



### Questioning structures and creating something new

For the second time, Ypsomed's Annual Report is published together with an art supplement. In this year's edition we're happy to introduce the series "egeneto" (English: create) by the Chur artist team of wiedemann/mettler.

How intimately the aesthetic and economic worlds, commerce and art, interact is expressed to a great extent in the works of Pascale Wiedemann and Daniel Mettler. For their room-filling pieces of art they mostly work with artefacts of consumer society. Through creative interventions, these objects assume a new, overarching significance. Not only everyday objects, but also existing structures, systems and spaces are appropriated and turned into a fresh, novel meaning. Often, the manipulation is subtle and hardly perceptible, at other times, however, it is striking and conspicuous. The functions of objects of daily use and luxury articles are redefined and established systems are reorganized by the artists' creative doing. These interventions always stimulate thought, prompt an objective view, and demand a critical scrutiny of existing objects or new structures.

If, like Ypsomed, you are a global leader in medical technology, you understand the importance of structures within which your employees are responsible for creating new products. Ultimately, commercial success and consistent corporate growth reveal which companies are constantly searching for new opportunities and solutions, even within a given order, thereby optimizing their market performance. This is why Ypsomed continuously takes a fresh perspective: in order to examine existing structures and established orders. It is this attitude that makes ongoing development and the pursuit of innovation possible. And, it is only with this attitude that new possibilities can be created that offer so many people a higher quality of life.

**Art and business both require an open mind, a certain courage, and an habitually critical eye in order to recognize the possibilities within existing structures, to develop new structures, and, in the end, to use these for the optimal good of society and the economy.**

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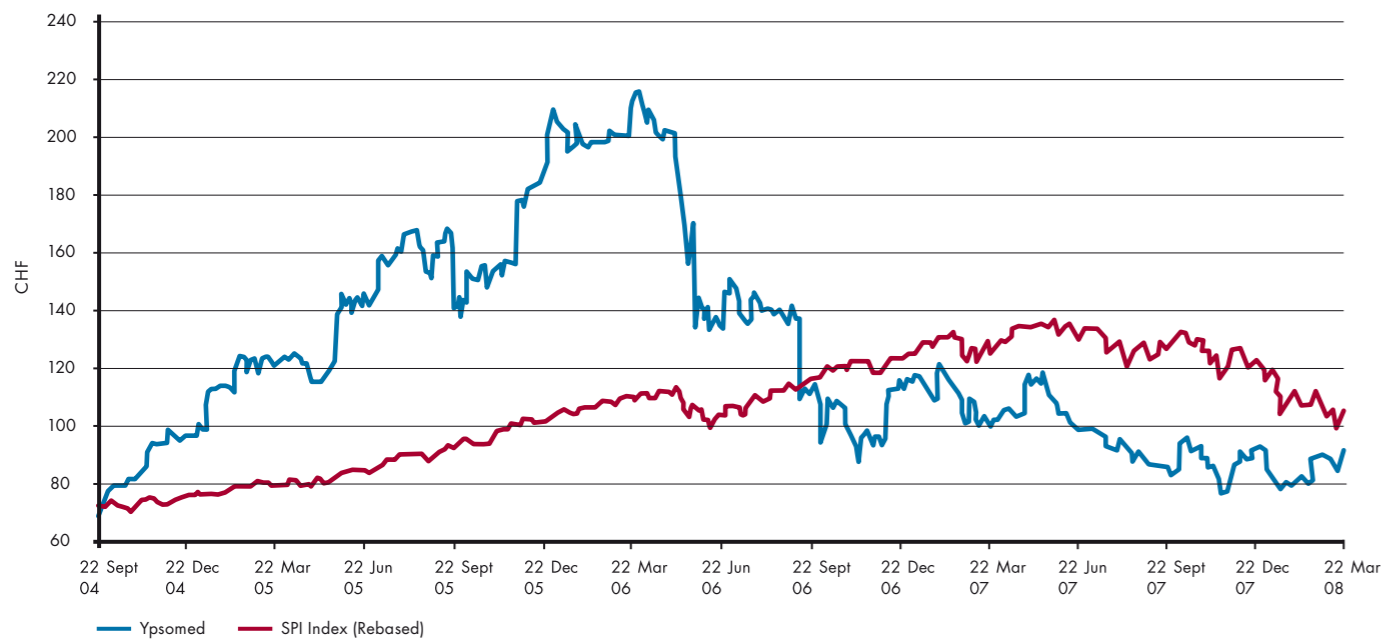
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## KEY FIGURES AND SHARE PRICE DEVELOPMENT

### Key figures at a glance April 1 – March 31

in thousand CHF	April 1, 2007 – March 31, 2008	April 1, 2006 – March 31, 2007	Change	in %
Sales of goods and services	287 468	277 450	10 018	3.6
Gross profit	90 197	64 239	25 958	40.4
Gross profit in %	31.4%	23.2%		
Operating profit	30 976	2 338	28 638	1 224.9
Operating profit in %	10.8%	0.8%		
Net profit	26 583	2 742	23 841	869.5
Net profit in %	9.2%	1.0%		
Earnings per share (in CHF)	2.37	0.24	2.13	886.0
Research and development expenditures total	31 241	25 446	5 795	22.8
Investments in fixed assets	42 741	36 808	5 933	16.1
Equity ratio in %	65.4%	62.6%		2.8
Employee headcount (year-end)	1 210	1 211	-1	-0.1
Employees fulltime equivalents (year-end)	1 150	1 166	-16	-1.4

### Share Price Development (22 September 2004 to 31 March 2008)



## LETTER TO YPSOMED'S SHAREHOLDERS, CUSTOMERS, EMPLOYEES AND PARTNERS



Dr. h.c. Willy Michel, Chairman of the Board of Directors

Richard Fritschi, CEO

**“In the conduct of its business, Ypsomed has an obligation to all of its stakeholders. We want to answer specific questions from patients, customers and employees, such as explaining what motivates us, which markets are important both today and in the future, how we add value for our clients, and how specifically we manage our social responsibilities.”**

### Dear Ypsomed Shareholders, Customers, Employees and Partners,

In presenting our Annual Report for 2007/08, we are very conscious of the fact that we are addressing not only those of you who are loyal Ypsomed shareholders, but also those who are valued customers, employees and partners of our company.

In the conduct of its business, Ypsomed has an obligation to all of its stakeholders and wishes to enter into a dialogue to answer important questions in the Annual Report for 2007/08. Of course, as we have done previously, we will explain (starting on page 48) the financial and operating results for the 2007/08 business year, which has just closed. We will also respond to the key question that is most frequently asked regarding our collaboration with Sanofi-Aventis, an Ypsomed longstanding customer (starting on page 23). But we also want to answer specific questions from patients, customers and employees, such as explaining what motivates us at Ypsomed, which markets are important for us both today and in the future, which products build the foundation of our success, and how specifically we want to realise our social responsibilities.

We have designed our annual report in the form of an interview with Chairman Dr. h.c. Willy Michel and CEO Richard Fritschi. This dialogue is available as a podcast on our website for those who are interested in listening to it (German only).

### **Ypsomed achieved a great deal in the 2007/08 business year**

We can look back on a successful fiscal year:

1. **Ypsomed** exceeded its own goals in terms of total revenue and EBIT margin achieved.
2. **Ypsomed** amicably arrived at an agreement with Sanofi-Aventis and signed several long-term licensing and production agreements strengthening and expanding our over 20 year old collaboration, especially through the future production of significant quantities of the successful SoloStar® pen in Switzerland and Sanofi-Aventis sales support for Ypsomed pen needles.
3. **Ypsomed** completed the planned acquisition of the Florian Müller Group, thereby reinforcing the diabetes business and diversifying sales.
4. **Ypsomed** founded its own subsidiary in India's growing market.
5. **Ypsomed** concluded several important license agreements, thereby securing valuable intellectual capital.
6. **Ypsomed** strengthened its leadership, further optimized costs, and increased the gross and EBIT margins.
7. **Ypsomed** is substantially expanding the production for pen needles, engaged in major investments, and is seeking to secure and develop more jobs in Switzerland.
8. **Ypsomed** further strengthened its solid financials and can rely on the entrepreneurial commitment of its principal shareholder.

### **Ypsomed enjoys the trust of its customers**

The good results from customer surveys and audits show that, at Ypsomed, product quality is solid, and even saw significant improvement over the previous year, and Ypsomed enjoys increasing confidence from its customers. We are especially pleased about the record number of requests for proposals from pharmaceutical and biotech customers to further develop injection systems based on our own technology platforms. This trend confirms that our leadership in innovation has become more solid. Overall, numerous new contracts were closed. Additional contracts will be finalized soon, so that we can count on further growth based on a broader customer base in around two years.

**“We always want to be one step ahead,  
continuously improve the quality  
of life for our patients and constantly  
optimize current therapy methods.  
This is a vision that we pursue consis-  
tently and purposefully.”**

### **Sanofi-Aventis and Ypsomed strengthen their collaboration and resolved all legal issues**

Ypsomed's extensive and strong patents have been a decisive factor in enabling pending legal proceedings to be resolved amicably, and to sign new, important contracts with our main customer Sanofi-Aventis. These contracts include a licensing agreement for the non-exclusive use of Ypsomed's rights, a new production and delivery contract for a significant portion of the SoloStar® pens that Sanofi-Aventis uses, a collaboration contract in the field of pen needles, as well as the extended and adjusted production contracts for OptiClik® and OptiSet®. With these contracts, Ypsomed remains a principal supplier to Sanofi-Aventis for a large number of high quality pen systems for administering Lantus®, Apidra®, and other insulins worldwide.

### **Ypsomed has reached its goals**

The proof is in the numbers: Ypsomed is again on the road of success. We exceeded our goals in improving customer satisfaction, reducing operating costs, continuous quality assurance, and speeding up our business processes, particularly in developing and industrializing pen systems. In order to achieve these goals, numerous projects and measures were agreed with the Board of Directors. The management team and all employees worked together to implement these effectively. Projects encompassed, for example, extensive organizational changes in the areas of operations, technology, production and logistics, relocating facilities, consolidating logistics at a new center, simplifying production processes, and generally enforcing cost controls. In addition, business activities of the Florian Müller Group were quickly and effectively integrated with the diabetes direct business of DiaExpert.

### **We thank our employees**

None of these improvement measures could have been brought about without the active help and support of our employees. Coping with these challenges was not easy and demanded a great deal from all of us. We have once more seen how great the dedication was and we are proud of the many years of know-how and the enormous commitment of our employees. We wish to express our sincere thanks to each and every one of our 1 210 employees for this. Ypsomed's corporate culture is embossed with innovative and entrepreneurial thinking and positive beliefs, enabling it to reach goals that are set high, even during difficult and uncertain times. We would like to expand this innovation and energy and convey it to all employees through our YES (*Ypsomed = Excellence x Spirit*) initiative. We count on our employees' high level of satisfaction and motivation, and we wish to improve this even more. Ypsomed continues to offer great perspectives in all areas.

### **Board member Peter Kappeler resigns after 12 years**

After 12 years as member of the Board of Directors of Disetronic Holding AG and respectively of Ypsomed Holding AG, Peter Kappeler, as already announced at the 2007 General Shareholders Meeting, will not be running for re-election. It is his personal belief to follow the recommendations of good corporate governance not to serve longer than 10 to 12 years as a member of the Board of Directors. Although we respect his consistency, at the same time we deeply regret to see him step down. In the last 12 years on the Board, Peter Kappeler has made important contributions to successfully growing the company with his operational knowledge, his broad management experience and his great personal commitment. We wish to express our special thanks to him for the great job he has done.

### **Diabetes: Ypsomed assumes responsibility**

Diabetes is one of the main health topics in our society today, and it will become even more important in the future. All interest groups concerned are challenged to take responsibility and to think and act collectively in the interest of the patients. Ypsomed dedicates special attention to the subject of diabetes. Our stance is to take our share of the responsibility and work with all concerned parties in giving further thought. We always want to be a step ahead, continuously improving the quality of life for our patients and constantly optimizing current therapy methods. This is a vision that we pursue consistently and purposefully. Thus, Ypsomed sees itself as a pathfinder, a prime mover, and relationship manager having a variety of duties and responsibilities. As a link, we promote the interactive exchange of knowledge between all who have commitments in connection with diabetes in order to create innovative solutions and concepts. We open doors to interdisciplinary exchange. We link patients, doctors, health insurance providers and the industry, because we are convinced that only as a collective can we strive for the best solution for our patients. It is only in this way that we can continue to move ahead – collaboratively, socially, and economically.

**Ypsomed looks to the future with confidence**

We have a clear vision and a tangible mission and we pursue our strategy consistently. Ypsomed is active in numerous growth markets, because the worldwide demographic development and the social change in terms of our way of life give rise to an increasing number of patients whose quality of life we can improve significantly with our products. Technological advances make it possible to treat a large number of illnesses effectively. However, it calls for a cost-effective forms of drug administration, which in turn promote the trend toward self-medication. This offers high long-term growth prospects for Ypsomed, upon which we can build on our success factors: With the know-how of our employees, with patent protected innovations, and a broad portfolio of products and services, we will be able to expand our customer base significantly in the next two years, diversify our total revenue basis, and further increase profitability thanks to sensible cost management.

We are realistic and we know that we are in a transition phase that could still last 12 to 18 months. The positive influences on our business from the expansion of the pen needle production in Solothurn will be reflected most noticeably beginning in the second half of our 2008/09 business year. The collaboration with Sanofi-Aventis will bring benefits especially in the mid- to long-term, since the industrialization and build-up phases for the SoloStar® disposable pen of Sanofi-Aventis will require 18 to 24 months. In addition, the newly won customers will contribute significantly to sales only in around two years. Therefore, investing in Ypsomed requires an entrepreneurial and long-term orientation. We thank you all for your trust and your support.

**“With the know-how of our employees, with patent protected innovations, and a broad portfolio of products and services, we will be able to expand our customer base significantly in the next two years, diversify our total revenue basis and further increase profitability by actively managing costs.”**



**Dr. h.c. Willy Michel**

Chairman



**Richard Fritschi**

CEO

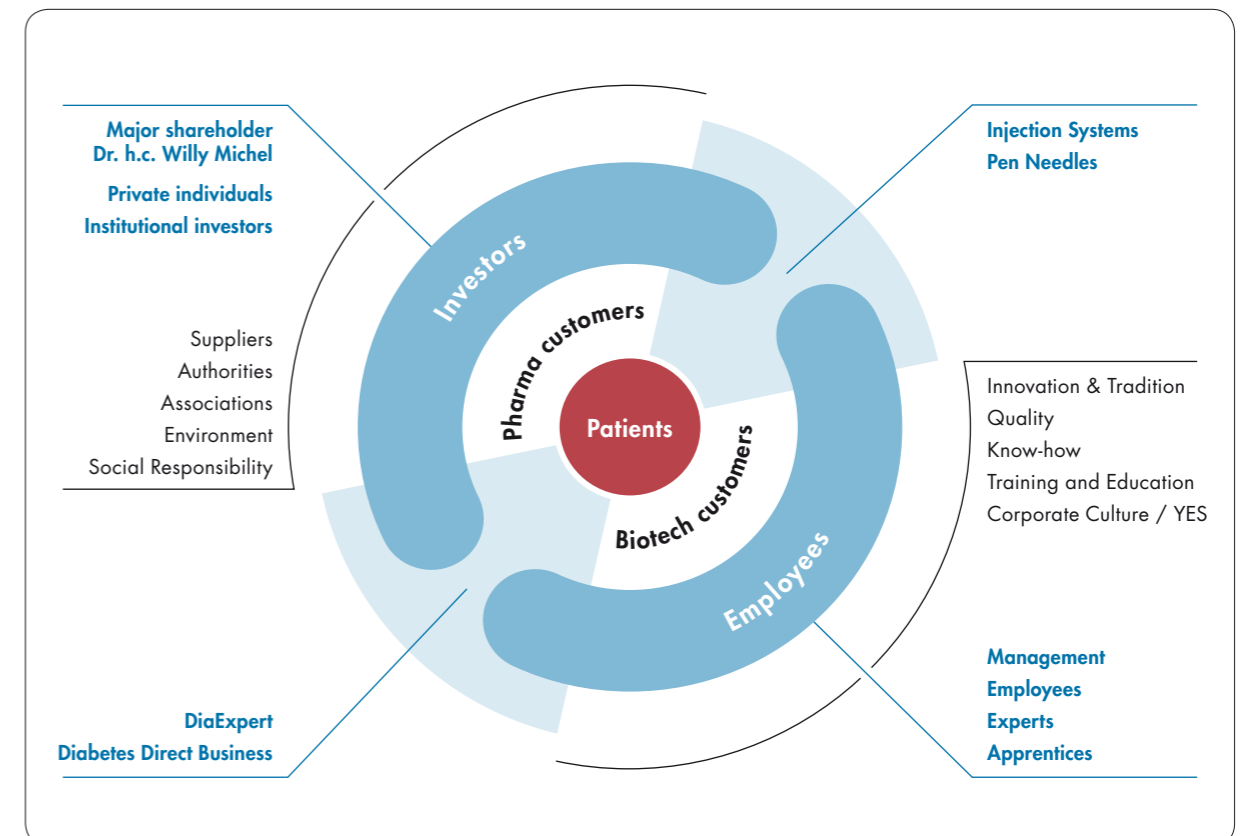
Ypsomed has reviewed its vision and mission in the course of its annual strategy meeting and reconfirmed as follows:

**Vision**

- Ypsomed will continue to expand its position as the world's leading independent developer and manufacturer of injection systems for self-administration.
- Ypsomed will continue to expand its position and enter new markets with the universal compatible click-on needles and the newly developed safety pen needles.
- Ypsomed will continue to expand its position as an important supplier for diabetes care products.
- Ypsomed, drawing on existing competencies, will develop a new business area as provider of therapies based on drug-device combination products.

**Mission**

- Our business success is based on the Spirit of Excellence, the high commitment of every employee at every level, and our focus on our core competences.
- With our innovative, high-quality and reliable products we contribute significantly to the success of a therapy and thereby enable people to enjoy the best possible quality of life.
- We strive for long-term and trusting relationships with our business partners that are characterized by openness and reliability.
- To our employees we offer an attractive and challenging workplace and interesting possibilities for personal development.
- For our shareholders we want to create sustainable value.
- As a company we take our ethical, social and ecological responsibilities seriously.





**Willy Michel and Richard Fritschi, at Ypsomed, you put the focus on patients. Specifically, how is this reflected?**

**Dr. h.c. Willy Michel (WM):** Patients are the end-users of our pen systems and pen needles. They stand at the center of our work. For everyone, what we do in the end is a matter of improving the quality of the patients' life, guaranteeing safe and easy administration of liquid medicines, and increasing the therapy compliance. Ypsomed helps millions, predominantly persons affected by diabetes mellitus, day by day with modern and dependable self-injection systems and diabetes services. Our work begins in the first discussions with pharmaceutical and biotechnology companies over the concept of a new system, carries over to handling studies with patient groups, then on to the selection and utilization of ergonomic parts and acceptable materials.

**“Patients are the end-users of our pen systems and pen needles and, as such, stand at the center of our work. For everyone – what we do in the end is a matter of improving the quality of the patients' life.”**

**CEO Richard Fritschi (RF):** Ypsomed is in direct contact with diabetes patients on a daily basis, be it in connection with the development and optimization of our products, regarding the improvement of our offers or in the direct business. In this personal contact with diabetes patients through our DiaExpert Service, we gain valuable insights and feedback that flow into our products and services.

**Pharma and biotech companies invest large sums in research for new medications and thereby in part can make it possible to treat the real causes of diseases for the first time. Why do such “modern” medications still need to be injected?**

**WM:** “Modern” medications are manufactured biotechnologically and are almost exclusively proteins such as peptide hormones and monoclonal antibodies. These are large molecules which, due to their chemical structure, must be administered parenterally, that is, by circumventing the digestive tract. Our pharmaceutical customers are working on new formulas that do not need to be injected daily, but weekly or even only monthly instead. This, in turn, requires special injection systems. Even here, Ypsomed again performs pioneer work, since we develop such systems and make them available to our patients. And once again, the goal is to increase the quality of life of patients jointly with our pharmaceutical and biotech customers.

**Aren’t there alternative forms of administration, which would be more comfortable for patients than to inject themselves every time?**

**WM:** Thanks to our innovative and very thin pen needles, a nearly painless injection is possible today. Any person who has self-injected medications with an Ypsomed pen needle can confirm this. Of course, various companies and, in part, large corporate groups are always seeking to develop more patient-friendly systems of administration. One example of this was insulin that could be inhaled – something which I personally was extremely sceptical about from the start. And rightly so, I feel, because the majority of products that were pushed into the market with much investment in recent years have already disappeared. And that’s not the only thing. They led to write-offs for the suppliers, which were much too large. Aside from the problems of an inexact dosage of insulin that is active for a short period of time only, higher insulin quantities and thereby higher costs, the prescription was reduced, and it was much too complicated for the patients to handle the large, awkward inhalation device. Lastly, potential long-term damage could not be ruled out, either. Other alternatives, such as administering insulin orally, or certain forms of stem cell therapy for type 1 diabetics are, in my opinion, decades away from being market-ready.



