



SEMIANNUAL REPORT
YPSOMED HOLDING AG 2006/07

YPSOMED
SELFCARE SOLUTIONS

KEY FIGURES AT A GLANCE

April 1 – September 30

in thousand CHF	2006	2005	Change	in %
Sales of goods and services	129 017	141 516	-12 499	-8.8
Gross profit	25 966	53 557	-27 591	-51.5
Gross profit in %	20.1%	37.8%		-17.7
Research and development expenses (gross)	11 903	11 062	841	7.6
Operating profit / (loss)	-5 338	28 946	-34 284	-118.4
Operating profit / (loss) in %	-4.1%	20.5%		-24.6
Net profit / (loss)	-5 257	26 377	-31 634	-119.9
Net profit / (loss) in %	-4.1%	18.6%		-22.7
Profit / (loss) per share (in CHF)	-0.47	2.35	-2.82	-119.9
Capital expenditures	23 731	24 023	-292	-1.2
Equity ratio in %	61.4%	57.6%		3.8
Employees headcount (as of September 30)	1 256	1 035	221	21.4
Employees fulltime equivalent (as of September 30)	1 210	995	215	21.6

NET SALES

April 1 – September 30

in thousand CHF	2006	in %	2005	in %	Change in %
Own finished products	107 265	83.1	120 784	85.4	-11.2
Other products	21 752	16.9	20 732	14.6	4.9
Total sales	129 017	100.0	141 516	100.0	-8.8

YPSOMED IN A PERIOD OF CONSOLIDATION

DEAR SHAREHOLDERS,

The Ypsomed Group has faced a considerable number of challenges over the last six months and is currently in a period of consolidation. Having posted growth in core business sales of 42.8% and 44.7% in the 2004/05 and 2005/06 business years, with profits growing 179% and 42% respectively, we suffered a decline in sales and recorded an operating loss – the first in the company's history – in the 2006/07 semester. This comes as a surprise not only to you as shareholders, but also to me as the major owner and to my colleagues on the Board of Directors. We would like to take this opportunity to explain the current situation to you and to go into more detail with regard to the lower than expected figures for the first half of the year.

OPTIMISTIC FORECASTS AND PRODUCTION EXPANSION AT THE BEGINNING OF THE YEAR

At the beginning of the 2006 calendar year we had forecasts from our main customer, Sanofi-Aventis, regarding the future requirements for insulin pens which led us to continue to step up production of the OptiClik® and Opti-Set® pen systems. At the end of June 2006 Ypsomed also announced that, following lengthy negotiations, the entire Zieglmattareal property in Solothurn had finally been acquired and that Ypsomed had thus been able to secure for the medium to long-term strategically important production space in Switzerland. Even the announcement of Sanofi-Aventis in March 2006 of a future launch in the future of a proprietary insulin pen on the market in addition to the pen systems from Ypsomed did not give us particular cause for concern, in contrast to the capital markets' reaction. Ypsomed, like other pen suppliers, owns a considerable portfolio of patents as well as years of accumulated know-how, both entrance barriers that must not be underestimated.

PROBLEMS IN THE PRODUCTION OF OPTICLIK® PENS

The expansion of the OptiClik® production, however, ran into unexpected problems. Although the perfect functionality and safety of the OptiClik® pens produced was

always guaranteed, unexpected difficulties occurred in the complex manufacturing process. Analysis of the problem and its causes took a relatively long time and ultimately led to an interruption of the production of eight weeks. This meant that we had to scale back our expectations, stated at the beginning of the year, with regard to sales growth and profitability for the 2006/07 business year. This we announced when presenting the annual figures on May 30, 2006. In the first half of 2006/07 the interruption of the production of OptiClik® led to a decline in sales in core business of -11.2% to CHF 107.3 million compared with CHF 120.8 million in the same period of the previous year. While direct diabetes business posted growth in sales of 9.1%, above the market average, sales of the Ypsomed Group as a whole fell 8.8% to a total of CHF 129.0 million.

