



**"The proof is in the numbers:
Ypsomed has achieved a great deal
in the 2007/08 business year and is
again on the road of success."**

Ypsomed achieves its goals in the 2007/08 business year

Ypsomed succeeded in achieving its financial goals in the 2007/08 business year. In the 2007/08 financial year, the Ypsomed Group attained consolidated sales figure of CHF 287.5 million, 3.6% more than the previous year's CHF 277.5 million. The operating income rose to CHF 31.0 million, up from CHF 2.3 million during the previous year. Operating income profit margin improved by 10 percentage points from 0.8% to 10.8%, which was actually slightly above our own projections. The Group's consolidated net profit also saw significant improvement to CHF 26.6 million, up from CHF 2.7 million in the previous year. Moreover, in the 2007/08 business year, Ypsomed made renewed investments totaling CHF 42.7 million, up 16% over the previous year's CHF 36.8 million. By March 31, 2008, the equity ratio improved to 65.4% and the Ypsomed Group's workforce remained stable at a total of 1 210 employees.

Increased and diversified sales

Ypsomed posted strong growth in pen needles, in pen systems for non-insulin pharma customers, and especially in the diabetes direct business with the acquisition of the Florian Müller Group. The diabetes direct business also grew by 13.8% over the previous year (up 10.2% in local currency), adjusted for the acquisition. The targeted diversification of the sales base was successful through the acquisition of Florian Müller. Ypsomed has strengthened its market position in the strategically important diabetes business as targeted and offers nationwide supply in the diabetes direct business throughout Germany. Ypsomed is Germany's leader in offering services for diabetes patients using an insulin pump or on intensified insulin therapy. Florian Müller's supplemental sales reached about CHF 18.6 million in the 2007/08 business year.

Innovation and patents bring revenues from licensing

During the 2007/08 business year, Ypsomed was able to conclude two similarly important licensing agreements and, for the first time, achieved CHF 2.3 million in licensing revenues. In May 2007, a non-exclusive licensing agreement was signed with a worldwide pharma group and, in September 2007, another contract was concluded with Cilag GmbH International, both in the field of autoinjectors.

Gross profits and operating result significantly improved

What is particularly gratifying is the significant improvement in profitability at all levels. In order to achieve this, management implemented strict cost controls, as well as incorporating numerous measures for reducing costs and improving quality. This resulted in an increased gross profit of CHF 90.2 million, up from CHF 64.2 million in the previous year. Optimization measures enabled the gross profits margin to increase from 23.2% to 31.4%. At the operating income level, Ypsomed was able to increase profitability during the 2007/08 business year and achieved an operating profit of CHF 31.0 million, which equals to an operating profit margin of 10.8%.

Technology platforms lead to a multitude of customer projects

In the 2007/08 business year Ypsomed invested an above average of CHF 31.2 million in Research & Development, roughly 10.8% of total revenues. In accordance with IFRS regulations, a total of CHF 9.6 million were invested in the development of the own products continuous injection device and safety pen needles and capitalized in the balance sheet, while CHF 21.6 million of Research & Development costs were charged directly to the profit and loss statement. Payments from client-specific projects rose 80% from CHF 3.5 million to CHF 6.4 million.

Marketing and sales strengthened

Marketing & Sales costs increased from CHF 21.4 million to CHF 27.8 million, primarily resulting from the acquisition of Florian Müller, and, to a lesser extent, from enhanced marketing and sales measures in the pen needle and pen systems business. Administrative costs, however, remain constant at CHF 18.5 million. Financial income at CHF 2.4 million also remained stable with the level from the previous year's CHF 2.7 million. Finance expenses increased, on the other hand, from CHF 2.0 million to CHF 4.1 million, CHF 2.2 million largely due to CHF 2.2 million unrealized Euro-foreign currency adjustments in balance sheet positions at the exchange rate of 1.57 Euros at the end of the financial reporting period.

Ypsomed achieves a consolidated net profit of CHF 26.5 million

In the 2007/08 business year, Ypsomed achieved a CHF 55.3 million operating profit before interest, taxes, depreciation and amortization (EBITDA), thereby topping the previous year's result by about 100%. The EBITDA margin rose from 9.9% to 19.2%, while depreciation remained at about the same level (CHF 22.7 million in 2007/08 versus CHF 23.8 million in 2006/07). For the 2007/08 business year, the Ypsomed Group posted a consolidated net profit of CHF 26.5 million. The net profit margin improved from 1.0% to 9.2%. This equals to a net profit per share of CHF 2.37 based on an average of 11 233 080 outstanding Ypsomed shares.

Ypsomed made significant investments

Investments in tangible assets rose during the last business year by 16.1% to CHF 42.7 million (as opposed to the previous year's CHF 36.8 million) and were primarily for expanding the pen needle production in Solothurn, optimizing logistics and infrastructure, and for the extension of the production lines for non-insulin pen systems. The development of the pen needle production in Solothurn is making concrete progress. Hence, gradual entry into production during the third quarter of 2008 calendar year is realistic.

A positive trend in cash flow

In 2007/08 Ypsomed achieved its targeted increase in cash flow from operating activities at CHF 70.2 million, versus CHF 32.2 million for the previous year (+ 118%). The cash flow from investment activities totaled CHF -52.3 million, representing a significant increase over the previous year's CHF -19.1 million. On the one hand, as it has already been mentioned, investments in tangible assets rose for expanding and optimizing production and logistics, and investments in intangible assets rose to CHF -10.6 million (as opposed to CHF -1.0 million for the previous year), largely for the strategically important continuous injection device and for the new single use pen safety needle. One-time acquisition investment costs for the Florian Müller Group totaled CHF -15.1 million. On the other hand, average income from divestitures of securities resulted in over CHF 5.9 million (versus CHF 25.0 million for the previous year) and financial income of CHF 9.5 million from the sale of shares in the Precimed Group. Cash flow from financing activities was CHF -20.1 million, lower than the CHF -38.1 million in the previous year. The Ypsomed Board of Directors

decided to pay back the loan from majority shareholder Dr. h.c. Willy Michel as planned by an additional CHF 20 million from CHF 180 million to CHF 160 million.

Solid financing with an equity ratio of 65.4%

The Ypsomed Group's consolidated equity was CHF 417.6 million as of March 31, 2008. The equity ratio rose to 65.4%, exceeding both the previous year's 62.6% and the 64.7% as of September 30, 2007. In the 2007/08 business year, the balance sheet total rose only slightly by 2.5% from CHF 622.8 million to CHF 638.2 million. Cash and Cash equivalents plus Marketable Securities available to the Ypsomed Group in the short term totaled CHF 58.3 million as of March 31st, 2008 (as compared to CHF 66.2 million in the previous year.). The Ypsomed Group has, as in the past, no bank debts.

Dividend distribution as repayment of par value

In the 2007/08 business year, the Ypsomed Group accomplished the targeted rebound and achieved a solid net profit, which led the Board of Directors to propose to the General Shareholders Meeting a distribution as reduction of the nominal value of CHF 0.60 per share. This equals to a payout ratio of 25.4%. The total profit distribution will amount to approximately CHF 6.7 million and will be executed as a tax-preferred repayment of par value during September 2008.

CONSOLIDATED INCOME STATEMENT

(Audited IFRS figures) in thousand CHF	Notes	1 April 2007 – 31 March 2008	in %	1 April 2006 – 31 March 2007	in %
Sales of goods and services	23	287 468	100.0	277 450	100.0
Cost of goods and services sold	16	-197 271	-68.6	-213 211	-76.8
Gross profit		90 197	31.4	64 239	23.2
Licensing revenues		2 315	0.8	0	0.0
Research and development reimbursed		6 356	2.2	3 537	1.3
Research and development expenses		-21 617	-7.5	-25 446	-9.2
Research and development – expenses net	16	-15 262	-5.3	-21 909	-7.9
Marketing and sales expenses	16	-27 765	-9.7	-21 411	-7.7
Administration expenses	16	-18 510	-6.4	-18 581	-6.7
Operating profit		30 976	10.8	2 338	0.8
Financial income	18	2 401	0.8	2 701	1.0
Financial expense	19	-4 052	-1.4	-2 006	-0.7
Other non-operating income / (expense)	20	360	0.1	149	0.1
Profit before income taxes		29 685	10.3	3 182	1.1
Income taxes	21	-3 103	-0.2	-440	-0.2
Net profit		26 583	9.2	2 742	1.0
Earnings per share (basic and diluted)	27	2.37		0.24	
Operating profit		30 976		2 338	
Depreciation of fixed assets		22 678		23 825	
Amortization of intangible assets		1 667		1 237	
EBITDA (Operating profit before depreciation and amortization)		55 322	19.2	27 400	9.9

