



KEY FIGURES AT A GLANCE April 1–September 30

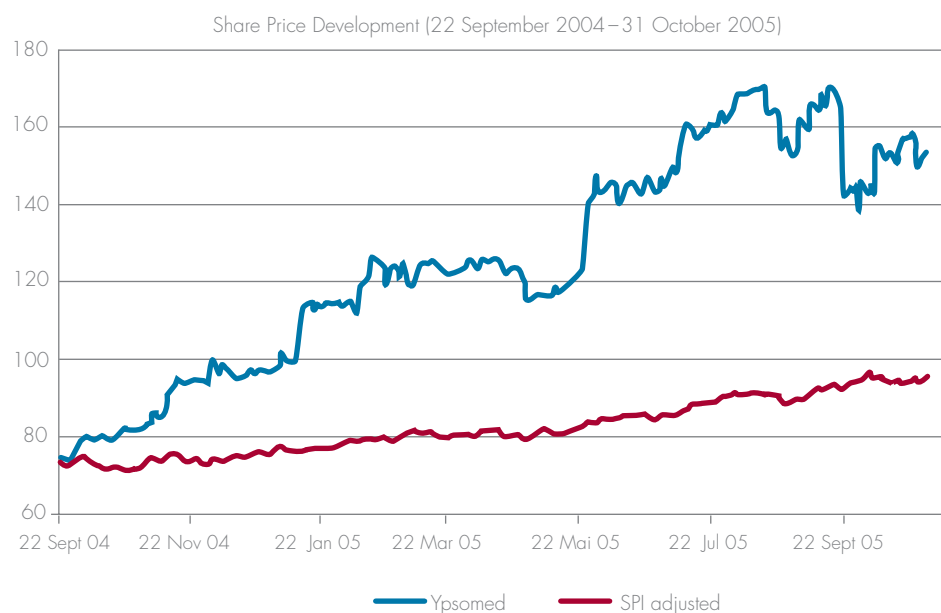
in thousand CHF	2005	2004	Change	in %
Sales of goods and services	141 516	116 017	25 499	22.0
Gross profit	53 557	45 629	7 928	17.4
Gross profit in %	37.8	39.3		-1.5
Research and development expenses (gross)	11 062	9 032	2 030	22.5
Operating profit	28 946	21 950	6 996	31.9
Operating profit in %	20.5	18.9		1.6
Net profit	26 377	17 963	8 414	46.8
Net profit in %	18.6	15.5		3.1
Earnings per share (in CHF)	2.35	1.60	0.75	46.8
Capital expenditures	24 023	35 813	-11 790	-32.9
Equity ratio in %	57.6	53.5		4.1
Employees headcount (as of September 30)	1 035	869	166	19.1
Employees fulltime equivalent (as of September 30)	995	833	162	19.4

NET SALES

in thousand CHF	2005	in %	2004	in %	Change in %
Own finished products	120 784	85.4	79 473	68.5	52.0
FreeStyle	1 752	1.2	18 803	16.2	-90.7
Other products	18 980	13.4	17 741	15.3	7.0
Total sales	141 516	100.0	116 017	100.0	22.0

Previous-year figures adjusted taking account of FreeStyle	141 516	99 088	42.8
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SHARE PRICE DEVELOPMENT



YPSOMED BOOSTS SALES AND PROFITABILITY

Dear Shareholder

The Ypsomed Group once again visibly boosted sales and profitability during the first half of the 2005/06 business year in line with guidance. Particularly satisfying is the progress in the core business with pen systems and pen needles, where sales increased by 52% compared with last year. Ypsomed was furthermore successful in reaching – for the first time – its goal of exceeding an operating margin of 20%. Compared with the previous year, the operating margin improved from 18.9% to 20.5%. The Ypsomed Group's net profit increased to a total of CHF 26.4 million, which represents 18.6% of net sales. Based on the figure of 11.24 million outstanding shares, the net profit per share increased from CHF 1.60 to CHF 2.35 during the first half of the 2005/06 business year, which corresponds to an increase of 46.8%.

