



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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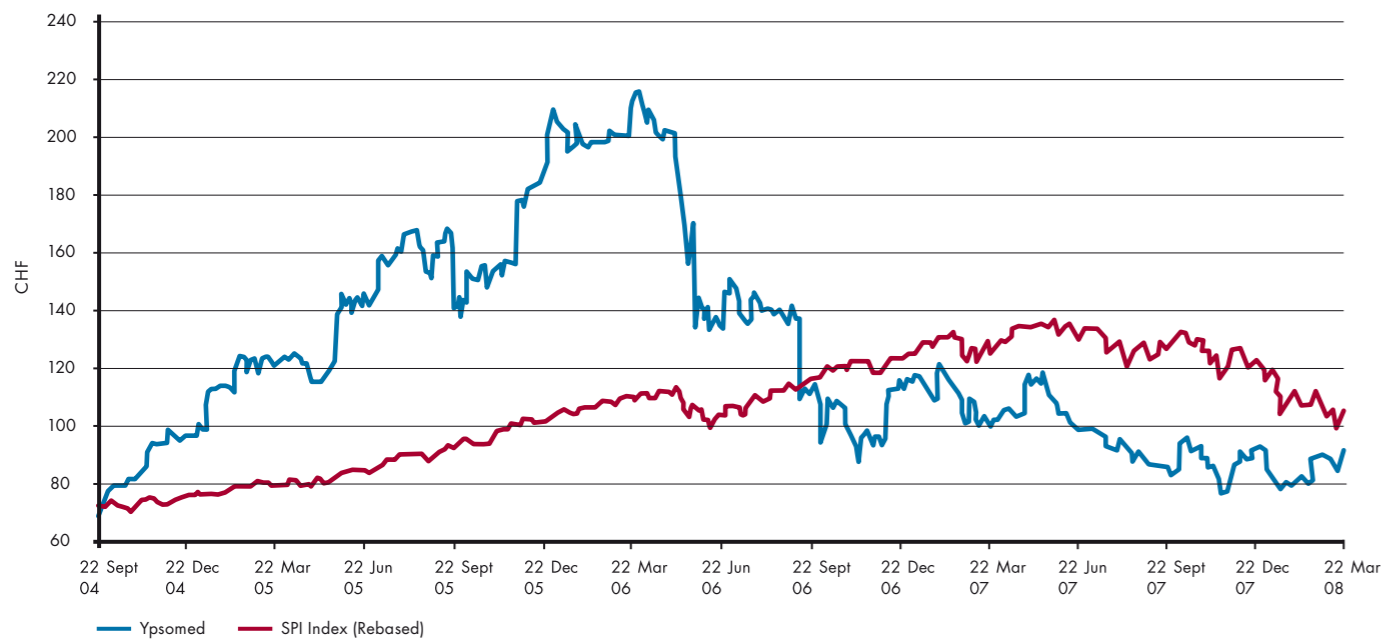
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KEY FIGURES AND SHARE PRICE DEVELOPMENT

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 consistently 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

