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

Ypsomed annual results 2006/07 – return to profitability

Burgdorf, 29th May 2007, 7:00am – In business year 2006/07 the Ypsomed Group posted consolidated sales of CHF 277.5 million (-10.7% prior year), returning to profitability as announced in the second half of the year with consolidated net profits of CHF 2.7 million. Ypsomed is systematically executing on its strategy under a realigned management and organizational structure with a sharper focus on customers, optimized production and quality management, additional development and quality management staff and an expanded product range based on the in-house developed technology platforms including a new continuous injection device. Ypsomed also increased its level of investment last year from CHF 30.8 million for the year prior up to CHF 36.8 million for purposes including additional production space and expanding pen needle production in Solothurn. With over 219 patents, Ypsomed intends to consolidate on its position as the leading independent provider of injection systems for the self-administration of liquid medications. For business year 2007/08 Ypsomed projects revenues of around CHF 280 million (excluding acquisitions), with EBIT margin expanding to 10%. Ypsomed will be listing its shares on the BX Berne eXchange in addition to the SWX.

Ypsomed achieved sales of CHF 277.5 million

In business year 2006/07, the Ypsomed Group achieved consolidated sales of CHF 277.5 million. Sales in the second half of the year, of CHF 148.4 million, represented an increase of 15% compared to the first half of the year, but total sales in business year 2006/07 were 10.7% lower than those of the prior year. This was because production of the OptiClik® pen reusable module had to be halted at the beginning of the business year, and, as a result, order volumes by Sanofi-Aventis turned out to be less than originally planned. In the last business year, Sanofi-Aventis share of overall sales was about 55% (prior year about 60%). The growth in pen needle sales (22.6%), in diabetes-related commercial transactions (12.6%) and in Ypsotec sales (22%) are positive developments.

Reduced sales and additional costs impact profitability

In business year 2006/07, gross profit was CHF 64.2 million, which corresponds to a gross margin of just 23.2% (prior year 38.4%). The gross profit was reduced by about CHF 13.0 million because of lower sales. In the first half of the year, additional costs of CHF 14.2 million resulted from the halt in the OptiClik® production. An additional CHF 14.0 million was expended for specific modifications in production, in particular in the field of process optimization, for the construction of the new logistics center in Burgdorf as well as for optimization in the field of quality systems and organization. Ypsomed's profitability was further burdened by CHF 10.1 million from ongoing commercialization projects and the introduction of new products. In the last business year, Ypsomed increased its marketing activities, both in the pen business and in the field of pen needles and diabetes care business. Costs for marketing and sales increased from

the prior year, from CHF 19.4 million to CHF 21.4 million (corresponding to 7.7% of sales, compared to 6.2% in the prior year). Costs for administration decreased from CHF 20.3 million to CHF 18.6 million. In business year 2006/07, this resulted in an operating profit for Ypsomed before interest, taxes, depreciation and amortization (EBITDA) of CHF 27.4 million (EBITDA margin of 9.9%), or earnings before interest and taxes (EBIT) of CHF 2.3 million (EBIT margin of 0.8%). Ypsomed was able to reverse the trend in the second half of the year despite higher overhead costs. Following an EBIT loss of CHF 5.3 million in the first six months, EBIT improved in the second half of business year 2006/07 to CHF 7.7 million. In business year 2006/07, the Ypsomed Group realized a consolidated net profit of CHF 2.7 million, as indicated in November 2006. Based on an average outstanding number of shares of 11 229 318, this results in earnings of CHF 0.24 per Ypsomed Holding share.

Ypsomed continued to invest in infrastructure, capital equipment and technology

In business year 2006/07, Ypsomed invested a total of CHF 36.8 million, significantly more than the CHF 30.8 million in the prior year, CHF 12.5 million of which was for the purchase of the Ziegelmatteareal property in Solothurn. Part of the production area in Solothurn has already been claimed for the construction of the new pen needle production facility (including the corresponding clean room) and for the production of the new Symlin® pen, which will be launched by Amylin in the current business year.

Ypsomed expanded research and development – Ypsomed’s patent portfolio includes 219 patent families

Expenditures for research and development increased in business year 2006/07, both absolutely and relative to sales. Ypsomed invested CHF 25.4 million in research and development, which is 11.4% more than in the prior year (when it invested CHF 22.8 million) and represents 9.2% of sales (prior year 7.4%). Expenditures for research and development increased in particular because employee head count rose by 25%, to a total of 109. Income from custom-made development projects decreased from CHF 5.6 million to CHF 3.5 million as a result of the strategy to make increased investments in the development of its own technology platforms. In the areas of self-medication, pen needles, pen systems and auto-injection technology, Ypsomed today owns a total of 219 patent families, with patents granted and pending in numerous countries. In the area of auto-injectors, Ypsomed owns 40 patent families.