Ypsomed share price doubled since IPO

The positive development of the share price of the Ypsomed shares on the Swiss Exchange SWX is particularly pleasing. After the share price had increased formidably since the IPO, it further rose by 17% during the first half of the 2005/06 business year (April 1 – September 30). Since the first day of trading on September 22, 2004, when Ypsomed shares opened at CHF 73.00 per share, the share price has doubled to CHF 146.00 as of September 30, 2005. Ypsomed is therefore by far the most successful IPO during the last years. With 5760 registered shareholders, Ypsomed was able to assemble the desired broadly diversified shareholder structure in only 12 months. We would like to thank you, our shareholders, for the trust you have shown in us.

Sales growth of 52% in core business of pen systems and pen needles

During the first semester 2005/06, Ypsomed achieved consolidated sales of CHF 141.5 million. This corresponds to an increase of 22.0% on the first prior-year figure; respectively 42.8% when the previous year sales of FreeStyle are eliminated. Sales in FreeStyle blood glucose monitoring systems, other than those attributable to the direct sales business by DiaExpert in the amount of CHF 1.8 million, fell away due to the termination of the exclusive, Europe-wide distribution agreement with TheraSense in July 2004. However,

this decline was absorbed more than sufficiently by the strong growth in the core business. During the first half of the 2005/06 business year, sales of CHF 120.8 million were generated with pen systems, pen needles and products delivered by Ypsotec to third parties. Compared with CHF 79.5 million during the first half of 2004/05, this represents an increase of 52%. This level of growth is unusually high even in the medical technology sector. In Ypsomed's principle market of diabetes, the insulin-segment continues growing worldwide at a rate of over 10% p.a. and Sanofi-Aventis' blockbuster insulin Lantus grew by more than 50% during the first six months of the current calendar year. The long-acting insulin analogue Lantus needs to be injected just once a day and therefore has clear advantages over competing products, which must be injected at least twice daily.

OptiClik® pen system on track again

Since its official launch in the US market in January 2005, the globally unique pen system OptiClik® has reached a high level of acceptance among a broad customer base and enjoys great popularity. The technical problems, which were experienced with four batches in Japan, resulted in the temporary interruption of the production of a particular OptiClik®-sub-assembly. The manufacturing problem has now been solved and all OptiClik®-components are now being produced again in regular production. Several hundred thousand OptiClik® pens have been sold and introduced into the United States and Japan, and the product will be launched in other markets as well.

Ypsomed reaches operating margin goal already during first six months with a margin of 20.5%

The goal of increasing the operating margin during the next 12 months to above 20%, which was communicated at the beginning of the business year, could already be accomplished during the first six month period. Through a re-dimensioning of the European distribution, expenses for marketing & sales were reduced from CHF 12.8 million to CHF 9.2 million, respectively from 11.1% to 6.5% of net sales. Research & development expenses amounted to CHF 6.1 million (4.3% of sales) on a net basis. The administrative costs of 6.6% of sales remained at the level of the 2005/06 business year. Ypsomed realized an operating profit

YPSOMED BOOSTS SALES AND PROFITABILITY

of CHF 28.9 million in the first six months and thereby improved the operating margin from 18.9% to 20.5%. The operating profit therefore increased by almost 32% or 1.6 percentage points. The EBITDA margin, which could be improved by 1.4 percentage points from 28.3% to 29.7%, developed equally positively.

The improvement in the operating profitability is particularly pleasing as the gross margin could not be increased as expected. Although the gross profit increased by CHF 7.9 million to CHF 53.6 million, the gross profit margin of 37.8% was 1.5 percentage points lower than for the same period in the previous business year. The lower gross margin is a result of the OptiClik® recall and additional costs caused by the rapid ramp-up of production capacity and associated costs for quality control of approximately CHF 5.0 million. We expect an improvement in the gross margin for the second half of the 2005/06 business year compared with the first six months.