REDUCED ORDER VOLUMES FROM SANOFI-AVENTIS

On September 14, 2006, Ypsomed had to make an ad-hoc announcement because the order volumes for insulin pens that Sanofi-Aventis had led us to expect at the beginning of the year had been reduced. The Board of Directors and the Management found the available information at this moment to be inadequate and in need of interpretation, which made any reasonable forecasts impossible. From discussions held with Sanofi-Aventis in the meantime, the situation as regards the reasons for the lower order volumes has now become clearer for Ypsomed. The three primary reasons for the lower than expected order volumes are, firstly, lesser demand in the USA for the OptiClik® pen; secondly, a delay in the launch of OptiClik® in Europe; and, thirdly, generally higher stocks of pens held by Sanofi-Aventis. The demand in the USA for the OptiClik® is lower than originally assumed in the studies and surveys carried out by Sanofi-Aventis. Although the potential for pen systems is huge, only some 15% of all insulin patients in the USA currently use a pen. Sales of Lantus, the long-acting insulin from Sanofi-Aventis, are still growing at around 40% in the USA despite it being largely delivered in conventional vials. There is thus no significant competitive pressure that would stimulate promotion of the sale of Lantus in pen systems. On the contrary, in the USA Lantus is more expensive in OptiClik® pens than in vials. It must be assumed that Sanofi-Aventis will favour a disposable pen in the US market. In Europe, where the penetration

of pen systems is over 85% on average, the planned market launches of the OptiClik® pen have been delayed. The generally higher stock levels at Sanofi-Aventis arose because demand for pens in the past was always greater than the quantities produced by Ypsomed, which lead the individual country organisations of Sanofi-Aventis to build up their own safety stocks. Although Ypsomed has in the past expanded its production capacities with alacrity, it was not always possible to satisfy the demand sufficiently quickly in the requisite quality. Because of the uncertain product availability, and particularly as a result of the recent interruptions of the production, Ypsomed has been unable to exploit the sales opportunities for insulin pens as much as it would have wished.

LASTING PARTNERSHIP BETWEEN SANOFI-AVENTIS AND YPSOMED

The recent discussions with Sanofi-Aventis have shown that the long-standing partnership between the two companies will not change. Sanofi-Aventis will continue to market the OptiClik®, OptiSet® and OptiPen®Pro pen systems from Ypsomed for Lantus and Apidra, but it will also try to build up a further supplier and launch its disposable pen Solo-Star®. The greater stock levels and the slowness of market penetration in the USA mean that the volumes provisionally required in the next one to two years will be less than originally anticipated. In the light of this changing demand situation, Ypsomed must optimize its production and logistics operations and face up to these new challenges.

PRODUCTION PROBLEMS LEAD TO LOWER PROFITABILITY

The problems with OptiClik® which led to a production stop of eight weeks have since been resolved. The shut-down of OptiClik® production for the disposable components and the reusable control module, special depreciation on defective goods, manual testing and reworking and high scrap rates when production restarted resulted in total additional costs of CHF 14.2 million. Gross profit in the first half of 2006/07 thus came to only CHF 26.0 million, corresponding to a gross profit margin of 20.1% (from 37.8% in the previous year). However, the optimization of existing products and the resolution of the production

problems also used greater capacity from the research & development department. This in turn affected revenues from research & development activities, although the difference from the previous year is primarily due to the fact that Ypsomed, as has already been communicated, is pursuing a strategy of pushing its own technology developments. Investments in research & development rose in absolute terms and amounted to CHF 11.9 million, 9.2% of sales (compared with 7.8% in the previous year). Expenditure on sales & marketing and for administration increased only slightly year on year. Overall, this produced an operating loss of CHF 5.3 million in the first half of 2006/07 against a profit of CHF 28.9 million in the same period last year and a consolidated loss of CHF 5.3 million against a consolidated profit of CHF 26.4 million the year before. The loss is CHF 0.47 per share (compared with a profit of CHF 2.35 per share in the previous year) based on an average number of outstanding shares of 11 232 546.

CAPITAL EXPENDITURE USEFUL FOR THE FUTURE

In the first half year Ypsomed invested a total of CHF 23.7 million, from CHF 24.0 million in the same period the previous year, with CHF 12.5 million of this being spent on the purchase of the Ziegelmatteareal in Solothurn. A further CHF 10.0 to 15.0 million of capital expenditure is planned for the second half of 2006/07, primarily for the production of pen needles and the Symlin pen. In the light of the revised forecasts for insulin pens, it is clear that too much was invested in the past, but this does not create any additional depreciation requirement because all specific capital expenditure was paid by Sanofi-Aventis and Ypsomed can in the future use its own plant and machinery for the production of new proprietary developments.

NEW CEO AND COO

In response to the events of the last few months, the Board of Directors of Ypsomed Holding AG has decided to appoint a new CEO. Richard Fritschi took over as CEO of the Ypsomed Group on September 14, 2006. With more than 15 years of managerial experience in medical technology, Richard Fritschi was most recently responsible for sales of CHF 1.3 billion and a workforce of 2 000 as President Europe & Australasia for Zimmer. In addition, Maurice Meytre will strengthen the Management team of the Ypsomed Group as Chief Operating Officer (COO) from November 10, 2006. Maurice Meytre comes with 17 years of operative management experience in medical technology, including positions at Zimmer, Sulzer Medica and Protek France.