**“Thanks to our innovative and very thin pen needles, a nearly painless injection is possible today. Any person who has self-injected medication with an Ypsomed pen needle can confirm this.”**

**Where do you see possibilities to support patients in the future with pen systems, auto-injectors or other injection systems?**

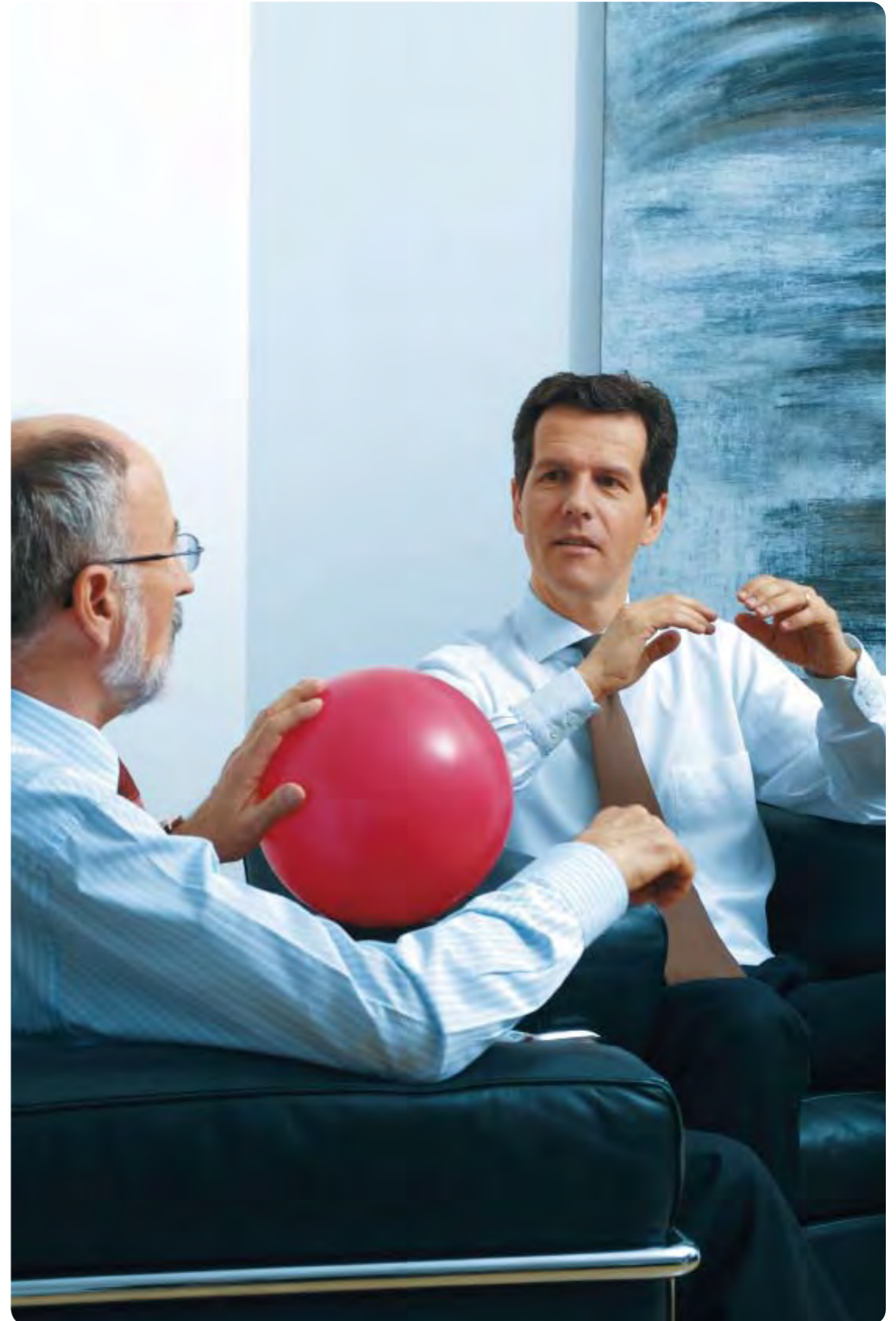
**RF:** The greatest potential in the long run will remain in the treatment of diabetes mellitus where, in addition to insulin, insulin analogs and incretin, such as GLP-1, will also be used for treating patients. The volume of the insulin market today is around 11 to 12 billion US dollars. Growth can be expected particularly in the USA, where the distribution of pen systems is at only about 15%, which is still significantly behind the 85%–95% in Europe and Japan. China and India will become very large and important markets for Ypsomed in the mid- to long-term.



**WM:** Aside from diabetes, of increasing importance is the treatment of various autoimmune diseases, such as arthritis, multiple sclerosis, psoriasis, and Crohn's disease using monoclonal antibodies. In terms of sales, monoclonal antibodies are the strongest growing medication segment worldwide and represent a market of about 20 billion US dollars. They are, for the most part, administered as single doses with an auto-injector. In this area, Ypsomed has strong patent families at its disposal and has concluded two important license agreements with renowned pharmaceutical companies in the last year.

**RF:** Additional areas for the use of pen systems or auto-injectors are preventative treatment for thrombosis, therapy using blood thinners such as Heparin, treatment of osteoporosis, infertility treatment, hepatitis C therapy using alpha-interferon and, of course, treating anemia during kidney disease with erythropoietin (EPO), and treating growth disorders using growth hormones.

**"In terms of sales, monoclonal antibodies are the strongest growing medication segment worldwide and represent a market of about 20 billion US dollars."**





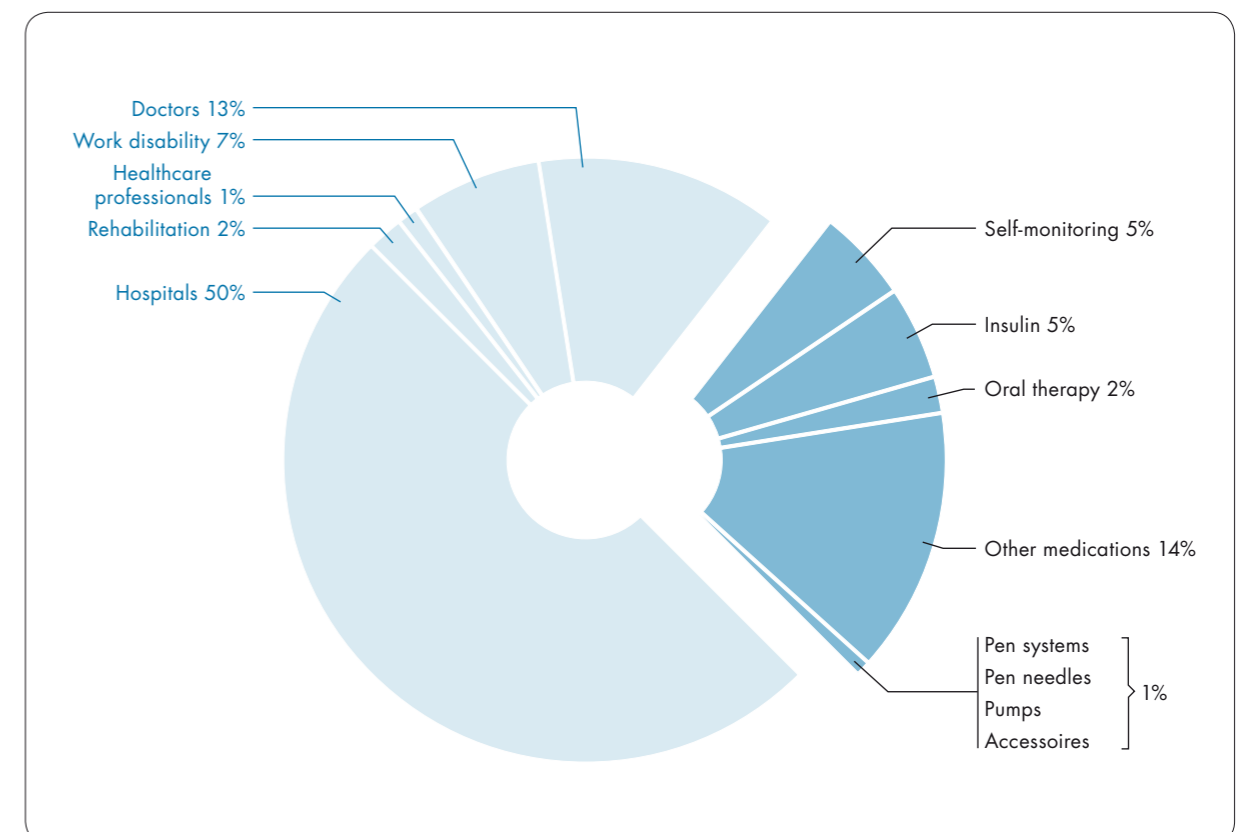
## DIABETES – YPSOMED WITH COMPREHENSIVE SERVICE

**Mr. Michel, you have now worked in the field of diabetes and insulin for about 30 years. Did you expect to see diabetes spread so rapidly?**

**WM:** From my point of view, it was actually already foreseeable relatively early that diabetes would be a very great problem, in fact worldwide. Diabetes, however, is not only a disease in more affluent countries, but is also an increasing problem in newly industrializing countries, such as India and China. According to WHO estimates, the number of people with diabetes will increase from around 240 million today to 380 million by the year 2025, and with a considerable percentage not even diagnosed. In this time period, expenditures for diabetes will rise by around 30% from today's high of 422 billion US dollars to about 560 billion US dollars. Of this, 50% of the costs will accrue in the USA alone.

**How are these immense costs generated?**

**WM:** Expenditures from hospitals and nursing homes create the single largest cost with about 50%, followed by the expenses for doctors with roughly 13%. Around 7% stem from work disability and 3% from rehabilitation and healthcare professionals. Only about 1% of the costs relate to self-administration, such as for insulin pen systems, pen needles, pumps and accessories. Self-monitoring of blood glucose and insulin account for around 5% each, with oral therapy being about 2%, and a high of 14% generated for other medications related to the treatment of diabetes. The insulin market is today dominated by the three pharmaceutical groups Novo Nordisk, Eli Lilly and Sanofi-Aventis. We expect that, in upcoming years, competitors with generic human insulin and insulin analogs will increasingly enter the market, and these will have a great need for safe and dependable pen systems.



Source: Liebl A, Neiss A, Spannheimer A, Reitberger U, Wagner T, Gortz A. [Costs of type 2 diabetes in Germany. Results of the CODE-2 study]. Dtsch Med Wochenschr 2001; 126(20):585-589.

**What can be done in order to get these high costs under control in the future?**

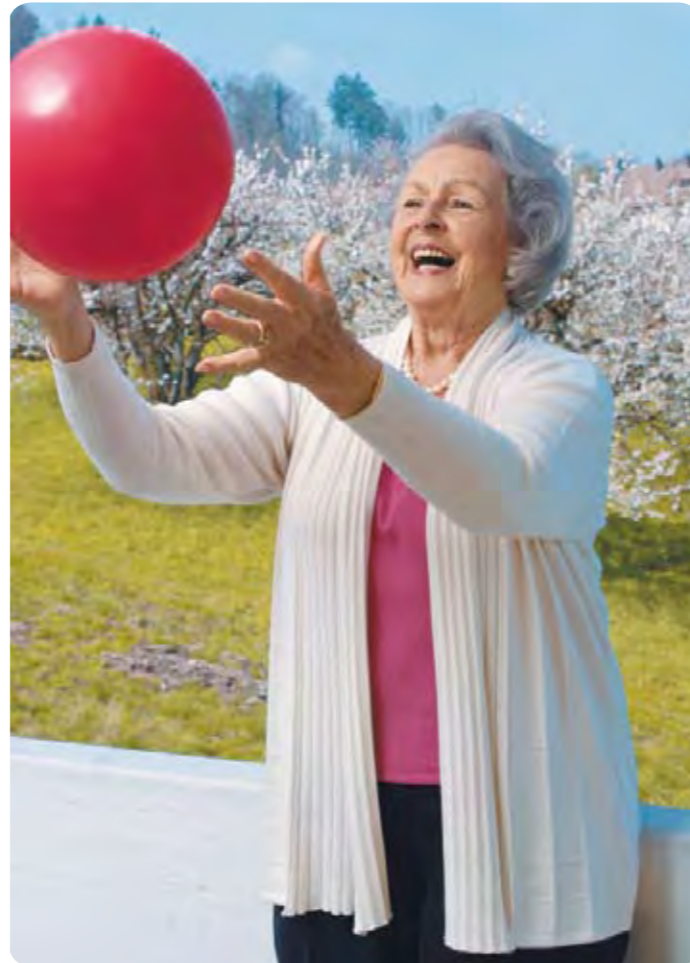
**WM:** In order to better control costs in the future, we must first take a closer look at hospitals and intensify activities in the field of prevention. In addition self-administration of drugs can also reduce hospital costs and other additional therapy costs. With the diabetes direct distribution, online service offering and new therapy concepts, we at Ypsomed are eager to provide a very specific contribution and take on responsibility.

**How does Ypsomed define its roll with respect to diabetes?**

**RF:** Ypsomed and DiaExpert see themselves as a “diabetes manager”. A dependable partner, who guides and coaches its customers and patients. Someone, who understands the topic of diabetes from scratch. With our products and services, we want to change something for the patients and advance the modern diabetes therapies. We are the link between everyone who is committed to diabetes. With Detlef Jantos, Dr. Jörg-Markus Paul and their teams in Switzerland and in Europe, at Ypsomed we have at our disposal very experienced diabetes specialists who develop innovative concepts and pass on their knowledge across national boundaries.

**What is important to Ypsomed? Which principles guide you when you speak of diabetes responsibility?**

**WM:** When we clarify our roll in building bridges in diabetic therapy, three values are of central importance to us – “close,” “qualified” and “moving”. “Close” means that we can be reached anywhere at any time. It means that we work together personally with our customers and partners, communicate openly and directly. Our second value “qualified” means that we apply our knowledge and ability purposefully. Here we use our long-term experience and competence in order to offer the highest quality. This way, we set standards and give assurance. We are experts when it comes to diabetes. “Moving” means that we move forward and are able to change direction by challenging the existing. We motivate others to work with us to break new ground. Through innovative and integrated solutions, we are changing and improving how diabetes is handled.



**The improvement of diabetes treatment is an important goal of Ypsomed. What possibilities do you see here?**

**RF:** In the area of the insulin pens and pen needles, the products today are already exceedingly user-friendly. Nevertheless, Ypsomed continues to make additional efforts to transform the needs of patients into modern pen systems. As an example, let me mention the new ServoPen platform. It is an opportunity for Ypsomed to gain new, established insulin suppliers as customers with a reusable insulin pen, or to position itself as the second or third-ranked distributor for one of the three big insulin suppliers. The ServoPen system has two important functionalities: the pen does not increase in length during dosing and automatically injects the medication. It also includes a bayonet connecting cartridge holder and a retractable lead screw. The ServoPen has very large dosage selection numbers, which can be read easily by patients. Of course, the ServoPen will be very robust and feature a metal casing. This offers the patients many advantages.

**More and more the term GLP-1 is being used. Can you explain what GLP-1 is?**

**WM:** GLP-1 is a so-called “incretin hormone” that is delivered after food intake from special intestinal mucus skin cells in the blood and then stimulates the release of insulin in the pancreas, where stimulation is dependent on the blood glucose concentration. Since human GLP-1 decays within a few minutes, substances similar to GLP-1 are used as medications, such as, for example Exenatide/Byetta, an incretin mimetic that is found in the saliva of certain lizards. GLP-1-mimetics can only be used by diabetes type 2 patients with still functioning insulin production in the pancreas. A more important advantage of GLP-1 is that it tends to result in weight reduction because it slows down the emptying of the stomach and gives the user a better feeling of fullness. GLP-1 is actually a new sub-segment with a billion-dollar market potential for which Ypsomed has developed special pen systems.

**“With our products and services, we want to advance modern diabetes therapies and contribute to improving patients’ quality of life. We build a bridge between everyone who is committed to diabetes.”**

**Different studies have shown that early treatment with insulin and dosing designed to meet needs as closely as possible bring significantly better therapeutic results, meaning that profound long-term damage, such as blindness, kidney damage, or heart disease can be avoided. With the continuous injection device, Ypsomed is specifically working on a new applicator device here. What advantages do you expect from the continuous injection device?**

**WM:** The new continuous injection device is carried on the body and continually dispenses human insulin. The therapeutic advantage of the continuous administration of insulin has been proven through numerous studies. A uniform resorption is comparable with the physiological release from the pancreas and therefore results in the best possible metabolic control. On the other hand, with bolus injection of long-acting, time delayed insulin, uniform resorption can only just barely be achieved, and the patient needs to compromise. In order for these advantages of better metabolic control for the patient and the accompanying reduction in very serious and expensive consequential damages to be able to be made accessible to a broader patient segment, the system for the continuous administration needs to be handled very easily and to be significantly more cost effective than high-end insulin pumps available today. We at Ypsomed want to fulfil this market need with the continuous injection device.



### Where does Ypsomed stand with the continuous injection device project?

**WM:** In the 2007 clarification phase of the project, Ypsomed developed, analyzed and appraised different concepts and, as a result, committed itself to a “semi-disposable” approach. The reusable actuator is re-loaded each time with disposable cartridge modules. The procedure is exceedingly simple and safe for the patient. The goal of the development is to achieve a better metabolic control possible for the patients at a reasonable cost. We have discussed and optimized the properties of the device in extensive focus groups with diabetics. A clinical study will only be conducted in an advanced phase of the project, whereby its necessity is still being discussed with experts. The dialogues with leading diabetologists show that Ypsomed is on the right track with the continuous injection device.

### The continuous injection device project was newly organized recently. Why?

**RF:** With the integration of the project into a department, the resource allocation for the project was assured, because it was not only a matter of the development and manufacturing of new products, but also about a new market approach. For this reason, different internal and external experts from the fields of marketing, distribution, product management, regulatory and public health authorities have strengthened the development team. The new department “Infusion Business” under the direction of Simon Michel reports to me, in order to enable fast decision making processes.

**“With the acquisition of the Florian Müller Group, Ypsomed has strengthened strategically important diabetes business DiaExpert’s and enhanced its service and sales management.”**



### The diabetes direct business with the subsidiary DiaExpert in Germany has grown very positively in the last several years. How was the growth during the 2007/08 business year?

**RF:** The 2007/08 business year was exceptional in many respects for the patient direct business DiaExpert. Compared to 2006/07 we had a double-digit percentage increase in revenues. This is a remarkable development when you consider the decrease in pricing especially regarding blood glucose measurement strips.

### With the acquisition of the German Florian Müller Group as of July 1, 2007, Ypsomed was able to expand its product line-up and broaden the customer and revenue base. Which services does Ypsomed render in the diabetes direct business and which advantages do they offer to its customers?

**RF:** With the acquisition of the Florian Müller Group Ypsomed has become the leading supplier of diabetes accessories in Germany. The product range encompasses blood glucose test strips, insulin pumps and accessories, safety lancets and needles, as well as further products of diabetic needs, which diabetics receive at home via direct delivery or can purchase in specialist shops. The combined businesses result in a product and service offer encompassing telephone advice, customer service, an online shop, customer newsletter and health insurance services. Ypsomed now has one of Germany’s largest independent diabetes marketing and distribution organizations at its disposal and a potential of more than 200 000 customers in the diabetes mail order business.

### What do you expect from the newly combined DiaExpert and Florian Müller businesses?

**WM:** With Florian Müller, Ypsomed is strengthening the strategically important diabetes business of DiaExpert and diversifying the future revenue base by around 28 million Swiss francs. Through the acquisition, Ypsomed expects synergies with the existing diabetes direct business of DiaExpert and in it, sees a geographical extension and an enhancement of the service and distribution. The area-wide supply, competence and experience, as well as the comprehensive service offer, also make Ypsomed an attractive partner for health insurance providers in the largest markets of Europe. Ypsomed is by far number one in Germany for the support of patients with insulin pump therapy or intensive insulin therapy.

### Could you briefly tell us how Ypsomed approached the integration of DiaExpert and Florian Müller and share some color about the experience gained?

**RF:** The integration of Florian Müller was a significant project for the second half of the last business year. It was our goal within the framework of a new organizational structure to provide the customers with even better and more comprehensive services and to take advantage of effective operational synergies. After an intensive planning phase, in which we involved employees from both companies, we were able to complete the integration by the end of March 2008. As of April 1, 2008, we have been operating under the new DiaExpert as a joint brand. We are lucky to have motivated employees who are deeply committed and who work with a great team spirit.

