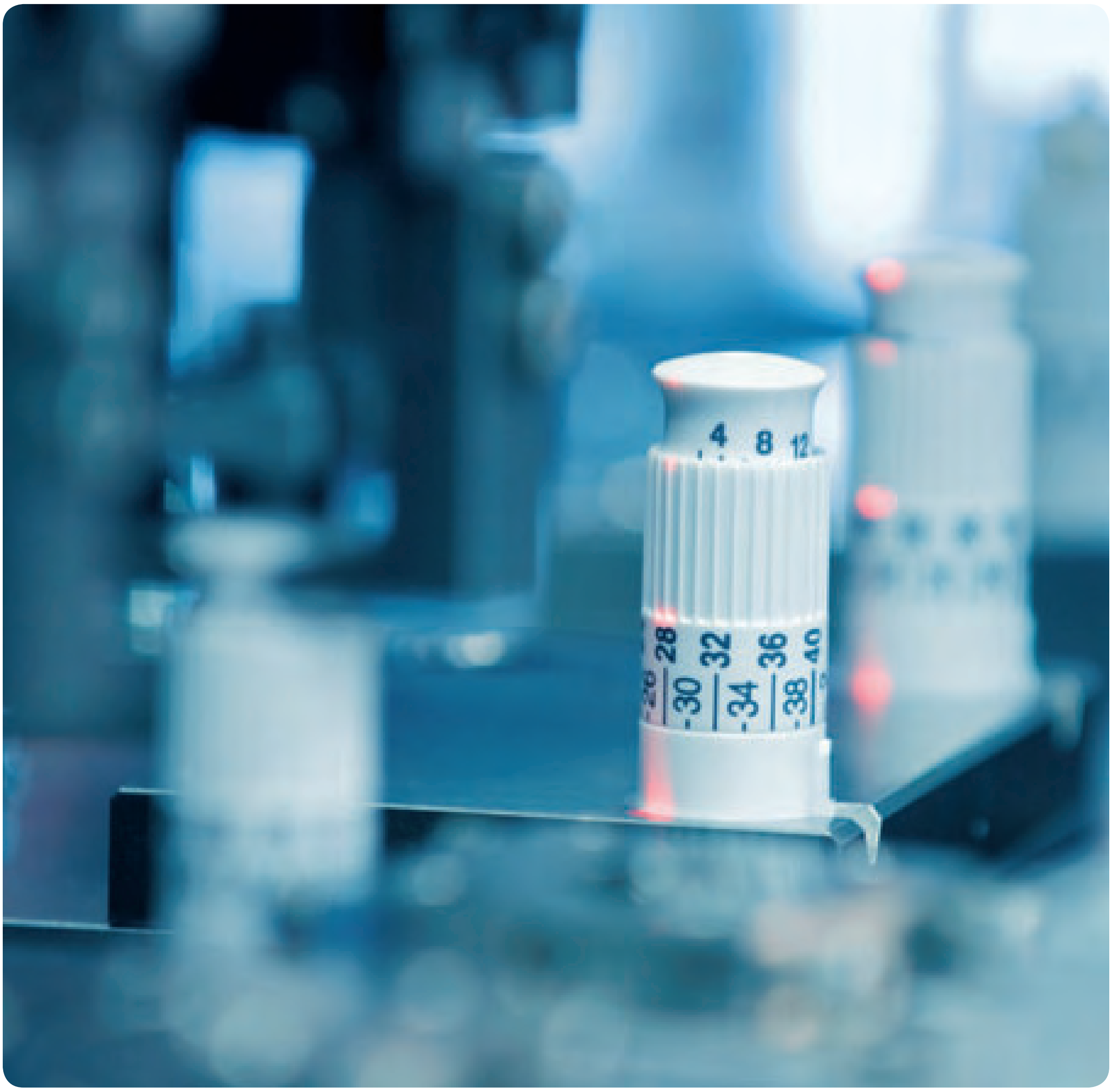

"The high equity ratio and an entrepreneurial owner allow Ypsomed to make significant investments in innovation and technologies that will enable us to achieve sustained profitability."

Niklaus Ramseier, CFO

FINANCES

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.

Profitability lower due to additional costs

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 because of accelerated depreciation of defective goods and manual testing and reworking operations, as well as higher scrap rates when production was again restarted. 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, and by one-off costs for guarantee claims of CHF 3.7 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.

Net sales April 1 – March 31

in thousand CHF	2006/07	in %	2005/06	in %	Change in %
Own finished products	234 614	84.6	269 638	86.8	–13.0
Direct trades business and other products	42 836	15.4	40 950	13.2	4.6
Total sales	**277 450**	**100.0**	**310 588**	**100.0**	**–10.7**

Ypsomed continued to invest in infrastructure, capital equipment and technology

In business year 2006/07, Ypsomed invested a total of CHF 36.8 million (CHF 30.8 in the prior year), CHF 12.5 million of which was for the purchase of the Ziegelmattareal property in Solothurn. As a result, Ypsomed has sufficient strategic infrastructure reserves in Switzerland for the mid to long-term. 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.

Increased expenditures for research and development

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. Within its strategy, Ypsomed made increased investments in the development of its own technology platforms (see page 19 of the annual report). As a result, income from custom-made development projects decreased from CHF 5.6 million to CHF 3.5 million.

Increased marketing efforts and lower administration costs

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.

Profitable capital structure

Financing costs were very low, due to the profitable capital structure, and decreased slightly compared to the prior year, from CHF 2.1 million to CHF 2.0 million. Income from cash and marketable securities was CHF 2.7 million; this income turned out to be less than in the prior year because of the lower basis, but was still higher than the financing costs and resulted in net finance income of CHF 0.7 million. Due to the lower operating profit, tax expenditures were only CHF 0.4 million (prior year CHF 8.8 million).

Earnings of CHF 0.24 per Ypsomed share

In business year 2006/07, the Ypsomed Group realized a consolidated net operating 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. In view of upcoming capital expenditures of around CHF 60 million, the board of directors of the Ypsomed Group is not proposing to distribute any dividends or repayment of the par value at the General Meeting of Shareholders this year.

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. In comparison to the prior year, net working capital decreased by CHF 47.5 million due to lower sales. In business year 2006/07, pharmaceutical partners' capital expenditures for custom-made production machinery were about CHF 0.7 million, significantly less than in the prior year, when they were CHF 16.9 million. The tools, product-specific machines and equipment purchased and operated by Ypsomed were partially sold back to the pharmaceutical partners but remain in Ypsomed's possession.

As of this business year, advance payments for custom-made machines and deposits from pharmaceutical partners are accounted for separately (see page 43 of the accounting policies and the restatement on pages 41/42). Capital expenditures for fixed assets increased from CHF 30.8 million to CHF 36.8 million. Cash flow from investing activities, a total of CHF –19.1 million, was higher than in the prior year, when it was CHF –9.4 million (see pages 41/42 regarding the reclassification of transactions with marketable securities and financial assets). Cash flow from financing activity was CHF –38.1 million (prior year CHF –28.3 million) and resulted from the repayment of the par value of CHF 14.0 million, which was decided on by the General Meeting of Shareholders instead of a distribution of dividends for business year 2005/06, and from a reduction in the shareholder loan by CHF 20.0 million.

Solid financing with 62.8% equity ratio

The Ypsomed Group is very soundly financed, has no bank debts and is supported by an entrepreneurial majority shareholder who has loaned the company CHF 180.0 million at an interest rate of just 0.5% per year. By 31 March 2007 the consolidated equity was CHF 390.0 million, which corresponds to an equity ratio of 62.8% (prior year 60.7%). 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.