Richard Fritschi, CEO of Ypsomed, is extremely pleased about the recent signing of a non exclusive license agreement with a major, globally acting pharmaceutical company: “It is a major milestone for Ypsomed and demonstrates how valuable Ypsomed’s know-how and intellectual property are. Ypsomed will continue to protect their developments and technologies with patents and actively defend them. Ypsomed is currently in ongoing negotiations with several pharmaceutical companies about non exclusive license rights of Ypsomed patents.”

New HumatroPen 3 launched

Ypsomed introduced the new HumatroPen3 which is the third pen generation and succeeds the Humatro Pen MG for administration of human growth hormone. Since cartridges with different concentrations of the drug can be administered in the same pen, the electronic module was enhanced with a built-in microprocessor and special software, so that it is possible for the doctor or patient, to set the concentration of the drug on the pen. A potentially complex conversion of mass and injection units is thereby made redundant and increases the ease of use and safety for the patient. HumatroPen3 is manufactured for administration of Humatrope, the human growth hormone manufactured and marketed by Eli Lilly and Company.

Ypsomed is moving ahead with the development of the new continuous injection device

In its “continuous injection device” program, Ypsomed is developing a novel technology platform for a semi-disposable injection system for the intermittent administration of a specific amount of insulin over a longer period of time. By means of the continuous administration of “physiological” short-acting insulin at constant intervals, a more even absorption of the drug, and therefore better metabolic regulation, can be achieved. The strategic plan to develop a continuous injection device for human insulin is the first step in Ypsomed’s expanded strategic orientation in the “drug and device” area. The innovative continuous injection device is light and ergonomically designed and offers patients a high degree of safety as well as being extremely easy to use without extensive training. Compared with the traditional pump therapy, the continuous injection device therapy will be significantly less expensive. The primary target segment for the continuous injection device is type 2 diabetics, with the advantages of the new system being possibly most significant for elderly, less mobile diabetes patients and those in need of care.

Chairman Dr. h.c. Willy Michel is convinced about the future success of the continuous injection device: “Ypsomed’s continuous injection device combines the advantages of pen and pump therapies: it is cost-efficient and easy to use, and it provides people with diabetes with greater flexibility and better metabolic adjustment.”

Own technology platforms - Ypsomed is presenting the worldwide first pen system with only 3 components

Ypsomed’s in-house technology platforms have been brought to the market in a comprehensive manner, and today Ypsomed has eight new pen system platforms, ranging from the simplest fixed-dose disposable systems to more complex reusable multi-dose pen systems. Ypsomed is currently negotiating with various major pharmaceutical groups. With the new Trio pen, Ypsomed is presenting the world’s first pen-system consisting of only 3 components.

New organisation and leadership

Ypsomed’s management team was newly appointed in business year 2006/07. In mid-September, the board of directors appointed Richard Fritschi as the new CEO of Ypsomed Group. In November 2006, Maurice Meytre took up the newly created position of COO. The management team was completed in January with the addition of Dr. Manfred Mäder as head of quality management and regulatory affairs. Dr. Mäder has many years’ experience in the pharmaceutical industry, most recently as director of quality assurance for proprietary medicinal products at Sanofi-Aventis Frankfurt site. With simple but well-defined levels of management and expertise, clear areas of responsibility, competence and targets were defined. In order to be able to develop new products more quickly in the future, research and development were combined with process engineering and project management in the newly created department of technology and placed under the direct control of the COO. Furthermore, logistics and storage will be centralised in a four-story building in the industrial district in the north of Burgdorf by the end of 2007 and, in addition, manual pen assembly will be combined with product packaging in order to achieve cost savings in the coming years.

Operational activities reflected in cash flow

In business year 2006/07, Ypsomed achieved a cash flow from operating activities of CHF 32.2 million, 32% less than in the prior year, when it was CHF 47.4 million. Depreciation of CHF 25.1 million was only slightly lower than that reported in the preceding period, of CHF 26.7 million. Capital expenditures for fixed assets increased from CHF 30.8 million to CHF 36.8 million. Cash flow from financing activity was CHF –38.1 million (prior year CHF –28.3 million). The Ypsomed Group is very soundly financed, has no bank debts and is supported by an entrepreneurial majority shareholder. By the end of the business year, Ypsomed had cash and cash equivalents of CHF 40.7 million, securing long-term financing for business operations and capital expenditures.