### What are the future challenges facing Ypsomed in Diabetes direct sales and what goals are you pursuing?

**WM:** In the 2008/09 business year – working together with everyone involved in the supply chain process – we plan to continue expanding our leading position in the high-quality, competent, and cost-efficient supply to insulin pump users and patients on intensive insulin therapy. Since April 2007 new legal constraints have been in effect in Germany regarding supply agreements with health insurance providers, who play a central role in providing patients with medical supplies. This opens up new opportunities and has led to a strengthening of our health insurance advisory team.



## CUSTOMERS – FOCUS ON PHARMA AND BIOTECH

**Although Ypsomed's "Business-to-Business" supports a wide number of well-known and globally operating pharma companies in the development and production of pen systems and pen needles, people always seem to talk about its main customer, Sanofi-Aventis. What is the story here?**

**WM:** It is in fact true that Ypsomed has been working successfully for years with well-known pharmaceutical companies such as Eli Lilly, Pfizer, Genentech, Merck Serono, Roche or Amylin. In doing so, Ypsomed has not only developed pen systems for particular customers, but over the years it has repeatedly produced new product generations and has successfully launched them with our customers on the market. In order to better understand the special relationship with Sanofi-Aventis, we need to go back a bit in history and time. The cooperation between Ypsomed and Sanofi-Aventis has been going on now for more than 20 years. In those days it was a relationship between Disetronic and Hoechst, later with Aventis. In all those years, Ypsomed successfully developed and manufactured numerous new and innovative pen systems for this important customer. Our customers

thus profited greatly from Ypsomed and Disetronic's know-how and innovation. The different pen systems serve to precisely deliver Sanofi-Aventis insulins and have significantly contributed to the successful revenue growth of their insulins. Here one should mention the first reusable «metal» OptiPen®; from 2000 on, the one-way pen, OptiSet®, made from only seven plastic parts; and from 2005 the semi-disposable OptiClik® pen with up to 80 dosage units.

**RF:** In calendar year 2007 alone, Sanofi-Aventis was able to generate more than 2 billion Euros in revenues from the long-acting Lantus® insulin, which was only introduced 5 years ago. Lantus® is a blockbuster drug and growing worldwide at an annual rate greater than 30%. Ypsomed, for its part, has profited from this because order volumes, and consequently our revenues, grew strongly and above-average during the period between 2003 and 2005.

**But at the end of August 2007, Ypsomed filed a claim against this largest customer because Sanofi-Aventis had infringed two of Ypsomed's important patents. Can you explain how you came to proceed in this unusual manner?**



**WM:** The enormous success of Lantus® – it is the third largest and strongest growing Sanofi-Aventis drug – led them understandably in my opinion to develop their own pen in order not to solely be dependent on Ypsomed. We raised our concerns with well-known patent attorneys who then confirmed that Sanofi-Aventis's SoloStar® pen which had been introduced to the market in 2007 was in fact infringing two Ypsomed patents. We attempted several times to find a fair commercial solution with Sanofi-Aventis. But by the middle of last year we came to the conclusion that this approach unfortunately would not be successful. You can imagine that our management and our Board of Directors extensively discussed whether to take the step of filling a lawsuit.

**RF:** It may be difficult for outsiders to understand, but Ypsomed had to act in this way because our best customer had become a competitor infringing our own know-how. Ypsomed as well as its predecessor Disetronic had invested around 30 million Swiss francs every year into research & development and had protected its innovation through an extensive patent portfolio. This know-how is of prime importance to Ypsomed because it is the basis of our current market position as a worldwide leading, independent injection system provider; and it makes it possible for us to create and secure in the long-term jobs in Switzerland.

**“We agreed that all pending patent disputes would be mutually resolved. The extended collaboration with Sanofi-Aventis will render benefits especially in the mid- to long-term.”**

**How did the relationship between Sanofi-Aventis and Ypsomed develop after this?**

**WM:** In reacting to our claim of patent infringement filed in the Provincial Court of Düsseldorf, Sanofi-Aventis filed a countersuit for patent and licensing rights in Basel. This was to be expected. Aside from taking the required legal steps, an intensive parallel dialogue developed between Ypsomed and Sanofi-Aventis. Sanofi-Aventis was aware that it would be risky, should its production of SoloStar® pens and its Lantus® centralized filling in Frankfurt were discontinued. Because of the lawsuit we received the necessary attention in the Paris headquarters to bring into motion a constructive discussion that led to a fair solution. At the same time we were able to develop a level of respect among our other pharmaceutical customers as we demonstrated our willingness to protect our know-how and our patents. For our pharmaceutical customers it is important to rely on the fact that the pen systems developed by us do not infringe any other rights.

**On April 18, 2008, Ypsomed and Sanofi-Aventis resolved all legal cases out of court and signed several long-term agreements. What exactly did you agree on?**

**WM:** We agreed that all pending patent disputes and other proceedings would be mutually resolved. We have therefore signed several agreements, whereby the two companies strengthen their long-lasting relationship. Sanofi-Aventis and Ypsomed have not only extended and adapted the existing supplier agreements for Ypsomed’s injection pen systems OptiSet® and OptiClik® products, but also signed a new supplier and manufacturing agreement for a significant share of the supply of Sanofi-Aventis’ SoloStar® pen system. After an industrialization and build-up phase of 18 to 24 months Ypsomed will manufacture Sanofi-Aventis’ disposable pen SoloStar® at its existing production site. In addition we have signed a license agreement granting non-exclusive rights to Sanofi-Aventis and an agreement to strengthen our collaboration in the field of pen needles, i.e.

by packaging Ypsomed patented click-on pen needles with OptiClik® and OptiPen® Pro products in several European countries.

**What does this settlement mean for Ypsomed and its future cooperation with Sanofi-Aventis?**

**RF:** Ypsomed is very happy that we were able to achieve a mutually satisfactory solution. With these agreements, Ypsomed remains Sanofi-Aventis’s main supplier of a large number of high quality pen systems for the delivery of Lantus®, Apidra® and other insulins. This shows that Sanofi-Aventis has faith in Ypsomed and that Ypsomed will be profiting in the middle and long-term from the enormous growth potential of the insulin market. Ypsomed is thus strengthening its leading position as a supplier of injection systems in the growing insulin market.

**Isn’t there a danger now that Ypsomed will become too dependent on Sanofi-Aventis? How will Ypsomed reduce this dependence in the middle to long term?**

**RF:** Sanofi-Aventis had an approximate share of 55% of total sales for the 2006/07 business year. This has now been reduced to just less than 40% in the 2007/08 business year. This is because Ypsomed grew strongly in non-insulin pen systems and pen needles and because it significantly expanded its end customer diabetes business through the acquisition of the Florian Müller Group. In the future we expect a Sanofi-Aventis overall sales share of between 20% and 30%.

**WM:** The direct goal of our strategy is not to be dependent on a single customer. In the mid-term we see very good opportunities in the distribution of new products through our internally developed technologies, such as the continuous injection device, through new pen system projects with our customers, and through a further expansion of our pen needle business.



**“With the production of the SoloStar® pen, Ypsomed will be profiting from the enormous growth potential of the insulin market. Ypsomed is thus strengthening its leading position as a supplier of injection systems in the growing insulin market.”**

**Ypsomed is developing pen systems and injection devices for a wide number of globally operating and recognized pharmaceutical and biotech companies. How have the business relationships with these customers developed over the past business year?**

**RF:** All major pharmaceutical companies contact Ypsomed regarding new injection systems because we are recognized as the leading independent provider. What counts for our customers are innovation, security and quality. Ypsomed invests in technology platforms in order to reduce development times, risks and ultimately costs for our pharmaceutical customers. New pen systems have been developed to meet the specific needs of particular patient groups. Until now we have never made as many proposals and thus were able to close a considerable number of new contracts during the past business year.



## PRODUCTS – INNOVATIVE INJECTION SYSTEMS AND PEN NEEDLES

### PEN SYSTEMS AND INJECTION DEVICES

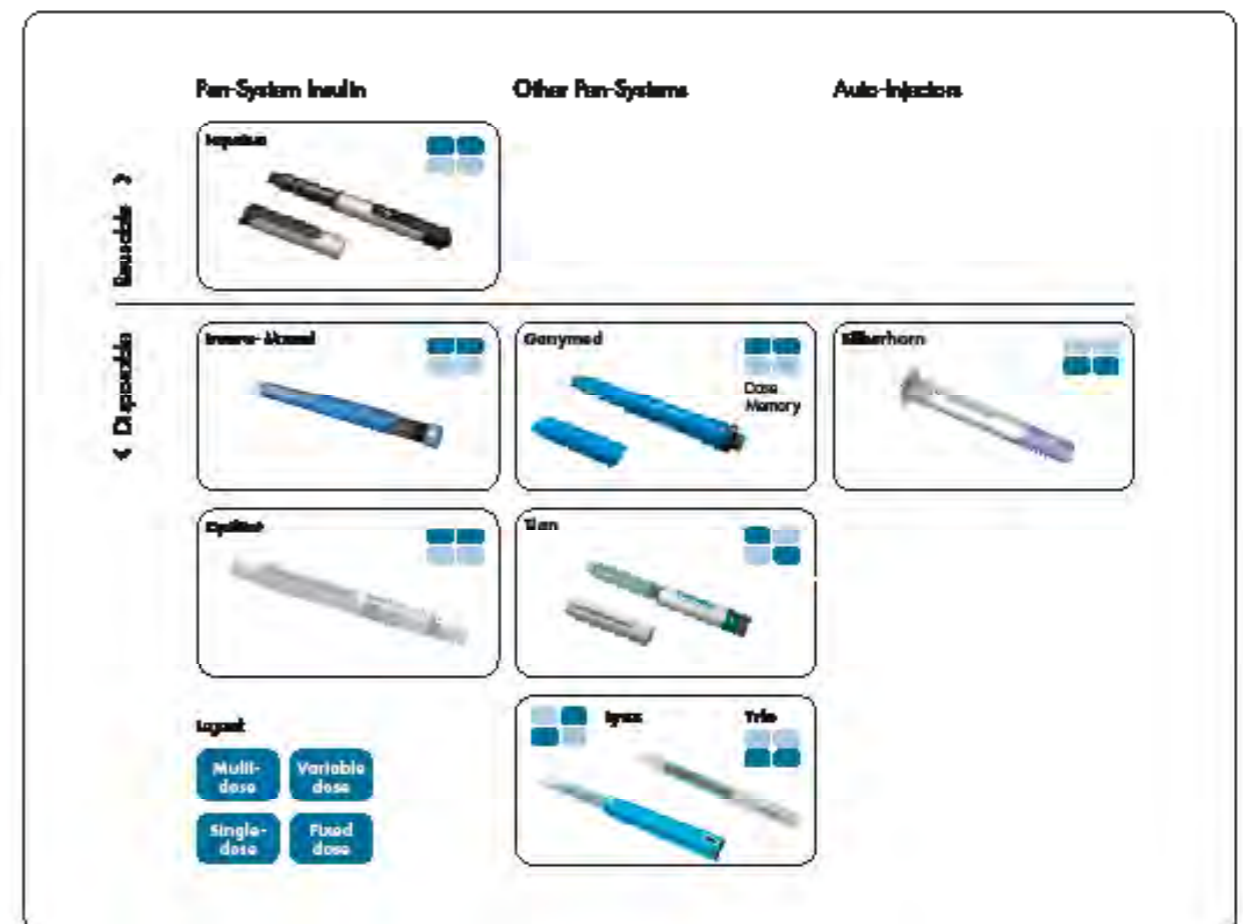
**You mentioned technology platforms that Ypsomed has developed. Can you explain what this means?**

**WM:** Basically, the platform strategy is a kit system. Thanks to different modules, components, and parts we are able to create a marketable product rapidly, efficiently, and effectively. One can best compare this with automotive manufacturing where for several years now a similar strategy has led to unexpected successes. Over the past year, we continued to expand our platform strategy. Several new platforms for pens and auto-injection devices were developed and existing platforms were expanded with additional features such as mixing devices for 2 chamber cartridges. Several platforms have developed into specific customer projects in which injection systems are being developed to our clients' specifications for market and production readiness. The trend here is toward disposable pen systems and auto-injection devices with prefilled, ready-to-use syringes. I would like to mention in particular our new TRIO pen, a modern pen system with only three parts!

**What are the advantages that the technology platforms provide for Ypsomed's pharmaceutical customers?**

**RF:** Ypsomed is at the intersection where patients and pharmaceutical companies' needs meet with what's possible in terms of manufacturing technology. Ypsomed wants to create added value. Small single details can determine the outcome here. Ypsomed's technology platforms are built on more than 20 years of experience, numerous patents, and our employees' know-how. A particular advantage for our customers is our rapid ramp-up ability and a concomitantly short time to market launch. Important cost advantages and a high level of security are created due to our integrated quality management that spans from development to production.

**“With our own technology platforms we are able to reduce our pharmaceutical clients' development times, risks and costs.”**



## PRODUCTS – INNOVATIVE INJECTION SYSTEMS AND PEN NEEDLES

### What is it that pharmaceuticals and biotech companies consider when they choose a particular pen system supplier?

**WM:** Primarily security, quality, and reliability as well as a proven track-record combined with independence and financial stability – these are the fundamental criteria that pharmaceuticals use to select a pen systems' provider. Additional further criteria are the ability to complete projects on time and to do this at a price that is competitive on a global scale. Here at Ypsomed we are very proud that we are repeatedly selected by leading pharmaceuticals and biotech companies as their partner. Many of our customer relationships last for more than 10 years.

### What new pen systems were introduced to the market during the past business year?

**RF:** In early 2008 we began, through our new US customer Amylin Pharmaceuticals, to introduce the Symlin-Pen™ to the market. Thus an additional disposable pen developed by Ypsomed and produced in Solothurn came to market. In addition to insulin, Type I and II diabetics receive Symlin®. This medication improves glucose management after meals and encourages weight reduction. Amylin develops and commercializes medications for the treatment of diabetes, obesity, and coronary circulation diseases.



**WM:** During the past year, our customer Genentech Inc., received approvals from the FDA – the U.S. Food and Drug Administration – for the 20 mg Nutropin AQ Pen® for the treatment of growth hormone deficiencies. This pen is similar to the 10 mg Nutropin AQ Pen® with the difference that the Electronic-Module is programmed in 0.2 steps. With twice the drug concentration in the cartridge, the injection volume can be halved, thus providing patients who have a higher need for growth hormone with greater comfort. The new pen has been available in the US since February 2008.



### Ypsomed has started marketing its own pen on the German market – the ypsopen®. What was the rationale here and are launches in other markets planned?

**RF:** For the proven OptiPen® platform technology, Ypsomed has developed a new, high quality insulin pen that is made from metal. We have introduced this reusable pen system in the German market under our own ypsopen® name. The new ypsopen® offers important additional functions that significantly simplify its use. Thus, for example, dosage correction is possible as well as more rapid cartridge changes. The ypsopen® dosage setting takes place in single steps. The ypsopen® is available in Germany's pharmacies and also through DiaExpert GmbH. The ypsopen® is compatible with standard insulin cartridges and will be launched in other countries in the medium term. In order to achieve this, Ypsomed is negotiating with several different partners.



### In addition to pen systems, Ypsomed is also developing auto-injection devices and is protecting these innovations with patents. Is this paying off for Ypsomed?

**WM:** Ypsomed invests over 30 million Swiss francs each year in the research and development of new products and technologies. Our legal and patent department led by lawyer Dr. Beat Maurer actively protects and defends our know-how. Ypsomed today has over 220 patent families at its disposal in the areas of self-medication, pen systems, and auto-injection devices, with patents issued and filed in numerous countries. Ypsomed owns 40 patent families in the auto-injection device field alone and has already entered into two non-exclusive license agreements with leading pharmaceutical companies. Over the next few years, Ypsomed expects licensing income of several million Swiss francs from these agreements. This shows how valuable Ypsomed's know-how is. And it is absolutely clear that patents pay off.

### During the last 18 months, Ypsomed restructured its research and development and organized it into the new Technology division. In doing this, what are the goals and improvements that you hope to achieve?

**RF:** The Technology division was created last year through merging the research and development, process engineering, and industrialization departments. The newly created Technology division has three set goals: First, to create attractive platforms. Second, to speed up projects in order to improve "time to market". And third, to optimize the implementation of resources and to set priorities so that we can focus on the most promising projects. This new organization under Markus Geist's leadership has proven itself well. The Technology department provides in-house industrialization according to customer requirements. A technology project is completed only when production equipment is ready to be handed over to the manufacturing department.

### Do we get this right: through the early incorporation of production aspects into the development of pens, auto-injection devices and pen needles, the manufacturing process of the products itself is simplified as much as possible and thus the quality of the products is further improved?

**RF:** Exactly! The first pens that were developed according to the new philosophy were delivered to one of our customers in early 2008. Through the merger of the new technologies and product development departments at the beginning of 2008 we were able to eliminate additional interfaces. In addition to that we made great positive experiences through the introduction of our project review board at the beginning of 2007. The result was that we improved our internal cooperation and the level of internal sharing of expertise. This exchange in particular between the individual project teams, across departments, between experts and line functions, to me seems to be very important in capturing possible lapses early and in speeding up the processes for the customer's benefit.

### Just half a year ago you said that Ypsomed had never received this many proposal requests from customers. Do you have enough time and resources to fulfil client expectations here?

**RF:** Indeed, we've never received as many enquiries and never had so many projects in varying phases in our pipeline as we have today. Customers – mainly large pharmaceuticals companies – are very interested in the different Ypsomed technology platforms. Because of the large number of projects, we are planning to increase the number of employees in the technology division from 140 employees to approximately 150. For us to be able to implement our industrialization projects even more quickly in the future, the expansion will especially take place in the process engineering division. The investment in human resource development that we made over the past few years is paying off. We were able to staff three out of four leading positions in our technology department with existing employees. What is particularly satisfying is the growing number of female engineers.

**PEN NEEDLES**

**Ypsomed has been producing pen needles since 1987; a business, which has proven to be very successful. Could you tell us a little bit more about the market for pen needles?**

**WM:** The market for pen needles is growing at an annual rate of 10% to 15%. Ypsomed's pen needle division has been growing in contrast at an average rate of around 20% to 25%, which is a significantly stronger growth compared to the entire market. During the 2007/08 business year we again achieved double digit sales growth. In addition to the global leaders, Novo Nordisk and Becton Dickinson, Ypsomed has, over the past few years, been able to establish itself as the number 3 in the market. The worldwide pen needle market is estimated to be 3.5 to 4 billion units per year of which around 90% are used for the delivery of insulin. Thanks to the patented "click-on" mechanism the pen needles developed and manufactured by Ypsomed fit with all pen systems for insulin, growth hormones, and other therapies that are available today. Ypsomed is thus profiting from the increasing worldwide use of pen systems.

**Germany is an important market for pen needles. How was business during the past year?**

**RF:** In 2007/08 we were able to expand our pen needle business in Germany. On the basis of whole sales to pharmacies, Ypsomed's market share for pen needles increased by more than 2% on turnover basis to reach approximately 30%. The Clickfine® universal pen needle is the pen needle with the most successful growth in the German market – more than 10% of all insulin patients already use the Clickfine® universal. Behind this success are broad market initiatives under the banner of the "Click & Go" theme, which highlights the advantages of a rapid and simple needle exchange.



**How are your other European subsidiaries developing?**

**RF:** Our subsidiaries in the Netherlands and Sweden contributed greatly to our encouraging growth, as did our home market in Switzerland. In addition distributors in Great Britain, Israel, Austria, Spain, and Turkey – to mention a few – also positively influenced our good overall results. Ypsomed's pen needles are distributed today in approximately 30 countries. Further growth opportunities are clearly in sight.

**In December 2007, Ypsomed created its own subsidiary in India. Why did Ypsomed take such a step?**

**RF:** Both India and China are markets that have huge potential. According to WHO statistics, the number of diabetics in India today is around 40.8 million. This number will double by 2025 to 75 million. While there are currently 40 million diabetics in China, this number will increase by 50% to 60 million by 2025. These are almost unimaginable scales.

**WM:** If the forecasts for India turn out to be correct, in less than 20 years there will be as many diabetics in India as the entire current population of Germany! The Indian insulin market amounted to approximately 88 million Swiss francs in 2005 and will grow to around 120 million Swiss francs by 2010. In India, 85% of insulin is delivered through syringes and only 15% is delivered through cartridges and pen systems. The actual penetration rate for insulin pen systems is still very low and will increase in the future since sales of insulin in pen systems is growing annually at around 35%. The diabetes market in India will strongly grow in coming years and offers great opportunities for Ypsomed for both pen needles and insulin pens or new pen systems for liquid medicines.