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

CONSOLIDATED BALANCE SHEET

(Audited IFRS figures) in thousand CHF	Notes	31 March 2008	in %	31 March 2007	in %
ASSETS					
Cash and cash equivalents	4	38 291	6.0	40 724	6.5
Marketable securities		19 965	3.1	25 478	4.1
Trade receivables	5	29 991	4.7	33 826	5.4
Other current assets	6	11 246	1.8	9 175	1.5
Current income tax assets	21	902	0.1	1 308	0.2
Inventories	7	42 189	6.6	37 549	6.0
Customer machinery		1 579	0.2	13 481	2.2
Total current assets		144 164	22.6	161 541	25.9
Financial assets "available for sale"	8	20	0.0	9 704	1.6
Deferred income tax assets	21	1 441	0.2	3 592	0.6
Other non-current assets		386	0.1	122	0.0
Fixed assets	9	166 368	26.1	146 343	23.5
Intangible assets	10	325 851	51.1	301 487	48.4
Total non-current assets		494 066	77.4	461 248	74.1
Total Assets		638 230	100.0	622 789	100.0
LIABILITIES AND EQUITY					
Trade payables		16 914	2.7	11 404	1.8
Prepayments from customers		6 403	1.0	9 520	1.5
Current income taxes payable	21	1 891	0.3	2 021	0.3
Other payables and accrued expenses	11	20 587	3.2	16 104	2.6
Provisions	13	2 261	0.4	1 502	0.2
Total current liabilities		48 056	7.5	40 551	6.5
Non-current financial liabilities to major shareholder	12	160 000	25.1	180 000	28.9
Provisions	13	8 476	1.3	7 594	1.2
Deferred income tax liabilities	21	4 119	0.6	4 616	0.7
Total non-current liabilities		172 595	27.0	192 210	30.9
Share capital	15	116 378	18.2	116 378	18.7
Group reserves		274 618	43.0	270 908	43.5
Net profit		26 583	4.2	2 742	0.4
Total equity		417 579	65.4	390 028	62.6
Total liabilities and equity		638 230	100.0	622 789	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 2007 – 31 March 2008	1 April 2006 – 31 March 2007
Net profit		26 583	2 742
Depreciation of fixed assets	9	22 954	23 825
Amortization of intangible assets	10	1 667	1 237
Change in provisions, net		778	-673
Financial income	18	-2 401	-2 701
Financial expense	19	4 052	2 006
Profit (-)/loss (+) disposals fixed and financial assets		40	0
Income taxes	21	3 103	440
Cash flow from operating activities before changes in net working capital		56 776	26 876
Increase (-) / decrease (+) in trade receivables		6 673	11 747
Increase (-) / decrease (+) in other current and non-current assets		-1 401	1 751
Increase (-) / decrease (+) in inventories		-2 693	6 780
Increase (-) / decrease (+) in customer machinery		11 901	-2 055
Increase (+) / decrease (-) in trade payables		3 497	-2 126
Increase (+) / decrease (-) in prepayments from customers		-3 118	-730
Increase (+) / decrease (-) in other payables and accrued expenses		551	-3 931
Income taxes paid		-2 031	-6 123
Cash flow from operating activities		70 155	32 189
Purchases of fixed assets	9	-42 741	-36 808
Disposals of fixed assets	9	15	163
Purchases of intangible assets	10	-10 607	-941
Disposals of intangible assets	10	0	5
Purchases of marketable securities		-104	-6 803
Disposals of marketable securities		5 895	24 983
Acquisitions, net of cash acquired	1	-15 106	0
Purchases of financial assets "available for sale"		0	-632
Disposals of financial assets "available for sale"	8	9 497	0
Interest received		624	607
Dividends received		223	330
Cash flow from investing activities		-52 306	-19 096
Repayment of financial liabilities to major shareholder	12	-20 000	-20 000
Interest paid		-883	-1 229
Par value repayment	15	0	-14 038
Other financial expense		-103	-223
Purchases of own shares		-3 535	-3 748
Disposals of own shares		4 392	1 107
Cash flow from financing activities		-20 130	-38 131
Effect of foreign currency translation		-152	94
Total Cash flow		-2 433	-24 944
Cash and cash equivalents as of 1 April	3	40 724	65 668
Cash and cash equivalents as of 31 March	3	38 291	40 724
Net increase (+) / decrease (-) in cash and cash equivalents		-2 433	-24 944

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 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
Balance as of 1 April 2007	116 378	166 649	-2 224	50	109 175	390 028
Currency translation differences				111		111
Net profit 1.4.07 – 31.3.08					26 583	26 583
Total income and expense for the period				111	26 583	26 694
Par value repayment						
Purchases of own shares			-3 535			-3 535
Disposals of own shares (net of tax)		10	4 382			4 392
Balance as of 31 March 2008	116 378	166 659	-1 377	161	135 758	417 579

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 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 were approved for issue by the Board of Directors on 15 May 2008 and recommended to the General Meeting for acceptance on 25 June 2008.

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 reporting 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 annual financial statements have been prepared under the historical cost convention except for financial assets in the categories "at fair value through profit or loss" and "available for sale" which are valued at fair value.

Changes in accounting policies

a) Standards adopted in the current financial year

New and amended standards listed below were implemented by Ypsomed on 1 April 2007. The amendments require additional disclosures, but do not impact on the financial position, result of operations and cash flows.

IFRS 7 7 Financial instruments: disclosure

This standard in particular requires further disclosures, notably on risk policy and the risk management of financial instruments.

IAS 1 Presentation of financial statements: explanatory notes on equity capital

These amendments require new disclosures on the objectives, principles and processes concerning the management of capital.

b) Standards and interpretations adopted in the current financial year which had no impact for Ypsomed.

IFRIC 7 Application of the restatement approach under IAS 29 Financial reporting in hyperinflationary economies
 IFRIC 8 Application of IFRS 2
 IFRIC 9 Re-assessment of embedded derivatives
 IFRIC 10 Interim financial reporting and impairment
 IFRIC 11 IFRS 2 Group transactions with own shares

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

Ypsomed is not applying early adoption of the following standards and interpretations, but will implement them at the given time. Based on the current position, Ypsomed is not expecting any significant impact on the consolidated financial statements.

IFRS 3R *Business combinations (applicable for financial years beginning 1 July 2009)*
 The new provisions will impact on the presentation of goodwill and the income statement for future acquisitions.

IFRS 8 *Operating segments (applicable from 1 January 2009)*
 This standard now governs disclosures relating to segmental reporting.

IAS 1R *Presentation of financial statements (applicable from 1 January 2009)*
 Transactions stated directly under equity capital that have not taken place with the shareholder must now be disclosed under income and expenditure, separate from the statement of changes in equity.

IAS 23 *Borrowing costs (applicable from 1 January 2009)*
 Borrowing costs relating to qualified assets must always be capitalized in future.

IAS 27 *Consolidated and separate financial statements (applicable for financial years beginning 1 July 2009)*
 The changes govern the recognition of changes in shares in subsidiaries.

IFRS 2 *Share-based payments – transfer conditions and cancellation (applicable from 1 January 2009)*
 Ypsomed does not make any share-based payments and is therefore not affected by the application of these new rules.

IAS 32, IAS 1 *Tradable financial instruments (applicable from 1 January 2009)*
 Under these amendments, certain tradable financial instruments and obligations at settlement must be classified as equity capital.

IFRIC 12 *Concessionary service agreements (applicable from 1 January 2008)*
 Ypsomed does not have any concessionary service agreements and is therefore not affected by the application of these new rules.

IFRIC 13 *Customer loyalty programmes (applicable for financial years beginning 1 July 2008)*
 Ypsomed does not operate any customer loyalty programmes within the meaning of this interpretation and is therefore not affected by the interpretation.

IFRIC 14, IAS 19 *Asset ceiling of defined benefit plans, minimum funding requirements and their interaction (applicable from 1 January 2008)*
 This interpretation contains general guidelines to determine the recognition of assets from pension plans.

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.

Subsidiaries are recognized using the purchase method. Acquisition costs cover the compensation paid in exchange for control over the identifiable assets, liabilities and contingent liabilities of the acquired company. Compensation covers payments in cash and the market value of the adopted assets, of liabilities entered into or assumed and of equity capital instruments issued by the Group on the transaction date. Acquisition costs also include transaction costs allocated directly to the acquisition. The net assets acquired comprising identifiable assets, liabilities and contingent liabilities are recognized at their market value. If the Group does not acquire the entire shareholding of a company, minority interests are reported at the market value of the acquired net assets based on their proportionate shareholding. Goodwill corresponds to the surplus of acquisition costs above the Group's shareholding in the market value of the acquired net assets. Goodwill is not written off, but subject to an impairment test on every reporting date.