ADAPTATION OF COST STRUCTURES

Following the discussions with Sanofi-Aventis and initial internal analysis, it is clear that Ypsomed must adapt its cost structure to the lower order book. The temporary positions were largely eliminated by the end of October, while staffing levels in production and production-related areas will be adjusted via natural fluctuation.

YPSOMED'S STRATEGY REMAINS UNCHANGED

Although Ypsomed is in a period of consolidation, the strategy of the firm remains unchanged. Ypsomed intends to continue to expand its leading position as an independent manufacturer of injection systems in a fast-growing market for self-medication and diabetes. Ypsomed wants to bring its own-developed technology platforms to market readiness and plans to launch insulin and other drugs with proprietary dosing systems on the market in the medium term. The relevant clinical tests have been planned to start from mid-2008. Ypsomed also intends to expand its successful diabetes business through targeted acquisitions and partnerships.

OUTLOOK

Ypsomed enjoys a strong market position, considerable internal know-how and a highly motivated workforce. The rapid growth of the last few years led to more problems than expected. However, these have since been identified and will – if not already rectified – be resolved in the next six to twelve months. We expect results to improve in the second half and the year as a whole to finish with a small profit. Ypsomed is in the long time active in attractive growth markets. We expect sales growth to weaken in the years ahead and the EBIT margin to improve gradually to 20% again.



Willy Michel
Chairman of the Board
of Directors



Richard Fritschi
CEO

CONSOLIDATED INTERIM INCOME STATEMENT

April 1 – September 30

(Unaudited IFRS figures) in thousand CHF	Notes	2006	in %	2005	in %
Sales of goods and services		129 017	100.0	141 516	100.0
Cost of goods and services sold		-103 051	-79.9	-87 959	-62.2
Gross profit		25 966	20.1	53 557	37.8
Research and development reimbursed		884	0.7	4 915	3.5
Research and development expenses		-11 903	-9.2	-11 062	-7.8
Research and development - expenses net		-11 019	-8.5	-6 147	-4.3
Marketing and sales expenses		-10 269	-8.0	-9 165	-6.5
Administration expenses		-10 016	-7.8	-9 299	-6.6
Operating profit / (loss)		-5 338	-4.1	28 946	20.5
Financial income	4	939	0.7	2 680	1.9
Financial expense	4	-1 260	-1.0	-1 165	-0.8
Other income / (expense)		30	0.0	-24	0.0
Profit / (loss) before income taxes		-5 629	-4.4	30 437	21.5
Income taxes	5	372	0.3	-4 060	-2.9
Net profit / (loss)		-5 257	-4.1	26 377	18.6
Profit / (loss) per share (basic and diluted)	6	-0.47		2.35	
Operating profit / (loss)		-5 338		28 946	
Amortization of intangible assets		592		447	
Depreciation of fixed assets		10 259		12 705	
EBITDA (Earnings before interest, taxes, depreciation, amortization)		5 513	4.3	42 098	29.7

The accompanying notes form an integral part of these consolidated interim financial statements.

CONSOLIDATED INTERIM BALANCE SHEET

(Unaudited IFRS figures) in thousand CHF	Notes	30.09.06	in %	31.03.06	in %	30.09.05	in %
ASSETS							
Cash and cash equivalents		32 333	5.2	65 668	9.9	51 431	8.0
Marketable securities		22 733	3.6	41 238	6.2	45 983	7.2
Trade receivables		39 320	6.3	45 421	6.8	33 820	5.3
Other current assets		9 665	1.6	10 874	1.6	10 038	1.6
Inventories		46 432	7.4	44 140	6.6	40 739	6.3
Total current assets		150 483	24.1	207 341	31.1	182 011	28.4
Financial assets		9 704	1.6	9 072	1.4	9 072	1.4
Deferred income tax assets		2 338	0.4	2 348	0.4	4 398	0.7
Other non-current assets		118	0.0	125	0.0	123	0.0
Fixed assets	1, 7	159 485	25.6	145 074	21.8	144 911	22.6
Intangible assets		301 331	48.3	301 739	45.3	301 195	46.9
Total non-current assets		472 976	75.9	458 358	68.9	459 699	71.6
Total assets		623 459	100.0	665 698	100.0	641 710	100.0
LIABILITIES AND EQUITY							
Trade payables	1	26 399	4.2	23 749	3.6	29 471	4.6
Current income taxes payable		528	0.1	5 704	0.9	6 567	1.0
Other payables and accrued expenses		18 838	3.0	18 352	2.8	19 450	3.0
Total current liabilities		45 765	7.3	47 805	7.2	55 488	8.6
Non-current financial liabilities to major shareholder	2	180 000	28.9	200 000	30.0	200 000	31.2
Provisions		10 922	1.8	9 768	1.5	12 727	2.0
Deferred income tax liabilities		4 167	0.7	4 112	0.6	3 878	0.6
Total non-current liabilities		195 089	31.3	213 880	32.1	216 605	33.8
Share capital	3	116 378	18.7	130 433	19.6	130 433	20.3
Group reserves		271 484	43.5	217 932	32.7	212 807	33.2
Net profit / (loss)		-5 257	-0.8	55 648	8.4	26 377	4.1
Equity		382 605	61.4	404 013	60.7	369 617	57.6
Total liabilities and equity		623 459	100.0	665 698	100.0	641 710	100.0