CONSOLIDATED INCOME STATEMENT

(Audited IFRS figures) in thousand CHF	Notes	1 April 2006 – 31 March 2007	in %	1 April 2005 – 31 March 2006	in %
Sales of goods and services	22	**277 450**	**100.0**	**310 588**	**100.0**
Cost of goods and services sold	16	–213 211	–76.8	–191 375	–61.6
Gross profit		**64 239**	**23.2**	**119 213**	**38.4**
Research and development reimbursed		3 537	1.3	5 628	1.8
Research and development expenses		–25 446	–9.2	–22 834	–7.4
Research and development – expenses net	16	–21 909	–7.9	–17 206	–5.5
Marketing and sales expenses	16	–21 411	–7.7	–19 389	–6.2
Administration expenses	16	–18 581	–6.7	–20 276	–6.5
Operating profit		**2 338**	**0.8**	**62 342**	**20.1**
Financial income	18	2 701	1.0	4 283	1.4
Financial expense	19	–2 006	–0.7	–2 137	–0.7
Other non-operating income / (expense)	20	149	0.1	–56	–0.0
Profit before income taxes		**3 182**	**1.1**	**64 432**	**20.7**
Income taxes	21	–440	–0.2	–8 784	–2.8
Net profit		**2 742**	**1.0**	**55 648**	**17.9**
Earnings per share (basic and diluted)	26	**0.24**		**4.95**	
Operating profit		2 338		62 342	
Depreciation of fixed assets		23 825		25 674	
Amortization of intangible assets		1 237		1 016	
EBITDA (Earnings before interest, taxes, depreciation, amortization)		**27 400**	**9.9**	**89 032**	**28.7**

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

CONSOLIDATED BALANCE SHEET

(Audited IFRS figures) in thousand CHF	Notes	31 March 2007	in %	31 March 2006 (restated)	in %
ASSETS					
Cash and cash equivalents	3	40 724	6.5	65 668	9.9
Marketable securities	4	25 478	4.1	41 238	6.2
Trade receivables	5	33 826	5.4	45 421	6.8
Other current assets	6	9 175	1.5	10 874	1.6
Current income tax assets	21	1 308	0.2	0	0.0
Inventories	7	37 549	6.0	44 140	6.6
Customer machinery		13 481	2.2	11 426	1.7
Total current assets		**161 541**	**25.9**	**218 767**	**32.8**
Financial assets "available for sale"	8	9 704	1.6	9 072	1.4
Deferred income tax assets	21	3 592	0.6	2 348	0.4
Other non-current assets		122	0.0	125	0.0
Fixed assets	9	146 343	23.5	133 648	20.1
Intangible assets	10	301 487	48.4	301 739	45.3
Total non-current assets		**461 248**	**74.1**	**446 932**	**67.2**
Total Assets		**622 789**	**100.0**	**665 698**	**100.0**
LIABILITIES AND EQUITY					
Trade payables		11 404	1.8	13 499	2.0
Prepayments from customers		9 520	1.5	10 250	1.5
Current income taxes payable	21	2 021	0.3	5 704	0.9
Other payables and accrued expenses	11	16 104	2.6	18 352	2.8
Provisions	13	1 502	0.2	2 498	0.4
Total current liabilities		**40 551**	**6.5**	**50 303**	**7.6**
Non-current financial liabilities to major shareholder	12	180 000	28.9	200 000	30.0
Provisions	13	7 594	1.2	7 270	1.1
Deferred income tax liabilities	21	4 616	0.7	4 112	0.6
Total non-current liabilities		**192 210**	**30.9**	**211 382**	**31.8**
Share capital	15	116 378	18.7	130 433	19.6
Group reserves		270 908	43.5	217 932	32.7
Net profit		2 742	0.4	55 648	8.4
Total equity		**390 028**	**62.6**	**404 013**	**60.7**
Total liabilities and equity		**622 789**	**100.0**	**665 698**	**100.0**

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

CONSOLIDATED CASH FLOW STATEMENT

(Audited IFRS figures) in thousand CHF	Notes	1 April 2006 – 31 March 2007	1 April 2005 – 31 March 2006 (restated)
Net profit		**2 742**	**55 648**
Depreciation of fixed assets	9	23 825	25 674
Amortization of intangible assets	10	1 237	1 016
Change in provisions, net	13	–673	–4 092
Financial income	18	–2 701	–4 283
Financial expense	19	2 006	2 137
Income taxes	21	440	8 784
Cash flow from operating activities before changes in net working capital		**26 876**	**84 884**
Increase (–) / decrease (+) in trade receivables	5	11 747	–5 676
Increase (–) / decrease (+) in other current and non-current assets		1 751	–3 515
Increase (–) / decrease (+) in inventories	7	6 780	–9 418
Increase (–) / decrease (+) in customer machinery		–2 055	5 166
Increase (+) / decrease (–) in trade payables		–2 126	–1 007
Increase (+) / decrease (–) in prepayments from customers		–730	–16 899
Increase (+) / decrease (–) in other payables and accrued expenses	11	–3 931	–31
Income taxes paid	21	–6 123	–6 073
Cash flow from operating activities		**32 189**	**47 431**
Purchases of fixed assets	9	–36 808	–30 766
Disposals of fixed assets	9	163	777
Purchases of intangible assets	10	–941	–1 931
Disposals of intangible assets	10	5	7
Purchases of marketable securities	4	–6 803	–14 786
Disposals of marketable securities	4	24 983	44 659
Purchases of financial assets "available for sale"	8	–632	–9 052
Interest received		607	735
Dividends received		330	932
Cash flow from investing activities		**–19 096**	**–9 425**
Repayment of financial liabilities to major shareholder	12	–20 000	–18 121
Interest paid		–1 229	–1 066
Par value repayment	15	–14 038	–10 120
Other financial expense		–223	–240
Purchases of own shares		–3 748	–5 118
Disposals of own shares		1 107	6 320
Cash flow from financing activities		**–38 131**	**–28 345**
Effect of foreign currency translation		94	22
Total cash flow		**–24 944**	**9 683**
Cash and cash equivalents as of 1 April	3	65 668	55 985
Cash and cash equivalents as of 31 March	3	40 724	65 668
Net increase (+) / decrease (–) in cash and cash equivalents		**–24 944**	**9 683**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Audited IFRS figures) in thousand CHF	Share capital	Group reserves and share premium	Own shares	Cumulative translation reserve	Retained earnings	Total
Balance as of 1 April 2005	**140 553**	**165 847**	**0**	**–13**	**50 785**	**357 172**
Currency translation differences				111		111
Net profit 1.4.05 – 31.3.06					55 648	55 648
Total income and expense for the period				111	55 648	55 759
Par value repayment	–10 120					–10 120
Purchases of own shares			–5 118			–5 118
Disposals of own shares (net of tax)		1 202	5 118			6 320
Balance as of 31 March 2006	**130 433**	**167 049**	**0**	**98**	**106 433**	**404 013**
Balance as of 1 April 2006	**130 433**	**167 049**	**0**	**98**	**106 433**	**404 013**
Currency translation differences				–48		–48
Net profit 1.4.06 – 31.3.07					2 742	2 742
Total income and expense for the period				–48	2 742	2 694
Par value repayment	–14 055		17			–14 038
Purchases of own shares			–3 748			–3 748
Disposals of own shares (net of tax)		–400	1 507			1 107
Balance as of 31 March 2007	**116 378**	**166 649**	**–2 224**	**50**	**109 175**	**390 028**

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

1. General information

Ypsomed Holding AG is a limited company (Aktiengesellschaft) established on 29 December 2003 under the Swiss law with registered office in Burgdorf (Canton of Berne, Switzerland).

Operating in the field of medical technology, Ypsomed is an independent manufacturer of injection pens for pharmaceutical and biotech companies, as well as a supplier of pen needles. Ypsomed's core business consists of developing and marketing products and services allowing patients to administer their own medication. The Group operates production sites in Burgdorf, Solothurn, Grenchen (all CH) and Tabor (CZ) and a sales and distribution network across Europe. In 2004, Ypsomed was listed on the SWX Swiss Exchange.

The company was created as a result of the split-up of the Disetronic group in 2003. Disetronic had been founded in 1984 to develop, manufacture and sell infusion pumps and had started the injection systems business in 1986.

The consolidated financial statements have been approved for issue by the Board of Directors on 12 May 2007.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They are based on the financial statements of the individual Ypsomed companies prepared for the same reporting period using consistent accounting policies. The Group's functional currency is the Swiss Franc (CHF).

All figures included in these financial statements and notes to the financial statements are rounded to the nearest CHF 1 000 except where otherwise stated.

The consolidated financial statements have been prepared under the historical cost convention except for financial assets of the categories "at fair value through profit or loss" and "available for sale" which are carried in the balance sheet at fair value.

Changes in accounting policies

a) Amendments to published standards:

IAS 19 Employee benefits

Amendments in IAS 19 are mandatory for accounting periods beginning on or after 1 January 2006. Amongst other things, amendments now allow to recognize actuarial gains and losses from defined benefit plans directly in equity. Management has decided to maintain the existing accounting. Amendments therefore only impact the format and extent of disclosures in the notes.

