<b>341 793</b>	<b>100.0%</b>
<b>Liabilities and equity</b>	Anhang	Sept. 30, 2013	in %	March 31, 2013	in %
<b>Financial liabilities</b>		66 500	19.0%	64 500	18.9%
<b>Trade payables</b>		16 774	4.8%	16 659	4.9%
<b>Prepayments from customers</b>		2 697	0.8%	2 050	0.6%
<b>Current income tax payable</b>		1 431	0.4%	2 014	0.6%
<b>Other payables</b>		2 328	0.7%	2 169	0.6%
<b>Accrued liabilities and deferred income</b>		16 072	4.6%	13 378	3.9%
<b>Provisions</b>		609	0.2%	597	0.2%
<b>Total current liabilities</b>		<b>106 412</b>	<b>30.5%</b>	<b>101 367</b>	<b>29.7%</b>
<b>Non-current liabilities to major shareholder</b>		20 000	5.7%	20 000	5.9%
<b>Other non-current financial liabilities</b>		1 740	0.5%	1 693	0.5%
<b>Provisions</b>		992	0.3%	1 008	0.3%
<b>Deferred income tax liabilities</b>		549	0.2%	350	0.1%
<b>Total non-current liabilities</b>		<b>23 281</b>	<b>6.7%</b>	<b>23 052</b>	<b>6.7%</b>
<b>Share capital</b>		178 994	51.3%	178 994	52.4%
<b>Capital reserves</b>		173 492	49.7%	176 015	51.5%
<b>Own shares/Translation exchange differences</b>		-8 121	-2.3%	-8 228	-2.4%
<b>Goodwill acquired offset</b>		-322 892	-92.5%	-322 892	-94.5%
<b>Retained earnings</b>		198 085	56.7%	193 485	56.6%
<b>Total equity</b>	5	<b>219 559</b>	<b>62.9%</b>	<b>217 375</b>	<b>63.6%</b>
<b>Total liabilities and equity</b>		<b>349 252</b>	<b>100.0%</b>	<b>341 793</b>	<b>100%</b>

## Consolidated statement of cash flows

(unaudited Swiss GAAP FER figures) in thousand CHF	Notes	April 1, 2013 – Sept. 30, 2013	April 1, 2012 – Sept. 30, 2012
<b>Net profit</b>		<b>4 600</b>	<b>2 037</b>
Depreciation of fixed and intangible assets		11 866	12 265
Loss from impairment (+) / Reversal of impairment (-)	3	-1 033	0
Change in provisions (incl. deferred income taxes)		-196	-762
Other expense/income that do not affect the fund		-34	-380
Gain (-)/loss (+) of fixed and financial assets		-121	18
Increase (-)/decrease (+) in trade receivables		1 392	-5 959
Increase (-)/decrease (+) in other receivables and prepayments and accr. income		-2 278	1 642
Increase (-)/decrease (+) in inventories		4 173	-5 369
Increase (-)/decrease (+) in customer machinery		-574	-419
Increase (+)/decrease (-) in trade payables		161	5 095
Increase (+)/decrease (-) in prepayments from customers		647	-1 139
Increase (+)/decrease (-) in other short-term payables and accr. liabilities and deferred income		2 260	1 792
<b>Cash flow from operating activities</b>		<b>20 863</b>	<b>8 821</b>
Purchases of financial assets		0	-304
Purchases of fixed assets		-10 146	-8 126
Disposals of fixed assets		439	288
Purchases of intangible assets		-5 316	-4 671
<b>Cash flow from investing activities</b>		<b>-15 023</b>	<b>-12 813</b>
Repayment of financial liabilities to major shareholder		0	-4 500
Proceeds from borrowings		2 000	14 500
Distribution of capital reserves	5	-2 523	-2 523
Cost due to approved increase in share capital		0	-20
<b>Cash flow from financing activities</b>		<b>-523</b>	<b>7 457</b>
Effect of foreign currency translation		-21	63
<b>Total Cash Flow</b>		<b>5 295</b>	<b>3 528</b>
Cash and cash equivalents as of April 1		9 613	9 735
Cash and cash equivalents as of September 30		14 908	13 264
<b>Net increase (+)/decrease (-) in cash and cash equivalents</b>		<b>5 295</b>	<b>3 528</b>