The accompanying notes form an integral part of these consolidated interim financial statements.

CONSOLIDATED INTERIM CASH FLOW STATEMENT

April 1 – September 30

(Unaudited IFRS figures) in thousand CHF	Notes	2006	2005
Net profit / (loss)		-5 257	26 377
Depreciation of fixed assets		10 259	12 705
Amortization of intangible assets		592	447
Change in provisions, net		154	-1 136
Financial income	4	-939	-2 680
Financial expense	4	1 260	1 165
Income taxes		-372	4 060
Cash flow from operating activities before changes in net working capital		5 697	40 938
Increase (-) / decrease (+) in trade receivables		6 119	5 831
Increase (-) / decrease (+) in other current and non-current assets		773	-2 537
Increase (-) / decrease (+) in inventories		-2 244	-6 118
Increase (+) / decrease (-) in trade payables	1	2 655	-67
Increase (+) / decrease (-) in other payables and accrued expenses		467	1 006
Income taxes paid		-4 729	-2 790
Cash flow from operating activities		8 738	36 263
Purchases of fixed assets	7	-23 731	-24 023
Disposals of fixed assets	1	46	197
Purchases of intangible assets		-185	-826
Disposals of intangible assets		5	0
Purchases of marketable securities		-6 694	-3 818
Disposals of marketable securities		24 983	28 645
Purchases of financial assets		-632	-9 052
Interest received		252	355
Dividends received		37	376
Cash flow from investing activities		-5 919	-8 146
Decrease in non-current financial liabilities to major shareholder	2	-20 000	-18 121
Interest paid		-3	-541
Par value repayment	3	-14 038	-10 120
Other financial expense		-55	-45
Purchases of own shares		-2 073	-5 110
Disposals of own shares		0	1 260
Cash flow from financing activities		-36 169	-32 677
Effect of foreign currency translation		15	6
Total cash flow		-33 335	-4 554
Cash and cash equivalents as of April 1		65 668	55 985
Cash and cash equivalents as of September 30		32 333	51 431
Net increase (+) / decrease (-) in cash and cash equivalents		-33 335	-4 554

The consolidated cash flow statement has been restructured in a number of ways. Interest received and interest paid have been reallocated from cash flow from operating activities to cash flow from investing activities and cash flow from financing activities. In addition, the cash flows from marketable securities and financial assets are now being reported as cash flows from investing activities instead of cash flows from financing activities. The figures for the previous year have been adjusted accordingly.

Cash flow irrelevant transactions:

In the previous year, CHF 14.3 million of sold machinery were netted against advance payments by biotech and pharma partners. These items are not included under the changes of "trade payables" nor under "disposals of fixed assets" (see note 1).

The accompanying notes form an integral part of these consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

April 1 – September 30

(Unaudited IFRS figures) in thousand CHF

	Share capital	Group reserves and share premium	Own shares	Cumulative translation reserve	Retained earnings	Total
Balance as of April 1, 2005	140 553	165 847	0	-13	50 785	357 172
Net profit 1.4.05 – 30.9.05					26 377	26 377
Acquisition of own shares			-4 011			-4 011
Par value repayment	-10 120					-10 120
Trade in own shares					161	161
Currency translation differences				38		38
Gains and losses recognized directly in equity				38	161	199
Balance as of September 30, 2005	130 433	165 847	-4 011	25	77 323	369 617
Balance as of April 1, 2006	130 433	165 847	0	98	107 635	404 013
Net loss 1.4.06 – 30.9.06					-5 257	-5 257
Acquisition of own shares			-2 073			-2 073
Par value repayment	-14 055		17			-14 038
Currency translation differences				-40		-40
Gains and losses recognized directly in equity				-40		-40
Balance as of September 30, 2006	116 378	165 847	-2 056	58	102 378	382 605

The accompanying notes form an integral part of these consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

in thousand CHF, unless otherwise stated

Accounting policies

These consolidated interim financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended March 31, 2006. The interim financial report should be read in conjunction with the annual financial statements for the year ended March 31, 2006.