Consolidated net profit increased by 46.8% – profit per share of CHF 2.35

Due to the excellent operating results, the Ypsomed Group's consolidated net profit also increased by CHF 8.4 million to CHF 26.4 million. This corresponds to an improvement in consolidated net profit from 15.5% of net sales to 18.6% compared with the prior-year period. Based on the average number of outstanding shares of 11 238 243, this corresponds to a profit per share of CHF 2.35, representing an increase of 46.8% over the same period last year.

Continuous expansion of production capacity

The first expansion phase was finished on schedule in July 2005. Further expansion of the production capacity is on-going. In order to ensure that sufficient factory space is available in a timely manner, Ypsomed is currently evaluating various alternatives. Investment expenditures of CHF 24.0 million met forecasts. Total investments of approximately CHF 65.0 million are projected for the 2005/06 business year.

Ypsomed created 100 new jobs during the first six months

During the first six months of the 2005/06 business year Ypsomed not only expanded production capacity but also once again created 100 new jobs, mostly in Solothurn, but also in Burgdorf, Grenchen and in the Czech Republic. Since the spin-off in May 2003, Ypsomed has created 500 new jobs and with 1035 employees the company for the first time crossed the one thousand mark this year.

Ypsotec is growing in the Czech Republic

In the first semester 2005/06 the newly established Ypsotec s.r.o. in the Czech Republic was consolidated for the first time. It is a 100% subsidiary of Ypsotec AG in Grenchen. Ypsotec s.r.o. is located in Tabor and was conceived as a manufacturing company, in particular for fine metal parts. After the rigorous build-up and training phase, Ypsotec s.r.o. will start production during the second half of the 2005/06 business year. The company will primarily supply group companies with services, which could previously not be provided in Switzerland for cost reasons.

Ypsomed investment in the Precimed group

At the beginning of September 2005 Ypsomed joined an investor syndicate led by BVgroup Private Equity and invested CHF 9.1 million in Precimed. The Precimed Group, with its global headquarters in Orvin, Switzerland and subsidiaries in the USA, the United Kingdom and Japan, is considered a technology leader for orthopaedic instruments and employs 270 employees worldwide. Precimed is specialized in the development and manufacturing of innovative instruments used in orthopaedic hip, knee, spine and trauma surgical procedures. The orthopaedic market, in which Ypsotec is also increasingly active, is growing at approximately 1.5% worldwide and presents attractive growth potential.

Equity increased from 53.5% to 57.6%

During the first half of 2005/06 Ypsomed achieved a cash flow from operating activities of CHF 36.4 million. As of September 30, 2005 the consolidated equity amounted to CHF 369.6 million. The equity quota increased from 53.5% to 57.6% compared with the prior-year period. In view of the solid financial situation, Ypsomed's board of directors decided to reduce the loan outstanding to the majority shareholder Willy Michel by CHF 18.1 million to CHF 200.0 million.

Patent infringement suit by Novo Nordisk against Sanofi-Aventis is unjustified

As a result of the suit against Sanofi-Aventis in the USA, relating to an alleged patent infringement by the OptiClik® pen, Ypsomed commissioned an internal and external expert assessment, both of which have concluded that the OptiClik® pen does not infringe any of these patent claims by Novo Nordisk. The formal expert opinion prepared by prominent patent attorneys confirms Ypsomed's internal conclusion as well as statements by Sanofi-Aventis that the accusations are unfounded. Discussions with Sanofi-Aventis have affirmed that the patent infringement suit has no effect on the production of the OptiClik® pen, nor on Ypsomed's further expansion of the production capacity.

Outlook – sales expected to continue to grow strongly

Ypsomed will continue to enjoy strong growth in the core business with pen systems and pen needles. Ypsomed's existing pen systems are positioned ideally and the company supplies such leading pharmaceutical customers as Eli Lilly, Genentech, Pfizer, Roche, Sanofi-Aventis and Serono. Current customer forecasts confirm our growth expectations. The partnership between Sanofi-Aventis and Ypsomed is based on a successful 20 year collaboration and currently shows itself in the strong growth in the principal market diabetes, driven by the exceptional success of Lantus, the leading long-acting insulin by Sanofi-Aventis. Ypsomed sees clear growth potential in the US market due to the currently still low penetration rate of insulin pens of below 20%. In addition, more and more clinical studies show that the early use of insulin can significantly reduce consequential damages from diabetes. Experts in the field of diabetes expect sustainable growth for the insulin market in excess of 10% during the next years.