## Consolidated statement of changes in equity

(unaudited Swiss GAAP FER figures) in thousand CHF	Share capital	Group reserves and share premium	Treasury shares	Cumulative translation reserve	Goodwill offset after taxes	Retained earnings	Total
<b>Balance as of March 31, 2012</b>	<b>178 994</b>	<b>178 558</b>	<b>-2 337</b>	<b>-6 159</b>	<b>-322 892</b>	<b>191 839</b>	<b>218 004</b>
Net profit from half year						2 037	2 037
Distribution of dividends from capital contribution reserves		-2 523					-2 523
Cost due to approved increase share capital		-20					-20
Translation exchange differences				205			205
<b>Balance as of September 30, 2012</b>	<b>178 994</b>	<b>176 015</b>	<b>-2 337</b>	<b>-5 954</b>	<b>-322 892</b>	<b>193 876</b>	<b>217 702</b>
<b>Balance as of March 31, 2013</b>	<b>178 994</b>	<b>176 015</b>	<b>-2 337</b>	<b>-5 891</b>	<b>-322 892</b>	<b>193 485</b>	<b>217 375</b>
Net profit from half year						4 600	4 600
Distribution of dividends from capital contribution reserves		-2 523					-2 523
Translation exchange differences				107			107
<b>Balance as of September 30, 2013</b>	<b>178 994</b>	<b>173 492</b>	<b>-2 337</b>	<b>-5 784</b>	<b>-322 892</b>	<b>198 085</b>	<b>219 559</b>

## Notes to the consolidated interim financial statements

Figures in thousand CHF unless otherwise stated

### 1. Accounting policies

#### Basic principles

These consolidated interim financial statements include the unaudited consolidated interim financial statements of Ypsomed Holding AG and its subsidiaries for the reporting period ending September 30, 2013. The consolidated interim financial statements have been prepared in accordance with Swiss GAAP FER 12 "Interim Reporting". The accounting policies applied to the preparation of the interim financial statements are in line with the accounting policies which also provide the basis for the consolidated annual financial statements up to March 31, 2013. The consolidated interim financial statements were approved for issue by

the Board of Directors on October 24, 2013. Ypsomed is not exposed to significant seasonal or cyclical fluctuation in its business activities within the financial year. In order to prepare consolidated interim financial statements, management is obliged to use estimates and assumptions which have an impact on the reported carrying amounts of assets and liabilities, and the income and expenses reported for the relevant accounting period. These estimates and assumptions are based on future expectations, and seem reasonable at the time of preparation of the interim financial statements. The actual results may differ from these assumptions.

### 2. Segment information

For the purposes of company management, the Ypsomed Group is organized into business sectors according to products and services. The segment "Delivery Devices" comprises the product groups pen systems, pen needles, infusion-sets and other injection moldings produced by Ypsomed. The business segment

"Diabetes Direct Business" covers the direct trade in a range of diabetes articles. "Others" contains the business segment "Precision turned parts" and real estate currently not used for operational purposes. Intersegmental sales are executed at arm's length.

Half year 2012/13	Delivery Devices	Diabetes Direct Business	Others	Eliminations	Group
Sales of goods and services to third party customers	69 115	42 695	7 936		119 745
Intersegmental sales			1 194	-1 194	
<b>Total sales of goods and services</b>	<b>69 115</b>	<b>42 695</b>	<b>9 130</b>	<b>-1 194</b>	<b>119 745</b>
<b>Operating profit</b>	<b>5 698</b>	<b>-2 489</b>	<b>-780</b>		<b>2 429</b>
Investments in fixed and intangible assets	11 328	209	1 259		12 797
Depreciation/Amortization/Impairment	10 303	409	1 553		12 265
Half year 2013/14	Delivery Devices	Diabetes Direct Business	Others	Eliminations	Group
Sales of goods and services to third party customers	68 415	55 322	7 736		131 473
Intersegmental sales			976	-976	
<b>Total sales of goods and services</b>	<b>68 415</b>	<b>55 322</b>	<b>8 712</b>	<b>-976</b>	<b>131 473</b>
<b>Operating profit</b>	<b>3 941</b>	<b>1 179</b>	<b>-476</b>		<b>4 644</b>
Investments in fixed and intangible assets	14 875	107	481		15 463
Depreciation/Amortization/Impairment	9 793	567	1 505		11 866

### 3. Financial income

	Half year 2013/14	Half year 2012/13
<b>Interest income</b>	<b>11</b>	<b>9</b>
<b>Dividend income</b>	<b>112</b>	<b>499</b>
<b>Reversal of impairment</b>	<b>1 033</b>	<b>0</b>
<b>Foreign exchange gains</b>	<b>749</b>	<b>446</b>
<b>Other financial income</b>	<b>8</b>	<b>9</b>
<b>Total financial income</b>	<b>1 914</b>	<b>963</b>
<b>Interest expense</b>	<b>534</b>	<b>410</b>
<b>Losses from marketable securities</b>	<b>5</b>	<b>5</b>
<b>Foreign exchange losses</b>	<b>955</b>	<b>499</b>
<b>Other financial expense</b>	<b>35</b>	<b>45</b>
<b>Total financial expense</b>	<b>1 529</b>	<b>960</b>

### 4. Earnings per share

Earnings per share are calculated by dividing net profit through the weighted monthly number of shares outstanding during the period. The average number of shares held by group companies is deducted from the number of shares issued during the period.