Changes in accounting policies:

Several new and revised International Financial Reporting Standards (IFRS) and Interpretations became effective January 1, 2006. Amendments to IAS 19 "Employee Benefits" now allow actuarial gains and losses from defined benefit plans to be recorded directly in equity. Group Management has decided to keep to the existing rules. Amendments to the other standards and interpretations do not have a material effect on the results of these consolidated interim financial statements, nor is it anticipated that they will have a material impact on the consolidated financial statements to March 31, 2007.

The preparation of the consolidated interim financial statements assumes that Management makes certain estimates and assumptions that have consequences for assets and liabilities shown in the balance sheet and income and expenses accounted for in the period under review. These estimates and assumptions are based on future expectations and are held reasonable at the time of preparation of the interim financial statements. The actual amounts can deviate from these assumptions.

Ypsomed is not exposed to significant seasonal or cyclical fluctuation in its business activities within the financial year.

The consolidated interim financial statements were approved for issue by the Board of Directors on October 27, 2006.

1. Advance payments by pharma partners

Our biotech and pharma partners settle payments for selected production machinery that are tailored specifically to their products. The production machinery are transferred to the partner's property after completion and are therefore no longer considered as fixed assets. In the period under review, advance payments of CHF 0.6 million (previous year: CHF 2.5 million) were added to the existing balance. No completed production machinery was set off against existing advance payments (previous year: CHF 14.3 million). The remaining advance payments of CHF 10.9 million are included in trade payables.

2. Non-current financial liabilities to major shareholder

Loan Techpharma Management AG, Burgdorf

Interest rate	Maturity	Carrying amount
0.50%	31.03.10	180 000

Techpharma Management AG is fully owned by Willy Michel. During the first half of the year CHF 20.0 million (previous year: CHF 18.1 million) of the loan were repaid to Techpharma Management AG. The loan may be repaid at any time by Ypsomed Holding AG, either partially or in full.

3. Share capital

As of September 5, 2006, the nominal value of the Ypsomed share was reduced by CHF 1.25 (previous year: CHF 0.90) and repaid to the shareholders. The total reduction of nominal value was CHF 14 055 266.25 (previous year: CHF 10 119 791.70).

4. Financial income / expense	2006	2005
Interest income	252	355
Gains from securities	330	2 163
Foreign exchange gains	346	162
Other financial income	11	0
Total financial income	939	2 680

Interest expense	461	541
Losses from securities	550	193
Foreign exchange losses	194	386
Other financial expense	55	45
Total financial expense	1 260	1 165

In the first half-year total interest of TCHF 458 (previous year: TCHF 538) was posted for the shareholder's loan from Techpharma Management AG.

5. Income taxes

Income taxes are recognised based on Management's best estimate of the income tax rates expected for the full financial year.

6. Earnings per share	2006	2005
Net profit / (loss)	-5 257	26 377
Number of outstanding shares	11 232 546	11 238 243
Profit / (loss) per share in CHF (basic and diluted)	-0.47	2.35

7. Purchases of fixed assets	2006	2005
Purchases of fixed assets	23 731	24 023

On July 1, 2006, Ypsomed acquired the remaining Ziegel-mattareal property in Solothurn from the Ascom Group for a total price of CHF 12.5 million.

8. Segment information

The Ypsomed Group has one primary business segment "Injection systems and accessories". It consists of own finished products (pen systems, pen needles and precision turned parts) as well as other products (diabetes direct trade business and manufacture of injection mouldings for 3rd parties).

INFORMATIONS FOR INVESTORS

Stock listing

The registered shares of Ypsomed Holding AG are traded at the SWX Swiss Exchange.

Ticker symbols:

YPSN (Telekurs)

YPSN.S (Reuters)

YPSN SW (Bloomberg)

Securities number: 1939 699 0

ISIN CH 001 939 699 0

Corporate information

Upon request, shareholders, financial analysts and representatives of the media can be provided with company publications on a regular basis. You can register to receive such publications and find additional information on the company and its products on our website www.ypsomed.com.

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Annual Report 2006/07

Publication of annual results: May 29, 2007

Annual General Meeting of Shareholders

June 27, 2007



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