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

Associates

Associates are those companies that are significantly influenced but not controlled by the Group. This normally applies to companies of which the Group owns between 20% and 50%. Investments in associates are accounted for using the equity method. The Group's investment in associates includes goodwill identified on acquisition. Ypsomed does not currently own any associates.

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 expenses.

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

Financial assets and liabilities

Ypsomed allocates financial assets and liabilities to the following categories:

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

The categorization of financial assets and liabilities depends on the purpose of the financial instruments. Management determines the category at the time of acquisition and periodically checks it. All purchases and sales of financial assets and liabilities are recognized on the trade date, i.e. the day on which the Group is obliged to purchase or sell the asset or liability. Financial assets not recognized at fair value are regularly reviewed for impairment. Financial assets are only derecognized if Ypsomed has given up control of them or the rights associated with them have expired. Financial liabilities are only derecognized when they are settled.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are allocated to this category when they are intended for trading purposes or allocated by designation when initially recognized and should be valued at fair value. Ypsomed has not assigned any financial asset and liabilities to this category when initially recognized by designation. Initial recognition and subsequent measurement are at fair value. Realized and unrealized changes to fair value are recognized through profit and loss under financial income or expenses for the reporting period in question. Derivative financial instruments are used to hedge currency and interest rate risk and are also included in this category. Ypsomed does not use hedge accounting.

Loans and receivables

Loans, trade receivables and other receivables are included in this category. Initial recognition is at fair value plus transaction costs. Subsequent measurement is at amortized cost using the effective interest method less accumulated allowances.

Financial assets available for sale

Assets that cannot be allocated to the above categories are classified as available for sale, and are recognized at fair value. Changes in fair value are recorded directly in equity. At the time of sale of the financial assets, accumulated gains and losses are reported in financial income or expenses for the current period.

Financial liabilities at amortized cost

Financial debts, trade payables and other liabilities are normally included in this category. Initial recognition is at fair value less transaction costs. Subsequent measurement is at amortized cost using the effective interest method.

Cash

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

Marketable securities

Securities included under current assets are specific financial assets intended for trading purposes, such as debt instruments, bonds, equity funds, hedge funds and options, and are recognized at fair value. Changes in value are reported under financial income or expenses for the period. Time deposits held in this category with an original term of 3–12 months are valued at nominal value.

Inventories

The FIFO method 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.

Receivables from deliveries and services / other receivables

Trade receivables are recognized at the original invoice amount, other receivables at nominal value (i.e. fair value). An allowance is set aside if objective indications show that receivables cannot be collected. Allowances are based on individual valuations.

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 current assets. After acceptance has taken place, the machinery, with existing prepayments from customers where applicable (included in 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: 20 to 40 years
- Technical assets: 6 to 20 years
- Machinery and company facilities: 3 to 10 years
- Fixtures and fittings and vehicles: 3 to 8 years
- Other fixed assets: 2 to 10 years

Depreciation is included in the following income statement categories: production costs of products sold, R&D costs, marketing and distribution costs, administration costs and other non-operating profit. 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 at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Development costs

Development costs are recognized under intangible fixed assets if an intangible asset can be identified and completed that will bring the Group a probable financial benefit, and the costs of this asset can be reliably determined. Recognized development costs are depreciated on a straight-line basis over economic life. No amortization is currently applied, as products are still in their development phase and not being marketed yet.

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 using the straight-line method. Amortization is mainly included in administration expenses. Intangible assets, such as brand names, customer relationships that were acquired through a business combination, are identified and reported separately from the business or company value if they fulfil the definition of an intangible asset and their fair value can be reliably determined. The acquisition costs of such intangible assets correspond to their fair value at the time of acquisition. Valuation in subsequent periods is at acquisition cost, less accumulated depreciation and impairment. The estimated useful life is between 5 and 8 years. Amortization is included in marketing and distribution costs.

Financial assets

Initial recognition is at acquisition cost (fair value) plus transaction costs. Subsequent measurement is at fair value. Changes in value are reported under equity capital. Upon sale, fair value adjustments previously reported under equity capital are transferred to the income statement.

Impairment of assets

Assets that have an indeterminate 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 there could be impairment. An impairment loss is recognized if the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of both amounts based on fair value, less selling costs and utility value. 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

Provisions are set aside to cover the Group's risk of losses and its obligations. They are reported in the balance sheet if it can be determined that an outflow of funds is required to meet an obligation that has arisen from a past event, and that the amount of the outflow can be reliably determined.

Employee pensions

In terms of retirement provision, there are pension plans involving schemes and foundations that are legally and financially independent of the Group for employees of the Swiss group companies in addition to the state Old Age and Survivors Insurance (AHV). These plans cover risk against the financial consequences of old age, invalidity and death.

Employees of foreign subsidiaries are responsible for their own retirement provision based on the legal provisions of the countries in question. Consequently, Ypsomed does not incur any additional staff pension costs.

Swiss pension plans (defined contribution schemes) fulfil the features of defined benefit plans under IAS 19. Accordingly, the period costs are regularly determined by actuarial opinions of external experts under the projected unit credit method, whereby employees' years of service, assumptions on salary increases and generally recognized actuarial variables are taken into account. The surplus or shortfall from assets at fair value, less cash value of the expected claims, is recognized in the balance sheet as an asset under long-term fixed assets or as a liability under provisions, taking account of any unrecognized actuarial profits and losses and past claims.

Actuarial profits and losses occur mainly from changes in actuarial assumptions and from experience adjustments. If actuarial adjustments exceed 10% of the higher amount of plan assets or cash value of expected claims, linear amortization is taken through profit and loss of the 10% excess amount over the average residual service period of the insured employees, if capitalization criteria are met (corridor approach).

Current income taxes

Income taxes are calculated based on reported profits and in conformity with the tax laws prevailing in the individual countries.

Deferred income taxes are accrued or deferred on the basis of the comprehensive liability method. Deferred taxes are taken into account on temporary differences between tax values and the values applicable to the consolidated accounts. Deferred tax assets are recognized for loss carry-forwards where it is highly likely that they can be offset against taxable gains. Deferred income taxes are calculated on the basis of actual or expected local tax rates. The change to deferred tax receivables and payables is recognized in the income statement. Deferred taxes on transactions that are stated directly under equity capital are also booked under equity capital.

Revenue recognition

Net proceeds

Net proceeds correspond to received payments and receivables for goods supplied to customers, less price reductions, discounts and refunds. Appropriate provision is taken for all costs arising in connection with the sale including the costs of return of goods. Revenue from sale of goods and services is recognized when risk and benefit of ownership have been transferred to the buyer. Net proceeds are only recognized when there is sufficient security from the sale that Ypsomed is deriving a financial benefit and this can be reliably determined.

Other income

Ypsomed receives licence income from the exploitation of Ypsomed assets by external third parties under the terms and conditions of the underlying agreements. This income is recognized when the inflow of financial benefit is probable and the amounts can be reliably estimated.

Other non-operating income

Rental income arises based on rental agreements from renting out properties owned by the Ypsomed Group.

Contributions to 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 costs are recognized as an expense in the period in which they are incurred. Development costs that fulfil the criteria for capitalization under IAS 38 "Intangible Assets" are capitalized and written off over the useful life using the straight-line method. Fixed assets used for research and development are capitalized and depreciated over their useful life on a linear basis.

Borrowing costs

Borrowing costs are recognized directly as an expense.

3. Legal risks

The Ypsomed Group develops, manufactures and sells innovative medical devices, based on technical expertise and technologies protected by intellectual property rights. The 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.

4. Key assumptions and estimates

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 carries out an impairment test on capitalized goodwill at least once a year. The utility value of the entity generating the cash flow to which goodwill has been allocated, is determined to ascertain whether there has been impairment. The estimate of future cash flows is based on medium-term planning approved by the Board of Directors and Executive Board, as well as on a permanent growth rate for cash flows outside the planning years. The discount rates based on external factors also have a crucial impact on the calculation of utility values.

Provisions for warranties

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

Employee pensions

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. Estimates that vary from the definitive tax amount have an impact on current and deferred income taxes. In particular, with the capitalization of deferred tax assets from losses carried forward, the value of these tax loss carry-forwards and the tax rates to be applied must be estimated.

in thousand CHF, unless otherwise stated

1. Acquisitions

On Juli 27 2007 Ypsomed acquired 100% of the shares of Florian Müller Holding GmbH in Hamburg. Florian Müller Holding GmbH and its subsidiaries are active in diabetes direct business in Germany. The acquired companies were consolidated from the acquisition date.