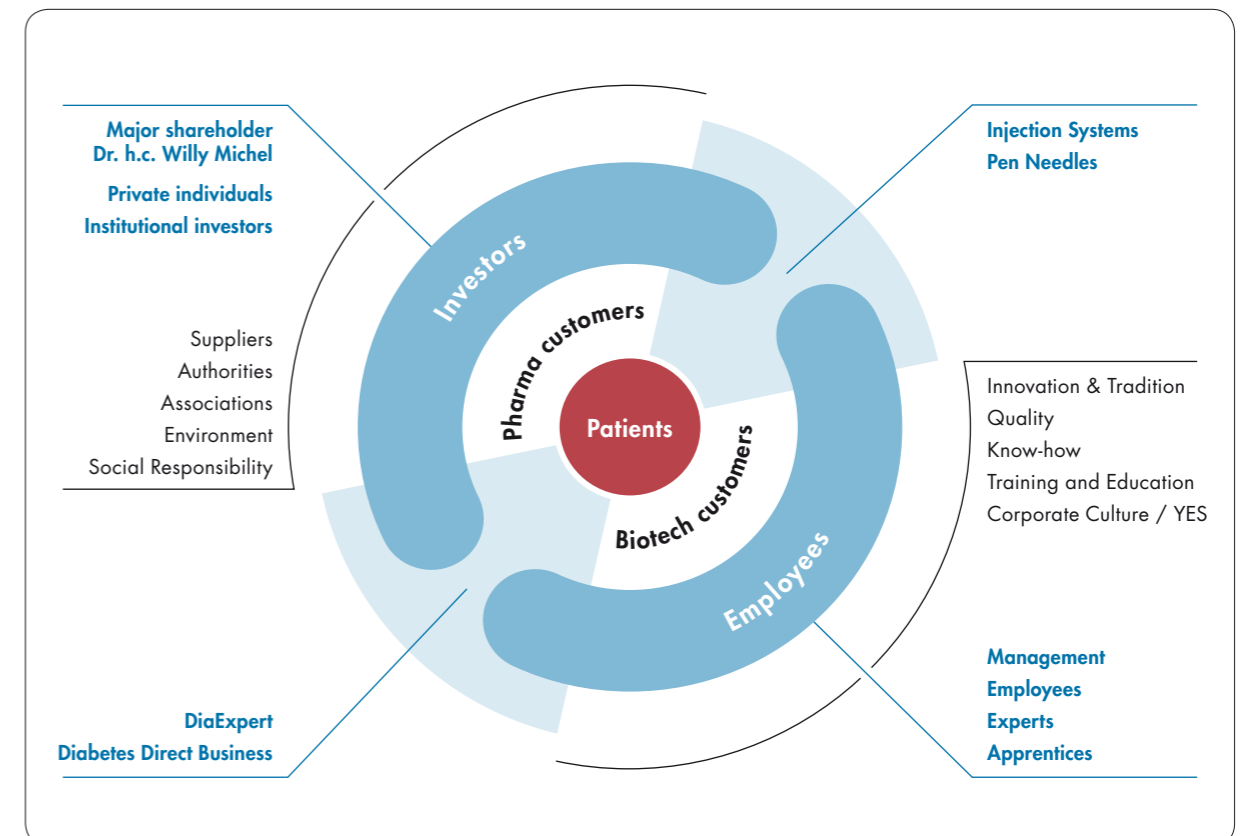
Ypsomed has reviewed its vision and mission in the course of its annual strategy meeting and reconfirmed as follows:

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.

PATIENTS – AT THE CENTER OF OUR BUSINESS

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?

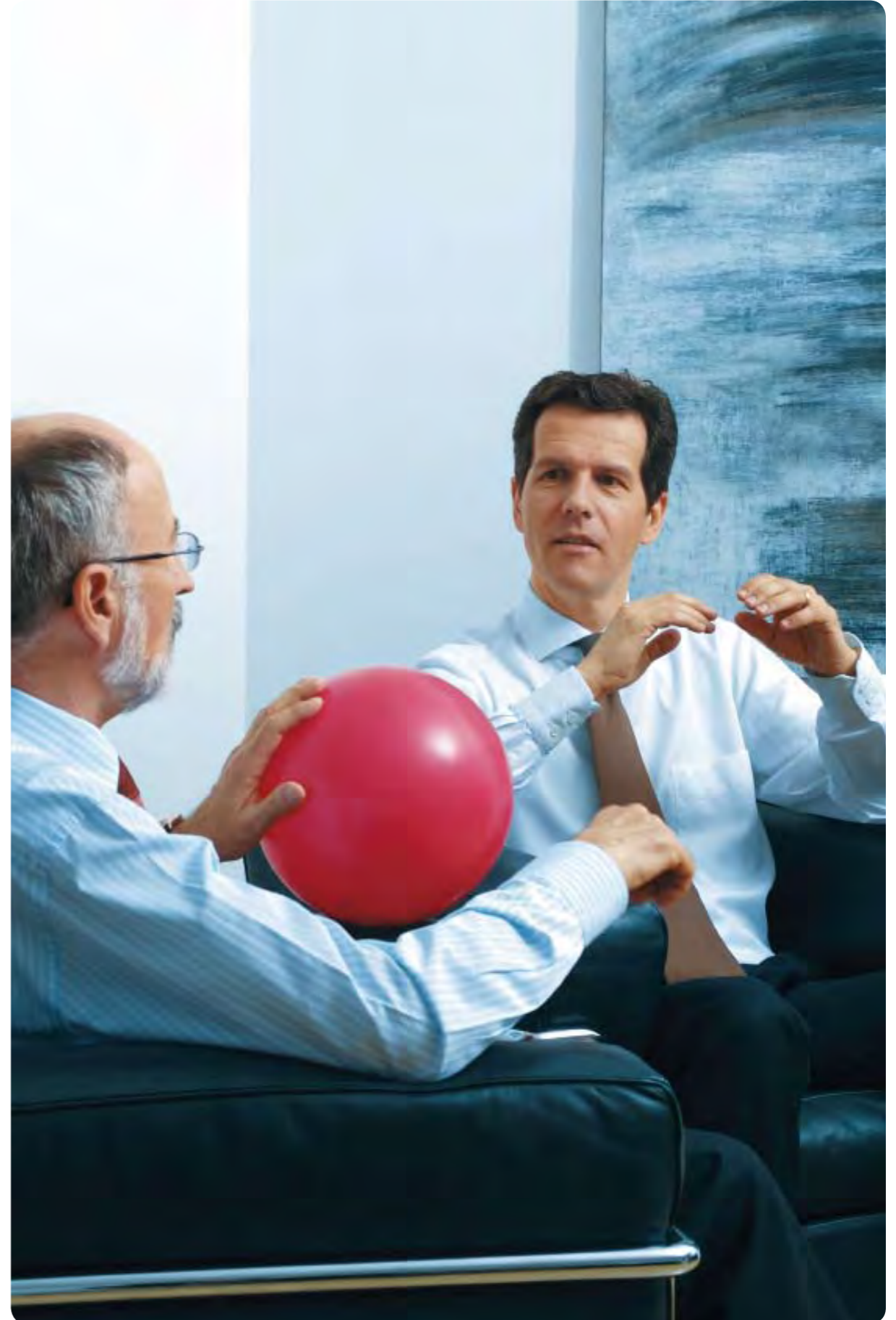
RF: The greatest potential in the long run will remain in the treatment of diabetes mellitus where, in addition to insulin, insulin analogs and incretin, such as GLP-1, will also be used for treating patients. The volume of the insulin market today is around 11 to 12 billion US dollars. Growth can be 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."





