



FIGURES



**IN THE BUSINESS YEAR 2005/06 YPSOMED
CAN REPORT FURTHER INCREASES IN SALES
AND PROFIT. THIS CREATES A SOLID BASIS
FOR FUTURE GROWTH.**

COMMENTS TO THE FINANCIAL STATEMENTS

Net sales April 1–March 31

in thousand CHF	2005/06	in %	2004/05	in %	Change in %
Own finished products	269 638	86.8	186 403	77.1	44.7
FreeStyle	3 487	1.1	20 656	8.5	-83.1
Other products	37 463	12.1	34 764	14.4	7.8
Total sales	310 588	100.0	241 823	100.0	28.4

Previous-year figures adjusted taking account of FreeStyle	310 588		224 880		38.1
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Ypsomed once again reports record results

In its business year 2005/06 Ypsomed has once again succeeded in significantly surpassing its previous year's results, setting new records for sales growth and at the same time substantially increasing profitability. Consolidated sales of the Ypsomed Group rose from CHF 241.8 million to CHF 310.6 million. This represents sales growth of 28.4%, a considerable advance on last year's figure of 21.7%. Operating profit rose from last year's figure of CHF 47.5 million to CHF 62.3 million. This pushed up earnings before interest and taxes (EBIT) by 40 percentage points from 19.7% to 20.1%. Consolidated net profit rose by 42% from last year's CHF 39.2 million to CHF 55.6 million. Ypsomed's capital expenditure totalled CHF 40.1 million in the 2005/06 business year.

44.7% sales growth in core business

Ypsomed's sales in its core business with its own products, which include pen systems, pen needles and goods and services sold to third parties by Ypsotec, rose from CHF 186.4 million to CHF 269.6 million in the 2005/06 business year. This sales increase of 44.7% in its core business was even higher than the already impressive figure of 42.8% reported for the previous year. Taking into account adjusted figures for FreeStyle for last year, total sales increased by 38.1%. This level of growth, which is remarkably high even for the medical device sector, is

mainly attributable to higher sales of existing pen systems, in particular of the OptiClik®, OptiSet®, and OptiPen® Pro insulin pens produced for sanofi-aventis. The strong demand for these pens results from unexpectedly high sales of Lantus, the leading long-acting insulin product marketed by sanofi-aventis. Also very gratifying for Ypsomed was the very successful launch of its semi-disposable OptiClik® pen for Lantus and the subsequent US launch of the OptiClik® pen for Apidra at the end of February 2006.

Increases in sales of the other pen systems and of pen needles were also satisfactory and in line with expectations. Listed separately for the last time in this year's figures are the sales of the blood-glucose monitoring device FreeStyle, which this year relate solely to direct business in Germany and are consequently not comparable with last year's figures. The segment "Other products" includes direct diabetes business in Germany and also medical devices and components manufactured for third parties, and yielded sales of CHF 37.5 million in the 2005/06 business year.

Low exchange risk

Ypsomed has clauses in its contracts stipulating invoicing of its pen systems in Swiss Francs. This largely eliminates the exchange risk.

Gross profit higher than at half-year mark

Gross profit rose from last year's figure of CHF 96.9 million to CHF 119.2 million and was equivalent to 38.4% of sales (previous year 40.1%). Although the gross margin was slightly down on the previous year because of extraordinary expenses, it proved possible to achieve the objective of topping the first half-year's gross profit level of 37.8% announced last November.

EBIT-margin increased to 20.1%

Ypsomed can also report an improvement in operating profit for the 2005/06 business year. An operating profit of CHF 62.3 million pushed up earnings before interest and taxes (EBIT) from 19.7% to 20.1%. Research & development expenses once again showed a sharp increase from last year's CHF 20.3 million to a total of CHF 22.8 million. As Ypsomed itself has made investments in its own development projects for technology and pen system platforms, whilst payments received for customer-specific projects have remained constant, net expenditure on research & development has risen from CHF 14.3 million to CHF 17.2 million, and consequently represents 5.5% of sales (previous year 5.9%). Marketing & sales costs at CHF 19.4 million remained constant at the previous year's level of CHF 19.1 million in absolute terms, but declined sharply as a percentage of sales from 7.9% to 6.2%. A similar trend is observed with administrative expenses. These totalled in the previous year CHF 15.9 million, down to 6.5% from last year's 6.6%.