The following assets and liabilities were taken over as part of the acquisition:

	Book value before acquisition	Fair value adjustments	Book value after acquisition
Assets:			
Cash and cash equivalents	508	0	508
Trade receivables	3 153	0	3 153
Inventories	2 308	0	2 308
Fixed assets	153	0	153
Intangible assets	186	4 571	4 757
Other assets	1 139	312	1 451
Total assets	7 447	4 883	12 330

Liabilities:

Trade payables	2 778	0	2 778
Deferred income tax liabilities	0	1 237	1 237
Other liabilities	3 116	871	3 987
Total liabilities and equity	5 894	2 108	8 002

Net working capital	1 553	2 775	4 328
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Goodwill			11 608
Total acquisition cost			15 937

The purchase price includes acquisition costs of around CHF 223 000 allocated directly to the acquisition.

Cash and cash equivalents acquired	-508
Liability for subsequent purchase price payment	-323
Net cash outflow	15 106

The goodwill is attributable to the stronger market positioning and resulting profitability and also to the synergies which are expected to occur with the existing direct diabetes business of DiaExpert.

Contribution of acquired companies from the acquisition date:	
Sales of goods and services	18 609
Net profit	-840

Contribution if the acquisition date had been 1 April 2007:	
Sales of goods and services	29 976
Net profit	-959

Both net profit amounts include one-off integration costs of CHF 1.5. million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Consolidation scope

	Interest held Capital/Votes	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			•	
Florian Müller GmbH, D-Hamburg	100%	EUR 204 517			•	
Ypsomed India Private Ltd, IN-Gurgaon	100%	INR 500 000			•	

With the exception of Florian Müller GmbH, Florian Müller Holding and its subsidiaries were merged with DiaExpert GmbH or Ypsomed GmbH during the current business year. Ypsomed India Private Ltd. was set up at the end of October 2007. The liquidation of Ypsomed Srl, IT-Verona was completed during the current business year.

3. Foreign currencies

	Balance sheet Year-end rates		Income statement Average rates	
	31.03.08	31.03.07	2007/08	2006/07
Euro (EUR)	1.57	1.62	1.64	1.59
US-Dollar (USD)	0.99	1.21	1.16	1.24
Swedish Krona (100 SEK)	16.72	17.36	17.64	17.24
Norwegian Kroner (100 NOK)	19.53	20.01	20.60	19.66
Danish Krone (100 DKK)	21.09	21.80	22.01	21.29
British Pound (GBP)	1.97	2.39	2.33	2.34
Czech Koruna (CZK)	6.22	5.83	6.06	5.64
Indian Rupee (INR)	2.49	–	2.76	–

4. Cash and cash equivalents

	31.03.08	31.03.07
Cash	29	56
Postal accounts	250	252
Bank accounts	38 012	40 416
Total	38 291	40 724

5. Trade receivables

	31.03.08	31.03.07
Trade receivables	30 425	34 002
Provision for bad and doubtful debts	-434	-176
Total	29 991	33 826

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.

Provision for bad and doubtful debts:	2007/08	2006/07
At 01.04.	176	536
Provision for receivables	325	16
Release of provision for recovered receivables	-12	-309
Release of provision not required	-50	-70
Currency translation differences	-5	3
At 31.03.	434	176

Age analysis of receivables due with no valuation allowance:	31.03.08	31.03.07
Due up to 2 months	5 380	4 898
Due 2 to 4 months	583	187
Due over 4 months	108	368
Total receivables due with no provision	6 071	5 453

Age analysis of receivables due with provision:	31.03.08	31.03.07
Due up to 2 months	343	181
Due 2 to 4 months	0	7
Due over 4 months	440	122
Total receivables due with provision	783	310

of which with provision **434** 176

6. Other current assets

	31.03.08	31.03.07
Accrued income and prepaid expenses	4 353	4 359
Other receivables	6 893	4 816
Total	11 246	9 175

Other current assets include financial assets according to IFRS7 in the amount of CHF 3.4 million (prior year: CHF 3.0 million) which are due within two month and for which no provision is required.

7. Inventories

	31.03.08	31.03.07
Raw materials and supplies	4 547	4 614
Goods in process	20 859	21 718
Finished products	19 866	13 591
Gross inventories	45 272	39 923
Valuation allowance	-3 083	-2 374
Total	42 189	37 549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Financial assets "available for sale"

	2007/08	2006/07
Financial assets	20	9 704

P Medical Holding SA

The share of 11.6% in P Medical Holding SA held in trust by BV Holding to the cost and for the benefit of Ypsomed Holding AG was sold during the current business year.

9. Fixed assets

	Land and buildings	Machinery and equipment	Other fixed assets	Assets under construction	Total
Cost:					
At 01.04.06	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/amortization	-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	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
Cost:					
At 01.04.07	86 319	162 492	9 285	7 577	265 673
Additions	4 749	19 282	1 452	17 258	42 741
Disposals	-12	-5 221	-596		-5 829
Change in consolidation scope		1	152		153
Transfers	730	5 933	82	-6 673	72
Currency translation differences	1	52	-52		1
At 31.03.08	91 788	182 539	10 322	18 162	302 810
Accumulated depreciation:					
At 01.04.07	-16 734	-97 112	-5 484	0	-119 330
Depreciation/amortization	-2 592	-18 723	-1 639		-22 954
Disposals	12	5 208	592		5 812
Currency translation differences		-5	34		29
At 31.03.08	-19 314	-97 112	-6 496	0	-136 442
Net book value at 01.04.07	69 585	65 380	3 801	7 577	146 343
Net book value at 31.03.08	72 474	71 907	3 826	18 162	166 368

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 2008 amounted to CHF 457.9 million (prior year: CHF 457.3 million).

10. Intangible assets

	Goodwill	Development costs	Other intangible assets	Total
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
Depreciation/amortization			-1 236	-1 236
Disposals			354	354
Currency translation differences	-2		-11	-13
At 31.03.07	-14 693	0	-8 079	-22 772
Net book value at 01.04.06	299 040	0	2 699	301 739
Net book value at 31.03.07	299 060	0	2 427	301 487
Cost:				
At 01.04.07	313 753	0	10 506	324 259
Additions	11 608	9 624	983	22 215
Disposals			-30	-30
Change in consolidation scope			4 757	4 757
Transfers			52	52
Currency translation differences	-582		-449	-1 031
At 31.03.08	324 779	9 624	15 819	350 222
Accumulated amortization:				
At 01.04.07	-14 693	0	-8 079	22 772
Depreciation/amortization			-1 667	-1 667
Disposals			30	30
Currency translation differences	2		36	38
At 31.03.08	-14 691	0	-9 680	-24 371
Net book value at 01.04.07	299 060	0	2 427	301 487
Net book value at 31.03.08	310 088	9 624	6 139	325 851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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":

	31.03.08	31.03.07
Ypsomed AG / TecPharma Licensing AG	295 220	295 220
Ypsotec AG	3 023	3 023
DiaExpert GmbH/Florian Müller GmbH	11 845	817
Total Goodwill	310 088	299 060

The impairment test for goodwill is based on the following assumptions:

	31.03.08	31.03.07
Ypsomed AG / TecPharma Licensing AG		
Weighted average cost of capital (WACC, pre-tax)	11.5%	9.0%
Perpetual growth rate	1.4%	1.0%
Ypsotec AG		
Weighted average cost of capital (WACC, pre-tax)	11.9%	9.0%
Perpetual growth rate	1.4%	1.0%
DiaExpert GmbH / Florian Müller GmbH		
Weighted average cost of capital (WACC, pre-tax)	12.6%	9.0%
Perpetual growth rate	1.4%	1.0%

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.

The goodwill impairment test did not result in an impairment.

11. Other payables and accrued expenses

	31.03.08	31.03.07
Accrued expenses	16 801	14 220
Other payables	3 786	1 884
Total	20 587	16 104

Other current payables and accrued expenses include financial assets according to IFRS 7 in the amount of CHF 13.5 million (prior year: CHF 9.2 million).

12. Non-current financial liabilities to major shareholder

	31.03.08	31.03.07
Loan Techpharma Management AG, Burgdorf	160 000	180 000

Interest of 0.5% is charged on the loan throughout its contractual duration. Under certain conditions, which are out of control of Ypsomed, the interest rate would be adapted to current market conditions. Ypsomed Holding AG is entitled to repay the loan at any time in part or in full, with full repayment due by 31 March 2010 at the latest. Techpharma Management AG is a company controlled by Dr. h.c. Willy Michel.

In the 2007/08 business year interest amounting to CHF 0.8 million (prior year: CHF 0.9 million) was paid on the loan.