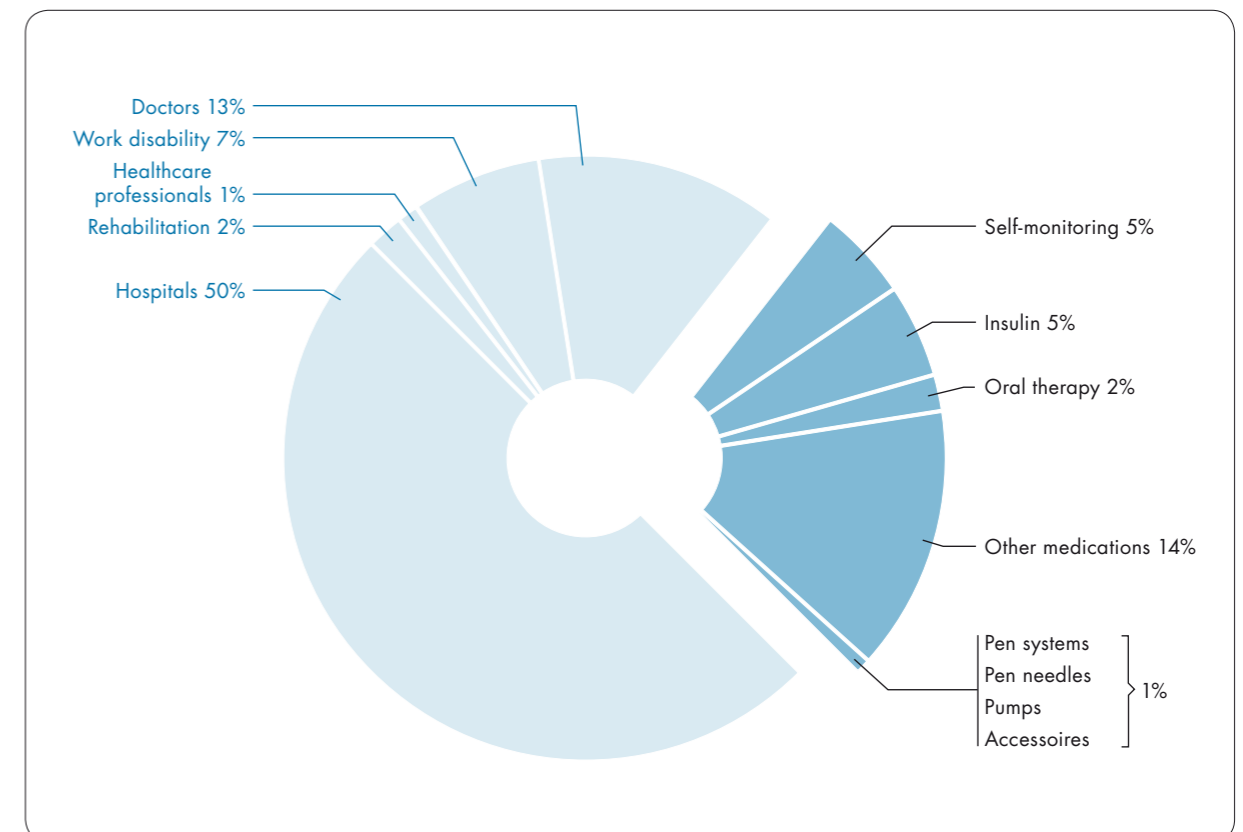
DIABETES – YPSOMED WITH COMPREHENSIVE SERVICE