**"Ypsomed's pen needles are distributed today in approximately 30 countries. Further growth opportunities are clearly in sight, especially in India, China and the US."**

**Ypsomed thus sees great potential for pen needles and pen systems in Asia?**

**RF:** Yes, this is definitely the case. Having been successful in selling our pen needles in China together with Dongbao, Ypsomed has decided to distribute its patented pen needles manufactured in Switzerland in the world's fourth largest economy, India, and for this reason it has established its own subsidiary in New Delhi. With the increase and expansion of the pen needle business in India and China, Ypsomed is looking to profit in the medium to long-term from attractive growth markets and is planning to establish itself among local insulin providers such as pharmaceuticals and biotech companies as a leading, independent, partner for pen systems.

**Ypsomed thus wants to expand pen needle distribution to other countries. Could you tell us more about this?**

**WM:** Pen needles are an important earnings pillar for Ypsomed with additional growth potential. Entering new markets and developing new distribution partners is an important task for Ypsomed. We can thus take advantage of the worldwide growth potential for pen needles.

**RF:** Recently, Ypsomed launched the distribution of "click-on" pen needles through local distributors in Singapore, Malaysia, and Iran. Today in Iran – a country with 68 million inhabitants – approximately 2.5 million people live with diabetes. Together with Sanofi-Aventis, which was the first to offer insulin in pen systems in Iran, Ypsomed is also distributing its own pen needles. Ypsomed wants to be a first mover in this market and its goal is to achieve a leading market position by providing the market with growing access to insulin pen systems. We are also entering new markets in Brazil and want to further expand in the future our distribution network in Asia, South America, and the Middle East.

### What's your view on the growth potential for pen needles in the US?

**WM:** In the US we've been registering continuous growth and we are optimistic about our next business year as retailers have added our products to their offerings. The US market has a market volume of approximately 450 million pen needles, is very attractive, and since the pen penetration rate is still only about 15%, offers large growth potential. We will be doing targeted advertising in the US to help our consumers become more familiar with Ypsomed's click advantage. In addition to the US, we would like to expand our pen needle offering to the Canadian market.



The pen needles from Ypsomed are available in different lengths

**“Ypsomed is expanding its production capacities for pen needles by a multiple and is currently investing more than 35 million Swiss francs in the Solothurn facility.”**

### Ypsomed is currently significantly expanding its production capacities in Solothurn. What is your rational and time plan here?

**WM:** Ypsomed's "click on" pen needles have several advantages compared to the competition. Our needles are very much liked by pen users. In order to cover future market needs, Ypsomed is expanding its production capacities for pen needles by a multiple and is currently investing more than 35 million Swiss francs in the Solothurn facility. To a great extent production of pen needles runs automatically through robot equipment, for which the Solothurn facility is well equipped. We plan to also optimize our costs through optimizing our production lines.

### Speaking of Ypsomed's new safety pen needle: Is there anything you can disclose here?

**RF:** Health authorities have significantly heightened their sensitivity to unintended needle-stick injuries among health care professionals. The consequences of such injuries include the transmission risk of life-threatening diseases, such as hepatitis and HIV. Health authorities are faced with the challenge of increasing consequential costs resulting from needle related injuries. In Germany alone there are annually an estimated 500 000 needle-stick injuries in German hospitals and this costs the economy approximately 47 million Euros per year. It is therefore not surprising to see individual countries creating corresponding directives to combat this problem.

**WM:** Given this background, Ypsomed has developed a new safety pen needle, which also has the patented click-on mechanism. Thanks to a locking mechanism, no second injection is possible and thus an accidental needle-stick injury can be prevented. We are accordingly making a decisive contribution to the protection of health care professionals who are exposed to the risk of unintended needle-stick injuries and the transmission of life-threatening diseases.



### How important is quality for Ypsomed?

**WM:** The quality of our products is extremely important to patients and our pharmaceutical customers. Thus, it is also of central importance to Ypsomed. Our products' consistent first-rate quality is a key success factor in our success because it contributes to patient safety and makes it possible for our pharmaceutical customers to be successful with their medications and therapies on the market. The fact that Ypsomed complies with its customers' quality audits is further proof that Ypsomed is the worldwide leader.

### How does Ypsomed secure this high level of quality?

**WM:** All our business processes are directed according to guidelines for medical products and are certified under ISO 9001 and ISO 13485. Not only does this mean that Ypsomed must have a comprehensive quality management system at its disposal, but it also means that it has to have a quality-oriented business culture that is anchored throughout the company. Quality starts in product development. It includes careful risk management during early product phases as well as transparent and logical documentation, and specific work instructions all the way through process validation and product verification.

### What has Ypsomed done specifically in terms of quality management and what have you achieved?

**RF:** We have made great progress since mid-2007 with the newly established quality management organization led by Dr. Manfred Mäder. Thanks to a clear definition of tasks and responsibilities, it has been possible to simplify existing processes, thus making them more efficient. The simplification of documentation and processes, a simplified zone concept, and improved specifications have led to less waste and thus to lower costs. With the new organization, Ypsomed is able to have a complete overview of product quality throughout the entire value chain; that is, from our suppliers over the entire production up to the final release of products and transportation to our customers. During the past business year, Ypsomed for example in-sourced production steps from its external suppliers and reintegrated and thus optimized the high level of quality and re-traceability, which in turn has made better cost control possible. As a result, during the past year we've had fewer deviation reports overall and fewer complaints. And we have become faster. Errors are detected earlier and eliminated more rapidly.

### In September 2007, Ypsomed newly organized its production and logistics management. The heads of the Solothurn and Burgdorf facilities and the head of logistics report directly to Maurice Meytre, the Chief Operating Officer (COO). What was the accomplishment here?

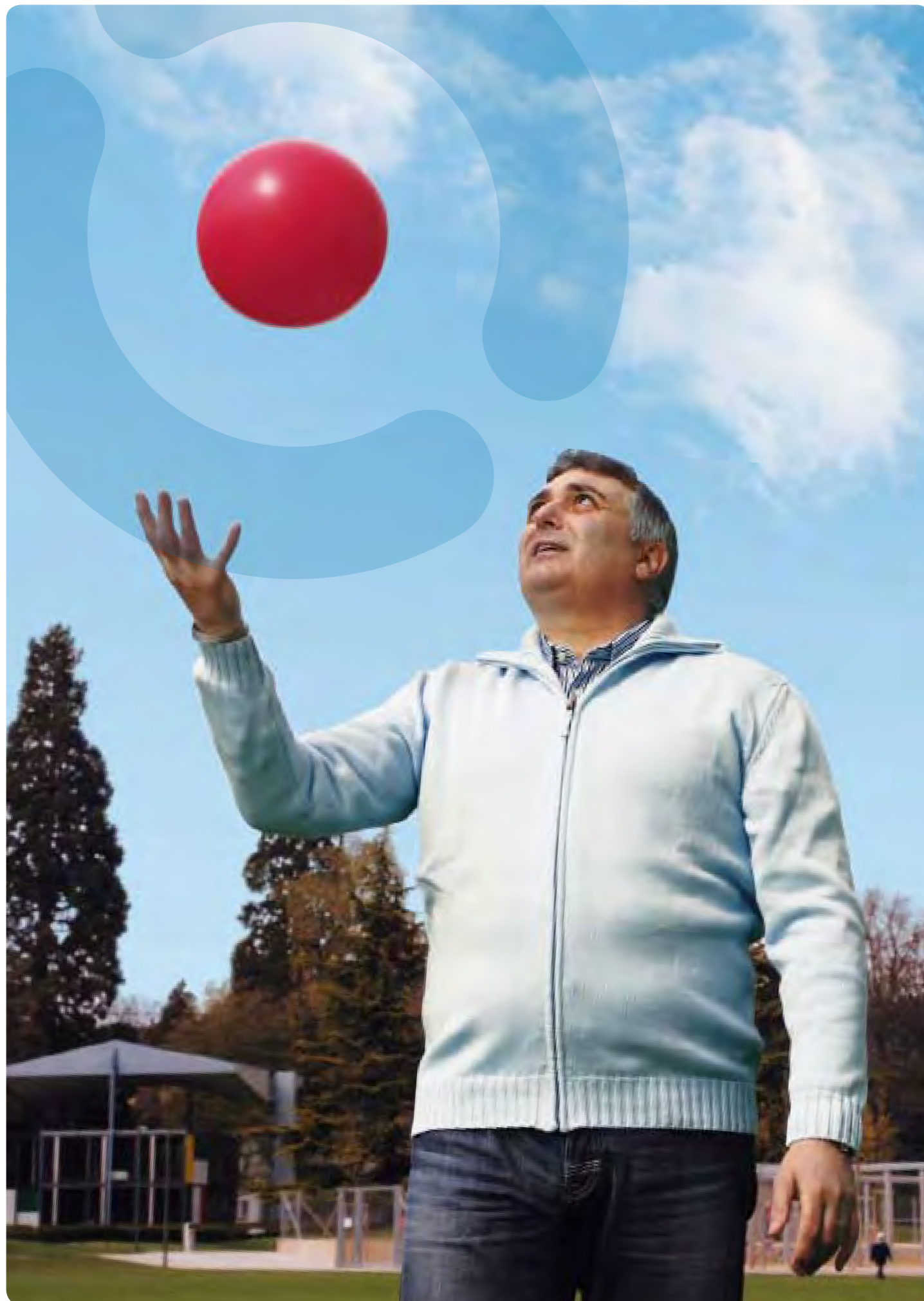
**RF:** In our operations division we reduced the communications and decision paths and secured a tighter cooperation with the technology division and the newly integrated customer and product management. This has also led to an efficient communication with our pharmaceutical customers and to better customer orientation. During the year we improved our delivery reliability and we successfully passed all of our customer and administrative audits. In addition we increased efficiency, in part through a better use of our means of production, and reduced our production costs. Together with our customers and suppliers, we were able to simplify product specifications and to concentrate the various production and storage facilities around a new logistics center. Furthermore, we completed a new clean room for the production of pen needles in Solothurn.

### Aside from efficiency, certainly the speed in your business processes is also important, isn't it?

**RF:** "Time-to-Market" is an important decision criterion for our pharmaceutical customers. Our main priority is therefore to complete our development and industrialization processes for our customers within given deadlines. By being involved in process engineering early on, we are able to win a lot of time during project industrialization. Our objective is to "do it right the first time". In addition, as already mentioned, we have continued the development of our technology platforms and have protected our inventions through patents. On this basis we are able to bring our clients' projects to final realization more rapidly. By continuously improving our processes it is our goal to meet the ever higher regulatory requirements in a timely manner.

**"Our products' consistent first-rate quality is a success factor because it contributes to patients' safety and makes it possible for our pharmaceutical customers to be successful on the market with their medications and therapies."**





## EMPLOYEES – KNOW-HOW AND COMMITMENT

### What were the most relevant developments in your employee structure over the course of the last business year?

**RF:** By March 31, 2008, Ypsomed employed 1 210 people, equivalent to 1 150 full-time positions. Our employee structure thus remained the same compared to last year. By deploying manpower to meet the expanding production capacity for our pen needles and non-insulin pens we were able to compensate the reduced manpower needed to meet insulin pen production. In the future, we will create approximately 60 new positions for the new SoloStar® production.

### You repeatedly emphasize how important know-how and experience are, when it comes to your employees. What action has Ypsomed taken in terms of training and continued education?

**RF:** Training and continued education of our employees is one of the core pillars of Ypsomed's success. The human resources team under the lead of Yvonne Müller made great efforts over the course of the past business year to provide a large selection of training and continuing education initiatives, which were all well frequented.

**"The know-how and experience of our employees is important for Ypsomed. That's why we've undertaken great efforts in terms of training and continued education."**

### What opportunities do apprentices have at Ypsomed?

**WM:** Last August 8 Ypsomed apprentices successfully completed their basic vocational training, some even came top of the cantonal graduating class. 6 apprentices continued their professional development at Ypsomed. The total number of apprentices as of August 2008 will increase to 36. This significant increase is due on the one hand to the fact that 5 apprentices are completing their apprenticeship and on the other to the fact that 13 new promising apprentice have signed contracts.

### An important initiative with respect to the corporate culture is YES. Can you describe this in more detail?

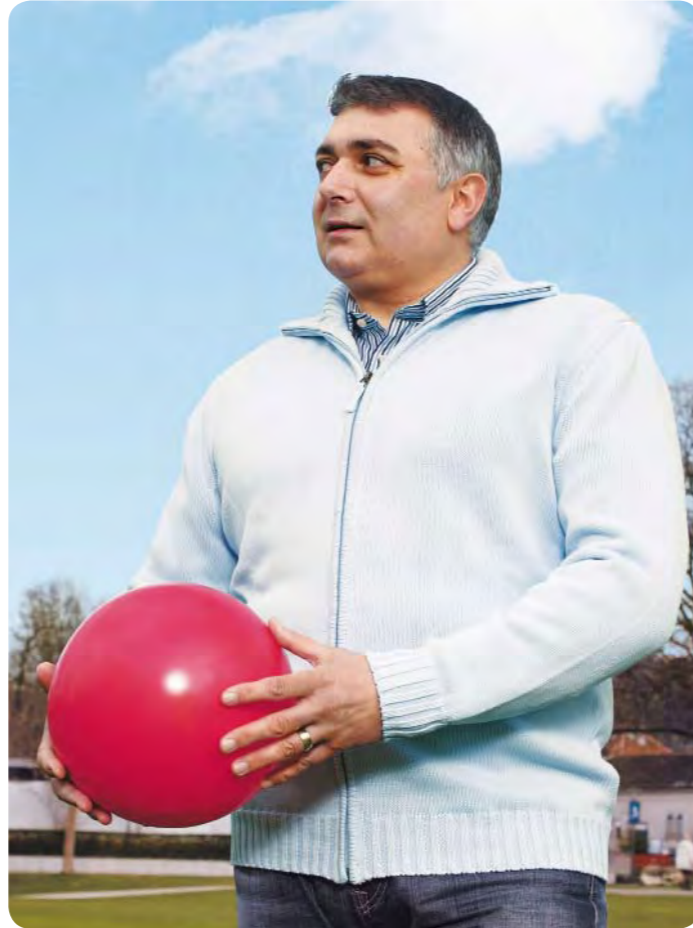
**RF:** The YES team was created by the Board of Directors and includes key management team members from all divisions. YES stands for "Ypsomed = Excellence x Spirit". The YES team develops initiatives to actively work on strengthening our company culture. A highlight in 2007 was the management conference held in Aarberg.

**What has Ypsomed accomplished in terms of improving the work environment and regarding health-related issues?**

**WM:** Through our products and our complementary services we help millions of people worldwide to achieve a high level of quality of life. Quality of life essentially means health. At Ypsomed a healthy employee base is a precondition for company success. Only someone who is healthy can perform. People, who are absent, create a gap. During the past fiscal year, we undertook several steps to close potential gaps by developing, training, and introducing a comprehensive absentee management system, pilot training regarding ergonomics at work, and developing and implementing work seminars for our employees who rotate in shifts.

**So you offer your employees an attractive and family-friendly work environment?**

**RF:** Absolutely! We offer flex time arrangements, annual working time schemes, part time offerings, parent holidays and contributions towards childcare. The average age of our employees is 38. Many of our people have a family or are about to start a family. For us family-friendly offerings are not just a social contribution, they are a competitive advantage.

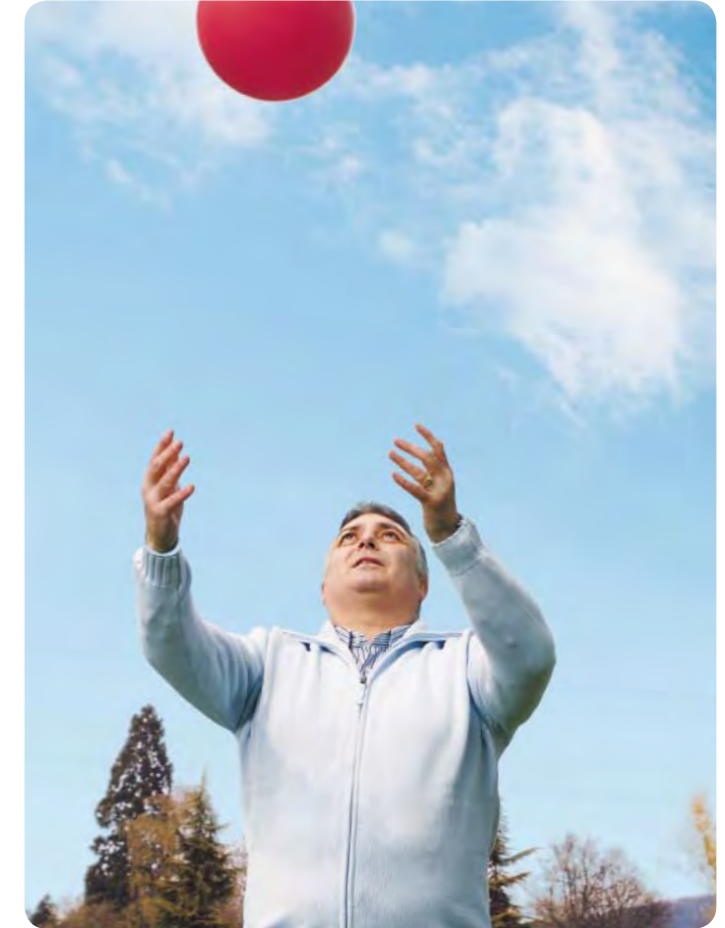


**“We want to promote and further develop our own high potential employees in a targeted way. Ypsomed offers exciting leadership, project management, and technical careers.”**



**How does Ypsomed support working mothers and fathers?**

**WM:** To be able to balance work and life is something many people greatly desire. Unfortunately, this is not always possible, among other things because many companies have no, or too few, places at their disposal for children’s daycare. Ypsomed wants to provide fathers and mothers with an alternative. Together with other Burgdorf-based companies we are currently developing a concept for a day care center for our employees.



**In order to retain good employees, interesting perspectives are required. What perspectives has Ypsomed to offer?**

**RF:** We want to encourage and further develop our own high potential employees in a targeted way. With the help of our company-wide efforts we are able to seek and determine who these employees are. They are each evaluated by management in a workshop and are encouraged to follow management, technical, or project leadership positions according to their potential. Internal candidates were thus able to fill 32 key management positions during the past business year. Also during the last business year a company-wide competency model was introduced. Based on a management pyramid, exciting leadership, project management, and technical careers are all available within our company.



## INVESTORS – ENTREPRENEURIAL WITH A LONG-TERM PERSPECTIVE

**Through its founder and Chairman, Mr. Willy Michel, Ypsomed has the benefit of an entrepreneurial and long-term oriented principal shareholder.**

**Mr. Fritschi, what advantages arise from this constellation for you as the CEO?**

**RF:** Three equally central advantages result from this unique combination: First, I can count on a principal shareholder with a long-term perspective. The resulting stability makes leadership and strategy implementation easier. Second, we can count on the broad vision of a real entrepreneur. That is, on someone who has proven that he can not only sense successful trends but who can take full advantage of these trends for the benefit of our company, our customers, their patients, and our shareholders. Third, there is an advantage from the fact that Mr. Michel is an inspiring, motivating, but also demanding person. These character traits help us all to achieve our goals step by step. There really is no better foundation for the permanent success of our company.

**How high is your stake in Ypsomed, Mr. Michel? What are your plans for the future?**

**WM:** As of March 31, 2008, I held 70.6% of Ypsomed shares. Compared to the past year, my involvement has expanded by approximately ½%, for which I invested around 5.2 million Swiss francs. I want to be involved over the long-term and I believe in Ypsomed's future.

**“We are a medtech company and active in an attractive sector with growth potential.”**

**Since June 27, 2007, Ypsomed Holding AG's shares have been listed on the Berne Stock Exchange BX Berne eXchange. Why did you make this step?**

**WM:** By being listed on the Berne Stock Exchange BX Berne eXchange, Ypsomed Holding AG is committing itself to its headquarters. The Ypsomed shareholders are very deeply anchored locally. Of the 6 800 shareholders, a large majority are from the area.

**In the 2007/08 business year, Ypsomed exceeded its own goals as well as analyst expectations in terms of total revenue and profitability. We don't want to go into the details here as to last year's financial figures because they are provided and explained in the company's financial statement. Yet the question: Why is Ypsomed attractive to investors?**

**RF:** We are a medtech company and active in an attractive sector with growth potential. With Willy Michel we have an entrepreneurial and long-term oriented principal shareholder and we are solidly financed. We have the benefit of innovative products, motivated employees and a dedicated management. Naturally the free float of approximately 29% is rather small compared to other companies, but Ypsomed is still a very interesting opportunity for long-term oriented investors. Of our 6 800 shareholders, about 250 are institutional investors and around 6 550 are private individuals.