IAS 39 Financial instruments: Recognition and measurement

As of 31 March 2006, the financial assets were classified as "financial assets at fair value through profit or loss". Due to adjustments of IAS 39, effective for annual periods beginning on or after 1 January 2006, the financial assets no longer conform to the more restrictive conditions of IAS 39 for "financial assets at fair value through profit or loss". The financial assets were therefore reclassified as "financial assets available for sale" as of 1 April 2006, as provided for in IAS 39p105C. Due to the reclassification, changes to the fair value of the financial assets are no longer recorded in the income statement, but instead are recorded in equity. The reclassification does not have any impact on the results of the period under review and the prior periods.

b) Standards, amendments and interpretations that are not relevant for Ypsomed:

IAS 21	The effects of changes in foreign exchange rates (Amendment)
IFRS 1	First-time adoption of International Financial Reporting Standards (Amendment)
IFRS 6	Exploration for and evaluation of mineral resources
IFRIC 4	Determining whether an arrangement contains a lease
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IFRIC 6	Liabilities arising from participating in a specific market – Waste electrical and electronic equipment
IFRIC 7	Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies

c) Standards and interpretations that are not yet effective and have not been early adopted by Ypsomed:

First-time adoption in business year 2007/08:

IAS 1	Presentation of financial statements (Amendment). To be applied for accounting periods beginning on or after 1 January 2007. The amendment of the standard requires additional disclosures on capital
IFRS 7	Financial instruments: Disclosures. To be applied for accounting periods beginning on or after 1 January 2007. IFRS 7 requires additional disclosures on financial instruments
IFRIC 8	Scope of IFRS 2. To be applied for accounting periods beginning on or after 1 May 2006
IFRIC 9	Reassessment of embedded derivatives. To be applied for accounting periods beginning on or after 1 June 2006
IFRIC 10	Interim financial reporting and impairment. To be applied for accounting periods beginning on or after 1 November 2006
IFRIC 11	IFRS 2: Group and treasury share transactions. To be applied for accounting periods beginning on or after 1 March 2007
IFRIC 12	Service concession arrangements. To be applied for accounting periods beginning on or after 1 January 2007

First-time adoption in business year 2009/10:

IFRS 8	Operating segments. To be applied for accounting periods beginning on or after 1 January 2009

Application of the new and revised standards and interpretations mainly gives rise to additional disclosures and has no significant impact on the results of the Ypsomed Group.

Restatement of the consolidated financial statements 2005/06

The consolidated financial statements for the year 2005/06 contained incorrectly presented items in the balance sheet and cash flow statement. In accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors", errors from prior reporting periods have to be corrected and published. The restatement has no impact on the consolidated income statement and the consolidated equity.

The new treatment of the posting of advance payments to suppliers (customer machinery) requires a reclassification of advance payments from the non-current to the current assets. This reclassification also requires an adjustment of the cash flow from operating activities. A further reclassification of transactions with marketable securities and financial assets in the cash flow statement also leads to adjustments of the cash flows from investing and financing activities.

The impact of the restatement on the consolidated financial statements 2005/06 is described in detail below (The restatement is in line with the guidlines of SWX; a proceeding according to article 81 KR is still pending):

Balance sheet

Advance payments to suppliers of specific production machinery (customer machinery), which are purchased by order and at the expense of our biotech and pharma partners, are no longer shown as non-current assets, but instead are shown as current assets. The customer machinery had so far been included in the fixed assets until the start-up of the production machinery. After start-up, the sale of the machinery to the biotech and pharma partners took place, this occurring predominantly by settling with existing prepayments.

Prepayments from biotech and pharma partners for the purchase of the specific production machinery described in the prior paragraph, are now shown separately in the current liabilities. The amounts had so far been included in trade payables.

Restatement of affected balance sheet lines in CHF 1 000	31.03.06	Restatement	31.03.06 Restated
Customer machinery	0	11 426	11 426
Total current assets	207 341	11 426	218 767
Fixed assets	145 074	–11 426	133 648
Total non-current assets	458 358	–11 426	446 932
Total assets	**665 698**	**0**	**665 698**
Trade payables	23 749	–10 250	13 499
Prepayments from customers	0	10 250	10 250
Total current liabilities	47 805	0	47 805
Total liabilities and equity	**665 698**	**0**	**665 698**

Notes / Note 9 - Fixed assets

The balance of advance payments for specific production machinery from biotech and pharma partners (customer machinery) amounting to CHF 11.4 million (business year 2004/05: CHF 16.6 million) was removed from the fixed assets according to the reclassification carried out in the balance sheet.

Cash flow statement

Advance payments to suppliers of specific production machinery (customer machinery), which are purchased by order and at the expense of our biotech and pharma partners, are no longer included in the cash flow from investing activities. On the basis of their reclassification in the balance sheet from the non-current to the current assets, these are now included in the cash flow from operating activities. The cash flows from marketable securities and financial assets are no longer shown as financing activities but as investing activities and, furthermore, gross. The corresponding amounts are shown in the following table in the "Restatement" column.

In addition to the restatement, adjustments in the presentation of the results from financing activities and foreign currency differences were made. These reclassifications are to be found in the "Other presentation" column.

Restatement of the cash flow statement in CHF 1 000	1 April 2005 – 31 March 2006	Restatement	Other presentation	1 April 2005 – 31 March 2006 Restated
Net profit	**55 648**	**0**	**0**	**55 648**
Depreciation of fixed assets	25 674			25 674
Amortization of intangible assets	1 016			1 016
Change in provisions, net	–4 101		9	–4 092
Financial income	0		–4 283	–4 283
Financial expense	0		2 137	2 137
Gains from marketable securities	–1 503		1 503	0
Income taxes	8 784			8 784
Cash flow from operating activities before changes in net working capital	**85 518**	**0**	**–634**	**84 884**
Increase (–) / decrease (+) in trade receivables	–5 792		116	–5 676
Increase (–) / decrease (+) in other current and non-current assets	–3 425		–90	–3 515
Increase (–) / decrease (+) in inventories	–9 538		120	–9 418
Increase (–) / decrease (+) in customer machinery	0	5 166		5 166
Increase (+) / decrease (–) in trade payables	–3 401	2 415	–21	–1 007
Increase (+) / decrease (–) in prepayments from customers	0	–16 899		–16 899
Increase (+) / decrease (–) in other payables	–93		62	–31
Income taxes paid	–6 090		17	–6 073
Cash flow from operating activities	**57 179**	**–9 318**	**–430**	**47 431**
Purchases of fixed assets	–40 110	9 318	26	–30 766
Disposals of fixed assets	777			777
Purchases of intangible assets	–1 952		21	–1 931
Disposals of intangible assets	7			7
Purchases of marketable securities	0	–14 786		–14 786
Disposals of marketable securities	0	44 659		44 659
Purchases of financial assets «available for sale»	0	–9 052		–9 052
Interest received	0		735	735
Dividends received	0		932	932
Cash flow from investing activities	**–41 278**	**30 139**	**1 714**	**–9 425**
Repayment of financial liabilities to major shareholder	–18 121			–18 121
Interest paid	0		–1 066	–1 066
Par value repayment	–10 120			–10 120
Other financial expense	0		–240	–240
Increase (–) / decrease (+) in marketable securities	29 873	–29 873		0
Increase (–) / decrease (+) in financial assets	–9 052	9 052		0
Trade in own shares	1 202			1 202
Cash flow from financing activities	**–6 218**	**–20 821**	**–1 306**	**–28 345**
Effect of foreign currency translation	0		22	22
Total cash flow	**9 683**	**0**	**0**	**9 683**

Consolidation

Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible determine whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation
Foreign currency transactions are translated to the reporting currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement as financial income or expense.

Assets and liabilities of foreign subsidiaries are converted into the Group's functional currency at year-end exchange rates. Income and expense are converted at annual average exchange rates. The effects of this conversion are posted as currency translation differences in equity.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, demand deposits and time deposits with original maturity dates of three months or less.

Financial assets, marketable securities and derivatives
Financial assets are divided into the following categories:

- Financial assets "at fair value through profit or loss"
- Financial assets "available for sale"
- Loans and receivables

The assignment of financial assets to the relevant categories depends on the purpose of the assets. Management determines the category at the time of acquisition and periodically checks it. Initial valuation of financial assets is at purchase price including transaction costs with the exception of financial assets "at fair value through profit or loss".

Financial assets "at fair value through profit or loss"
(marketable securities)
Marketable securities consist of debts, bonds, equity funds, hedge funds, options and similar investment products traded in active markets. They are carried in the balance sheet at fair value, changes in value are reported as financial income or expense. All purchases and sales of financial assets are recognized on the trading day – the day on which the Group is obliged to purchase or sell the asset. Derivatives are initially recognized at their purchase price. Purchases and sales are recorded on the trading day and subsequently carried at market value. No hedge accounting is applied.