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?

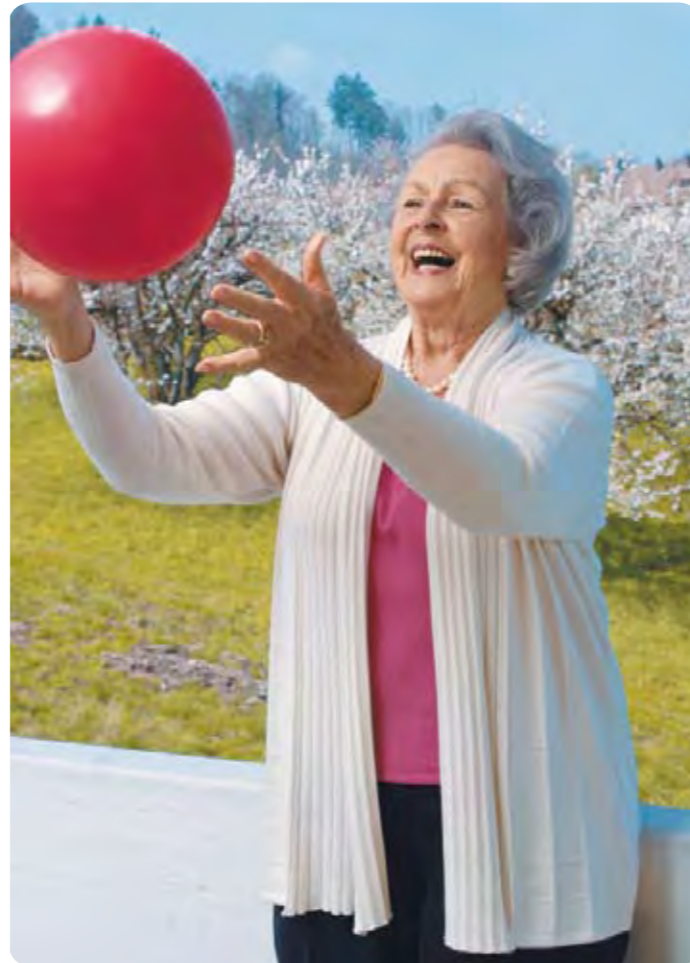
WM: In order to better control costs in the future, we must first take a closer look at hospitals and intensify activities in the field of prevention. In addition self-administration of drugs can also reduce hospital costs and other additional therapy costs. With the diabetes direct distribution, online 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.

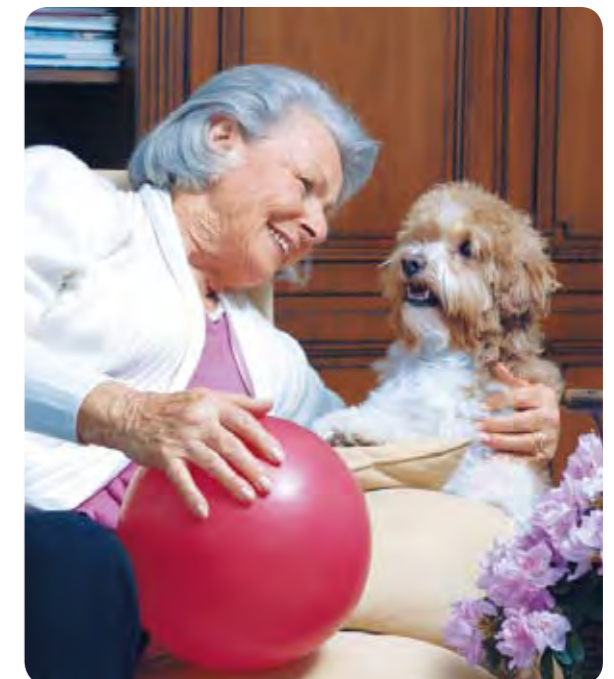
More and more the term GLP-1 is being used. Can you explain what GLP-1 is?