Reclassification and presentation of the balance sheet and cash flow statements 2005/06

Upon request by the SWX listing authority Ypsomed has reclassified certain positions in the balance sheet and cash flow statements 2005/06 and enhanced the presentation. The restatement has no impact on the consolidated income statement and the consolidated equity 2005/06. The reason being the new treatment of the posting of advance payments to suppliers (customer machinery), which required a reclassification of advance payments from the non-current to the current assets. This reclassification also required an adjustment of the cash flow from operating activities. Furthermore, transactions with marketable securities and financial assets were reclassified in the cash flow statement. These adjustments were agreed with SWX and conform to their guidelines. A proceeding according to article 81 of the Listing Rules is still pending, since Ypsomed has objected against a potential sanction by the SWX.

Ypsomed shares will - in addition to the SWX - be traded on the BX Berne Stock eXchange

The board of directors of Ypsomed has decided to list the Ypsomed shares on the BX Berne eXchange starting from June 27th, 2007. Chairman Dr. h.c. Willy Michel commented the motivation as follows: "The shareholders of Ypsomed have a strong local bond and a significant portion of the more than 7'700 shareholders actually lives in the Mittelland region. With the listing at the BX Berne eXchange Ypsomed makes a strong commitment in favour of the region. However, there are explicitly no plans for a delisting from the SWX or for a going private."

Outlook

CEO Richard Fritschi is confident: „Ypsomed has everything required for sustained success: a clear strategy, well qualified employees, know-how and patents, innovative products, longstanding customers, sound financing and an entrepreneurial owner." Sales in the core business with pen-systems will largely depend on the actual order volumes from Sanofi-Aventis, which are currently being negotiated. Ypsomed expects more solid organic growth for the pen needle and diabetes products business, the latter potentially increasing through acquisitions as well. Ypsomed reviews its cost structure on an ongoing basis, adjusting sales estimates accordingly. The company's vigorous developmental efforts for the strategically critical line of continuous injection device will generate an estimated CHF 10 million in operational expenses over the next two years plus capital expenditure on the order of CHF 20 million. Total investment for business year 2007/08 is thus estimated at around CHF 60 million. With licensing income from patents providing a boost going forward, Ypsomed estimates sales for business year 2007/08 of around CHF 280 million (excluding acquisitions) with an EBIT margin of 10%.

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 and the annual report are available in electronic form at www.ypsomed.com.

Information about the telephone conference in English

A telephone conference in English will held today on 29th May 2007 at 4:30pm (CET). CEO Richard Fritschi and CFO Niklaus Ramseier will be available for questions. Please dial in about 5 minutes before the beginning of the conference call. A recording of the conference call will be available as audio-download on our web page from noon Wednesday, 30th May 2007. The dial-in numbers are as follows:

Europe and ROW: +41 (0) 91 610 56 00 UK: +44 (0) 207 107 0611 USA: +1 (1) 866 291 4166

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

| | 2006/07 | 2005/06 | Change | in % |
|--|----------------|----------------|---------------|-------------|
| Sales of goods and services | 277 450 | 310 588 | -33 138 | -10.7 |
| thereof own products | 234 614 | 269 638 | -35 024 | -13.0 |
| thereof diabetes care & other products | 42 836 | 40 950 | 1 886 | 4.6 |
| Gross profit | 64 239 | 119 213 | -54 974 | -46.1 |
| Gross profit in % | 23.2 | 38.4 | | -15.2 |
| Research and development expenses (gross) | 25 446 | 22 834 | 2 612 | 11.4 |
| Operating profit | 2 338 | 62 342 | -60 004 | -96.2 |
| Operating profit in % | 0.8 | 20.1 | | -19.3 |
| Net profit | 2 742 | 55 648 | -52 906 | -95.1 |
| Net profit in % | 1.0 | 17.9 | | -16.9 |
| Capital expenditures | 36 808 | 30 766 | 6 042 | 19.6 |
| Equity ratio in % | 62.6 | 60.7 | | 1.9 |
| Earnings per share | 0.24 | 4.95 | -4.71 | -95.1 |
| Employees headcount (per 31 March) | 1 211 | 1 139 | 72 | 6.3 |
| Employees fulltime equivalent (per 31 March) | 1 166 | 1 090 | 76 | 7.0 |

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