Financial assets "available for sale"
Assets in this category are not traded in active markets. The market value is derived using the discounted cash flow method. Changes in market value are, in contrast to marketable securities, recognized directly in equity. At the time of sale of the assets, accumulated gains and losses are reported in financial income or expense for the current period.

Loans and receivables
Trade and other receivables are carried at amortized cost less allowances for credit losses. Trade and other payables are carried at amortized cost.

Inventories
FIFO method (first in – first out) is applied to inventories, which are valued at the lower of cost and net realizable value. Goods in process and finished products produced by the company are stated at the cost of manufacturing the goods and include associated general production costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Thus, adjustments are made to inventories with a lower net realizable value than cost. Inventories that cannot be sold are written off in full.

Customer machinery / Prepayments from customers
Ypsomed receives prepayments from pharma partners in order to acquire production machinery for just these pharma partners. Ypsomed coordinates the manufacturing of this machinery with suppliers and makes contractual advance payments to the suppliers. After installation and successful test runs, the machinery is accepted by Ypsomed. From a legal and commercial viewpoint, once the machinery has been accepted from the supplier it is our customers' property. The advance and final payments to suppliers for customer machinery are shown up until acceptance under the current assets. After acceptance has taken place, the machinery, with existing prepayments from customers where applicable (included in the current liabilities), is settled and thus no longer included in the balance sheet.

Fixed assets
Fixed assets are carried at cost less accumulated depreciation. Depreciation on fixed assets is calculated using the straight-line method based on the following estimated useful lives:

- Buildings
  25 to 40 years
- Plant, machinery and equipment
  3 to 10 years
- Office equipment and vehicles
  3 to 8 years
- Other fixed assets
  2 to 10 years

Long-term leasing contracts, which are equivalent to the purchase of assets with long-term financing (finance leases), are recognized at the beginning of the lease as an asset and valued at market or, if lower, the present value of minimum lease payments and depreciated over the economic useful life, commensurate to the duration of the contract or the shorter useful life, using the straight-line method.

Intangible assets

Goodwill on acquisitions
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Other intangible assets
Patents are shown at historical cost. Patents have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives of 15 to 20 years. Software is capitalized on the basis of the costs incurred to acquire the software and bring the software to use. These costs are amortized over the estimated useful lives of three to four years. Amortization is mainly included in administration expenses.

Impairment of assets
Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-current financial liabilities to shareholders
The carrying amount of shareholder loans is determined based on the nominal amount, taking into consideration interest rate, repayment terms and other relevant contractual agreements.

Provisions
The Group has a present legal or constructive obligation as a result of a past event, if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Retirement benefits
Group companies operate defined benefit plans abroad and in Switzerland for retirement benefits along with the state social insurance schemes. The costs of retirement benefits are generally borne equally by the employees and the companies and are transferred to the companies' retirement benefit plans. If the 10% corridor according to IAS 19.95 is exceeded, actuarial gains or losses are charged to the income statement on a straight-line basis over the employees' expected average remaining working lives.

In conformity with IAS 19 (revised), pension liabilities in schemes with defined benefit characteristics (Switzerland) have been calculated based on the Projected Unit Credit Method. The last actuarial valuation was made by 31 March 2007.

Contributions made by the Group to defined benefit plans are recognized as an expense in the year in which they occur.

Taxes
Tax liabilities are calculated based on reported profits and in conformity with the tax laws prevailing in the individual countries.

Deferred income tax is provided for in full, using the comprehensive liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets for tax-loss carryforwards are recognized to the extent that it is probable that future taxable profit will be available. Tax liabilities are adjusted continuously to allow for changes in local tax legislation.

Revenue recognition
Revenue from sale of goods and services is recognized when risk and benefit of ownership have been transferred to the buyer. Appropriate provisions are made for all costs arising in connection with the sale including the costs of return of goods. Discounts are subtracted from sales.

Reimbursement for product development
Reimbursement from third parties, for the development of new products on order, is recognized in the period during which the development costs are incurred.

Research and development
Research and development costs are recognized as an expense in the period in which they are incurred. The criteria for capitalizing development costs according to IAS 38, Intangible Assets, are currently not fulfilled. Ypsomed does not take into consideration to capitalize development costs because of unforeseeable regulatory risks. Research and development costs would be capitalized as soon as authorization from the US Food & Drug Administration or a comparable authority were given, as it is only then that it would be likely that the costs would lead to future economic use. As the product is already developed when authorization has been given, the development costs are not activated retrospectively.

3. Financial risk management

a) Market risks

Foreign exchange risks
The Group is exposed to the effects of fluctuations in exchange rates of foreign currencies. Foreign exchange contracts (forward transactions and option contracts) are concluded from time to time with recognized financial institutions to hedge against material exchange rate exposure. The outstanding contracts at the end of the business year are stated at market values. Any gains or losses are reported in the income statement. No hedge accounting is applied.

Interest rate risks
The credit instruments utilized by the Group are fixed rate in nature in order to lessen the impact of interest rate fluctuations on Group earnings.

b) Credit risks

Credit risk associated with financial assets is controlled by the Group's policy of dealing solely with first-class counterparties, by ongoing credit reviews and by limiting aggregated individual risks.

c) Other risks

The use of financial instruments and securities is made with the intention to optimize profits within the framework of the Group's risk policy. Options are bought and sold, options only being sold, in principle, if the relevant position is covered.

4. Legal risks

The Ypsomed group develops, manufactures and sells innovative medical devices, based on technical expertise and technologies protected by intellectual property rights. The Ypsomed group is either owner of the required rights or licence holder of the property rights of a third party. In the medical devices market disputes over patent rights and patent infringements occur fairly frequently and can involve costly and time-intensive patent infringement suits.

The development, manufacture and sale of medical products involve product liability risks and can lead to product recall. There is no guarantee that the present liability insurance is sufficient to cover all damage cases connected with the development, manufacture and sale of medical products and that the insurance companies will still be prepared in future to insure Ypsomed group business activities against liability risks.

The risk of patent infringement or product liability claims by a third party, risks in connection with the recall of products and negative developments in the reimbursement of costs of Ypsomed products through state-prescribed cost saving measures in the area of healthcare or by health insurance schemes as well as problems with authorization and upholding of authorization of drugs used together with Ypsomed products can also result in lasting detrimental effects not only on the business performance of the Ypsomed group but also on its financial situation and competitive position in the marketplace.

5. Critical accounting estimates and assumptions

The preparation of 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 financial statements. The actual amounts can deviate from these assumptions. The most important influential factors on positions based on estimates and assumptions are expressed as follows:

Goodwill
Ypsomed tests goodwill for impairment on an annual basis. The impairment tests are based on the financial plans prepared by management. The calculated values are based primarily on future expected cash flows.

Provisions for guarantees
When determining the provisions for guarantees, management take into account the currently marketed own products and set the provisions necessary to cover all callable claims based on the maturity and characteristics of the products as well as experience.

Pension obligations
The calculation of pension obligations is carried out in accordance with IAS 19 by using the Projected Unit Credit Method. The calculation takes into account various actuarial probabilities as well as assumptions for future developments of capital markets and salary increases. The most important parameters are disclosed in the notes to the consolidated financial statements.

Income taxes
When accruals for income taxes are made for a period, uncertainties regarding final tax payments remain. Deviations in estimates as compared with final tax evaluations may affect income taxes and accruals for deferred taxes. In particular, with the capitalization of deferred tax assets from losses carried forward, the value of these tax loss carryforwards and the tax rates to be applied must be estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

in thousand CHF, unless otherwise stated

1. Consolidation scope

	Interest held		Share capital	Research & Development	Production	Marketing & Sales	Financing & Services
Ypsomed Holding AG, CH-Burgdorf		CHF	116 377 605				•
Ypsomed AG, CH-Burgdorf	100%	CHF	10 000 000	•	•	•	•
TecPharma Licensing AG, CH-Burgdorf	100%	CHF	100 000				•
Ypsotec AG, CH-Grenchen	100%	CHF	1 000 000		•	•	
Ypsotec s.r.o., CZ-Tabor	100%	CZK	200 000		•		•
Ypsomed GmbH, DE-Sulzbach	100%	EUR	100 000			•	
DiaExpert GmbH, DE-Sulzbach	100%	EUR	50 000			•	
Feelfree GmbH, DE-Sulzbach	100%	EUR	25 000			•	
Ypsomed AB, SE-Helsingborg	100%	SEK	100 000			•	
Ypsomed S.A.S., FR-Paris	100%	EUR	50 000			•	
Ypsomed BV, NL-Vianen	100%	EUR	50 000			•	
Ypsomed Srl, IT-Verona (in liquidation)	100%	EUR	50 000			•	

In the year under review, Ypsomed AG increased its share capital by CHF 9.5 million to CHF 10 million by means of a cash contribution from the sole shareholder, Ypsomed Holding AG.