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, easing 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

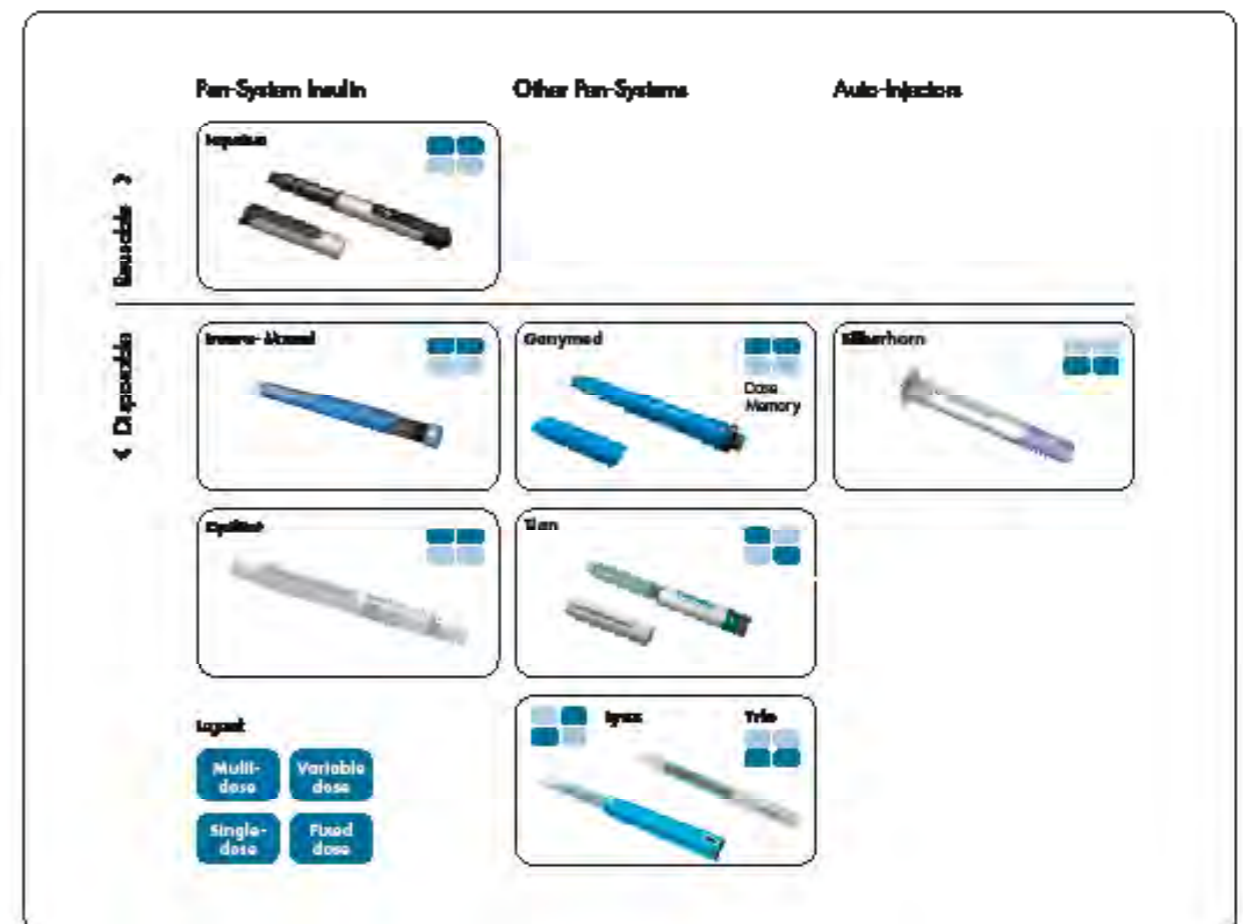
You mentioned technology platforms that Ypsomed has developed. Can you explain what this means?

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?