	Half year 2013/14	Half year 2012/13
<b>Net profit in thousand CHF</b>	<b>4 600</b>	<b>2 037</b>
<b>Number of outstanding shares weighted on a monthly basis</b>	<b>12 614 726</b>	<b>12 614 726</b>
<b>Earnings per share in CHF (basic and diluted)</b>	<b>0.36</b>	<b>0.16</b>

### 5. Payment to shareholders

On July 11, 2013, the sum of CHF 0.20 per share was paid out to shareholders free of withholding tax from the capital reserves. The total amount paid out came to CHF 2.5 million, like in the previous year.



## Information policy

Ypsomed Holding AG maintains an open and transparent communication policy towards shareholders, potential investors, financial analysts, the media, customers and other interested people, based on the principle of equality. The company uses the following instruments: annual report, semiannual report, presentation of the annual results to the media and financial analysts ahead of the shareholders' meeting, as well as media briefings and company publications that have potential relevance to the share price. Responsibility for communication with investors rests with the Chairman of the Board of Directors.

The following banks monitor the development of the Ypsomed Group:

BZ-Bank, Wilen ([www.bzbank.ch](http://www.bzbank.ch)),  
**Nils Engel**

Credit Suisse, Zurich ([www.credit-suisse.com](http://www.credit-suisse.com)),  
**Christoph Gretler**

Vontobel, Zurich ([www.vontobel.com](http://www.vontobel.com)),  
**Carla Bänziger**

Zürcher Kantonalbank, Zurich ([www.zkb.ch](http://www.zkb.ch)),  
**Sibylle Bischofberger Frick**

On our website at [www.ypsomed.com](http://www.ypsomed.com) (under Media & Investors), any interested person can access up-to-date and potentially market-relevant information (pull system) without charge. Furthermore, any interested person can subscribe to an e-mail distribution list under [www.ypsomed.com/media.html](http://www.ypsomed.com/media.html) (push system). The official publication organ of Ypsomed Holding AG is the Swiss Official Gazette of Commerce (SOGC). Company publications with potential relevance to the share price are usually communicated at the end of daily trading. Such publications are initially reported to the SIX Swiss Exchange Regulation and thereafter uploaded to the above-mentioned website and simultaneously communicated to a number of national newspapers, electronic information systems and to persons registered on the e-mail distribution list.

## Stock listing

The registered shares of Ypsomed Holding AG are traded at the SIX Swiss Exchange and at the BX Bern eXchange.

Ticker symbols:  
YPSN (Telekurs)  
YPSN.S (Reuters)  
YPSN SW (Bloomberg)  
Securities number 1939 699  
ISIN CH 001 939 699 0

## Key forthcoming dates

### May 27, 2014

Press conference and presentation of the annual results 2013/14, Burgdorf

### July 1, 2014

General Meeting of Shareholders, Bern

## Contact

Ypsomed Holding AG  
Benjamin Overney, Head of Investor & Public Relations  
[benjamin.overney@ypsomed.com](mailto:benjamin.overney@ypsomed.com)

Telefon +41 34 424 41 59  
Telefax +41 34 424 41 55

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

Editor and Design:  
Ypsomed Holding AG, Burgdorf

Concept:  
KOMET Werbeagentur AG BSW, Bern  
www.komet.ch

Printing:  
Stämpfli Publikationen AG, Bern

The Group publishes its semiannual reports in English and German. The German version is legally binding.

#### Disclaimer

This semiannual report contains certain forward-looking statements. These can be identified by terms such as “should”, “accept”, “expect”, “anticipate”, “intend” or similar terms and phrases. The actual future results may differ materially from the forward-looking statements in this annual report, due to various factors such as legal and regulatory developments, exchange rate fluctuations, changes in market conditions, as well as the activities of competitors, the non-introduction or delayed introduction of new products for various reasons, risks in the development of new products, interruptions to production, the loss of or inability to obtain intellectual property, litigation and administrative proceedings, adverse publicity and news coverage.

Links to third party websites and other references to the information of third parties are offered as a courtesy; we accept no responsibility for any third party information.

All product names mentioned in this report are trademarks owned by or licensed to the Ypsomed Group. Third-party trademarks are marked with ® combined with the product name.



**Ypsomed Holding AG**

Brunnmattstrasse 6  
Postfach  
3401 Burgdorf  
Switzerland

Phone +41 34 424 41 11  
Telefax +41 34 424 41 22

[www.ypsomed.com](http://www.ypsomed.com)  
[info@ypsomed.com](mailto:info@ypsomed.com)