2. Foreign currencies

	Balance sheet Year-end rates		Income statement Average rates	
	31.03.07	31.03.06	2006/07	2005/06
Euro (EUR)	**1.62**	1.58	**1.59**	1.55
US-Dollar (USD)	**1.21**	1.31	**1.24**	1.27
Swedish Krona (100 SEK)	**17.36**	16.75	**17.24**	16.61
Norwegian Kroner (100 NOK)	**20.01**	19.89	**19.66**	19.50
Danish Krone (100 DKK)	**21.80**	21.17	**21.29**	20.81
British Pound (GBP)	**2.39**	2.27	**2.34**	2.27
Czech Koruna (CZK)	**5.83**	5.53	**5.64**	5.28

3. Cash and cash equivalents

	31.03.07	31.03.06
Cash	**56**	51
Postal accounts	**252**	628
Bank accounts	**40 416**	64 989
Total	**40 724**	65 668

4. Marketable securities

Marketable securities consist of debts, bonds, equity funds, hedge funds, options and similar investment products traded in active markets. Valuation is based on fair value, changes in value are recognized through profit or loss.

Asset allocation:	31.03.07	31.03.06
Bonds	**5 051**	24 848
Equity funds	**0**	2 571
Hedge funds	**2 728**	2 785
Alternative products	**10 528**	10 000
Structured products	**5 010**	0
Options	**2 161**	1 034
Total	**25 478**	41 238

The bonds feature maturities between 1.67 and 1.75 years, the yield for the reporting period is 0.97%. The options expire in December 2008.

Currency exposure:	31.03.07	31.03.06
In CHF	**20 468**	38 620
In EUR	**5 010**	2 618
Total	**25 478**	41 238

5. Trade receivables

	31.03.07	31.03.06
Trade receivables	**34 002**	45 957
Provision for bad and doubtful debts	**–176**	–536
Total	**33 826**	45 421

The book values for trade receivables correspond to the fair value and consist mostly of receivables against a small number of globally operating biotech and pharma companies.

6. Other current assets

	31.03.07	31.03.06
Accrued income and prepaid expenses	**4 359**	3 680
Other receivables	**4 816**	7 194
Total	**9 175**	10 874

7. Inventories

	31.03.07	31.03.06
Raw materials and supplies	**4 614**	4 332
Goods in process	**21 718**	27 562
Finished products	**13 591**	15 268
Gross inventories	**39 923**	47 162
Valuation allowance	**–2 374**	–3 022
Total	**37 549**	44 140

8. Financial assets "available for sale"

	2006/07	2005/06
At 01.04.	**9 072**	20
Additions	**632**	9 052
At 31.03.	**9 704**	9 072
thereof current portion	**0**	0

P Medical Holding SA

BV Holding AG, with head office in Bern, holds in its own name 11.6% of P Medical Holding SA, but to the cost and for the benefit of Ypsomed Holding AG. The purchase of this fiduciary title is financed by a loan of Ypsomed Holding AG to BV Holding AG of CHF 9.7 million and can be settled by the transfer and cession of the title of P Medical Holding SA to Ypsomed Holding AG. Ypsomed Holding AG bears the economic risk of the share in P Medical Holding SA financed by this loan. In the business year of 2006/07, CHF 0.6 million were transacted as a follow-up investment, within the context of a performance-based adjustment of the purchase price from the business year of 2005/06.

Reclassification of financial assets

As of 31 March 2006, the financial assets were classified as "financial assets at fair value through profit or loss". Due to adjustments of IAS 39, effective for annual periods beginning on or after 1 January 2006, the financial assets no longer conform to the more restrictive conditions of IAS 39 for "financial assets at fair value through profit or loss". The financial assets were therefore reclassified as "financial assets available for sale" as of 1 April 2006, as provided for in IAS 39p105C. Due to the reclassification, changes to the fair value of the financial assets are no longer recorded in the income statement, but instead are recorded in equity. The reclassification does not have any impact on the results of the period under review and the prior periods.

9. Fixed assets (restated)

	Land and buildings	Machinery and equipment	Other fixed assets	Assets under construction	Total
Cost:					
At 01.04.05	69 982	135 304	6 130	10 835	222 251
Restatement prior year		–10 104		–6 488	–16 592
At 01.04.05 (restated)	69 982	125 200	6 130	4 347	205 659
Additions	2 150	26 858	1 749	9 422	40 179
Restatement additions		–11 714		2 396	–9 318
Disposals	–230	–16 418	–384		–17 032
Restatement disposals		14 484			14 484
Transfers	64	9 339	514	–10 027	–110
Currency translation differences		25	16		41
At 31.03.06 (restated)	71 966	147 774	8 025	6 138	233 903
Accumulated depreciation:					
At 01.04.05	–12 181	–60 195	–3 976	0	–76 352
Depreciation	–2 152	–22 324	–1 182		–25 658
Disposals		1 435	336		1 771
Currency translation differences		–5	–11		–16
At 31.03.06	–14 333	–81 089	–4 833	0	–100 255
Net book value at 01.04.05 (restated)	57 801	65 005	2 154	4 347	129 307
Net book value at 31.03.06 (restated)	57 633	66 685	3 192	6 138	133 648

Cost:					
At 01.04.06 (restated)	**71 966**	**147 774**	**8 025**	**6 138**	**233 903**
Additions	14 350	9 251	1 840	11 367	36 808
Disposals		–4 405	–714		–5 119
Transfers		9 803	102	–9 928	–23
Currency translation differences	3	69	32		104
At 31.03.07	**86 319**	**162 492**	**9 285**	**7 577**	**265 673**
Accumulated depreciation:					
At 01.04.06	**–14 333**	**–81 089**	**–4 833**	**0**	**–100 255**
Depreciation	–2 400	–20 080	–1 345		–23 825
Disposals		4 071	716		4 787
Currency translation differences	–1	–14	–22		–37
At 31.03.07	**–16 734**	**–97 112**	**–5 484**	**0**	**–119 330**
Net book value at 01.04.06 (restated)	57 633	66 685	3 192	6 138	133 648
Net book value at 31.03.07	**69 585**	**65 380**	**3 801**	**7 577**	**146 343**

There are no fixed assets pledged to secure loans and there are no long-term leasing agreements (financial leasing). The fire insurance value of fixed assets at 31 March 2007 amounted to CHF 457.3 million (prior year: CHF 369.4 million).

10. Intangible assets

	Goodwill	Other intangible assets	Total
Cost:			
At 01.04.05	313 715	8 045	321 760
Additions		1 816	1 816
Disposals		–96	–96
Transfers		110	110
Currency translation differences	16	10	26
At 31.03.06	313 731	9 885	323 616
Accumulated amortization:			
At 01.04.05	–14 691	–6 259	–20 950
Amortization		–1 010	–1 010
Disposals		89	89
Currency translation differences		–6	–6
At 31.03.06	–14 691	–7 186	–21 877
Net book value at 01.04.05	299 024	1 786	300 810
Net book value at 31.03.06	299 040	2 699	301 739
Cost:			
At 01.04.06	**313 731**	**9 885**	**323 616**
Additions		941	941
Disposals		–359	–359
Transfers		23	23
Currency translation differences	22	16	38
At 31.03.07	**313 753**	**10 506**	**324 259**
Accumulated amortization:			
At 01.04.06	**–14 691**	**–7 186**	**–21 877**
Amortization		–1 236	–1 236
Disposals		354	354
Currency translation differences	–2	–11	–13
At 31.03.07	**–14 693**	**–8 079**	**–22 772**
Net book value at 01.04.06	299 040	2 699	301 739
Net book value at 31.03.07	**299 060**	**2 427**	**301 487**

Impairment test for goodwill

Goodwill from acquisitions is allocated to individually identifiable units ("cash-generating units") and subjected to annual impairment tests. The following table shows the allocation of goodwill per "cash-generating unit":

	31.03.07	31.03.06
Ypsomed AG / TecPharma Licensing AG	**295 220**	295 220
Ypsotec AG	**3 023**	3 023
DiaExpert GmbH	**817**	797
Total goodwill	**299 060**	299 040

The impairment test for the goodwill of the "cash-generating unit" Ypsomed AG / TecPharma Licensing AG is based on the following assumptions:

	31.03.07	31.03.06
Weighted average cost of capital (WACC, pre-tax)	**9.0%**	9.0%
Perpetual growth rate	**1.0%**	0.0%

Impairment tests are carried out using value-in-use calculations, based on strategic financial planning embracing the next five years. The future expected free cash flows are discounted with the weighted average cost of capital (WACC). The WACC thereby reflects the specific risks and financial structure of the "cash-generating unit". Free cash flows outside of the five year planning period are extrapolated with a perpetual growth rate. This perpetual growth rate is below the long-term growth rate of the diabetes market.