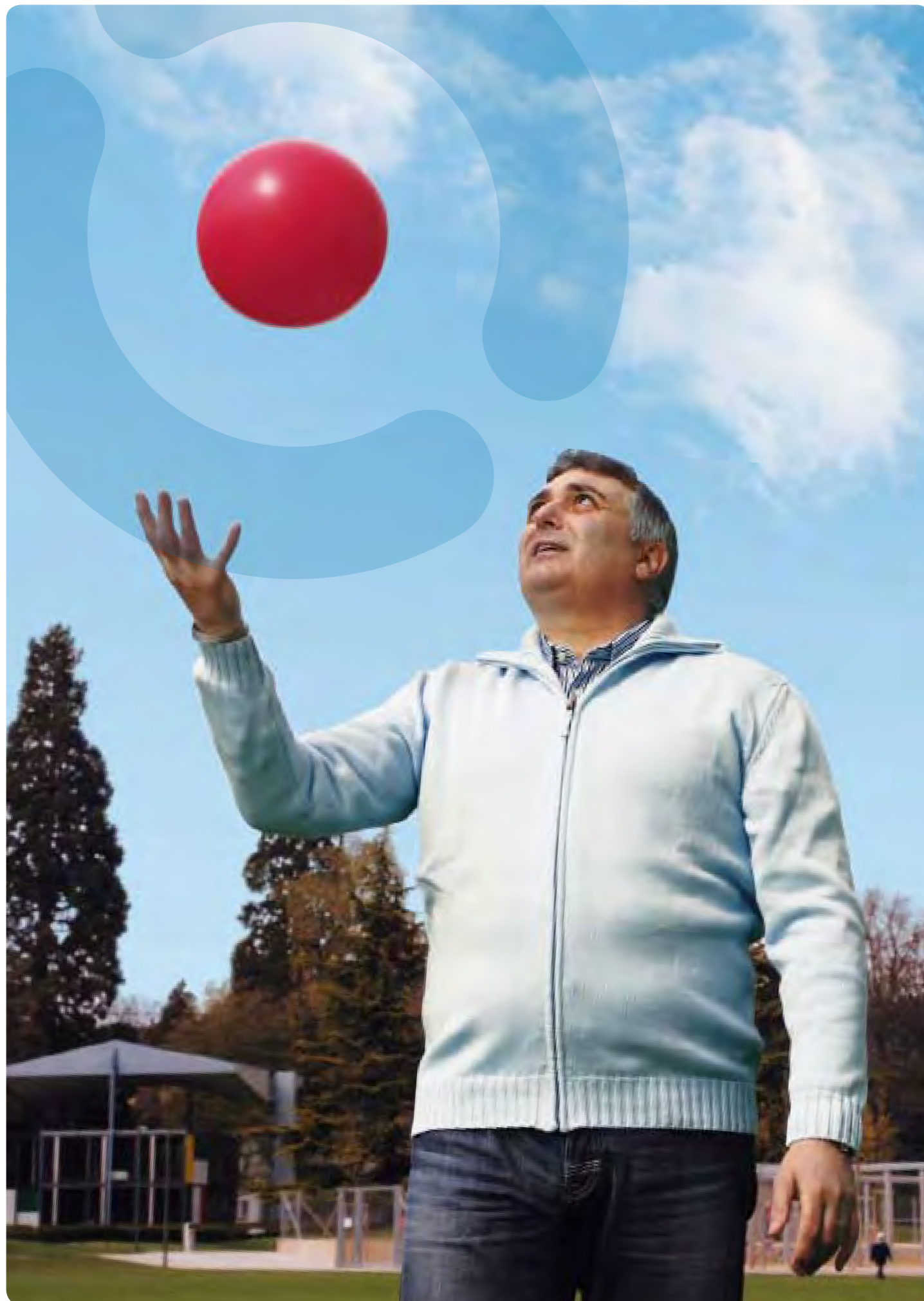
RF: In our operations division we reduced the communications and decision paths and secured a tighter cooperation with the technology division and the newly integrated customer and product management. This has also led to an efficient communication with our pharmaceutical customers and to better customer 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?