13. Provisions

	Warranties	Employee pensions liabilities	Restructuring	Other	Total
At 01.04.06	2 950	5 997	43	778	9 768
Additions	3 479	4 711		1 000	9 190
Release			-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
of which current	1 502	0	0	0	1 502
At 01.04.07	2 755	5 341	0	1 000	9 096
Additions	611	6 088	185		6 884
Release					0
Utilization	-293	-4 950			-5 243
At 31.03.08	3 073	6 479	185	1 000	10 737
of which current	2 076		185		2 261

Warranties

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 recorded based on managements best estimate 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. The closing of an insurance contract, covering product liability, depends on the development of the insurance market, in particular on the general development of the pharmaceutical industry, in which high claims for compensation are typical. 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 warranties 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, and are also determined by the best possible assessment of the risk of a claim for each product category. Provisions for pension obligations are based on a valuation in accordance with IAS 19, from which no direct cash outflow arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Employee pensions

Most employees are insured under various private and/or state pension schemes. The defined benefits obligations and the assets of the most important pension plans associated with them (one Swiss pension plan of an individual pension scheme and one Swiss pension plan of the collective foundation SwissLife) are evaluated on a biannual basis by independent insurance experts. The last actuarial valuation was dated 31 March 2008.

Pension schemes

	31.03.08	31.03.07
Fair value of plan assets	92 505	87 626
Defined benefit obligation	-109 726	-107 745
Underfunding	-17 221	-20 119
Unrecognized actuarial gain / (loss)	11 020	14 778
Total net book value	-6 201	-5 341
of which recognized in the balance sheet as assets	278	0
of which recognized in the balance sheet as provisions	6 479	5 341

Development of pension obligations:

	2007/08	2006/07
Defined benefit obligation as at 01.04.	-107 745	-86 812
Current service cost	-6 192	-4 253
Interest expense	-3 550	-2 865
Plan amendments	9 023	8 281
Benefits paid	-12 213	-16 897
Actuarial gains / (losses)	10 951	-5 199
Defined benefit obligation as at 31.03.	-109 726	-107 745

Development of plan assets:

	2007/08	2006/07
Fair value of plan assets as at 01.04.	87 626	69 231
Expected return on plan assets	3 943	2 770
Employer contributions	5 393	5 367
Employee contributions	12 213	16 897
Benefits paid	-9 023	-8 281
Actuarial gains / (losses)	-7 647	1 642
Fair value of plan assets as at 31.03.	92 505	87 626

The actual return on plan assets was CHF -3.9 million (prior year: CHF 4.4 million).

The amounts recognized in the income statement are as follows:

	2007/08	2006/07
Current service cost	-6 192	-4 253
Interest expense	-3 550	-2 865
Expected return on plan assets	3 943	2 770
Net actuarial gain / (loss) recognized in year	-454	-363
Total expense recognized in income statement	-6 253	-4 711

The expected employer cash contributions for the business year 2008/09 will amount to CHF 5.9 million.

Asset allocation

	31.03.08	31.03.07
Cash and cash equivalents	6.8%	5.4%
Mortgages	4.8%	4.7%
Bonds	45.4%	48.0%
Real estate	19.7%	19.1%
Equities	23.3%	22.8%
Total	100.0%	100.0%

Year-on-year comparison

	31.03.08	31.03.07	31.03.06
Fair value of plan assets	92 505	87 626	69 231
Defined benefit obligation	-109 726	-107 745	-86 812
Underfunding	-17 221	-20 119	-17 581
Actuarial gains (losses) on plan assets	-7 266	-1 642	2 296
Actuarial gains (losses) on defined benefit obligation	2 387	-5 199	-11 659

The significant actuarial assumptions used are as follows:

	2007/08	2006/07
Discount rate	3.5%	3.0%
Expected rate of return on plan assets	4.5%	4.0%
Expected rate of salary increase	2.5%	2.5%
Rate of pension increase	0.5%	1.0%
Average retirement age men	65	65
Average retirement age women	64	64
Actuarial bases	EVK 2000	EVK 2000

The expected 4.5% rate of return on plan assets is based on strategic asset allocation to defined investment categories and a tailored analysis by independent investment strategists.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Share capital

Share capital (in thousand CHF)	2007/08	2006/07
At 01.04.	116 378	130 433
Repayment of nominal value CHF 0.00 per share (prior year: CHF 1.25)	0	-14 055
At 31.03.	116 378	116 378

Shares issued as at 31.03.	11 244 213	11 244 213
Shares held for own account as at 31.03.	16 543	21 005

Shares outstanding as at 01.04.	11 223 208	11 244 213
Purchases	-39 665	-31 005
Sales	44 127	10 000
Shares outstanding as at 31.03.	11 227 670	11 223 208

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 has been a total of 11 244 213 fully paid up shares. 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 2008, Ypsomed Holding AG and its Group companies held a total of 16 543 own shares (prior year: 21 005).

Conditional share capital (in thousand CHF)	2007/08	2006/07
At 01.04.	1 656	1 856
Repayment of nominal value CHF 0.00 per share (prior year: CHF 1.25)	0	-200
At 31.03.	1 656	1 656

The company has a conditional share capital totalling CHF 1.7 million (prior year: 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

	2007/08		2006/07	
Cost of goods and services sold	197 271	76.2%	213 211	77.5%
Research and development	15 262	5.9%	21 909	8.0%
Marketing and sales expense	27 765	10.7%	21 411	7.8%
Administration expense	18 510	7.2%	18 581	6.8%
Total	258 808	100.0%	275 112	100.0%
Cost of materials	83 823	32.4%	88 650	32.2%
Personnel expense	113 733	43.9%	111 374	40.5%
Depreciation/amortization	24 345	9.4%	25 062	9.1%
Other operating expense	36 907	14.3%	50 026	18.2%
Total	258 808	100.0%	275 112	100.0%

17. Personnel expense

	2007/08	2006/07
Wages and salaries	96 025	94 102
Social security expenses	15 153	13 728
Other personnel expenses	2 555	3 544
Total	113 733	111 374

Personnel at 31 March (full-time equivalents)	31.03.08	31.03.07
Switzerland	1 016	1 067
Germany	110	75
Netherlands	3	3
France	4	3
Scandinavia	3	6
Czech Republic	12	12
India	2	
Total	1 150	1 166

Headcount	1 210	1 211
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18. Financial income

	2007/08	2006/07
Interest income	714	607
Gains from marketable securities	704	1 172
Foreign exchange gains	879	910
Other financial income	104	12
Total	2 401	2 701

19. Financial expense

	2007/08	2006/07
Interest expense	895	1 229
Losses from securities	200	279
Foreign exchange losses	2 757	285
Other financial expense	200	213
Total	4 052	2 006

20. Other non-operating income / expense

	2007/08	2006/07
Real estate income (rental income)	2 036	1 554
Real estate expense	-1 689	-1 406
Other non-operating income / (expense)	13	1
Total	360	149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Taxes

	2007/08	2006/07
Income taxes for current period	2 093	67
Income taxes for prior period	201	-464
Deferred income taxes	809	837
Total	3 103	440

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	29 685	3 182
Tax calculated at an (expected) tax rate of 20% (prior year 22%)	5 997	700
Effect of other tax rates	-3 874	-1 008
Effect of change in tax rates	308	0
Effect from unrecognized tax-loss carryforwards	672	748
Total income taxes	3 103	440

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.

Deferred taxes on temporary differences exist on the following balance sheet items:

	31.03.08	31.03.07
Trade receivables	238	253
Inventories	740	1 161
Non-current assets	367	-290
Provisions	-69	0
Fixed assets	1 461	2 085
Intangible assets	1 247	1 179
Total deferred taxes on temporary differences, net	3 984	4 388
of which recognized in the balance sheet as deferred income tax liabilities	4 119	4 616
of which recognized in the balance sheet as deferred income tax assets	135	228
Tax losses carried forward	1 306	3 364
Total deferred income tax assets recognized in the balance sheet	1 441	3 592

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 benefits can be realized. As per the balance sheet date the Group has unrecognized tax-loss carryforwards of CHF 4.5 million (prior year: CHF 4.2 million) on tax-loss carryforwards which can be offset without limit.

Temporary differences for which no deferred taxes are recognized in the balance sheet:

	31.03.08	31.03.07
Investments in Group companies	106 178	105 425

22. Financial instruments

The financial assets of the Group include cash and cash equivalents, securities, trade receivables, other receivables, financial investments and other assets. Financial liabilities comprise trade payables, other payables and financial liabilities to major shareholder.