For a number of reasons we estimate that the future effect of inhalable agents, such as Exubera, will be limited: Inhalers will only be appropriate for short acting insulin and will require multiple insulin amounts as compared with subcutaneous application. Furthermore, according to experts, the long-term effects of inhaled insulin are uncertain.

Attractive prospects for innovative disposable pen systems and auto-injectors

The Ypsomed pipeline currently consists of 45% disposable pen systems and 45% auto-injectors and is consistent with the general trend in the market for injection systems. Disposable pen systems offer partners in the pharmaceutical industry several advantages, such as competitive differentiation, highest precision in dosing as well as a simpler logistics and a lower level of customer support as compared with reusable pens. Disposable auto-injectors are particularly suitable for medications, which are applied less regularly or for depot formulations, an increasingly observed trend in biotech-based medications.

Forecast raised – sales growth of between 25% and 30% expected for 2005/06

All the positive indicators for future growth currently existing lead us to increase our sales forecast for the 2005/06 business year from previously 20% to 25% to 25% to 30%. However, there are still clear risks associated with the implementation of the expansion plans which represents a great challenge technically as well as in terms of organisation and personnel. Total commitment on the part of all employees, as well as from suppliers and partners is required. We would like to take this opportunity to thank all of them.

Willy Michel
Chairman

Matthew Robin
CEO

CONSOLIDATED INCOME STATEMENT April 1 – September 30

(Unaudited IFRS figures) in thousand CHF	Notes	2005	in %	2004	in %
Sales of goods and services	4	141 516	100.0	116 017	100.0
Cost of goods and services sold		-87 959	-62.2	-70 388	-60.7
Gross profit		53 557	37.8	45 629	39.3
Research and development reimbursed		4 915	3.5	5 411	4.7
Research and development expenses		-11 062	-7.8	-9 032	-7.8
Research and development – expenses net		-6 147	-4.3	-3 621	-3.1
Marketing and sales expenses		-9 165	-6.5	-12 834	-11.1
Administration expenses		-9 299	-6.6	-7 224	-6.2
Operating profit		28 946	20.5	21 950	18.9
Finance income/expenses – net	5	1 515	1.1	-1 519	-1.3
Other income		-24	0.0	160	0.1
Profit before taxes		30 437	21.5	20 591	17.7
Income tax expenses		-4 060	-2.9	-2 628	-2.3
Net profit		26 377	18.6	17 963	15.5
Earnings per share (basic and diluted) ¹⁾	6	2.35		1.60	
Operating profit		28 946		21 950	
Amortization of intangible assets		447		332	
Depreciation of fixed assets		12 705		10 537	
EBITDA (Earnings before interest, taxes, depreciation, amortization)		42 098	29.7	32 819	28.3

¹⁾ For comparison purposes, earnings per share in the pre-year period refer to the number of shares issued after the IPO, amounting to 11 244 213 shares; earnings per share in the period under review refer to the average number of shares outstanding, amounting to 11 238 243 shares.