**In 2007, Ypsomed strengthened its role in diabetes direct sales by acquiring the Florian Müller Group. Are you planning additional acquisitions?**

**RF:** The acquisition of the Florian Müller Group was a great success because we were able to diversify our revenue base. The integration process created much additional work, but was completed quickly and positively. Dr. Christoph Rindlisbacher, who is responsible for corporate development including the identification of new targets and acquisitions, profoundly understands the pharmaceutical and diabetes markets. Last year we were in specific negotiations with several companies, yet our standards and expectations regarding acquisition targets are very high. We are still continuing discussions.

**“The question of risk management and internal controls is very important to me because I consider it very beneficial and I see the opportunity to continuously improve here at Ypsomed.”**

**Risk management is increasingly a topic of high importance for investors. How does the Ypsomed Group account for the new legal requirements with respect to internal control systems (“IKS”) and the implementation of a risk assessment system?**

**WM:** We were already active in this regard in the past. Since January 1, 2008, the group has strengthened these activities through a newly created internal audit department which we have been able to staff with the very competent Beat Keller. This function, which reports directly to me and to the governing Board of Directors, methodically integrates the already existing elements and activities of the risk management and internal control system and supports our governing Board of Directors and executive management.

**What are you specifically doing in respect to implementation of internal controls and risk management?**

**WM:** The governing Board regularly examines the risks and ascertains which areas require a closer review. It supervises the implementation of improvement measures that have been decided. The question of risk management and internal controls is very important to me because I consider it very beneficial, as I see the opportunity to continuously improve here at Ypsomed.





## ENVIRONMENT – OUR ECOLOGICAL AND SOCIAL RESPONSIBILITY

### Where does Ypsomed stand regarding environmental protection?

**RF:** When making business decisions, Ypsomed always considers economic, ecological and social aspects. It is a task of leadership to take on this responsibility for the good of the company, our environment, and our society. Generally speaking Ypsomed does not need to utilize too many potential harmful resources during production and hence does not face special challenges. Yet we have taken a series of measures that increase the security of our working environment and help us protect our environment. We are also aware of our social responsibility and encourage employee and company-wide initiatives. Our environmental policy demands a conservative use of resources and values preventative measures to avoid accidents. To anchor environmentally relevant aspects in our management system, we created the new function of a Safety, Health and Environment (SHE) head with responsibility for these issues.

### What is Ypsomed doing in terms of, for example, reducing energy consumption?

**WM:** At our Solothurn headquarters during the past business year, more than 3 million Swiss francs were invested in the existing building infrastructure with the goal of significantly reducing energy consumption. Thus several roofs were replaced to comply with the so-called Minergy standard. In addition we kicked-off the first phase of a multi-year façade restoration project, whose effectiveness will be controlled using thermography. In the coming business year, we will be investing an additional 4 million Swiss francs in energy-friendly construction materials and especially in technical equipment such as air circulation systems. We have plans for investing approx. 1 million Swiss francs in the insulation and cooling systems of our Burgdorf facilities.

### How does Ypsomed fulfil its social responsibilities?

**RF:** Take our involvement in India as an example. For most people with diabetes in India health and living conditions continue to be extremely poor. If one lives in poverty, then insulin and test strips become almost unobtainable goods. For this reason, Ypsomed supports the Dream Trust aid organization ([www.dreamtrust.org](http://www.dreamtrust.org)), which takes exemplary steps in Nagpur, India to secure proper care for disadvantaged persons with diabetes.



**“When making business decisions, Ypsomed always considers economic, ecological and social aspects. It is a task of leadership to take on this responsibility for the good of the company, our environment, and our society.”**



**And Mr. Michel, what is your position on this subject?**

**WM:** In my opinion, each person who is successful in any way should share and give something back. This can happen in several ways. As an example, Ypsomed supports the Ypsomed Innovation Fund by making financial contributions to promote innovative enterprises in our home area. The Ypsomed Innovation Fund supports both project financings of companies that are in the start-up stage as well as innovative projects of companies that are already up and running. Since 2007, we've been committed to annually granting the YPSOMED INNOVATION PRIZE by promoting scientific and technology transfers at Berne University and at the Berner Fachhochschulen. The total prize award is 50 000 Swiss francs. In addition, I am also personally involved in the promotion of the arts. The Frank Gertsch Museum and the support of Swiss artists are of great importance to me because art has always been a source of fascination and inspiration for me. Through the art supplement to our annual report we provide artists with a platform to present their works to a wider audience.

**What other Corporate Social Responsibility activities is Ypsomed involved in?**

**RF:** Ypsomed continues to fund numerous projects. As a medical technology company, promoting health is very important to us. For example, Ypsomed offers free fitness and workout opportunities to all non-temporary employees. We organize regular lectures for our employees, for example in the context of health and nutrition issues. In another initiative Ypsomed ran a company-wide blood donation campaign. Ypsomed also continues the sponsoring tradition of its predecessor Disetronic in supporting social, cultural, educational and public sports initiatives by contributing approximately 1% of its consolidated annual profits to such activities.



**“Each person who is successful in any way should share and give something back. Ypsomed and I as an entrepreneur do this in many ways.”**

Dear Ypsomed shareholders, customers, employees and partners: If you should have further questions, please feel free to contact us anytime. Please also take the time to visit our new website at [www.ypsomed.com](http://www.ypsomed.com). Or register to receive our online newsletter so that you can immediately receive our press releases. Of course you can also write or call. Our contact information can be found on page 110 of the annual report.



**"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 %
<b>Sales of goods and services</b>	23	<b>287 468</b>	<b>100.0</b>	<b>277 450</b>	<b>100.0</b>
Cost of goods and services sold	16	-197 271	-68.6	-213 211	-76.8
<b>Gross profit</b>		<b>90 197</b>	<b>31.4</b>	<b>64 239</b>	<b>23.2</b>
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
<b>Operating profit</b>		<b>30 976</b>	<b>10.8</b>	<b>2 338</b>	<b>0.8</b>
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
<b>Profit before income taxes</b>		<b>29 685</b>	<b>10.3</b>	<b>3 182</b>	<b>1.1</b>
Income taxes	21	-3 103	-0.2	-440	-0.2
<b>Net profit</b>		<b>26 583</b>	<b>9.2</b>	<b>2 742</b>	<b>1.0</b>
<b>Earnings per share (basic and diluted)</b>	27	<b>2.37</b>		<b>0.24</b>	
Operating profit		30 976		2 338	
Depreciation of fixed assets		22 678		23 825	
Amortization of intangible assets		1 667		1 237	
<b>EBITDA</b> (Operating profit before depreciation and amortization)		<b>55 322</b>	<b>19.2</b>	<b>27 400</b>	<b>9.9</b>

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 %
<b>ASSETS</b>					
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
<b>Total current assets</b>		<b>144 164</b>	<b>22.6</b>	<b>161 541</b>	<b>25.9</b>
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
<b>Total non-current assets</b>		<b>494 066</b>	<b>77.4</b>	<b>461 248</b>	<b>74.1</b>
<b>Total Assets</b>		<b>638 230</b>	<b>100.0</b>	<b>622 789</b>	<b>100.0</b>
<b>LIABILITIES AND EQUITY</b>					
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
<b>Total current liabilities</b>		<b>48 056</b>	<b>7.5</b>	<b>40 551</b>	<b>6.5</b>
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
<b>Total non-current liabilities</b>		<b>172 595</b>	<b>27.0</b>	<b>192 210</b>	<b>30.9</b>
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
<b>Total equity</b>		<b>417 579</b>	<b>65.4</b>	<b>390 028</b>	<b>62.6</b>
<b>Total liabilities and equity</b>		<b>638 230</b>	<b>100.0</b>	<b>622 789</b>	<b>100.0</b>

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
<b>Net profit</b>		<b>26 583</b>	<b>2 742</b>
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
<b>Cash flow from operating activities before changes in net working capital</b>		<b>56 776</b>	<b>26 876</b>
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
<b>Cash flow from operating activities</b>		<b>70 155</b>	<b>32 189</b>
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
<b>Cash flow from investing activities</b>		<b>-52 306</b>	<b>-19 096</b>
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
<b>Cash flow from financing activities</b>		<b>-20 130</b>	<b>-38 131</b>
Effect of foreign currency translation		-152	94
<b>Total Cash flow</b>		<b>-2 433</b>	<b>-24 944</b>
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
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>		<b>-2 433</b>	<b>-24 944</b>

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
<b>Balance as of 1 April 2006</b>	<b>130 433</b>	<b>167 049</b>	<b>0</b>	<b>98</b>	<b>106 433</b>	<b>404 013</b>
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
<b>Balance as of 31 March 2007</b>	<b>116 378</b>	<b>166 649</b>	<b>-2 224</b>	<b>50</b>	<b>109 175</b>	<b>390 028</b>
<b>Balance as of 1 April 2007</b>	<b>116 378</b>	<b>166 649</b>	<b>-2 224</b>	<b>50</b>	<b>109 175</b>	<b>390 028</b>
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
<b>Balance as of 31 March 2008</b>	<b>116 378</b>	<b>166 659</b>	<b>-1 377</b>	<b>161</b>	<b>135 758</b>	<b>417 579</b>

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
<b>Assets:</b>			
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
<b>Total assets</b>	<b>7 447</b>	<b>4 883</b>	<b>12 330</b>

**Liabilities:**

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

**Net working capital**

**1 553      2 775      4 328**

Goodwill			11 608
<b>Total acquisition cost</b>			<b>15 937</b>

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
<b>Net cash outflow</b>			<b>15 106</b>

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)	<b>1.57</b>	1.62	<b>1.64</b>	1.59
US-Dollar (USD)	<b>0.99</b>	1.21	<b>1.16</b>	1.24
Swedish Krona (100 SEK)	<b>16.72</b>	17.36	<b>17.64</b>	17.24
Norwegian Kroner (100 NOK)	<b>19.53</b>	20.01	<b>20.60</b>	19.66
Danish Krone (100 DKK)	<b>21.09</b>	21.80	<b>22.01</b>	21.29
British Pound (GBP)	<b>1.97</b>	2.39	<b>2.33</b>	2.34
Czech Koruna (CZK)	<b>6.22</b>	5.83	<b>6.06</b>	5.64
Indian Rupee (INR)	<b>2.49</b>	–	<b>2.76</b>	–

### 4. Cash and cash equivalents

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

### 5. Trade receivables

	31.03.08	31.03.07
Trade receivables	<b>30 425</b>	34 002
Provision for bad and doubtful debts	<b>-434</b>	-176
<b>Total</b>	<b>29 991</b>	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.	<b>176</b>	536
Provision for receivables	<b>325</b>	16
Release of provision for recovered receivables	<b>-12</b>	-309
Release of provision not required	<b>-50</b>	-70
Currency translation differences	<b>-5</b>	3
<b>At 31.03.</b>	<b>434</b>	176

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

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

of which with provision **434** 176

### 6. Other current assets

	31.03.08	31.03.07
Accrued income and prepaid expenses	<b>4 353</b>	4 359
Other receivables	<b>6 893</b>	4 816
<b>Total</b>	<b>11 246</b>	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 months and for which no provision is required.

### 7. Inventories

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. Financial assets "available for sale"

	2007/08	2006/07
<b>Financial assets</b>	<b>20</b>	<b>9 704</b>

#### 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

Cost:	Land and buildings	Machinery and equipment	Other fixed assets	Assets under construction	Total
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:

<b>At 01.04.07</b>	<b>86 319</b>	<b>162 492</b>	<b>9 285</b>	<b>7 577</b>	<b>265 673</b>
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
<b>At 31.03.08</b>	<b>91 788</b>	<b>182 539</b>	<b>10 322</b>	<b>18 162</b>	<b>302 810</b>

#### Accumulated depreciation:

<b>At 01.04.07</b>	<b>-16 734</b>	<b>-97 112</b>	<b>-5 484</b>	<b>0</b>	<b>-119 330</b>
Depreciation/amortization	-2 592	-18 723	-1 639		-22 954
Disposals	12	5 208	592		5 812
Currency translation differences		-5	34		29
<b>At 31.03.08</b>	<b>-19 314</b>	<b>-97 112</b>	<b>-6 496</b>	<b>0</b>	<b>-136 442</b>

Net book value at 01.04.07	69 585	65 380	3 801	7 577	146 343
<b>Net book value at 31.03.08</b>	<b>72 474</b>	<b>71 907</b>	<b>3 826</b>	<b>18 162</b>	<b>166 368</b>

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:

<b>At 01.04.07</b>	<b>313 753</b>	<b>0</b>	<b>10 506</b>	<b>324 259</b>
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
<b>At 31.03.08</b>	<b>324 779</b>	<b>9 624</b>	<b>15 819</b>	<b>350 222</b>

#### Accumulated amortization:

<b>At 01.04.07</b>	<b>-14 693</b>	<b>0</b>	<b>-8 079</b>	<b>22 772</b>
Depreciation/amortization			-1 667	-1 667
Disposals			30	30
Currency translation differences	2		36	38
<b>At 31.03.08</b>	<b>-14 691</b>	<b>0</b>	<b>-9 680</b>	<b>-24 371</b>

Net book value at 01.04.07	299 060	0	2 427	301 487
<b>Net book value at 31.03.08</b>	<b>310 088</b>	<b>9 624</b>	<b>6 139</b>	<b>325 851</b>

## 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	<b>295 220</b>	295 220
Ypsotec AG	<b>3 023</b>	3 023
DiaExpert GmbH/Florian Müller GmbH	<b>11 845</b>	817
<b>Total Goodwill</b>	<b>310 088</b>	299 060

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

	31.03.08	31.03.07
<b>Ypsomed AG / TecPharma Licensing AG</b>		
Weighted average cost of capital (WACC, pre-tax)	<b>11.5%</b>	9.0%
Perpetual growth rate	<b>1.4%</b>	1.0%
<b>Ypsotec AG</b>		
Weighted average cost of capital (WACC, pre-tax)	<b>11.9%</b>	9.0%
Perpetual growth rate	<b>1.4%</b>	1.0%
<b>DiaExpert GmbH / Florian Müller GmbH</b>		
Weighted average cost of capital (WACC, pre-tax)	<b>12.6%</b>	9.0%
Perpetual growth rate	<b>1.4%</b>	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	<b>16 801</b>	14 220
Other payables	<b>3 786</b>	1 884
<b>Total</b>	<b>20 587</b>	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	<b>160 000</b>	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
<b>At 01.04.07</b>	<b>2 755</b>	<b>5 341</b>	<b>0</b>	<b>1 000</b>	<b>9 096</b>
Additions	611	6 088	185		6 884
Release					0
Utilization	-293	-4 950			-5 243
At 31.03.08	<b>3 073</b>	<b>6 479</b>	<b>185</b>	<b>1 000</b>	<b>10 737</b>
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	<b>92 505</b>	87 626
Defined benefit obligation	<b>-109 726</b>	-107 745
<b>Underfunding</b>	<b>-17 221</b>	-20 119
Unrecognized actuarial gain / (loss)	<b>11 020</b>	14 778
<b>Total net book value</b>	<b>-6 201</b>	-5 341
of which recognized in the balance sheet as assets	<b>278</b>	0
of which recognized in the balance sheet as provisions	<b>6 479</b>	5 341

#### Development of pension obligations:

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

#### Development of plan assets:

	2007/08	2006/07
Fair value of plan assets as at 01.04.	<b>87 626</b>	69 231
Expected return on plan assets	<b>3 943</b>	2 770
Employer contributions	<b>5 393</b>	5 367
Employee contributions	<b>12 213</b>	16 897
Benefits paid	<b>-9 023</b>	-8 281
Actuarial gains / (losses)	<b>-7 647</b>	1 642
<b>Fair value of plan assets as at 31.03.</b>	<b>92 505</b>	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	<b>-6 192</b>	-4 253
Interest expense	<b>-3 550</b>	-2 865
Expected return on plan assets	<b>3 943</b>	2 770
Net actuarial gain / (loss) recognized in year	<b>-454</b>	-363
<b>Total expense recognized in income statement</b>	<b>-6 253</b>	-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	<b>6.8%</b>	5.4%
Mortgages	<b>4.8%</b>	4.7%
Bonds	<b>45.4%</b>	48.0%
Real estate	<b>19.7%</b>	19.1%
Equities	<b>23.3%</b>	22.8%
<b>Total</b>	<b>100.0%</b>	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
<b>Underfunding</b>	<b>-17 221</b>	<b>-20 119</b>	<b>-17 581</b>
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	<b>3.5%</b>	3.0%
Expected rate of return on plan assets	<b>4.5%</b>	4.0%
Expected rate of salary increase	<b>2.5%</b>	2.5%
Rate of pension increase	<b>0.5%</b>	1.0%
Average retirement age men	<b>65</b>	65
Average retirement age women	<b>64</b>	64
Actuarial bases	<b>EVK 2000</b>	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
<b>At 01.04.</b>	<b>116 378</b>	130 433
Repayment of nominal value CHF 0.00 per share (prior year: CHF 1.25)	<b>0</b>	-14 055
<b>At 31.03.</b>	<b>116 378</b>	116 378

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

<b>Shares outstanding as at 01.04.</b>	<b>11 223 208</b>	11 244 213
Purchases	<b>-39 665</b>	-31 005
Sales	<b>44 127</b>	10 000
<b>Shares outstanding as at 31.03.</b>	<b>11 227 670</b>	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
<b>At 01.04.</b>	<b>1 656</b>	1 856
Repayment of nominal value CHF 0.00 per share (prior year: CHF 1.25)	<b>0</b>	-200
<b>At 31.03.</b>	<b>1 656</b>	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	<b>197 271</b>	<b>76.2%</b>	213 211	77.5%
Research and development	<b>15 262</b>	<b>5.9%</b>	21 909	8.0%
Marketing and sales expense	<b>27 765</b>	<b>10.7%</b>	21 411	7.8%
Administration expense	<b>18 510</b>	<b>7.2%</b>	18 581	6.8%
<b>Total</b>	<b>258 808</b>	<b>100.0%</b>	275 112	100.0%
Cost of materials	<b>83 823</b>	<b>32.4%</b>	88 650	32.2%
Personnel expense	<b>113 733</b>	<b>43.9%</b>	111 374	40.5%
Depreciation/amortization	<b>24 345</b>	<b>9.4%</b>	25 062	9.1%
Other operating expense	<b>36 907</b>	<b>14.3%</b>	50 026	18.2%
<b>Total</b>	<b>258 808</b>	<b>100.0%</b>	275 112	100.0%

### 17. Personnel expense

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

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

Headcount	<b>1 210</b>	1 211
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### 18. Financial income

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

### 19. Financial expense

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

### 20. Other non-operating income / expense

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. Taxes

	2007/08	2006/07
Income taxes for current period	<b>2 093</b>	67
Income taxes for prior period	<b>201</b>	-464
Deferred income taxes	<b>809</b>	837
<b>Total</b>	<b>3 103</b>	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	<b>29 685</b>	3 182
Tax calculated at an (expected) tax rate of 20% (prior year 22%)	<b>5 997</b>	700
Effect of other tax rates	<b>-3 874</b>	-1 008
Effect of change in tax rates	<b>308</b>	0
Effect from unrecognized tax-loss carryforwards	<b>672</b>	748
<b>Total income taxes</b>	<b>3 103</b>	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	<b>238</b>	253
Inventories	<b>740</b>	1 161
Non-current assets	<b>367</b>	-290
Provisions	<b>-69</b>	0
Fixed assets	<b>1 461</b>	2 085
Intangible assets	<b>1 247</b>	1 179
<b>Total deferred taxes on temporary differences, net</b>	<b>3 984</b>	4 388
of which recognized in the balance sheet as deferred income tax liabilities	<b>4 119</b>	4 616
of which recognized in the balance sheet as deferred income tax assets	<b>135</b>	228
Tax losses carried forward	<b>1 306</b>	3 364
<b>Total deferred income tax assets recognized in the balance sheet</b>	<b>1 441</b>	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	<b>106 178</b>	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	<b>19 965</b>	25 478
<b>Financial assets at fair value through profit and loss</b>	<b>19 965</b>	25 478

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

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

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

#### Net income from financial instruments

	2007/08	2006/07
Financial assets at fair value through profit and loss	<b>541</b>	893
Loans and receivables	<b>-1 437</b>	1 299
Financial assets available for sale	<b>-38</b>	-
Financial liabilities at fair value through profit and loss	<b>94</b>	-
Financial liabilities at amortized cost	<b>-1 026</b>	-926
<b>Total</b>	<b>-1 866</b>	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	<b>192</b>	5 327	+/- 5%	<b>10</b>	266
USD/CHF	<b>415</b>	359	+/- 5%	<b>21</b>	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
<b>Total</b>	<b>76 919</b>	<b>82 683</b>

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	<b>31 814</b>	900
2009/10	<b>160 800</b>	180 900
<b>Total</b>	<b>192 614</b>	<b>203 989</b>

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
<b>Total sales of goods and services</b>	<b>228 551</b>	<b>59 128</b>	<b>-211</b>	<b>287 468</b>

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

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
<b>Total assets</b>			<b>638 230</b>

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

	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
<b>Total sales of goods and services</b>	<b>242 127</b>	<b>35 406</b>	<b>-83</b>	<b>277 450</b>