Book values of financial instruments:

	31.03.08	31.03.07
Securities without fixed deposits	19 965	25 478
Financial assets at fair value through profit and loss	19 965	25 478

Cash and cash equivalents	38 262	40 668
Trade receivables	29 991	33 826
Other current receivables	3 429	3 016
Other non-current assets	108	122
Loans and receivables	71 790	77 632

Financial assets available for sale	20	9 704
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Other current payables and accrued expenses	595	1 571
Financial liabilities at fair value through profit and loss	595	1 571

Trade payables	16 914	11 404
Other current payables and accrued expenses	13 505	9 214
Financial liabilities to major shareholder	160 000	180 000
Financial liabilities at amortized cost	190 419	200 618

Net income from financial instruments

	2007/08	2006/07
Financial assets at fair value through profit and loss	541	893
Loans and receivables	-1 437	1 299
Financial assets available for sale	-38	-
Financial liabilities at fair value through profit and loss	94	-
Financial liabilities at amortized cost	-1 026	-926
Total	-1 866	1 266

Net income includes interest income, interest expense, currency income, exchange rate income and valuation allowance.

Financial risk management:

In its business activities, Ypsomed is exposed to various financial risks. The most significant risks arise from changes in foreign exchange rates, interest rates and share prices, as well as the credit ratings of the customers and business partners of Ypsomed. Risk management is performed by the central finance department at the company's headquarters in Burgdorf and follows the principles and guidelines laid down by management.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

a) Market risks

Foreign exchange risks

As an internationally active company, Ypsomed is exposed to the effects of fluctuations in exchange rates. Currency risks apply to all monetary financial assets and financial liabilities denominated in a currency other than the functional currency.

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.

Transaction risks apply to transactions executed in a currency other than the functional currency, given that the amounts paid or received in the local currency are subject to exchange rate fluctuations. Ypsomed issues invoices to its Group companies in the respective local currency; exchange rate risks therefore apply primarily to the headquarters in Switzerland. The non-Swiss Group companies invoice in their respective local currencies, thereby generating no exchange rate risks.

The implications of possible fluctuations in exchange rates have the following effects on net receivables or liabilities per currency pair of monetary financial assets and liabilities:

	Exchange rate risks		Change in %	Effect on income statement	
	31.03.08	31.03.07		2007/08	2006/07
EUR/CHF	192	5 327	+/- 5%	10	266
USD/CHF	415	359	+/- 5%	21	18

The sensitivity analysis is based on assumptions for possible changes in the exchange rate as per the balance sheet date. The effect on the income statement (profit before taxes) is due to the change in fair values resulting from the new foreign exchange rates. Equity capital is not affected

Interest rate risks

Interest rate risks relate to interest rate changes that can have a negative effect on the assets and income of the Group. Interest rate fluctuations lead to changes in interest income and expense in relation to interest-bearing assets and liabilities, thereby influencing the financial result.

In addition, they can also have an impact on the fair value of certain financial assets and liabilities and on derivative financial instruments. Interest rate management is centralized with a view to limiting the effects of changes in interest rates on the financial result. Interest rate risks are managed by means of a balanced mixture of fixed and variable interest financial receivables and liabilities.

Payments arising from operational leasing and rental agreements do not carry any interest rate risks.

The financial assets and liabilities subject to interest rate risks are almost exclusively short term, variable rate bank accounts and securities. If the market interest rate had been 100 basis points higher (lower) on the balance sheet date, the financial result would have been CHF 0.6 million higher (lower) (2007/06: CHF 0.9 million).

The Group's financial liabilities are exclusively fixed rate, with the result that interest rate fluctuations do not have an effect on the income of the Group. Interest is not recognized as an asset/liability but directly as an expense.

Other price risks

Other price risks include the share price risk and the general economic environment. Equities and capital-protected structure investment funds in current assets react to developments in share indices such as Swiss Exchange SWX and investor sentiment concerning willingness to invest in private equity. With all other parameters remaining the same, a 10% increase or drop in share prices would have resulted in an improvement or deterioration of CHF 1.4 million (prior year: CHF 1.9 million) in the result before taxes.

b) Credit risks

Credit risks arise when a customer or a counterparty fails to fulfil its contractual obligations and causes the Group to suffer financial damages as a result. 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.

Active risk management in connection with trade receivables takes the form of the ongoing monitoring and review of credit risks as part of the reporting process to management. The necessary value allowances for foreseeable losses on receivables are made by the Group companies and reviewed by the Group on the basis of standardized Group guidelines concerning the valuation of outstanding receivables.

The maximum credit default risk – without taking into account any collateral – corresponds to the book values of the following financial assets:

	2007/08	2006/07
Bank and postal accounts (excluding cash)	38 262	40 668
Marketable securities	5 129	5 051
Trade receivables	29 991	33 826
Other receivables	3 429	3 016
Other non-current assets	108	122
Total	76 919	82 683

A total of 53% of Group net sales (prior year: 61%) are attributable to the Group's 3 largest customers. 61%. The 3 highest amounts for trade receivables make up approx. 32%, 5% and 5% of all trade receivables as per the balance sheet date (prior year: 45%, 9% and 5%). The largest proportion of sales was generated with Sanofi-Aventis, and the largest trade receivable was also due from Sanofi-Aventis.

c) Liquidity risks

Liquidity management is centralized and involves providing sufficient funds for the timely fulfilment of financial liabilities while also maintaining flexibility with regard to the exploitation of market opportunities and the best possible conditions for investment. Investment decisions concerning surplus funds are made centrally and primarily concern fixed deposits and securities held over the short term. Group Controlling monitors cash flow by means of liquidity planning, taking into account the maturities of financial instruments and cash flow from business activities.

Ypsomed is financed exclusively by the loan granted by its major shareholder Dr. h.c. Willy Michel and his company Techpharma Management AG. The loan bears interest at a rate of 0.5%, which is considerably lower than the usual market rate for similar forms of financing. The loan is due for repayment on 31 March 2010. It is unlikely that the conditions of the loan that will replace it in 2010 will be similarly attractive.

Ypsomed does not have any other interest-bearing financial liabilities towards banks or other creditors, and has approved, but not utilized, current account credit limits of CHF 30 million (prior year: CHF 30 million).

Contractual maturities of financial liabilities:

	31.03.08	31.03.07
2007/08		22 189
2008/09	31 814	900
2009/10	160 800	180 900
Total	192 614	203 989

The above table shows the maturities of contractually agreed, non-discounted payment amounts (including interest). For trade payables in foreign currencies, the fair value as per the balance sheet date is recorded as the due amount the following year. These values can deviate from the actual payments on maturity.

Capital risk management

In its capital management, Ypsomed ensures that its healthy and solid balance sheet structure is maintained. Ypsomed's aim is to secure the Group's financial scope for future investments and acquisitions. The shareholder loan of CHF 160 million at an interest rate of 0.5% provided by the majority shareholder as per the end of 2007/08 forms part of this objective. Reported equity capital as at the end of 2007/08 was CHF 417.6 million (2006/07: CHF 390.0 million). The equity ratio stood 65.4 % at as at the end of 2007/08 (2006/07: 62.6%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Segment information

Previously, the business activity of the Ypsomed Group was presented in one primary business segment "Injection systems and accessories". Following the acquisition of the Florian Müller Group and the related strengthening of the diabetes direct business in Germany, a new primary segmentation into "Delivery Devices" and "Diabetes Direct Business" has been adopted. The business segment "Delivery Devices" comprises the product groups pen systems, pen needles, precision turned parts and other injection mouldings produced by Ypsomed. The business segment "Diabetes Direct Business" covers the direct trade in a range of diabetes articles.

Business year 2007/08

	Delivery Devices	Diabetes Direct Business	Eliminations	Group
Sales of goods and services to third party customers	228 423	59 045	0	287 468
Intersegmental sales	128	83	-211	0
Total sales of goods and services	228 551	59 128	-211	287 468

	Delivery Devices	Diabetes Direct Business	Eliminations	Group
Operating profit	31 039	-63	0	30 976
Financial income				2 401
Financial expense				-4 052
Other non-operating income / (expense)				360
Result before income taxes				29 685

The operating profit of the Trade segment includes one-off integration costs of CHF 1.5 million.

