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

Ypsomed in a period of consolidation

Burgdorf, 9th November 2006, 7:00am – After a phase of above average growth in sales and profit the Ypsomed Group is currently in a period of consolidation. In the frist half year 2006/07 (April 1 – September 1 2006) sales fell 8.8% to a total of CHF 129.0 million and a operating loss of CHF 5.3 million. While direct diabetes business posted sales growth above market average, the interruption of the production of OptiClik® of eight weeks led to a decline in sales in core business of – 11.2% to CHF 107.3 million. The problems with OptiClik® have since been resolved, but have caused additional costs of CHF 14.2 million. This in turn reduced the gross profit margin in the first half of 2006/07 of 20.1% compared with the previous year from 37.8%. We expect results to improve in the second half and the year as a whole to finish with a small profit.

Problems in the production of OptiClik® pen led to a decline in sales an to lower profitability

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 OptiSet® pen systems. Although the perfect functionality and safety of the OptiClik® pens produced was always guaranteed, unexpected difficulties occurred in the complex manufacturing process and caused a relatively long-time and ultimately led to an interruption of the production of a good eight weeks. This led to delays in delivery and a reduction of sales in the pen system core business. The shutdown 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.

Development of net sales (April 1 – September 30)

	2006	2005	Change in %
Own finished products	107 265	120 784	-11.2
Other products	21 752	20 732	+ 4.9
Total sales	**129 017**	**141 516**	**-8.8**

Unaudited IFRS figures in thousand CHF.

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. From discussions held with Sanofi-Aventis in the meantime, the situation 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.

Lasting partnership between Sanofi-Aventis and Ypsomed

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. The recent discussions with Sanofi-Aventis have shown that the long-standing partnership between the two companies will continue. Sanofi-Aventis will continue to market the OptClik®, 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 the disposable pen called SoloStar®.

Adaptation of cost structures and new Chief Operating Officer (COO)

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.

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. 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.

Capital expenditure useful for the future

In the first semester Ypsomed invested a total of CHF 23.7 million, from CHF 24 million in the same period the previous year, with CHF 12.5 million of this being spent on the purchase of the Ziegelmattareal 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.

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. As communicated Ypsomed will push its own technology developments. Thereof investments in research and development rose in absolute terms and amounted to CHF 11.9 million, 9.2% of sales (compared with 7.8% in the previous year). 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 6 to 12 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.

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 further documents 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 9th November 2006 at 3:00pm (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 Friday, 10th November 2006. 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 – September 30)

	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
Capital expenditures	23 731	24 023	-292	-1.2
Equity ratio in %	61.4	57.6		3.8
Earnings per share (in CHF)	-0.47	2.35	-2.82	-119.9
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

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