CONSOLIDATED BALANCE SHEET

(Unaudited IFRS figures) in thousand CHF	Notes	30.09.05	in %	31.03.05	in %	30.09.04	in %
Assets							
Cash and cash equivalents		51 431	8.0	55 985	8.5	105 136	16.8
Marketable securities		45 983	7.2	69 608	10.6	0	0.0
Trade receivables		33 820	5.3	39 629	6.0	37 504	6.0
Other current assets		10 038	1.6	7 252	1.1	11 753	1.9
Inventory		40 739	6.3	34 602	5.3	40 363	6.4
Total current assets		182 011	28.4	207 076	31.4	194 756	31.0
Financial assets		9 072	1.4	20	0.0	20	0.0
Deferred income tax assets		4 398	0.7	4 466	0.7	5 426	0.9
Other non-current assets		123	0.0	211	0.0	201	0.0
Fixed assets	1	144 911	22.6	145 899	22.2	126 672	20.2
Intangible assets		301 195	46.9	300 810	45.7	300 592	47.9
Total non-current assets		459 699	71.6	451 406	68.6	432 911	69.0
Total assets		641 710	100.0	658 482	100.0	627 667	100.0
Liabilities and equity							
Trade payables	1	29 471	4.6	41 634	6.3	16 768	2.7
Current income taxes payable		6 567	1.0	5 389	0.8	6 096	1.0
Other payables and accrued expenses		19 450	3.0	18 445	2.8	35 833	5.7
Total current liabilities		55 488	8.6	65 468	9.9	58 697	9.4
Non-current financial liabilities to major shareholder	2	200 000	31.2	218 121	33.1	218 121	34.8
Provisions		12 727	2.0	13 869	2.1	11 563	1.8
Deferred income tax liabilities		3 878	0.6	3 851	0.6	3 673	0.6
Total non-current liabilities		216 605	33.8	235 842	35.8	233 357	37.2
Share capital	3	130 433	20.3	140 553	21.3	140 553	22.4
Group reserves		212 807	33.2	177 424	26.9	177 097	28.2
Net profit		26 377	4.1	39 195	6.0	17 963	2.9
Equity		369 617	57.6	357 172	54.2	335 613	53.5
Total liabilities and equity		641 710	100.0	658 482	100.0	627 667	100.0

CONSOLIDATED CASH FLOW STATEMENT April 1 – September 30

(Unaudited IFRS figures) in thousand CHF	Notes	2005	2004
Net profit		26 377	17 963
Depreciation of fixed assets		12 705	10 537
Amortization of intangible assets		447	332
Change in provisions		-1 142	-993
Unrealized gains from marketable securities		-1 363	0
Income tax expenses		4 060	2 628
Cash flow from operating activities before changes in net working capital		41 084	30 467
Increase (-)/decrease (+) in trade receivables		5 809	-7 518
Increase (-)/decrease (+) in other current and non-current assets		-2 538	1 183
Increase (-)/decrease (+) in inventories		-6 137	-2 660
Increase (+)/decrease (-) in trade payables	1	-52	-72
Increase (+)/decrease (-) in other payables and accrued expenses		1 005	23 342
Income tax paid		-2 787	-917
Cash flow from operating activities		36 384	43 825
Purchases of fixed assets		-24 023	-35 813
Disposals of fixed assets	1	197	171
Purchases of intangible assets		-827	-349
Cash flow from investing activities		-24 653	-35 991
Increase (-)/decrease (+) in marketable securities		24 827	0
Increase (-)/decrease (+) in financial assets		-9 052	0
Increase (+)/decrease (-) in non-current financial liabilities to major shareholder	2	-18 121	-121 374
Increase (+)/decrease (-) in equity	3	-10 089	206 060
Trade in own shares net		-3 850	0
Cash flow from financing activities		-16 285	84 686
Total cash flow		-4 554	92 520
Cash and cash equivalents as of April 1		55 985	12 616
Cash and cash equivalents as of September 30		51 431	105 136
Net increase (+)/decrease (-) in cash and cash equivalents		-4 554	92 520
Interest received		355	70
Interest paid		541	638

Cash flow irrelevant transactions:

In the period under review, CHF 14.3 million of sold machinery were netted against advance payments by pharmaceutical partner companies. These items are not included under the changes of "Trade payables" nor under "Disposal of fixed assets" (see no. 1 in the notes).