The goodwill impairment test did not result in an impairment. A deterioration by 10% of the free cash flows predicted by the management or the application of a WACC which is 1% higher, would not lead to any impairment of goodwill.

11. Other payables and accrued expenses

	31.03.07	31.03.06
Accrued expenses	**14 220**	16 163
Other payables	**1 884**	2 189
Total	**16 104**	18 352

12. Non-current financial liabilities to major shareholder

			Carrying amount	
	Interest rate	Maturity	31.03.07	31.03.06
Loan Techpharma Management AG, Burgdorf	0.50%	31.03.10	**180 000**	200 000

Ypsomed Holding AG is entitled to repay the loan at any time in part or in full, full repayment is due on 31 March 2010. Techpharma Management AG is a company controlled by Willy Michel.

In the 2006/07 business year interest amounting to CHF 0.9 million (prior year: CHF 1.0 million) was paid on the loan.

13. Provisions

	Guarantees	Pensions	Restructuring	Other	Total
At 01.04.05	5 001	6 887	1 666	315	13 869
Additions		3 383		778	4 161
Unused amounts reversed			–172	–315	–487
Utilization	–2 051	–4 273	–1 451		–7 775
At 31.03.06	2 950	5 997	43	778	9 768
thereof current portion	1 677	0	43	778	2 498
At 01.04.06	**2 950**	**5 997**	**43**	**778**	**9 768**
Additions	3 479	4 711		1 000	9 190
Unused amounts reversed			–25	–100	–125
Utilization	–3 674	–5 367	–18	–678	–9 737
At 31.03.07	**2 755**	**5 341**	**0**	**1 000**	**9 096**
thereof current portion	1 502	0	0	0	1 502

Guarantees

There is a risk that medical products developed and produced by Ypsomed could have material defects or product faults, resulting in legal liability and product liability in particular, as well as other liabilities, such as the withdrawal or recall of products. Provisions are put in place according to business principles and relate to guarantees and also to replacement costs for withdrawn products. The company's management base these provisions on the estimated potential guarantee claim for each product.

Ypsomed holds insurance policies with third parties to cover material damages, interruption of operation, product liability and other risks, with worldwide cover. Ypsomed believes that its insurance cover and provisions with regard to business activities and the associated operative risks involved with this are appropriate and sensible. However, events can arise that are not covered, or only partly covered by insurance policies or provisions made by Ypsomed. This applies, in particular, to product liability claims as it is perceptibly more difficult to secure appropriate insurance cover due to large damage claims from other pharmaceutical companies. Although no such losses are presently expected at Ypsomed, there is no guarantee that the company might not be subjected to damage claims in the future that are in excess of the cover available.

Expected cash outflows

Provisions for guarantees cover any guarantee claims that may occur for products on the market. The provisions extend for the average life of the products, which is between 1 and 4 years, depending on the product. Provisions for pension obligations are based on a valuation in accordance with IAS 19, from which no direct cash outflow arises.

14. Pension obligation

Most employees are insured under various private and/or state provision schemes. The service-oriented obligations and the assets of the most important provision plans associated with them (one Swiss provision plan of an individual provision scheme and one Swiss provision plan of the collective foundation SwissLife) are evaluated on a biannual basis by independent insurance experts. The last actuarial valuation was dated 31 March 2007.

The amounts recognized in the balance sheet are determined as follows:

	31.03.07	31.03.06
Fair value of plan assets	**87 626**	69 231
Present value of pension obligation	**–107 745**	–86 812
Underfunding	**–20 119**	–17 581
Provision	**5 341**	5 997
Unrecognized actuarial gain / (loss)	**–14 778**	–11 584

Development of pension obligation:

	2006/07	2005/06
Present value of pension obligation as of 01.04.	**–86 812**	–57 455
Current service cost	**–8 675**	–6 844
Interest cost	**–2 865**	–2 572
Plan amendments	**0**	202
Benefits paid	**–4 194**	–4 802
Actuarial gains / (losses)	**–5 199**	–15 341
Present value of pension obligation as of 31.03.	**–107 745**	–86 812

Development of plan assets:

	2006/07	2005/06
Fair value of plan assets as of 01.04.	**69 231**	52 029
Expected return on plan assets	**2 770**	2 341
Employer contributions	**5 367**	4 273
Employee contributions	**4 422**	3 490
Benefits paid	**4 194**	4 802
Actuarial gains / (losses)	**1 642**	2 296
Fair value of plan assets as of 31.03.	**87 626**	69 231

The actual return on plan assets was CHF 4.4 million (prior year: CHF 4.6 million).

The amounts recognized in the income statement are as follows:

	2006/07	2005/06
Current service cost	**–8 675**	–6 844
Interest cost	**–2 865**	–2 572
Expected return on plan assets	**2 770**	2 341
Plan amendments	**0**	202
Net actuarial gain / (loss) recognized in year	**–363**	–14
Adjustments due to IAS 19.58	**0**	14
Employee contributions	**4 422**	3 490
Total expense recognized in income statement	**–4 711**	–3 383

The expected employer cash contributions for the business year 2007/08 will amount to CHF 6.1 million.

Movements in liability recognized in the balance sheet:

	2006/07	2005/06
Provision as of 01.04.	**–5 997**	–6 887
Expense recognized in income statement	**–4 711**	–3 383
Employer contributions	**5 367**	4 273
Prepaid pension cost	**656**	890
Provision as of 31.03.	**–5 341**	–5 997

Asset allocation:

	31.03.07	31.03.06
Cash	**4.2%**	5.1%
Mortgages	**2.8%**	3.6%
Bonds	**41.2%**	37.0%
Real estate	**17.7%**	18.7%
Equities	**21.0%**	20.2%
Total assets of individual provison scheme	**86.9%**	84.6%
Total assets of collective foundation SwissLife	**13.1%**	15.4%
Total	**100.0%**	100.0%

The significant actuarial assumptions used are as follows:

	2006/07	2005/06
Discount rate	**3.0%**	3.0%
Expected rate of return on plan assets	**4.0%**	4.0%
Expected rate of salary increase	**2.5%**	2.5%
Rate of pension increase	**1.0%**	1.0%
Average retirement age men	**65**	65
Average retirement age women	**64**	64
Actuarial bases	**EVK 2000**	EVK 2000

15. Share capital

Share capital (in thousand CHF)	2006/07	2005/06
At 01.04.	**130 433**	140 553
Repayment of nominal value CHF 1.25 per share (prior year: CHF 0.90)	**–14 055**	–10 120
At 31.03.	**116 378**	130 433

Number of shares		
At 01.04.	**11 244 213**	11 244 213
At 31.03.	**11 244 213**	11 244 213

Ypsomed Holding AG was founded on 29 December 2003 with original share capital of CHF 250 000, consisting of 2 500 shares with a nominal value of CHF 100 each. Since the initial public offer in September 2004 there are a total of 11 244 213 shares with a nominal value of CHF 10.35 each. As of 5 September 2006, the nominal value was reduced by CHF 1.25 to CHF 10.35 and this amount repaid to the shareholders. On 31 March 2007, Ypsomed Holding AG and its Group companies held a total of 21 005 own shares (prior year: none).

Conditional share capital (in thousand CHF)	2006/07	2005/06
At 01.04.	**1 856**	2 000
Repayment of nominal value CHF 1.25 per share (prior year: CHF 0.90)	**–200**	–144
At 31.03.	**1 656**	1 856

Number of conditional shares		
At 01.04.	**160 000**	160 000
At 31.03.	**160 000**	160 000

The company has a conditional share capital totalling of CHF 1.7 million. The company may issue a maximum of 160 000 fully paid up registered shares of nominal value CHF 10.35 each to selected employees and members of the Board of Directors.