	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
<b>Total assets</b>			<b>622 789</b>

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

	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
<b>Total</b>	<b>287 468</b>	<b>277 450</b>	<b>638 230</b>	<b>622 789</b>	<b>53 348</b>	<b>37 749</b>

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
<b>Total contractual obligations</b>	<b>8 113</b>	<b>9 375</b>
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	
<b>Total</b>	<b>12 223</b>	<b>12 474</b>

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		
<b>Total</b>	<b>465</b>	<b>3 317</b>

#### 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		
<b>Total</b>	<b>700</b>	<b>4 178</b>

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 <sup>1)</sup>				20 656	46 324
Other products <sup>2)</sup>	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 <sup>3)</sup>	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) <sup>4)</sup>	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
<b>Assets</b>		
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
<b>Total current assets</b>	<b>48 855</b>	<b>35 839</b>
Loans to Group companies	123 530	135 139
Investments	308 986	318 670
Intangible assets	0	5 779
<b>Total non-current assets</b>	<b>432 516</b>	<b>459 588</b>
<b>Total assets</b>	<b>481 371</b>	<b>495 427</b>
<b>Liabilities and equity</b>		
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
<b>Total current liabilities</b>	<b>959</b>	<b>1 114</b>
Non-current financial liabilities to major shareholder	160 000	180 000
<b>Total non-current liabilities</b>	<b>160 000</b>	<b>180 000</b>
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
<b>Total equity</b>	<b>320 412</b>	<b>314 313</b>
<b>Total liabilities and equity</b>	<b>481 371</b>	<b>495 427</b>

## INCOME STATEMENT OF YPSOMED HOLDING AG STATUTORY FINANCIAL STATEMENTS

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

### 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
<b>Retained earnings at disposal of the General Meeting</b>	<b>25 146</b>	<b>18 173</b>
Allocation to legal reserves	0	0
Dividends <sup>1)</sup>	0	0
<b>Carried forward to the next year</b>	<b>25 146</b>	<b>18 173</b>

<sup>1)</sup> 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		
<b>Total remuneration &amp; attendance fee</b>	<b>195.5</b>	<b>90.5</b>	<b>121.5</b>	<b>50.5</b>	<b>121.5</b>		<b>121.5</b>	<b>50.5</b>		<b>50.5</b>	<b>560.0</b>	<b>242.0</b>

Techpharma Management AG:

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

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				<b>1 148.8</b>	
Detlef Jantos & Jantos Consulting GmbH	260.9		57.1						415.8	637.2	<b>733.8</b>	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			<b>2 295.7</b>	2 680.3
<b>Total management remuneration</b>											<b>4 178.3</b>	<b>3 317.5</b>

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
<b>Total</b>	<b>7 941 951</b>	<b>7 882 484</b>

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
<b>Total</b>	<b>11 584</b>	<b>9 583</b>



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



## CORPORATE GOVERNANCE

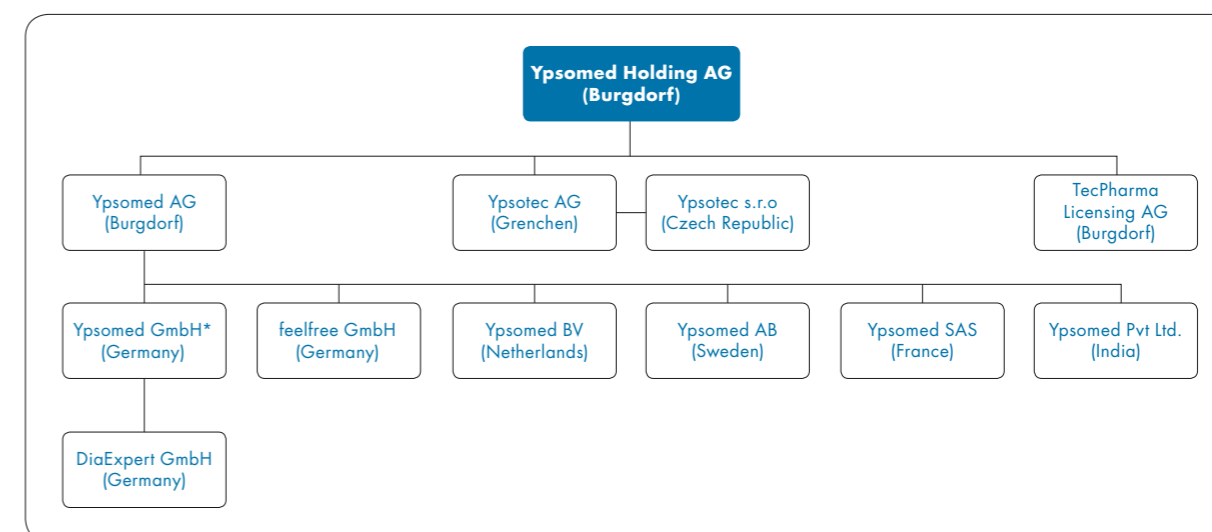
Ypsomed, which is headquartered in Burgdorf, Switzerland, is the world leader in the field of injection systems for self-administering pharmaceutical substances. Ypsomed develops and produces its products primarily in Switzerland. Ypsomed products are marketed by biotech and pharmaceutical partners around the world, as well as through the company's own distribution network and by independent distributors. The Ypsomed Group also includes Ypsotec, headquartered in Grenchen, Switzerland, a supplier of precision turning parts and subassemblies.

**The corporate governance report describes the management and control principles at the highest level of the company and its subsidiaries, in line with the SWX Swiss Exchange guidelines on corporate governance information.**

The Ypsomed Group's rules and regulations on Corporate Governance are defined in the Articles of Association (Statuten) and in the Organization Policy of the Board of Directors (Organisationsreglement) of Ypsomed Holding AG and correspond to the Corporate Governance Directive of 1 July 2002 and 1 January 2007 issued by the SWX Swiss Exchange. A copy of Ypsomed Holding AG's Articles of Association (in the German version) can be ordered from the company or can be viewed on the company's website at [www.ypsomed.com](http://www.ypsomed.com) (under Company/Investors/Corporate Governance)

### Group structure

Ypsomed Holding AG is organized as a holding company pursuant to Swiss law and directly or indirectly owns or controls all companies that are part of the Ypsomed Group worldwide. None of Ypsomed Holding AG's subsidiaries are listed companies.



\*In the year under review Ypsomed GmbH (Germany) acquired Florian Müller Holding GmbH with various holdings (Florian Müller Group), a company active in direct trade business. After several restructuring measures, all holdings of the Florian Müller Group were integrated into Ypsomed GmbH and/or DiaExpert GmbH. The restructurings were thus completed by 1 April 2008. The business activities previously managed by the Florian Müller Group have since been managed by Ypsomed GmbH and/or DiaExpert GmbH.

**History of Ypsomed's development**

Disetronic was founded in 1984. It developed and produced infusion systems and, from 1986, injection systems. On 30 April 2003, Roche Holding AG acquired all of the shares in Disetronic Holding AG held directly and indirectly by Dr. h.c. Willy Michel, which amounted to approximately 34% of the shares in the company, and, through a public tender offer to the other shareholders, all remaining shares in the company. At the same time, Dr. h.c. Willy Michel acquired the injection business of Disetronic indirectly through Finox Beteiligungen AG, whose sole shareholder was Dr. h.c. Willy Michel, and which acquired all of the shares in Ypsomed AG (formerly known as Disetronic Injection Systems AG), in TecPharma Licensing AG (formerly known as Disetronic Services AG) and in Ypsotec AG (formerly known as Décolletage AG).

On 23 March 2004, Ypsomed Holding AG, a subsidiary of Finox Beteiligungen AG, acquired all of the shares in Ypsomed AG, TecPharma Licensing AG and Ypsotec AG from Finox Beteiligungen AG, with retroactive effect from 30 November 2003. With retroactive effect from 1 July 2004, the subsidiary Ypsomed Holding AG took over its parent company, Finox Beteiligungen AG, by way of a reverse merger. As a result of this merger, Finox Beteiligungen AG was wound up.

The offering circular (which is only available in English) contains further information and can be viewed on the company's website at [www.ypsomed.com](http://www.ypsomed.com) (under Company/Investors/Financial Documents).

**Listed holding company**

Ypsomed Holding AG, which has its registered office in Burgdorf, is the holding company of the Ypsomed Group. It has a share capital of CHF 116 776 044.55, divided into 11 244 213 registered shares with a par value of CHF 10.35 each. Shares in Ypsomed Holding AG have been traded on the principal market of the Swiss Exchange SWX since 22 September 2004 and since 27 June 2007 on the BX Berne exchange, each under Security Number 1 939 699 and the symbol YPSN.

	as of 31 March 2008	as of 31 March 2007
Market capitalisation in CHF	1 034 467 956	1 160 402 781
In % of equity	247.7*	297.5*
Share price in CHF	92.0	103.2
Price-earnings ratio	38.8**	n/a**

\* Equity on 31 March 2007: CHF 390 027 729

Equity on 31 March 2008: CHF 417 579 000

\*\* Profit per share 31 March 2007: CHF 0.24

Profit per share 31 March 2008: CHF 2.37

**Operating organization**

The Ypsomed Group's operating organization is based on a parent company structure. It is divided into the following departments: Corporate Finance/IT, Operations (including Technology and Production & Logistics and Precision Rotary Parts), Marketing & Sales, Corporate Development, Human Resources, Quality Management & Regulatory Affairs and Legal & Intellectual Property. As a rule, two members of the management of the Ypsomed Group sit on the Board of Directors of each subsidiary. In terms of operations, the Ypsomed Group is divided into two business segments: the segment "Delivery Devices" consists of business with the product groups pen systems, pen needles, precision revolving parts and other injection moulded parts. The segment "Diabetes Direct Business" consists of the direct trade business with various items for diabetic needs.

The corporate structure of Ypsomed Holding AG on 31 March 2008 is illustrated on page 89.

**Shareholder structure****Registered shareholders**

There were 6 820 shareholders registered in the Share Register on 31 March 2008 (prior year: 7 745 shareholders). 98% of the shareholders report Switzerland as their place of residence. The distribution of shareholdings is divided as follows:

Number of shares	Number of shareholders as of 31 March 2008	Number of shareholders as of 31 March 2007
1 to 100	4 243	4 882
101 to 1000	2 404	2 684
1001 to 10 000	156	156
10 001 to 100 000	15	20
more than 100 000	2	3

On 31 March 2008 the shareholder body was constituted as follows:

Shareholder structure according to investor category (number of shares)	31 March 2008	31 March 2007
Dr. h.c. Willy Michel incl. affiliated persons	70.6%	70.1%
Natural persons	10.9%	12.8%
Banks	0.9%	1.9%
Funds, foundations, pension funds, insurances, public corporations and other legal entities	4.4%	4.4%
Not registered in Share Register	13.2%	10.8%

**Significant shareholder**

Significant shareholder is Dr. h.c. Willy Michel, Chairman of the Board of Directors of Ypsomed Holding AG, who held 7 700 330 registered shares on 31 March 2008 (prior year: 7 700 330 shares). Dr. h.c. Willy Michel and affiliated persons together hold total 7 941 251 (70.6%) shares (prior year: 7 881 984 shares, making up 70.1%) in the company. There are no shareholder agreements or other agreements between shareholders.

**Cross participations**

There are no cross participations.

**Capital structure****Capital**

Ypsomed Holding AG has a share capital of CHF 116 377 604.55, divided into 11 244 213 fully paid up registered shares, each with a par value of CHF 10.35. All shares entitle the holders to receive dividends. Ypsomed Holding AG does not have an authorised share capital amount. The company has neither issued profit certificates nor participation certificates. There are no convertible bonds outstanding, and no options have been issued for participation rights in Ypsomed Holding AG or any Group companies.

**Contingent share capital**

Ypsomed Holding AG has conditional share capital totalling CHF 1 656 000. The company may issue to selected employees and members of the Board of Directors up to 160 000 registered shares, to be paid up in full, with a par value of CHF 10.35 each. Shareholders' purchase and advance subscription rights are excluded. Pursuant to the Articles of Association, shares and option rights may be issued at a price below the stock market value. The acquisition of shares through the exercising of subscription or option rights is subject to the statutory recording limitation and the statutory voting right limitation (see below). The company has not issued any shares or option rights to date.

## CORPORATE GOVERNANCE

### Changes in capital

Since the founding of the company, the capital has changed as follows:

Changes in capital to 31 March 2008 pursuant to the accounts of Ypsomed Holding AG produced in accordance with company law

(in CHF)

Date	Issue	Number of shares	Nominal value	Share capital	Capital reserves	Retained earnings	Reserves for own shares	Total
29.12.03	Founding	2 500	100.00	250 000.00				250 000.00
31.03.04	Net profit					11 096 910.20		11 346 910.20
<b>01.04.04</b>	<b>Balance</b>	<b>2 500</b>	<b>100.00</b>	<b>250 000.00</b>		<b>11 096 910.20</b>		<b>11 346 910.20</b>
01.07.04	Reverse merger with Finox Beteiligungen AG				-150 000.00	6 315 915.24		17 512 825.44
28.07.04	Capital increase settled with shareholder loan	997 500	100.00	99 750 000.00				117 262 825.44
18.09.04	Split 1 : 8	8 000 000	12.50					117 262 825.44
20.09.04	Capital increase IPO	3 016 000	12.50	37 700 000.00	165 143 042.21			320 105 867.65
28.09.04	Capital increase IPO over-allotment	228 213	12.50	2 852 662.50	12 495 951.29			335 454 481.44
31.03.05	Net profit					825 726.81		336 280 208.25
31.08.05	Nominal value reduction CHF 0.90 per share		-0.90	-10 119 791.70				326 160 416.55
31.03.06	Net profit					1 187 206.38		327 347 622.93
05.09.06	Nominal value reduction CHF 1.25 per share		-1.25	-14 055 266.25				313 292 356.68
31.03.07	Reserves for own shares					-2 223 985.21	2 223 985.21	313 292 356.68
31.03.07	Net profit					1 020 967.85		314 313 324.53
31.03.08	Reserves for own shares					873 759.26	-873 759.26	314 313 324.53
31.03.08	Net profit					6 099 149.38		320 412 473.91
<b>31.03.08</b>	<b>Balance</b>	<b>11 244 213</b>	<b>10.35</b>	<b>116 377 604.55</b>	<b>177 488 993.50</b>	<b>25 195 649.91</b>	<b>1 350 225.95</b>	<b>320 412 473.91</b>

Share premium of IPO 20. + 28.09.2004	Capital	in %	IPO costs	Share premium gross	Share premium net
18.9.04 Capital increase	37 700 000.00	92.97%	10 189 057.47	165 143 042.21	154 953 984.74
28.9.04 Capital increase	2 852 662.50	7.03%	770 979.90	12 495 951.29	11 724 971.39
<b>Total</b>	<b>40 552 662.50</b>	<b>100.00%</b>	<b>10 960 037.37</b>	<b>177 638 993.50</b>	<b>166 678 956.13</b>

The costs for the IPO have been capitalized in the statutory accounts and were amortized as of 31 March 2008.

### Limitation on the transferability of shares

No share certificates are issued for Ypsomed Holding AG shares. Any shareholder may ask the company at any time to issue a confirmation regarding the registered shares entered in the Share Register in its name. Any person validly entered in the Share Register as an owner or beneficiary is considered to be a shareholder of the company. Any person acquiring registered shares or the beneficial entitlement to registered shares must apply in writing to be entered in the Share Register. Approval is given by the Board of Directors, which may delegate this power. The transfer is then entered in the Share Register. Applicants will be entered in the Share Register as shareholders with voting rights, provided they expressly declare that they have acquired the registered shares in their own name and for their own account. If this declaration is not made, the Board of Directors may refuse the entry. The Board of Directors may draw up principles for the entry of nominees and may permit nominees to be entered in the Share Register with voting rights for shares up to a maximum of 5% of the nominal share capital. The Board of Directors may also allow nominees to be entered in the Share Register with voting rights for shares exceeding this limit if the nominees disclose the names, addresses, nationality, domicile and shareholdings of the natural persons and legal entities on whose account they hold 1% or more of the nominal share capital. The 5% limit also applies to nominees who are related to "one another through capital ownership or voting rights, by virtue of a common management or otherwise. If a shareholder has been entered in the Share Register on the basis of incorrect information, having given the parties involved the right to be heard, the Board of Directors may remove from the Share Register the entry as a shareholder with voting rights and replace it with an entry as a shareholder without voting rights instead. In the year under review, no applications for the entry of nominees were made.

Restrictions on the transfer of registered shares may only be amended by a resolution passed at the General Meeting of Shareholders with a qualified majority of at least  $\frac{2}{3}$  of the votes represented and an absolute majority of the nominal share capital represented at such meeting.

### Board of Directors

#### Members of the Board of Directors

The Board of Directors consists of a minimum of three and a maximum of five members elected for a term of office of three years with the possibility of re-election. The members of the Board of Directors were individually elected on the occasion of the 2007 General Meeting of Shareholders. The Board of Directors is self-constituting. All four members are non-executive members. Dr. h.c. Willy Michel was a member of the executive management of Disetronic Holding AG until April 2003. Mr Peter Kappeler will be stepping down from the Board of Directors on the occasion of the General Meeting of Shareholders in June 2008 after being a member for 12 years.

The main task of the Board of Directors is the overall supervision of the company and the supervision and control of the executive management. No member of the Board of Directors holds an operative function with Ypsomed Holding AG or one of its subsidiaries or has held such a position in the past three years. With the exception of Dr. h.c. Willy Michel, no business relationships exist between the individual members of the Board of Directors and Ypsomed Holding AG or any of its subsidiaries. The following business relationships between Dr. h.c. Willy Michel and Ypsomed Holding AG and/or its subsidiaries existed in the year under review:

#### Executive loans

Dr. h.c. Willy Michel made a loan to the company that since then has been assigned to his company Techpharma Management AG. On 31 March 2008, an amount of CHF 160 million was still outstanding on this loan. Interest of CHF 812 778 was paid on the loan amount for the period from 1 April 2007 to 31 March 2008. The key terms of the loan agreement are: the loan bears interest at a rate of 0.5% p.a., it is repayable by 31 March 2010, the loan cannot be cancelled by Techpharma Management AG, but Ypsomed Holding may repay the loan early at any time. In the year under review an amount of CHF 20 million was paid off. There are no further executive loans.

**Rental Contract**

Dr. h.c. Willy Michel respectively his company Techpharma Management AG rents to Ypsomed AG the building at the Buchmattstrasse in Burgdorf (Ypsomed Nord) since 1 January 2006. The parties signed a rental contract that provides for an indexed normal market rent in the amount of CHF 954 731 + VAT. The rental contract can be terminated for the first time with 24 months notice to 31 December 2015. The tenant has unlimited first right of refusal for the whole rental period, for a maximum of 25 years. 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. Major maintenance work and repairs necessary for safeguarding the asset value of the building is at the lessor's expense. On the termination of the contract, the tenant will be reimbursed for the alterations carried out to the lease property with the lessor's consent, in application of IFRS depreciation rates at the residual book value. Ypsomed AG was also able to rent additional premises from Techpharma Management AG at normal market conditions. The rental contract was discussed and approved at Board Level and to its opinion is regarded to be a rental contract at normal market conditions.

**Service Contract**

Dr. h.c. Willy Michel respectively his company Techpharma Management AG and Ypsomed have concluded a service contract which can be terminated by both sides at any time. The contract allows for Techpharma Management AG to provide occasional services to the Ypsomed Group (e.g. hotel and gastronomic services) as well as selected management support services (incl. temporary personnel) and, for its part, for the Ypsomed Group to offer occasional services to Techpharma Management AG (e.g. management and IT support, incl. temporary personnel). The services are to invoice at normal market conditions. The temporary personnel are to invoice at the personnel cost rate. The contract was discussed and approved at Board level and according to its opinion is regarded to be a cooperation at normal market conditions. In the year under review, temp personnel services were not significant.

**Cooperation Contract Finox**

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.