	Delivery Devices	Diabetes Direct Business	Group
Segment assets	555 038	35 266	590 304
Unallocated			47 926
Total assets			638 230

	Delivery Devices	Diabetes Direct Business	Group
Segment liabilities	54 142	4 958	59 100
Unallocated			161 551
Total liabilities			220 651

	Delivery Devices	Diabetes Direct Business	Group
Investments	52 973	375	53 348
Depreciation/amortization	23 862	760	24 622

Business year 2006/07

	Delivery Devices	Diabetes Direct Business	Eliminations	Group
Sales of goods and services to third party customers	242 044	35 406	0	277 450
Intersegmental sales	83	0	-83	0
Total sales of goods and services	242 127	35 406	-83	277 450

	Delivery Devices	Diabetes Direct Business	Eliminations	Group
Operating profit	1 983	355	0	2 338
Financial income				2 701
Financial expense				-2 006
Other non-operating income / (expense)				149
Result before income taxes				3 182

	Delivery Devices	Diabetes Direct Business	Group
Segment assets	568 406	9 456	577 862
Unallocated			44 927
Total assets			622 789

	Delivery Devices	Diabetes Direct Business	Group
Segment liabilities	47 388	2 037	49 425
Unallocated			183 336
Total liabilities			232 761

	Delivery Devices	Diabetes Direct Business	Group
Investments	37 453	296	37 749
Depreciation/amortization	24 988	74	25 062

Division according to geographical location:

	Sales		Assets		Investments	
	2007/08	2006/07	31.03.08	31.03.07	2007/08	2006/07
Switzerland	17 568	21 359	590 308	600 542	51 097	36 389
Europe, ex Switzerland	256 109	248 736	47 893	22 247	2 247	1 360
North America	13 583	7 182	0	0	0	0
Other	208	173	29	0	4	0
Total	287 468	277 450	638 230	622 789	53 348	37 749

Sales are recognized in the geographical location of the invoice address. The sale of pen systems to partners in the biotech and pharmaceutical industries is carried out primarily with the European companies, with pen systems being distributed worldwide. Assets and capital expenditure are indicated where the subsidiaries are located.

24. Contingent liabilities

The Group has contingent liabilities of CHF 404 (prior year: CHF 411) towards third parties arising in the ordinary course of business. Ypsomed does not anticipate that any material liabilities will arise from the contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Contractual obligations

	31.03.08	31.03.07
Contractual obligations from consultancy and research and development projects until 31.12.2008	500	700
Management contract with Jantos Consulting GmbH until 30.06.2008	227	341
Contractual obligations from rental contract with Techpharma Management AG until 31.12.2015	7 386	8 334
Total contractual obligations	8 113	9 375
Maturity up to 1 year	1 680	1 794
Maturity longer than 1 and up to 5 years	3 810	4 010
Maturity longer than 5 years	2 623	3 571

The rental contract (see note 26) between Ypsomed AG and Techpharma Management AG, a company controlled by Dr. h.c. Willy Michel, was signed at arm's length. Rental interest is based on an independent rental value estimate and amounts to CHF 952 500 annually 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 2008 amount to CHF 13.9 million (prior year: CHF 15.9 million).

26. Transactions with related parties

Related parties are the pension fund, Techpharma Management AG, the BIMO companies, Adval Tech and Finox. Receivables from related parties amounted to CHF 67 (prior year: CHF 0) on the balance sheet date. Liabilities amounted to CHF 298 (prior year: 106). In the year under review the following transactions were made with members of the Board of Directors, management and parties related with them:

	2007/08	2006/07
Board of Directors (payments)	700	465
Management (payments)	4 187	3 317
Pension fund (employer contributions)	4 950	4 921
Techpharma Management AG (interest according to note 12)	813	908
Techpharma Management AG (compensation for rented business premises)	955	1 007
Techpharma Management AG (amounts in accordance with service contract)	157	155
Techpharma Management AG (amounts in accordance with service contract)	-8	-31
BIMO companies	746	1 732
Adval Tech	2 794	
FINOX	-54	
Total	12 223	12 474

Since 1 January 2006, Ypsomed AG has rented business premises from Techpharma Management AG, which belongs to the majority shareholder Dr. h.c. Willy Michel. The rental contract was signed at arm's length (see note 25) 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 management, regularly place personnel in Ypsomed AG on a mandate basis. The services are remunerated in line with industry standards.

The payments to management include payments to Jantos Consulting GmbH, based on a management contract with a fixed contract period until 30.06.2008 (see note 25). After this date the contract can be terminated at any time with a 6 month notice.

A cooperation contract exists between Ypsomed Holding AG and two of its subsidiaries, on the one hand, and the Techpharma Management AG and its subsidiary Finox AG, which belong to Dr. h.c. Willy Michel, on the other hand. The business objective of Finox AG is the development, manufacturing and sales of pharmaceuticals. The cooperation agreement regulates the cooperation between Ypsomed AG and Finox AG in the area of research and development in the field of devices for administering drugs and their exchange and compensation. Ypsomed AG provides know-how and in return receives a right of first refusal to purchase the shares of Finox AG. The cooperation contract was discussed and approved by the Board of Directors and in its opinion is consistent with customary cooperation on the market.

Key management personnel compensation

Business year 2006/07

	Board of Directors	Management
Short-term benefits to employees	465	3 177
Post-employment benefits		140
Other long-term benefits		
Termination benefits		
Share-based payments		
Total	465	3 317

Business year 2007/08

	Board of Directors	Management
Short-term benefits to employees	700	3 854
Post-employment benefits		324
Other long-term benefits		
Termination benefits		
Share-based payments		
Total	700	4 178

See the appendix to the annual financial statements of Ypsomed Holding AG for details of the transparency law in accordance with the Swiss Code of Obligations.

27. Earnings per share

Earnings per share are 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.

	2007/08	2006/07
Net profit in thousand CHF	26 583	2 742
Number of outstanding shares weighted on a monthly basis	11 233 080	11 229 318
Earnings per share in CHF (basic and diluted)	2.37	0.24

28. Proposal for the appropriation of retained earnings

The Board of Directors proposes to the General Meeting of Shareholders on 25 June 2008 that the nominal value of the Ypsomed share be reduced by CHF 0.60 instead of a dividend payment being carried out. The total distribution will be approximately CHF 6.7 million. This amount will be credited to shareholders. No distribution to shareholders was carried out during the previous year.

FIVE-YEAR OVERVIEW 1 APRIL – 31 MARCH

in thousand CHF	2007/08	2006/07	2005/06	2004/05	2003/04
Own finished products	223 860	234 614	269 638	186 403	130 573
FreeStyle ¹⁾				20 656	46 324
Other products ²⁾	63 608	42 836	40 950	34 764	21 837
Total sales	287 468	277 450	310 588	241 823	198 734
Gross profit	90 197	64 239	119 213	96 888	75 857
Gross profit in %	31.4%	23.2%	38.4%	40.1%	38.2%
Operating profit	30 976	2 338	62 342	47 548	18 442
Operating profit in %	10.8%	0.8%	20.1%	19.7%	9.3%
Net profit	26 583	2 742	55 648	39 195	14 044
Net profit in %	9.2%	1.0%	17.9%	16.2%	7.1%
Depreciation of fixed assets	22 678	23 825	25 674	21 033	15 747
Amortization of intangible assets	1 667	1 237	1 016	778	15 376
EBITDA ³⁾	55 322	27 400	89 032	69 359	49 564
EBITDA in %	19.2%	9.9%	28.7%	28.7%	24.9%
Current assets	144 164	161 541	218 767	223 668	93 313
Non-current assets	494 066	461 248	446 932	434 814	407 470
Current liabilities	48 056	40 551	50 303	65 468	33 254
Non-current liabilities	172 595	192 210	211 382	235 842	455 689
Balance sheet total	638 230	622 789	665 698	658 482	500 783
Capital expenditure	-42 741	-36 808	-30 766	-49 043	-37 960
Cash flow from operating activities	70 155	32 189	47 431	78 183	33 540
Cash flow from investing activities	-52 306	-19 096	-9 425	-119 827	-39 676
Cash flow from financing activities	-20 130	-38 131	-28 345	85 013	14 859
Issued shares as of 31 March	11 244 213	11 244 213	11 244 213	11 244 213	n/a
Average shares outstanding	11 233 080	11 229 318	11 238 259	6 105 865	n/a
Earnings per share in CHF (basic/diluted) ⁴⁾	2.37	0.24	4.95	3.49	1.25
Dividend per share (in CHF)	0.00	0.00	0.00	0.00	n/a
Par value repayment per share (in CHF)	0.00	1.25	0.90	0.00	n/a
Book value per issued share (in CHF)	37.14	34.69	35.93	31.76	n/a
Share price: year's highest (in CHF)	120.30	215.15	221.80	126.50	n/a
Share price: year's lowest (in CHF)	75.00	87.30	109.00	70.65	n/a
Share price: year-end (in CHF)	92.00	103.20	218.20	124.00	n/a
Market capitalization (in million CHF)	1 034	1 160	2 454	1 394	n/a
Average headcount	1 208	1 225	1 052	891	761
Average fulltime equivalent	1 157	1 178	1 009	845	722
Year-end headcount	1 210	1 211	1 139	933	797
Year-end fulltime equivalent	1 150	1 166	1 090	894	764
Sales per average fulltime equivalent (in CHF)	248 629	235 526	307 818	286 037	275 130

1) Until 30 June 2004, the blood glucose monitoring system FreeStyle was distributed exclusively in several European countries. Since 1 July 2004, FreeStyle has only been 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.