16. Operating expense

	2006/07		2005/06	
Cost of goods and services sold	**213 211**	**77.5%**	191 375	77.1%
Research and development expense	**21 909**	**8.0%**	17 206	6.9%
Marketing and sales expense	**21 411**	**7.8%**	19 389	7.8%
Administration expense	**18 581**	**6.8%**	20 276	8.2%
Total	**275 112**	**100.0%**	248 246	100.0%

Cost of materials	**88 650**	**32.2%**	79 340	32.0%
Personnel expense	**111 374**	**40.5%**	94 885	38.2%
Depreciation/amortization	**25 062**	**9.1%**	26 690	10.8%
Other operating expense	**50 026**	**18.2%**	47 331	19.1%
Total	**275 112**	**100.0%**	248 246	100.0%

17. Personnel expense

	2006/07	2005/06
Wages and salaries	**94 102**	81 367
Social security expenses	**13 728**	10 582
Other personnel expenses	**3 544**	2 936
Total	**111 374**	94 885

Personnel at 31 March (full-time equivalents)

	31.03.07	31.03.06
Switzerland	**1 067**	999
Germany	**75**	71
Netherlands	**3**	3
France	**3**	4
Scandinavia	**6**	8
Czech Republic	**12**	6
Total	**1 166**	1 090
Headcount	**1 211**	1 139

18. Financial income

	2006/07	2005/06
Interest income	**607**	735
Gains from marketable securities	**1 172**	2 817
Foreign exchange gains	**910**	730
Other financial income	**12**	1
Total	**2 701**	4 283

19. Financial expense

	2006/07	2005/06
Interest expense	**1 229**	1 066
Losses from securities	**279**	508
Foreign exchange losses	**285**	445
Other financial expense	**213**	118
Total	**2 006**	2 137

20. Other non-operating income / (expense)

	2006/07	2005/06
Real estate income (rental income)	**1 554**	309
Real estate expense	**–1 406**	–243
Other non-operating income / (expense)	**1**	–122
Total	**149**	–56

21. Taxes

	2006/07	2005/06
Current income taxes	**–397**	6 389
Deferred income taxes	**837**	2 395
Total	**440**	8 784

The tax charge on the Group's profit before taxes differs from the theoretical amount that would arise using the expected long-term tax rate for the Ypsomed Group as follows:

Profit before income taxes	**3 182**	64 432
Tax calculated at a tax rate of 22% (expected)	**700**	14 175
Effect of other tax rates	**–1 008**	–7 066
Effect from realization and resolution of tax-loss carryforwards	**0**	1 189
Effect from unrecognized tax-loss carryforwards	**748**	486
Total income taxes	**440**	8 784

The Group benefits from reduced tax rates that are subject to change from year to year. Changes in reduced tax rate impact the Group's effective tax rate.

The amounts stated in the consolidated balance sheet comprise the following positions:

	31.03.07	31.03.06
Current income taxes:		
Income tax assets	**1 308**	0
Income taxes payable	**–2 021**	–5 704
Net current income taxes	**–713**	–5 704
Deferred income taxes:		
Deferred income tax assets	**3 592**	2 348
Deferred income tax liabilities	**–4 616**	–4 112
Net deferred income tax liabilities	**–1 024**	–1 764

Amounts for deferred income taxes stated in the consolidated balance sheet are reported under non-current assets and non-current liabilities. Under deferred tax assets, tax-loss carryforwards are only taken into account if the associated tax credits can be realized. As per the balance sheet date the Group has unrecognized tax-loss carryforwards of CHF 4.2 million (prior year: CHF 3.1 million), which can be offset without limit.

The assets and liabilities as well as credits and debits from deferred taxes are made up of the following positions:

	31.03.07	31.03.06
Deferred income tax assets:		
Tax-losses carried forward	**3 364**	1 982
Impact from intercompany profits	**228**	366
Total	**3 592**	2 348
Deferred income tax liabilities:		
Trade receivables	**253**	238
Inventories	**1 389**	1 216
Non-current assets	**–290**	–169
Provisions	**0**	151
Tax valuation differences	**1 352**	1 436
Fixed assets	**2 085**	1 898
Intangible assets	**1 179**	778
Accelerated tax depreciation	**3 264**	2 676
Total	**4 616**	4 112

22. Segment information

The primary reporting format is by business segments because the Group is affected predominantly by its products and services. The Ypsomed Group has only one business segment "injection systems and accessories". It consists of the product groups 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 third parties). The secondary reporting format is by geographical area. The disclosures below represent the secondary reporting segment:

Breakdown by geographical area:	Sales		Assets		Capital expenditure	
	2006/07	2005/06	31.03.07	31.03.06	2006/07	2005/06
Switzerland	**21 359**	20 352	**600 292**	646 501	**36 792**	31 965
Europe, excl. Switzerland	**248 736**	282 536	**22 497**	19 197	**957**	712
North America	**7 182**	7 591	**0**	0	**0**	0
Rest of the world	**173**	109	**0**	0	**0**	0
Total	**277 450**	310 588	**622 789**	665 698	**37 749**	32 677

Sales are allocated to the country in which the customer is located. Sales of pen systems to biotech and pharma partners are mainly billed to European subsidiaries of these partners. These sales are, in the geographical segmentation, shown as European sales. Biotech and pharma partners sell the pen systems worldwide. Assets and capital expenditure are indicated where the subsidiaries are located.

23. Contingent liabilities

The Group has contingent liabilities in respect of third party sureties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

	31.03.07	31.03.06
Expiry schedule:		
2007/08		
2008/09		
2009/10		
unlimited in time	**411**	406
Total	**411**	406

24. Commitments

	31.03.07	31.03.06
Contractual obligations from consultancy and research and development projects until 31.12.2008	**1 041**	2 036
Contractual obligations from rental contracts with Techpharma Management AG until 31.12.2015	**8 334**	9 287
Maturity up to 1 year	**953**	953
Maturity longer than 1 year and up to 5 years	**3 810**	3 810
Maturity longer than 5 years	**3 572**	4 524

The rental contract (see note 25) between Ypsomed AG and Techpharma Management AG, a company controlled by Willy Michel, was signed at arm's length. Rental interest is based on an independent rental value estimate and amounts to CHF 952 500 annualy plus VAT; it is linked to the consumer price index. The rental contract arranges for small and normal maintenance work on the building to be paid by the tenant up to a maximum amount of 2% of the annual rent per calendar year.

Contractual obligations for the purchase of fixed assets as at 31 March 2007 amount to CHF 15.9 million (prior year: CHF 5.4 million).

25. Transactions with related parties

Related parties are the pension fund, Techpharma Management AG and the BIMO companies. In the year under review the following transactions were made with members of the Board of Directors, management and parties related with them:

	2006/07	2005/06
Board of Directors	**465**	575
Management	**3 317**	2 690
Pension fund (employers contributions)	**4 921**	3 810
Techpharma Management AG (Interest according to note 12)	**908**	1 038
Techpharma Management AG (compensation for rented business premises)	**1 007**	238
Techpharma Management AG (amounts in accordance with service contract)	**155**	0
Techpharma Management AG (amounts in accordance with service contract)	**–31**	0
BIMO companies	**1 732**	2 783
Total	**12 474**	11 134

Since 1 January 2006, Ypsomed AG has rented business premises from Techpharma Management AG, which belongs to majority shareholder Willy Michel. The rental contract was signed at arm's length (see note 18) and can be terminated at the earliest and with 24 months notice as from 31 December 2015. The tenant has unlimited first right of refusal for the whole rental period, to a maximum of 25 years.

Between Techpharma Management AG and Ypsomed AG there is a service contract which can be terminated by either side at any time. Within the context of this contract the companies provide reciprocal management and IT support as well as services in the area of hotel business and gastronomy.

The BIMO companies, which are affiliated to a member of the managment, regularly place personnel in Ypsomed AG on a mandate basis. The services are remunerated in line with industry standards.

Key management personnel compensation

Business year 2005/06	Board of Directors	Management
Short-term benefits	575	2 599
Post-employment benefits		91
Other long-term benefits		
Termination benefits		
Share-based payments		
Total	575	2 690

Business year 2006/07	Board of Directors	Management
Short-term benefits	465	3 177
Post-employment benefits		140
Other long-term benefits		
Termination benefits		
Share-based payments		
Total	**465**	**3 317**

26. Earnings per share

Earnings per share is 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.