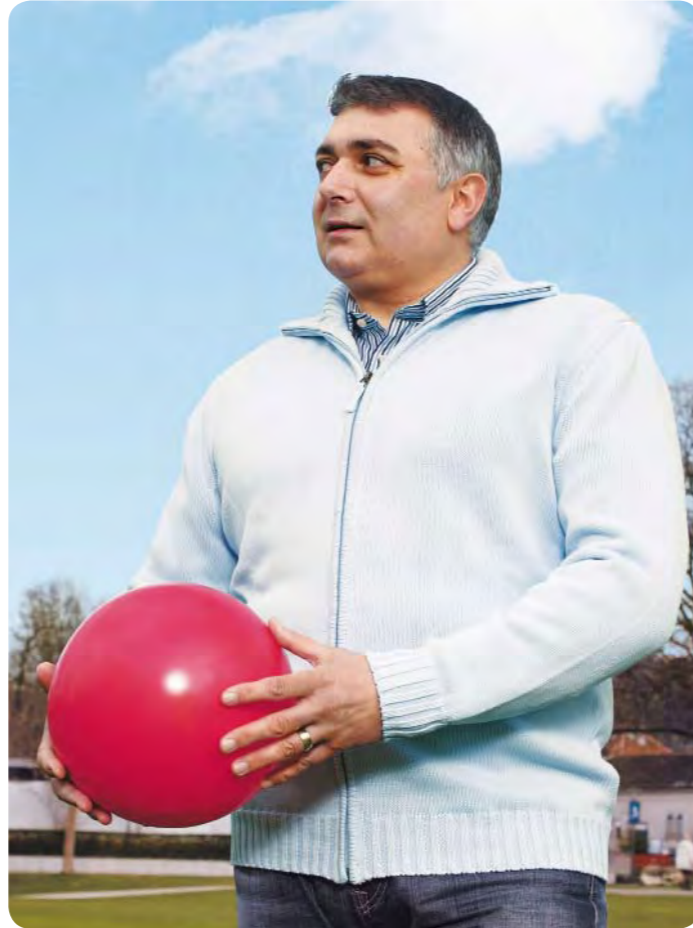
RF: The YES team was created by the Board of Directors and includes key management team members from all divisions. YES stands for "Ypsomed = Excellence x Spirit". The YES team develops initiatives to actively work on strengthening our company culture. A highlight in 2007 was the management conference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

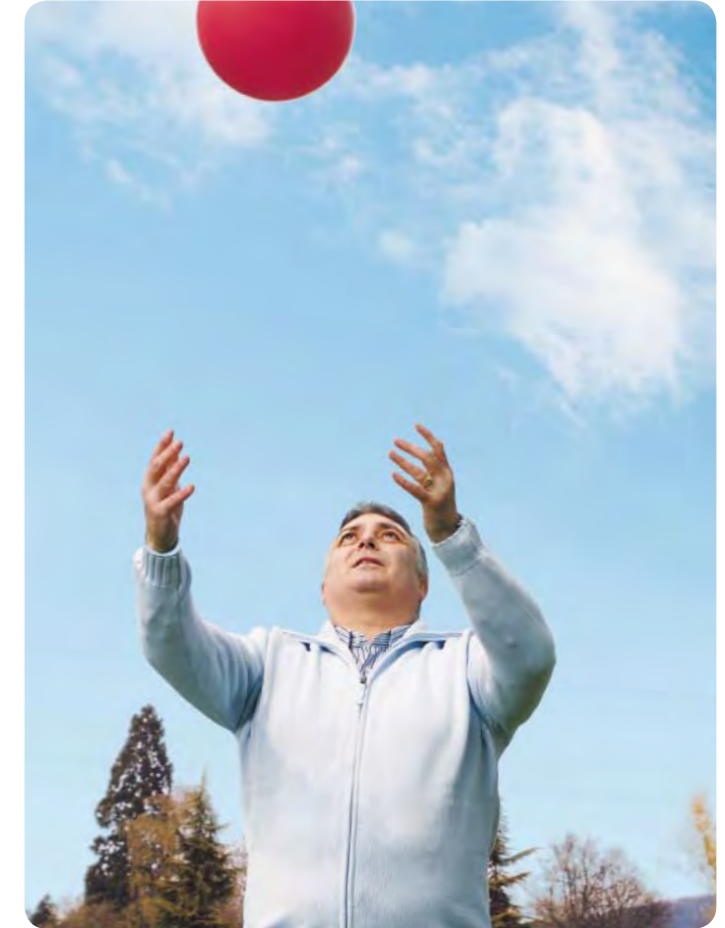


“We want to promote and further develop our own high potential employees in a targeted way. Ypsomed offers exciting leadership, project management, and technical careers.”



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), 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. 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.