5) Direct trade business of Florian Müller in Germany included since 1 August 2007.

REPORT OF THE GROUP AUDITORS



To the General Meeting of
Ypsomed Holding Inc., Burgdorf

Berne, May 15, 2008

Report of the group auditors

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes; pages 52 to 79) of Ypsomed Holding Inc. for the year ended March 31, 2008. The prior year financial statements were audited by other auditors. In their report dated May 12, 2007 the auditors issued an unqualified opinion.

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 (ISA), 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 International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Ernst & Young Ltd

Christian Schibler
Chartered Accountant
(Auditor in charge)

Manuel Trösch
Swiss Certified Accountant

BALANCE SHEET OF YPSOMED HOLDING AG STATUTORY FINANCIAL STATEMENTS

In thousand CHF	31.03.08	31.03.07
Assets		
Cash and cash equivalents	27 591	9 234
Marketable securities	20 894	26 075
Dividends receivable from Group companies	0	0
Accrued income and prepaid expenses	141	102
Other current assets	229	428
Total current assets	48 855	35 839
Loans to Group companies	123 530	135 139
Investments	308 986	318 670
Intangible assets	0	5 779
Total non-current assets	432 516	459 588
Total assets	481 371	495 427
Liabilities and equity		
Trade payables	42	0
Accrued expenses and deferred income	905	926
Current income taxes payable	10	95
Current payables to Group companies	0	0
Other current liabilities	2	93
Total current liabilities	959	1 114
Non-current financial liabilities to major shareholder	160 000	180 000
Total non-current liabilities	160 000	180 000
Share capital	116 378	116 378
Share premium	177 489	177 489
Legal reserves	50	50
Reserves for own shares	1 350	2 224
Retained earnings	19 047	17 152
Net profit	6 099	1 021
Total equity	320 412	314 313
Total liabilities and equity	481 371	495 427

INCOME STATEMENT OF YPSOMED HOLDING AG STATUTORY FINANCIAL STATEMENTS

In thousand CHF	2007/08	2006/07
Income		
Financial income	14 927	7 132
Total income	14 927	7 132
Expenses		
Depreciation and amortization	5 779	2 392
Financial expenses	1 079	1 892
Administration	1 920	1 792
Income tax expenses	50	35
Total expenses	8 828	6 111
Net profit	6 099	1 021

Proposal for the appropriation of retained earnings

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

In thousand CHF	31.03.08	31.03.07
Retained earnings	18 173	19 376
Decrease/Increase reserve for own shares	874	-2 224
Net profit for business year	6 099	1 021
Retained earnings at disposal of the General Meeting	25 146	18 173
Allocation to legal reserves	0	0
Dividends ¹⁾	0	0
Carried forward to the next year	25 146	18 173

¹⁾ The Board of Directors proposes to the General Meeting of Shareholders that the nominal value of the Ypsomed share be reduced by CHF 0.60 (prior year CHF 0.00) instead of a dividend payment being carried out. The total distribution will be approximately CHF 6.7 million. This amount will be credited to shareholders.

NOTES TO THE FINANCIAL STATEMENTS 2007/08 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 116 377 604) consists of 11 244 213 (prior year: 11 244 213) registered shares with a nominal value of CHF 10.35 (prior year: CHF 10.35).

Conditional share capital

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

Important shareholders

	31.03.08		31.03.07	
	Number of shares	Capital and vote share	Number of shares	Capital and vote share
Dr. h.c. Willy Michel	7 700 330	68.5%	7 700 330	68.5%
Techpharma Management AG, Burgdorf	240 921	2.1%	181 654	1.6%

Investments

	31.03.08		31.03.07	
	Interest held	Share capital	Interest held	Share capital
Ypsomed AG, CH-Burgdorf	100%	CHF 10 000 000	100%	CHF 10 000 000
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	0%	CHF 0	11.6%	CHF 917 282

P Medical Holding SA

BV Holding AG, with head office in Bern, held until the trade sale as of January 7, 2008 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 was financed by a loan of Ypsomed Holding AG to BV Holding AG of CHF 9.7 million and has been settled by the transfer and cession of the title of P Medical Holding SA to Ypsomed Holding AG. Ypsomed Holding AG bore the economic risk of the share in P Medical Holding SA financed by this loan.

Own shares

	31.03.08		31.03.07	
	Number of shares	Ø-price	Number of shares	Ø-price
Purchase of own shares	39 665	89	31 005	121
Disposal of own shares	-44 127	100	-10 000	111
Own shares held	16 543		21 005	

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

	31.03.08	31.03.07
Credit Suisse, CH-Zürich		
Guarantee in the context of credit business for Ypsomed AG	15 000 000	15 000 000

Board of Directors Remuneration

(Gross, in thousand CHF, exclusive VAT)

Remuneration Board of Directors	Dr. h.c. Willy Michel (Chairman)		Peter Kappeler (Member)		Anton Kräuliger (Vice-Chairman)		Prof. Dr. Dr. h.c. mult. Norbert Thom (Member)		Dr. phil. nat. Dieter Schäfer		Total	
	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07
Fixed Amount	100.0	80.0	60.0	40.0	60.0		60.0	40.0		40.0		
Variable Amount	85.0	0.0	51.0	0.0	51.0		51.0	0.0		0.0		
Attendance Fee	10.5	10.5	10.5	10.5	10.5		10.5	10.5		10.5		
Total remuneration & attendance fee	195.5	90.5	121.5	50.5	121.5		121.5	50.5		50.5	560.0	242.0

Techpharma Management AG:

for consultancy services Dr. h.c. Willy Michel	140.0	140.0										
D. Schäfer, for marketing and consultancy services										82.5		
Total remuneration Board of Directors	335.5	230.5	121.5	50.5	121.5		121.5	50.5		133.0	700.0	464.5

Highest fee remuneration to Dr. h.c. Willy Michel

	335.5	230.5
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Further transactions to affiliated persons of Dr. h.c. Willy Michel

Techpharma Management AG: for loan (interest)	812.8	907.8
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Management Remuneration

(Gross, in thousand CHF, exclusive VAT)

Highest remuneration to:	Basic Salary		Variable Salary		Additional Payments		Employer contributions to Social-Insurance		Management-Remuneration		Total	
	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07
Richard Fritschi, CEO	585.0		443.8				120.1				1 148.8	
Detlef Jantos & Jantos Consulting GmbH	260.9		57.1						415.8	637.2	733.8	637.2
Additional members of management including those who left the company in the year under review	1 725.2	2 228.9	333.8	311.1	3.1		233.5	140.2			2 295.7	2 680.3
Total management remuneration											4 178.3	3 317.5

Share ownership

Board of Directors	Shares as of 31.3.2008	Shares as of 31.3.2007
Dr. h.c. Willy Michel, Chairman	7 700 330	7 700 330
Dr. h.c. Willy Michel via Techpharma Management AG	240 921	181 654
Prof. Dr. rer. pol. Dr. h.c. mult. Norbert Thom, Member	0	0
Peter Kappeler, Member	500	500
Anton Kräuliger, Vice-Chairman	200	0
Total	7 941 951	7 882 484

Management	Shares as of 31.3.2008	Shares as of 31.3.2007
Richard Fritschi, CEO	1 001	0
Markus Geist, Senior Vice President Technology	0	0
Detlef Jantos, Senior Vice President Marketing & Sales	4 333	4 333
Dr. Manfred Mäder, Senior Vice President Quality Management & Regulatory Affairs	0	0
Dr. Beat Maurer, Senior Vice President Legal and Intellectual Property, Secretary of the Board	3 000	3 000
Maurice Meytre, Chief Operating Officer (COO)	1 000	0
Yvonne Müller, Senior Vice President Human Resources	1 300	1 300
Niklaus Ramseier, Chief Financial Officer (CFO)	950	950
Dr. Christoph Rindlisbacher, Senior Vice President Corporate Development	0	0
Total	11 584	9 583



To the General Meeting of
 Ypsomed Holding Inc., Burgdorf

Berne, May 15, 2008

Report of the statutory auditors

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes; pages 82 to 86) of Ypsomed Holding Inc. for the year ended March 31, 2008. The prior year financial statements were audited by other auditors. In their report dated May 12, 2007 the auditors issued an unqualified opinion.

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.

Ernst & Young Ltd

Christian Schibler
 Chartered Accountant
 (Auditor in charge)

Manuel Trösch
 Swiss Certified Accountant