	2006/07	2005/06
Net profit in thousand CHF	**2 742**	55 648
Number of outstanding shares weighted on a monthly basis	**11 229 318**	11 238 259
Earnings per share in CHF (basic and diluted)	**0.24**	4.95

FIVE-YEAR OVERVIEW 1 APRIL – 31 MARCH

in thousand CHF	2006/07	2005/06	2004/05	2003/04	2002/03
Own finished products	234 614	269 638	186 403	130 573	90 773
FreeStyle 1)			20 656	46 324	36 201
Other products 2)	42 836	40 950	34 764	21 837	10 213
Total sales	277 450	310 588	241 823	198 734	137 187
Gross profit	64 239	119 213	96 888	75 857	42 270
Gross profit in %	23.2%	38.4%	40.1%	38.2%	30.8%
Operating profit (EBIT)	2 338	62 342	47 548	18 442	14 204
Operating profit (EBIT) in %	0.8%	20.1%	19.7%	9.3%	10.4%
Net profit	2 742	55 648	39 195	14 044	12 061
Net profit in %	1.0%	17.9%	16.2%	7.1%	8.8%
Depreciation of fixed assets	23 825	25 674	21 033	15 747	12 913
Amortization of intangible assets	1 237	1 016	778	15 376	531
EBITDA 3)	27 400	89 032	69 359	49 564	27 648
EBITDA in %	9.9%	28.7%	28.7%	24.9%	20.2%
Current assets	161 541	218 767	223 668	93 313	61 078
Non-current assets	461 248	446 932	434 814	407 470	81 884
Current liabilities	40 551	50 303	65 468	33 254	23 229
Non-current liabilities	192 210	211 382	235 842	455 689	8 050
Balance sheet total	622 789	665 698	658 482	500 783	142 962
Capital expenditure	–36 808	–30 766	–49 043	–37 960	–22 330
Cash flow from operating activities	32 189	47 431	78 183	33 540	20 398
Cash flow from investing activities	–19 096	–9 425	–119 827	–39 676	–22 481
Cash flow from financing activities	–38 131	–28 345	85 013	14 859	4 044
Issued shares as of 31 March	11 244 213	11 244 213	11 244 213	n/a	n/a
Average shares outstanding	11 229 318	11 238 259	6 105 865	n/a	n/a
Earnings per share in CHF (basic/diluted) 4)	0.24	4.95	3.49	1.25	1.07
Dividend per share (in CHF)	0.00	0.00	0.00	n/a	n/a
Par value repayment per share (in CHF)	1.25	0.90	0.00	n/a	n/a
Book value per issued share (in CHF)	34.69	35.93	31.76	n/a	n/a
Share price: year's highest (in CHF)	215.15	221.80	126.50	n/a	n/a
Share price: year's lowest (in CHF)	87.30	109.00	70.65	n/a	n/a
Share price: year-end (in CHF)	103.20	218.20	124.00	n/a	n/a
Market capitalization (in million CHF)	1 160	2 454	1 394	n/a	n/a
Average headcount	1 225	1 052	891	761	535
Average fulltime equivalent	1 178	1 009	845	722	508
Year-end headcount	1 211	1 139	933	797	560
Year-end fulltime equivalent	1 166	1 090	894	764	537
Sales per average fulltime equivalent (in CHF)	235 526	307 818	286 037	275 130	270 208

1) Until 30 June 2004, the blood glucose monitoring system FreeStyle was distributed exclusively in several European countries. Since 1 July 2004, FreeStyle is only being sold by DiaExpert GmbH in Germany

2) Direct trade business of DiaExpert GmbH in Germany included since 1 October 2003

3) Earnings before interest, taxes, depreciation and amortization

4) Years prior to 2005/06 are calculated with total number of issued shares after IPO

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Report of the group auditors
to the general meeting of
Ypsomed Holding AG
Burgdorf

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in equity and notes, pages 36 to 59) of Ypsomed Holding AG for the year ended March 31, 2007.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Johner
Auditor in charge

Alexander Schneider

Berne, May 12, 2007

BALANCE SHEET YPSOMED HOLDING AG
STATUTORY FINANCIAL STATEMENTS

in thousand CHF	31.03.07	31.03.06
Assets		
Cash and cash equivalents	9 234	58 049
Marketable securities	26 075	41 238
Accrual of dividends from Group companies	0	14 400
Accrued income and prepaid expenses	102	65
Other current assets	428	350
Total current assets	**35 839**	**114 101**
Loans to Group companies	135 139	111 307
Investments	318 670	308 538
Intangible assets	5 779	8 170
Total non-current assets	**459 588**	**428 015**
Total assets	**495 427**	**542 116**
Liabilities and equity		
Trade payables	0	45
Accrued expenses and deferred income	926	791
Current income taxes payable	95	436
Current payables to Group companies	0	13 422
Other current liabilities	93	74
Total current liabilities	**1 114**	**14 768**
Non-current financial liabilities to major shareholder	180 000	200 000
Total non-current liabilities	**180 000**	**200 000**
Share capital	116 378	130 433
Share premium	177 489	177 489
Legal reserves	50	50
Reserves for own shares	2 224	0
Retained earnings	17 152	18 189
Net profit	1 021	1 187
Total equity	**314 313**	**327 348**
Total liabilities and equity	**495 427**	**542 116**

INCOME STATEMENT YPSOMED HOLDING AG
STATUTORY FINANCIAL STATEMENTS

in thousand CHF	2006/07	2005/06
Income		
Financial income	7 132	23 482
Total income	**7 132**	**23 482**
Expense		
Depreciation and amortization	2 392	18 373
Financial expense	1 892	1 845
Administration expenses	1 792	1 461
Income tax expenses	35	615
Total expense	**6 111**	**22 295**
Net profit	**1 021**	**1 187**

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS

The Board of Directors proposes to the General Meeting of Shareholders that the retained earnings be appropriated as follows:

in thousand CHF	31.03.07	31.03.06
Retained earnings	19 376	18 189
Increase reserve for own shares	–2 224	
Net profit for business year	1 021	1 187
Retained earnings at disposal of the General Meeting	**18 173**	**19 376**
Allocation to free reserves	0	0
Dividends	0	0
To be carried forward	**18 173**	**19 376**

NOTES TO THE FINANCIAL STATEMENTS 2006/07 OF YPSOMED HOLDING AG

Income

Financial income mainly consists of dividends and interest income.

Share capital

The share capital of CHF 116 377 605 (prior year: CHF 130 432 871) consists of 11 244 213 (prior year: 11 244 213) registered shares with a nominal value of CHF 10.35 (prior year: CHF 11.60) each. In the year under review, the nominal value of the Ypsomed share was reduced by CHF 1.25 and repaid to shareholders.

Conditional share capital

The company has a conditional share capital totalling of CHF 1.7 million (prior year: CHF 1.9 million). The company may issue a maximum of 160 000 (prior year: 160 000) fully paid up registered shares of nominal value CHF 10.35 (prior year: CHF 11.60) each to selected employees and members of the Board of Directors.

Important shareholders

	31.03.07		31.03.06	
	Number of shares	Capital and vote share	Number of shares	Capital and vote share
Willy Michel	7 700 330	68.5%	7 700 330	68.5%
Techpharma Management AG, Burgdorf	181 654	1.6%	0	0.0%

Investments

	31.03.07		31.03.06	
	Interest held	Share capital	Interest held	Share capital
Ypsomed AG, CH-Burgdorf	100%	CHF 10 000 000	100%	CHF 500 000
Ypsotec AG, CH-Grenchen	100%	CHF 1 000 000	100%	CHF 1 000 000
TecPharma Licensing AG, CH-Burgdorf	100%	CHF 100 000	100%	CHF 100 000
P Medical Holding SA, CH-Orvin	11.6%	CHF 917 282	12.8%	CHF 863 017

P Medical Holding SA

BV Holding AG, with head office in Bern, holds in its own name 11.6% of P Medical Holding SA, but to the cost and for the benefit of Ypsomed Holding AG. The purchase of this fiduciary title is financed by a loan of Ypsomed Holding AG to BV Holding AG of CHF 9.7 million and can be settled by the transfer and cession of the title of P Medical Holding SA to Ypsomed Holding AG. Ypsomed Holding AG bears the economic risk of the share in P Medical Holding SA financed by this loan.

Own shares

	31.03.07		31.03.06	
	Number of shares	Ø-price	Number of shares	Ø-price
Purchase of own shares	31 005	121	37 412	136
Disposal of own shares	–10 000	111	–37 412	169
Own shares held	21 005		0	

Securities, reserve for guarantees and collateral order in favour of third parties

	31.03.07	31.03.06
Credit Suisse, CH-Zurich Guarantee in the context of credit business for Ypsomed AG	15 000 000	15 000 000

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Report of the statutory auditors
to the general meeting of
Ypsomed Holding AG
Burgdorf

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes; pages 62 to 64) of Ypsomed Holding AG for the year ended March 31, 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Johner
Auditor in charge

Alexander Schneider

Berne, May 12, 2007