**Board of Directors**

Name	Nationality	Year	Position	Member since*	Elected until the AGM in
Dr. h.c. Willy Michel	Swiss	1947	Chairman of the Board of Directors	1984	2010
Peter Kappeler	Swiss	1947	Member of the Board of Directors	1996	2010
Prof. Dr. rer. pol. Dr. h.c.mult. Norbert Thom	German	1946	Member of the Board of Directors	2005	2010
Anton Kräuliger	Swiss	1946	Vice-Chairman of the Board of Directors	2007	2010

\*including Member of the Board of Directors of Disetronic



Dr. h.c. Willy Michel, Chairman of the Board of Directors

**Dr. h.c. Willy Michel**, Chairman of the Board of Directors of Ypsomed Holding AG, founded Disetronic together with his brother in 1984. They were together, until his brother's departure from the business in 1995, and thereafter Dr. h.c. Willy Michel was alone responsible for the development, production, distribution and sale of Disetronic products. Within the context of the sale of Disetronic to Roche Holding AG in 2003, Dr. h.c. Willy Michel bought back the injection business of Disetronic, which has traded under the name Ypsomed since then. He has held the post of Chairman of the Board of Directors of the Disetronic Group and now the Ypsomed Group without interruption. Prior to the founding of Disetronic, Dr. h.c. Willy Michel obtained a broad range of experience with several industry and pharmaceutical companies in the fields of development, sales & marketing and he was the head of Novo-Nordisk Switzerland for six years (from 1978 until 1984). He was a member of the city council of Burgdorf for three years (from 1998 until 2001), which in 2004 awarded him the medal of honour. In addition, he is the owner of several companies, including companies involved in the fields of art and gastronomy, as well as Finox AG, which is active in the development, manufacturing and sales of pharmaceuticals. He is currently Chairman of the Board of Directors of BV Holding AG (since 2001), Member of the Board of Directors of Adval Tech Holding AG

(since 2007), and is Member of the Board of Directors with various non-listed companies. In 2005, Mr Michel was declared the "Master Entrepreneur of the Year" for his overall business performance by Ernst & Young AG, and in 2006 was awarded an honorary doctorate by the Economic and Social Science Faculty of Bern University (Dr. h.c.).



Peter Kappeler, Member of the Board of Directors

**Peter Kappeler**, Member of the Board of Directors of Ypsomed Holding AG, was elected to the Board of Disetronic Holding AG in 1996, when that company went public. Between 1992 and 2003, Mr Kappeler operationally led the BEKB | BCBE and in 2003 was elected Chairman of the Board of the BEKB | BCBE. He has previously held various management positions in banking and other industries. He is also a member of various boards of directors, associations and foundations, including Cendres et Métaux SA (member of the Board since 2001), Givaudan SA (member of the Board since 2005), Schweizerische Mobiliar Holding AG (member of the Board since 2003), Schweizerische Mobiliar Genossenschaft (member of the Board since 2002) Jungfraubahn Holding AG (member of the Board since 2003). Furthermore he is a member of the foundation Board of the Sommerakademie at the Zentrum Paul Klee (since 2004). Mr Kappeler is an engineering graduate of the ETH Zurich (dip. Ing. ETH) and a graduate of INSEAD in Fontainebleau (MBA). Mr Kappeler will be stepping down from the Board of Directors on the occasion of the General Meeting of Shareholders in June 2008 after being a member for 12 years.



Prof. Dr. rer. pol. Dr. h.c. mult. Norbert Thom, Member of the Board of Directors

**Prof. Dr. rer. pol. Dr. h.c. mult. Norbert Thom**, Member of the Board of Directors of Ypsomed Holding AG since 2005. After studying economics and social sciences, he became scientific assistant, project manager and private tutor at the University of Cologne, Acting Professor at the University of Giessen and fulltime Professor at the University of Freiburg, Switzerland, of management, organization and human resources studies. Prof. Thom is the founder (in 1991) and director of the Institute for Organization and Human Resources at the University of Bern, as well as full Professor of Business Management Studies. From 1995 until 1997 he was Vice-Chancellor of Finance and Planning and member of the Board of Governors at the University of Bern. From 1997 until 2000 he was a member of the Swiss Scientific Board, the advisory body of the Federal Council for questions concerning economic policy. Prof. Thom has three honorary doctorates for his academic achievements in the areas of Public Management, Organization and Human Resource Management. He received these awards from universities in Lithuania (Vilnius), Austria (Linz) and Germany (Halle-Wittenberg). Many years of practical experience as among other things, organization and human resources advisor to companies, authorities and governments. Member of Board of Directors at WIFAG Polytype Holding AG, Berne. Extensive involvement in the further training of managers, lecturer on several Executive Master Courses. Vice-Chairman of the Volkswirtschaftliche Gesellschaft des Kantons Bern.



Anton Kräuliger, Vice-Chairman of the Board of Directors

**Anton Kräuliger**, Member of the Board of Directors of Ypsomed Holding AG since 2007. Vice-Chairman since 2008. After completing his studies at ETH Zurich with a degree in mechanical engineering, Anton Kräuliger joined the family business in 1971 and in 1978 took over the majority of shares in the metal foundry and fittings factory Lyss AG (today Metalyss AG). He developed this company into the leading fittings group on the Swiss market, the Similor Group. Within the scope of the sale of its fitting division to Madison Private Equity Holding AG in 2002 and 2005, Mr Kräuliger bought back the industrial division, which today is again combined in Metalyss AG. Between 1993 and 2004, Mr Kräuliger was a member of the Board of Directors of the listed Berner Kantonalbank BEKB | BCBE and continues to be an active member of several Board of Directors, including as Chairman of the Board of Directors of Metalyss AG (since 1978), as Chairman of the Board of Directors of Sécheron SA (since 2005), as well as a member of the Board of Directors of the parent company Sécheron-Hasler Holding AG (since 2005). As a member of the district council, Mr Kräuliger is also director of the finances department for the district of Kappelen and is president of the Swiss Horse Racing Association.

**Interrelated companies**

Dr. h.c. Willy Michel, Chairman of the Board of Directors of Ypsomed Holding AG, is also Chairman of the Board of Directors of BV Holding AG, which is listed on the BX Berne eXchange. As at 31 March 2008, BV Holding AG held a total of 20 000 shares in Ypsomed Holding AG (previous year: 40 000 shares), representing a shareholding of 0.18% (previous year: 0.35%). Daniel Kusio, Managing Director of BV Holding AG, acts, on the basis of a personal mandate, as Ypsomed Holding AG's Head of Investor & Public Relations and other selected projects.

Dr. h.c. Willy Michel, Chairman of the Board of Directors of Ypsomed Holding AG, is also a member of the Board of Directors of Adval Tech Holding AG, a company listed on the SWX Swiss Exchange, with headquarters in Niederwangen. In June 2007, Ypsomed AG and Adval Tech Holding AG signed an agreement on strategic cooperation in tool construction with a fixed contract term of 5 years. The objective of this cooperation is to bring together the respective strengths and core competencies of both companies and to use them for the efficient manufacturing of high-quality products.

**How the Board of Directors operates**

The Board of Directors holds regular meetings four times per year at which it accepts the management's written report and the verbal comments of the CEO, and deliberates and decides on management proposals. The auditors participate in the May meeting of the Board of Directors, at which they give information on the explanatory report and on other questions. The Board of Directors meets on one additional occasion per year for two to three days within the context of a strategy meeting with the management. Occasionally the Board of Directors additionally makes decisions by correspondence. The agendas for the meetings are set by the Chairman in agreement with the CEO; any member may ask for points to be included in the agenda. The members generally receive the agenda and the necessary basis for decision-making 10 days before each meeting. Any member of the Board of Directors may request information about any aspect of the Group's affairs. Votes and resolutions within the Board of Directors are taken by majority decision; if the vote is tied, the Chairman, or in his absence the Vice-Chairman, has the casting vote. Votes may not be taken by proxy. Meetings of the Board of Directors are regularly attended by the CEO, COO and the CFO and, depending on the business to be discussed, by other members of the management. Simon Michel, the son of Dr. h.c. Willy Michel, who is an employee (100%) of Ypsomed and is responsible for the development of the continuous injection device, also takes part in the Board of Directors' meetings with an advisory vote. Simon Michel is not member of the Board.

Given the size and composition of the Board of Directors, it may advise and decide on all matters in plenary. However, pursuant to the Organisation Policy, it may delegate some of its powers to a committee of the Board of Directors on a case by case basis. There are currently no additional permanent committees appointed. The Chairman of the Board of Directors routinely meets with the CEO several times a month, and with the CFO several times a quarter, to discuss individual business operations. In the year under review, the Board of Directors met a total of five times and passed several circular resolutions. On the occasion of the Board of Directors meeting in May 2008, the leading auditor participated in the Board of Directors meeting. The Board of Directors additionally came together in January 2008 for 2.5 days as part of the strategy meeting with executive management. All members of the Board of Directors participated in all Board of Directors meetings, in the General Meeting of Shareholders in June 2007 and in the strategy meeting in January 2008.

**Competences**

The Board of Directors has certain non-transferable and inalienable duties according to Swiss company law. It has the highest decision-making power in the company, under restriction of the matters on which shareholders must decide in accordance with the law. In particular, it defines company policy, the mission statement – consisting of a mission and a vision - and the strategic direction of the Ypsomed Group, sets its targets and priorities and allocates the resources for achieving the targets set. The Board of Directors defines the organisation of the Ypsomed Group, supervises business activities, controls the finance and accounting divisions and is responsible for appointments and dismissals as well as the supervision of the individuals entrusted with management duties. It is responsible for the annual report, approves the budget and the mid-term planning for executive management and also monitors the business activities of the Group companies. The Board of Directors approves individual business affairs that are reserved for it according to applicable competence organisation. This includes, in particular, decisions on the purchase or sale of companies and properties as well as contracts regarding strategic cooperation as well as contracts with other financial significance. For the rest, the Board of Directors has delegated responsibility for running the company to the CEO and the management.

**Instruments for information and control of management**

The Ypsomed Group's information and control instruments, which are at the disposal of the Board of Directors, comprise a written management reporting, which is produced quarterly (management review, quarterly reports), and financial reporting, the latter of which is based on group accounting in accordance with IFRS, comprising comprehensive consolidated accounts (profit & loss account, balance sheet, cash-flow account) with a budget comparison, the individual accounts of all of the Group companies, as well as consolidated profit & loss accounts and selected management statistics. Furthermore, the Board of Directors uses strategic planning documents as management instruments for steering the company. Responsibility for risk management and monitoring rests with the management, which reports on these matters periodically to the Board of Directors, at least once a year. In addition to these documents, further selected financial figures are at the management's disposal on a monthly basis. Management protocols are also at the disposal of the Chairman of the Board of Directors.

The function "Internal Auditing", for which the Board of Directors is directly responsible, is commissioned with the development and constant expansion of a documented, internal control system. The auditing plans are based on a risk-oriented procedure that relates to business processes and are geared towards the following goals and tasks: reviewing the fulfilment of business goals and objectives, assessment of the effectiveness of risk management, control and governance processes, optimisation of business processes, improvement of control and processes with regard to the information systems, verification of accounting system controls and processes, confirmation and guarantee of authorised business transactions, safeguarding of assets, support with regard to complying with legal and regulatory requirements, reviewing significant or particular business cases and transactions. The Board of Directors can determine additional auditing areas.

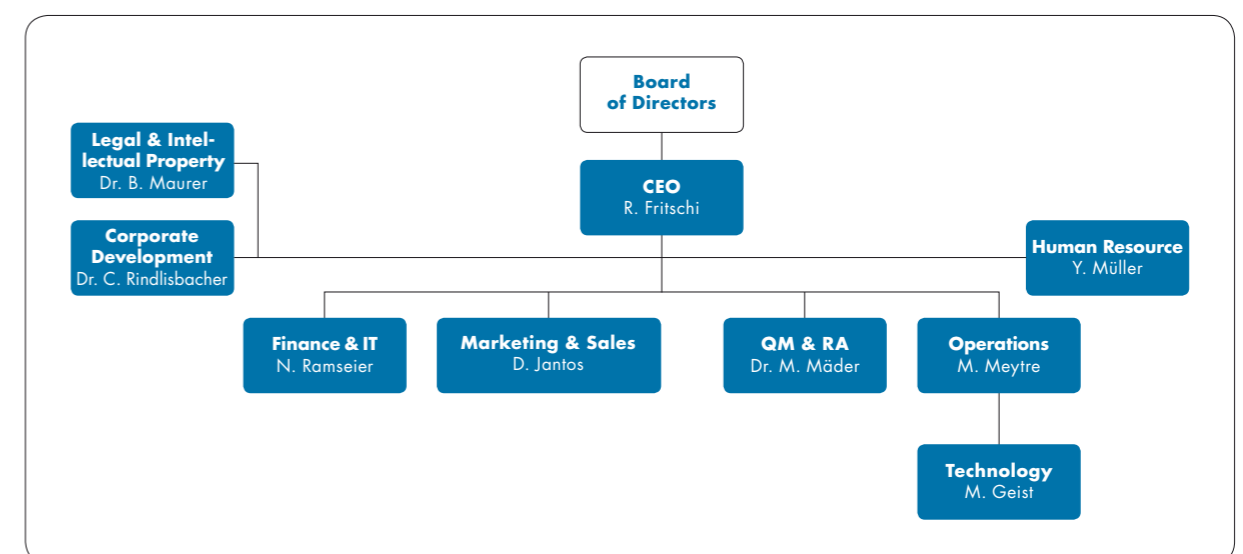


“A dedicated team with common goals.”

## Management

The CEO and management are responsible for the operative management of the Ypsomed Group within the scope of the guidelines laid down by the Board of Directors.

Name	Nationality	Year of birth	Position	Acting for Ypsomed (or pre-2003 for Disetronic)
Richard Fritschi	Swiss	1960	CEO	2006
Maurice Meytre	Swiss	1957	Chief Operating Officer (COO)	2006
Markus Geist	Swiss	1968	Senior Vice President Technology	2006
Detlef Jantos	German	1958	Senior Vice President Marketing & Sales	2000
Dr. Christoph Rindlisbacher	Swiss	1955	Senior Vice President Corporate Development	1992
Niklaus Ramseier	Swiss	1963	Chief Financial Officer (CFO)	2002
Yvonne Müller	Swiss	1969	Senior Vice President Human Resources	2003
Dr. Manfred Mäder	German	1962	Senior Vice President Quality Management & Regulatory Affairs	2007
Dr. Beat Maurer	Swiss	1958	Senior Vice President Legal & Intellectual Property, Secretary of the Board	1992





Richard Fritschi, CEO



Maurice Meytre, Chief Operating Officer (COO)



Markus Geist,  
Senior Vice President Technology



Dr. Manfred Mäder, Senior Vice President  
Quality Management & Regulatory Affairs



Dr. Christoph Rindlisbacher,  
Senior Vice President Corporate Development

**Richard Fritschi:** CEO, at Ypsomed since September 2006, previously active in the field of medical technology for several years, for example as President Europe/Australasia of Zimmer GmbH, Winterthur (from 2003 until 2005), President Europe/Asia/South America at Sulzer Orthopädie/Sulzermedica, Winterthur (from 2001 until 2003), Sales Manager of Sulzer Orthopädie/Sulzermedica, Winterthur, (from 1999 until 2001). At the beginning of his professional life he worked in the field of finance (finally as CFO of Allo Pro/Sulzer Orthopädie, Baar/Winterthur from 1991 until 1999) and he worked in England and France for a long time. Member of the Board of Directors of Vetropack AG, Bülach (since 2005), and holder of several Board of Director mandates of unlisted companies. Education: degree in Business Science/Controller SIB and Advanced Management Program „The General Manager“ at Harvard Business School.

**Maurice Meytre:** COO, at Ypsomed since November 2006, previously employed for several years in the field of medical technology, for example as Vice President Business Development Europe/Australasia Zimmer GmbH, Winterthur (from 2005 until 2006), as CEO of Zimmer France (previously Protek Synthes France) responsible for the successful implementation of numerous restructurings (from 1995 until 2004), Sales & Marketing Manager Far East Intermedics Orthopedics Inc., Austin/Tx (from 1992 until 1995), Corporate Planning Manager Sulzer AG, Winterthur (from 1989 until 1992). Education: Master of Business Administration at the university in Lausanne, degree in Electrical Engineering at ETH Zurich.

**Markus Geist:** Technology, at Ypsomed since 2006, previously responsible for research and development at RUAG Land Systems (from 2003 until 2006) and various projects and product responsibilities at MAN B&W Diesel, Augsburg (2002), and New Sulzer Diesel AG, Winterthur (now Wärtsilä Ltd, from 1991 until 2001). Education: degree in Mechanical and Process Engineering at ETH and Executive MBA HSG.

**Manfred Mäder:** Dr. rer. nat., pharmacist, Quality Management & Regulatory Affairs, at Ypsomed since 2007, previously quality assurance management at Sanofi-Aventis for Frankfurt Injectables (from 2005 until 2006). Before then, global responsibility in the quality and regulatory sphere for one of the Aventis Blockbuster products (from 2002 until 2004). Education: degree and doctorate in pharmacy at the University of Würzburg.

**Christoph Rindlisbacher:** Dr. med. vet., Corporate Development, with Ypsomed (or pre-2003 with Disetronic) since 1992 in various management positions, recently Head of Marketing & Sales (from 1999 until 2006), previously worked as a veterinary practitioner. Education: Degree and doctorate in veterinary medicine from the University of Berne.



Niklaus Ramseier, CFO



Dr. Beat Maurer,  
Senior Vice President Legal and Intellectual Property



Detlef Jantos, Senior Vice President  
Marketing & Sales



Yvonne Müller, Senior Vice President  
Human Resources

**Niklaus Ramseier:** CFO, with Ypsomed (or pre-2003 with Disetronic) since 2002, prior to that head of finance and controlling for the industrial services product line of the Von Roll Group (from 1995 until 2002) and various advisory and accounting functions within a trust and auditing company. Education: Swiss certified expert for accounting and controlling.

**Beat Maurer:** Dr. iur., attorney-at-law, Legal & Intellectual Property, Secretary to the Board of Directors, with Ypsomed (or pre-2003 with Disetronic) since 1992, prior to that tax and legal consultant with a trust and auditing company. Education: Degree in law from the University of Freiburg i.Ue., doctorate in law from the University of Berne and admitted to the bar in the Canton of Berne.

**Detlef Jantos:** Marketing & Sales (since 2006), acting for Ypsomed since 2003 (or pre-2003 with Disetronic from 2000), prior to that manager of the European distribution network (since 2003), general manager at Disetronic with responsibility for the distribution of inter alia infusion pumps and blood glucose monitoring systems (from 2000 until 2003), various positions of responsibility in the diabetes sector at Hoechst (today Sanofi-Aventis from 1979 until 1989) and setting up distribution organizations for blood glucose monitoring systems in various European countries for Inverness Medical (formerly SelfCare, from 1994 until 2000) and Abbott (formerly MediSense, from 1989 until 1994). Education: graduated as a laboratory assistant, a proven expert in the pharmaceutical business.

**Yvonne Müller:** Human Resources, with Ypsomed since 2003, prior to that responsibility for training at BEKB (from 2002 until 2003), and for human resources at X-Media and Scout24 (from 2000 until 2002) and at IKEA (from 1996 until 2000). Education: graduate human resources specialist.

## CORPORATE GOVERNANCE

### Board of Directors' Remuneration

The members of the Board of Directors draw a remuneration which is established by the complete Board of Directors. All remunerations are paid in cash. Share- or option plans do not exist. The Board of Directors' remuneration (consisting of a fixed amount, a variable amount and an attendance fee) is reviewed annually by the Board of Directors. The variable amount depends on achieved vs. budgeted targets, based on 2/3 of the consolidated EBIT margin and 1/3 of the consolidated sales. The fixed sum amounts to CHF 100 000 (prior year: CHF 80 000) for the Chairman of the Board of Directors and CHF 60 000 (prior year: 40 000) per member of the Board of Directors and the variable sum amounts to max. CHF 100 000 for the Chairman of the Board of Directors and CHF 60 000 per member of the Board of Directors. The attendance fee amounts to CHF 1 500 per meeting (prior year: CHF 1 500). For services rendered by the President of the Board of Directors, a remuneration fee of CHF 140 000 + VAT (prior year: CHF 140 000) has been paid.

The remunerations paid directly and indirectly to members of the Board of Directors for the 12-month period ending on 31 March 2008 thus amounts to in CHF:

(Gross, in thousand CHF, exclusive VAT)													
Remuneration Board of Directors	Dr. h.c. Willy Michel		Peter Kappeler		Anton Kräuliger		Prof. Dr. Dr. h.c. mult. Norbert Thom		Dr. phil. nat. Dieter Schäfer		Total		
	(Chairman)		(Member)		(Vice-Chairman)		(Member)						
	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			
<b>Total remuneration &amp; attendance fee</b>	<b>195.5</b>	90.5	<b>121.5</b>	50.5	<b>121.5</b>		<b>121.5</b>	50.5		50.5		<b>560.0</b>	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			
<b>Total remuneration Board of Directors</b>	<b>335.5</b>	230.5	<b>121.5</b>	50.5	<b>121.5</b>		<b>121.5</b>	50.5		133.0		<b>700.0</b>	464.5
Highest fee remuneration to Dr. h.c. Willy Michel													
	335.5	230.5											
Further transactions to affiliated persons of Dr. h.c. Willy Michel													
Techpharma Management AG: for loan (interest)													
	812.8	907.8											

No compensation was paid to former members of the Board of Directors.

### Management Remuneration

Remuneration for members of the management consists of the fair market established basic salary, which corresponds to the qualifications, professional experience and performance of the respective person, and a variable amount depending on the success of the company and the achievement of individual goals.