In the previous year period, CHF 99.75 million of the loan from the major shareholder was netted against an equity capital increase.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY April 1 – September 30

(Unaudited IFRS figures) in thousand CHF	Share capital	Group reserves and share premium	Own shares	Translation reserve	Retained earnings	Total
Balance as of April 1, 2004	250	0	0	0	11 590	11 840
Capital increase	140 303					140 303
Group reserves and share premium		165 597				165 597
Net profit 1.4.–30.9.04					17 963	17 963
Currency translation differences				-90		-90
Balance as of September 30, 2004	140 553	165 597	0	-90	29 553	335 613
Balance as of April 1, 2005	140 553	165 854	0	-20	50 785	357 172
Par value repayment	-10 120					-10 120
Earnings recorded under equity		161				161
Acquisition of own shares			-4 011			-4 011
Net profit 1.4.–30.9.05					26 377	26 377
Currency translation differences				38		38
Balance as of September 30, 2005	130 433	166 015	-4 011	18	77 162	369 617

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In thousand CHF (unless mentioned otherwise)

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, 2005 except for the application of the new, revised International Financial Reporting Standards (IFRS) which became effective as of January 1, 2005. The application of these new, revised standards has no impact on the consolidated interim financial statements and the corresponding pre-year period.

The consolidated interim financial statements were approved for issue by the Board of Directors on November 4th 2005.

Basis for consolidation

The newly founded Ypsotec s.r.o., Tabor, Czech Republic, has been consolidated for the first time in the first half of the 2005/06 business year. Ypsotec s.r.o. is a production facility owned fully by Ypsotec AG in Grenchen. Ypsotec s.r.o. will commence operations in the 2nd half of 2005/06 and mainly supply companies within the group.

1. Advance payments by pharmaceutical partners

Trade payables include advance payments made by our pharmaceutical partners of CHF 15.3 million (as of March 31, 2005: CHF 27.1 million). Advance payments of CHF 2.5 million were made during the first half of the year, whilst sold machinery in the amount of CHF 14.3 million were offset against advance payments by pharmaceutical partners. This machinery remains in our possession, but is no longer listed under fixed assets. Offsetting completed machinery against advance payments did not affect cash flow because the advance payments for them were made in the 2004/05 business year.

2. Non-current financial liabilities to major shareholder

Loan from W. Michel as of September 30, 2005

Interest rate	Maturity	Carrying amount
0.5%	31.3.2010	200 000

During the first half of the year CHF 18.1 million of the loan were repaid to W. Michel. The loan may be repaid at any time by Ypsomed Holding AG, either partially or in full. The loan is due for repayment on March 31, 2010 at the latest.

3. Share capital

The nominal value of the Ypsomed share was reduced by CHF 0.90 on August 31, 2005, and this was repaid to shareholders. The total amount of nominal value repaid was CHF 10 119 791.70.

4. Net sales

	2005	2004
Own finished products	120 784	79 473
FreeStyle	1 752	18 803
Other products	18 980	17 741
Total Sales	141 516	116 017

Abbott took over the exclusive distribution of the FreeStyle blood glucose monitor with effect from August 1, 2004. Since then, FreeStyle has only been sold in Germany via our direct distribution organisation (DiaExpert GmbH).

5. Net financial income/expenses

	2005	2004
Interest income	355	70
Gains from securities	2 163	0
Foreign exchange gains	162	180
Total financial income	2 680	250

Interest expenses	586	638
Losses from securities	193	0
Foreign exchange losses	386	1 131
Total financial expenses	1 165	1 769

Total net financial income/expenses **1 515** **-1 519**

In the period from April 1 to September 30, 2005 total interest of TCHF 538 (previous year: TCHF 459) was posted for the shareholder's loan from W. Michel.

6. Earnings per share

	2005	2004
Net profit in thousand CHF	26 377	17 963
Average number of shares	11 238 243	11 244 213
Earnings per share in CHF (basic and diluted)	2.35	1.60

For reasons of comparability, the earnings per share in the corresponding previous year period were calculated using the total number of issued shares after IPO (11 244 213 shares)

7. Segment information

The Ypsomed Group has one primary business segment, "Injection systems and accessories".

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 2005/06

Publication of annual results: May 30, 2006

Annual General Meeting of Shareholders

June 27, 2006 in Burgdorf



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