The variable salary amount for the CEO is maximal CHF 500 000 (net) and maximal 31.25% of the annual salary (gross) for the rest of the members of management. The variable salary amount depends on achieved vs. budgeted targets, based on 50% of the consolidated EBIT margin and 25% each of the consolidated sales and the achievement of individual targets. The basic salary sum is approved as a whole by the board of Directors. The individual adjustment is made at the CEO's request by the Chairman of Board of Directors. The gradation of the variable salary is adjusted annually at the CEO's request through the President of the Board of Directors and based on the budget that has been approved by the complete Board of Directors. All remunerations are paid cash. Share- or option plans do not exist.

Bimo Unternehmungen, which are affiliated to Yvonne Müller, regularly find temporary personnel for Ypsomed on a mandate basis in line with industry standards.

The remunerations paid directly and indirectly to members of the management for the 12-month period ending on 31 March 2008 thus amounts to in CHF:

(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				<b>1 148.8</b>	
Detlef Jantos & Jantos Consulting GmbH	260.9		57.1						415.8	637.2	<b>733.8</b>	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			<b>2 295.7</b>	2 680.3	
<b>Total management remuneration</b>											<b>4 178.3</b>	3 317.5	

### Management contracts

A management contract for a 50% workload has been entered into with Jantos Consulting GmbH, which is headquartered in Herrsching, Germany. Under this contract, Mr Detlef Jantos, as an employee of Jantos Consulting GmbH, manages and oversees Ypsomed Group's European distribution network. The contract can be terminated at 6 months notice. The company is paid a daily fee in line with industry standards. The performance fee is calculated based on 3/4 of the consolidated sales and consolidated profit of the European distribution companies and 1/4 of the achieving of individually agreed upon targets. The amount does not exceed an annual total of EUR 36 000. In addition, an individual work contract with a 50% workload exists between Ypsomed AG and Mr Jantos. A total of CHF 415 813 has been paid to Jantos Consulting GmbH in the year under review. The remuneration for Mr Jantos and Jantos Consulting GmbH adds up to CHF 733 798. There are no other management contracts in place.

The payment of lump sum expenses is based on the expense regulation approved by the canton of Berne; according to this, lump sum expenses only cover effective expenses and are thus not reported separately. No additional payments (such as discounts for receiving Reka checks etc.) are listed either, as long as they do not exceed a total amount of CHF 2 000 per person and year.

Neither have any severance payments been agreed with directors, nor have any long-term contracts of more than 12 months duration been signed with members of the management. In the year under review, no severance payments were made to former directors.

In the year under review a total of one person resigned from the management. During the year under review, no settlements were paid to former members of the management who had retired from the management in the previous two years (ending on 31 March 2006 and 31 March 2007) if they were no longer employed by one of the company's belonging to the Group. The salaries of directors who resigned from the management during the year under review and in the previous years but who are still employed by one of the companies belonging to the Group are not related to their previous activities as members of management.

#### Allocation of shares in the year under review

No shares were allocated in the year under review.

#### Share ownership

Non-executive members of the Board of Directors and affiliated persons held 7 941 951 shares (70.63%) on 31 March 2008. There were no options held on Ypsomed shares.

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
Techpharma Management AG, as affiliated person of Dr. h.c. Willy Michel	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
<b>Total</b>	<b>7 941 951</b>	<b>7 882 484</b>

As of 31 March 2008 executive members of the Board of Directors and members of management and persons affiliated with them held a total of 11 584 shares (0.1%). There were no options held on Ypsomed shares.

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 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
<b>Total</b>	<b>11 584</b>	<b>9 583</b>

The company issued no options on participation rights in Ypsomed Holding AG or Group companies.

## Shareholders' rights of participation

#### Voting right restrictions and representation

All shareholders who are entered in the Share Register with voting rights are entitled to vote at the General Meeting of Shareholders. Shareholders may arrange to be represented at the General Meeting of Shareholders by proxy. In exercising its voting right, no shareholder may directly or indirectly amalgamate more than 5% of all the voting rights in the form of its own shares and those it is representing. Legal entities and partnerships which are related to one another through capital ownership or voting rights or by virtue of a common management or otherwise, as well as natural persons, legal entities or partnerships that adopt a coordinated approach in order to circumvent the restrictions on voting rights will be considered as one person. However, the restriction on voting rights will not apply to the exercise of voting rights by the company representative, a depositary representative or the specially designated independent shareholder representative, nor to Dr. h.c. Willy Michel, as more than 5% of all voting rights were registered to him in the Share Register at the time the Articles of Association were drawn up (Art. 16 of the Articles of Association).

#### Quorums according to the Articles of Association

Unless otherwise stipulated by law or by the Articles of Association, the General Meeting of Shareholders will adopt resolutions and conduct votes on the basis of an absolute majority of the votes cast, excluding blank and invalid votes. The Chairman will also vote and, if the vote is tied, he will have the casting vote. The quorums laid down in the Articles of Association reflect statutory quorums.

#### Convening the General Meeting of Shareholders

The General Meeting of Shareholders will be convened by way of a letter to the shareholders who are entered in the Share Register at least 20 days prior to the meeting, as well as by publishing a notice in the Swiss Official Gazette of Commerce (SHAB).

#### Agenda items

Shareholders holding shares with a nominal value of at least CHF 1 million have the right to request that a specific matter is put on the agenda, by specifying the items of the agenda and the proposals. Such requests must be submitted in writing to the Chairman of the Board of Directors at least 45 days before the meeting.

#### Entries in the Share Register

Entries in the Share Register will be made until six days prior to the General Meeting of Shareholders.

## Change of control and blocking mechanisms

In the event of a public takeover bid, the bidder is required pursuant to Art. 32 of the Swiss Stock Exchange Act to make an offer for all of the company's listed shares as soon as it acquires shares directly, indirectly or in concert with third parties, which along with the shares already held, exceed the threshold of 49% of the voting rights of the company, whether exercisable or not (Art. 10 Articles of Association). There are no change of control clauses with members of the Board of Directors, management and/or other personnel.

## Auditors

#### Term of mandate of auditors and term of leading auditor

On 27 June 2007 the General Meeting of Shareholders of Ypsomed Holding AG selected a new auditor and group accountant, Ernst & Young AG, Berne; thus replacing PricewaterhouseCoopers AG in Berne or rather their legal predecessors, who had served as the auditor and financial controller since the founding of Ypsomed Holding AG (and previously of Disetronic Holding AG). The leading auditor has been in office at Ypsomed Holding AG since June 2007. The auditors and group accountants are each appointed for a term of one year by the General Meeting of Shareholders.

#### Auditing fees

The total auditing fees charged by the auditing company for Ypsomed Holding AG and its Group companies in the course of the year under review amount to CHF 256 000. Ypsomed Holding and its Group companies were invoiced CHF 280 354 for additional services.

#### Instruments for supervision and control of auditing

The complete Board of Directors undertakes the supervision and control of the external audit. The group accountant is in attendance during the discussion and acceptance of the consolidated and annual accounts by the Board of Directors. The group accountant compiles an explanatory report annually for the attention of the Board of Directors which report is discussed by the Board of Directors in attendance of the group accountant. Furthermore, the group accountant writes a management letter which includes comments from the management and which is presented to and discussed by the Board of Directors in attendance of the group accountant.

**Stock listing**

The registered shares of Ypsomed Holding AG are traded at the SWX Swiss Exchange and at the BX Berne eXchange.

Ticker symbols:

YPSN (Telekurs)

YPSN.S (Reuters)

YPSN SW (Bloomberg)

Securities number 1939 699

ISIN CH 001 939 699 0

**Information policy**

Ypsomed Holding AG maintains an open and transparent communication policy towards shareholders, potential investors, financial analysts, the media, and customers, based on the principle of equality. The company uses the following instruments: annual report, half-year report, presentation of the annual results to the media and financial analysts ahead of the shareholders' meeting, as well as briefing the media on important events. Responsibility for communication with investors rests with the Chairman of the Board of Directors, who may delegate this duty to the CEO.

The following banks monitor the development of the Ypsomed Group:

Bank am Bellevue, Zürich (www.bellevue.ch),  
Karin Bendler

BZ-Bank, Wilen (www.bzbank.ch),  
Patrik Jäger

CAI Cheuvreux, Zürich (www.cheuvreux.ch),  
Thomas Bernhardsgrütter

Credit Suisse, Zürich (www.csfb.com),  
Christoph Gretler

Helvea SA, Zürich (www.helvea.com)  
Daniel Jelovcan

Kepler Equities, Zürich (www.kepler-equities.com),  
Florian Gaiser

NZB Neue Zürcher Bank, Zürich (www.nzb.ch),  
Zubin Dastoor

UBS Investment Bank, Zürich (www.ubs.ch),  
Maja Stephanie Pataki

Vontobel, Zürich (www.vontobel.com),  
Christoph Gubler

Zürcher Kantonalbank, Zürich (www.zkb.ch),  
Sibylle Bischofberger Frick

Other company publications are available to download or on order from our website (www.ypsomed.com). Official announcements are published in the Swiss Official Gazette of Commerce (SHAB). Interested shareholders, financial analysts and media representatives can receive regular company publications, on request.

**Key forthcoming dates**

25 June 2008

General Meeting of Shareholders, Grenchen

6 November 2008

Press conference and presentation of the half-year figures 2008/09 to analysts

26 May 2009

Press conference and presentation of the annual results 2008/09 to analysts

1st July 2009

General Meeting of Shareholders

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**Amylin**

Hormone produced together with insulin in the pancreas. Like insulin, it is no longer produced in the case of a functional inability of the pancreas. According to latest research, amylin complements the effect of insulin in the treatment of diabetes and allows the blood sugar level to be controlled more effectively.

**Anaemia (deficiency of blood)**

Anaemia means that there is an insufficiency of red blood cells or hemoglobin, and therefore the transport capacity of the oxygen in the blood is reduced. As a consequence, an inadequate supply of oxygen is available to the body (hypoxia). The classic symptoms are loss of energy and quick fatigue, as well as pallor, tiredness, breathlessness and palpitations (heart beats irregularly or faster or more forcefully than it should, given the level of activity demanded of it). Anaemia can have a number of different causes.

**Auto-injectors**

In auto-injectors, needle insertion and injection of the drug is automatic. Auto-injectors therefore offer the advantage of a lowered injection barrier and higher safety features because the needle is hidden at all times. Auto-injectors are the device of choice for drugs in mono-dose formulation which are less frequently injected and/or do not require variable dosing. The immediate injection through application of the device on the skin also makes auto-injectors particularly appropriate for emergency drugs (migraine; anaphylactic shock).

**Biomolecule injectables**

Biomolecule injectables is a term covering biological therapeutic drugs, which are developed and manufactured using biotechnology. Such biomolecules cannot be delivered using traditional methods (e.g. orally) as they would be destroyed by the digestive tract and must use the injectable route of administration.

**Blood sugar/blood glucose**

Blood sugar means, in general, the level of glucose in the blood. Glucose is an important source of energy for the body and thus represents a significant measured value in medicine. If the blood sugar is increased over a sustained period of time (hyperglycaemia), diabetes typically exists. In intensified insulin therapy, the blood sugar or blood glucose should be measured at least four times a day in order to adjust the amount of insulin administered to actual requirements. A person's insulin requirements change over the course of the day due to the varying levels of hormones which increase blood sugar, the consumption of food, physical activity or febrile infections.

**Blood sugar monitoring/blood glucose monitoring**

Diabetics normally measure their blood sugar levels themselves using a portable blood sugar monitor. To carry out the measurement, a small blood sample must first be placed on a test strip. Through an enzymatic reaction with the test strip, the blood sugar is converted into a measurable product which is then measured on the basis of a photometric or an electrochemical process and displayed by the monitoring device. In the case of intensive insulin therapy, the measuring of the blood sugar will occur a minimum of four times daily.

**Cannula**

See pen needle.

**Cartridge**

A drug reservoir containing the drug to be administered which is used with, for example, reusable pens. Some substances need pens with two-chamber cartridges, which contain lyophilized drug and diluent that are mixed before use automatically in the pen.

**Compliance**

In medicine we talk about the compliance of the patient. This means that, in many illnesses, for healing to occur, the patient needs to have a cooperative attitude. In the medical sense, compliance can therefore be described as sticking to one's therapy, taking one's medicine as prescribed; in short, following the doctor's orders. Compliance is particularly important for diabetics with regard to taking their medicine, following a diet or making lifestyle changes.

**Diabetes mellitus**

Diabetes mellitus is a chronic metabolic disorder involving increased blood sugar levels. In people with diabetes mellitus, the blood sugar is no longer absorbed from the blood cells in the requisite quantity. As a result, there is too much glucose in the blood (hyperglycaemia/excess sugar), which is then secreted in part via the kidneys. In type-1 diabetes mellitus the body produces insufficient insulin, if any insulin at all (absolute insulin deficiency) because most or all of the insulin-producing cells in the pancreas have become damaged by a viral infection. It generally develops in persons up to 35 years old and has to be treated by regular administration of insulin. Type-1 diabetes mellitus accounts for about 10% of all cases of diabetes and, given its clear symptoms, is generally correctly diagnosed and treated. In type-2 diabetes mellitus, which is much more common, the pancreas continues to produce insulin, however the effectivity is reduced by an insulin resistance (insulin sensitivity) of the somatic cells. As a rule, this leads to an increased release of insulin (hyperinsulin anaemia) in order to compensate for the deficient insulin effectivity. Risk factors, such as being overweight or lack of exercise promote the development of type-2 diabetes, therefore it frequently has the designation as an illness of affluence. Type-2 diabetes mellitus is generally diagnosed in people who are over the age of 40 and who carry excess weight. It is initially treated by following a healthy diet and by taking more physical exercise. Tablets and insulin injections may be considered in later phases. According to estimates, about half of all people who currently have type-2 diabetes mellitus are unaware that they have it. In the case of both types of diabetes, should it not be diagnosed in a timely manner or should it be inadequately treated, this can lead to serious secondary diseases affecting the kidneys, nerves, eyes or blood vessels.

**EPO (Erythropoietin)**

Natural hormone mainly produced by the kidney which regulates the formation of red blood cells (erythrocytes) in the bone marrow.

**FDA (Food and Drug Administration)**

US health authority.

**GLP-1**

See page 19.

**Growth hormone (Somatotropin)**

One of the body's natural hormones used today primarily to treat growth disorders in young people.

**Heparin**

Medication with anti-coagulant properties. Anti-coagulant indicates that a substance delays or stops blood clotting.

**Hyperglycaemia**

Hyperglycaemia (excess sugar) is an increased blood sugar value (glucose value) with clinical values above 110 mg/dl (6 mmol/l) or above 140 mg/dl (7.7 mmol/l) two hours after eating. The cause of the hyperglycaemia is a relative or absolute insulin deficiency (diabetes). This has the effect that the glucose cannot be transported from the blood into the cells and at the same time, glucose is released from the liver, for example. The result: the blood sugar increases. The body attempts to excrete the blood sugar through the kidneys, and thereby loses fluid and reacts with strong thirst and frequent urination. Slight blood sugar increases remain unnoticed for the most part, since the first symptoms, like fatigue and lethargy, are not recognized as resulting from high blood sugar values. A complete insulin deficiency and a prolonged increase in blood sugar may lead to nausea, vomiting, a smell of acetone on the breath, the appearance of glucose and acetone in the urine and finally to a life-threatening diabetic coma. Insulin is administered and the intake of liquids is increased for the treatment of hyperglycaemia.

### Hypoglycaemia

Hypoglycaemia is low blood sugar with a blood sugar value of less than 50 mg/dl (2.8 mmol/l). Although hypoglycaemia can occur in all diabetics who are treated with sulfonylurea, glinide or insulin, it is primarily a problem in the treatment of type-1 diabetics. Low blood sugar can occur when the blood sugar reducing factors (e.g. insulin, tablet effectiveness, physical activity) outweigh the blood sugar increasing factors (e.g. food intake, sugar regeneration in the liver). The symptoms include among other things increased appetite, headaches, weakness, a loss of concentration and blurred vision. It can be treated by the immediate administration of glucose or drinking fruit juice. Severe hypoglycaemia can lead to unconsciousness and then requires immediate medical attention.

### Infertility (Follicle Stimulating Hormone [r-hFSH])

FSH is a gonadotropic hormone (a hormone secreted by the anterior pituitary gland and placenta), which stimulates growth of specific follicles in females, and activates sperm-forming cells in males. Used for treating infertility.

### Infusion systems, infusion pumps

Infusion systems or infusion pumps are small, battery-operated devices (about the size of a pager or cell phone) that can replace regular insulin injections for patients managing diabetes. They contain insulin ampoules with fast acting insulin. The insulin is delivered at regular intervals into the subcutaneous fatty tissue of the body by means of a catheter, for which the cannula is under the skin. The infusion pump allows for an almost normal blood sugar adjustment by continuously delivering small, pre-programmed doses of insulin around the clock, even while a patient sleeps. In addition, patients can deliver additional insulin doses at the touch of a button, in order to be able to cover additional insulin requirements, for example at meals. The treatment with an insulin pump requires regular blood sugar measurements, in order to be able to adjust the insulin doses, if necessary, and to be able to control the functional capability of the equipment.

### Injection

Administration of liquid medication with a syringe.

### Injection systems/injection devices

Injection systems or injection devices comprise self-injection devices, such as pens and auto-injectors, and pen needles.

### Insulin

Vital peptide hormones, which are produced by the pancreas in the beta-cells of the islets of Langerhans. The primary effect of the insulin is the fast reduction of the blood sugar concentration, in that it supports the transport of glucose from the blood plasma into the cell's interior. Insulin was first discovered in 1921 by two Canadians, Frederick Banting and Charles Best, and has since been used to treat diabetes. Today, it is mostly obtained by means of biotechnological processes and must be either injected or infused. It cannot be administered orally because the peptide hormone insulin would be destroyed by gastric acid.

### Interferon alpha

Interferons play an important role as messengers and cues for different defense mechanisms in the immune system. They are released by cells, which are afflicted with viruses. In this way, defense cells of the immune system, such as macrophages, natural killer cells and cytotoxic T lymphocytes are activated. In addition, interferons inhibit the growth and the division of healthy as well as malignant cells. Alpha interferon is used for the treatment of acute and chronic hepatitis C infections.

### Lantus®

Lantus® is a long-acting insulin analogue that is injected one to two times daily and which lowers glucose levels for up to 24 hours. Lantus is a basal insulin in that it provides for a slow and steady release of insulin.

### Monoclonal antibodies

See page 14.

### Needle-free injector/needle-free technology

These terms refer to technology that allows a medicinal product to be injected without a needle by imparting kinetic energy to the medicinal product, thereby expelling it through a fine nozzle, creating a jet stream which penetrates the skin.

### Oncology

The branch of medicine concerned with the study and treatment of cancer/tumours.

### Pen (injection pen)

Injection device which externally looks like a fountain or ballpoint pen. The prescribed dose of medication is set by adjusting a dosage knob and is injected from a cartridge through a cannula (pen needle) into the body.

### Pen needle (cannula)

A pen needle is the disposable cannula attached to the tip of the injection pen, in order to inject the drug into the body. Ypsomed's pen needles feature a click-on mechanism, which makes the pen needle easy to attach to the pen.

### Psoriasis

Psoriasis is a non-communicable autoimmune disorder that affects the skin, resulting in the presence of lesions over various areas of the body. The most common form (accounting for 80% of cases) is plaque psoriasis, characterized by red, raised skin covered with scales.

### ®/TM

The ®/TM sign, when used in this document, indicates that the relevant name is a registered trademark of the relevant pharma partner of Ypsomed or Ypsomed itself.

### Rheumatoid arthritis (RA)

Rheumatoid arthritis is a form of arthritis that leads to inflammation in the lining of the joints. It is thought to result from an autoimmune condition.

### Self-injection devices

When used in this document, self-injection devices include pens (disposable, reusable and semi-disposable pens), auto-injectors, motor-driven injection systems, safety products, and needle-free technology.

### Subcutaneous

(from Lat. sub = under, cutis = skin, abbr. s.c.)

A subcutaneous injection is an injection into the fatty tissue under the skin. By use of pens or other injection systems, drugs can, for example, be administered intramuscularly, subcutaneously or intravenously.

### Thrombosis

A vascular disease in which a blood clot (thrombus) has accumulated in a vessel. Thrombosis can develop in all vessels, but as a rule one usually refers to thrombosis of the deep leg vein. An embolism is a dangerous complication of thrombosis. In this case, the thrombosis has detached from its point of origin in the vessel and is transported (embolism) in the body through the blood flow. Should the embolism block a narrow point in the vascular system, then the tissue behind the affected location will no longer be properly supplied with blood and it will be damaged. This is called an infarction. Infarctions can damage all organs (myocardial infarction, apoplexy, pulmonary embolism).

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