Net profit improved by 42%

Ypsomed's earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled CHF 89.0 million, up 28.4% on last year's figure of CHF 69.4 million. Percentage EBITDA remained roughly constant at last year's level of around 28.7%. Depreciation of fixed assets went up 22% from CHF 21.0 million to 25.7 million. Capital expenditure on tangible fixed assets at CHF 40.1 million was slightly down on last year's figure of CHF 71.5 million. The main reasons for the shortfall of capital expenditure against budget were due to a shift in timing and savings on procurement. The total amount contributed by pharmaceutical companies with which we have cooperation arrangements to expenditure on production installations was around CHF 14.5 million. Tools acquired and used by Ypsomed, and also product-specific machines and equipment are in some cases resold to the relevant pharmaceutical company (at cost), but remain in Ypsomed's possession.

COMMENTS TO THE FINANCIAL STATEMENTS

The group's favourable capital structure helped to keep interest and similar charges very low during the 2005/06 business year and these were more than balanced by interest income from cash and securities to yield net interest and similar income of CHF 2.1 million. Aided by low taxes at a rate of 13.6%, the Ypsomed Group's consolidated net profit for the 2005/06 business year rose by 42% from CHF 39.2 million to CHF 55.6 million, the net percentage profit margin thereby rising from last year's 16.2% to 17.9%. Earnings per share were CHF 4.95.

Cash flow

Ypsomed realised a cash flow from business operations of CHF 57.2 million in the 2005/06 business year. The cash flow from capital expenditure and investments totalled CHF 41.3 million and was in comparison CHF 66.4 million lower than the previous year. In view of Ypsomed's solid financial situation the Board of Directors decided to reduce the loan granted to the company by Willy Michel, the major shareholder, by CHF 18.1 million to CHF 200 million.

At the beginning of September 2005 Ypsomed did a financial investment in the Precimed Group for CHF 9.1 million under the lead of BVgroup Private Equity. The Precimed Group has its registered office in Orvin in the Canton of Bern, and has subsidiaries in the USA, Great Britain, and Japan. With a global workforce of around 270, it is a recognized technological leader in the market for orthopaedic instruments and reported sales of CHF 59.0 million in 2005. Precimed specializes in the manufacture of innovative instruments for use in orthopaedic surgery on hip, knee, spine and trauma. The global orthopaedic market, in which Ypsotec is also becoming more active, is growing annually at the rate of around 15% and offers some attractive development opportunities.

Equity ratio of 60.7%

Consolidated equity capital totalled CHF 404.0 million as of 31 March 2006, which represents an equity ratio of 60.7%, up from 54.2% on the same date in the previous business year and also from the equity ratio of 57.6% as of 30 September 2005. The balance sheet total increased only slightly (1%) during the course of the business year from CHF 658.5 million at opening date to CHF 665.7 million at closing date. The Ypsomed Group's net cash stood at around CHF 65.7 million on 31 March 2006. Additionally, CHF 41.2 million were invested in conservative, low-risk securities. The value of current assets remained very stable over the 12 months to finish the year at CHF 207.3 million, although inventories rose during this period by 27.6% from CHF 34.6 million to CHF 44.1 million. Trade receivables at CHF 45.4 million were in percentage of sales lower than last year at 14.6%. Ypsomed can thus report a return on average equity (ROE) of 14.6% for the business year 2005/06.

Dividend distribution as repayment of par value

In view of the very satisfactory consolidated net profit once again achieved by the Ypsomed Group, the Board of Directors proposes to the Annual General Meeting to allocate a dividend of CHF 1.25 per share. This is equivalent to a dividend distribution ratio of 25% and lies within the range of between 15% and 30% announced at the time of the IPO. As in the previous year, the total payout of CHF 14.1 million will be executed as a tax-preferred repayment of the par value of CHF 1.25 per share.

CONSOLIDATED INCOME STATEMENT

(Audited IFRS figures) in thousand CHF	Notes	April 1 2005 –March 31 2006	in %	April 1 2004 –March 31 2005	in %
Sales of goods and services	25	310 588	100.0	241 823	100.0
Cost of goods and services sold	19	–191 375	–61.6	–144 936	–59.9
Gross profit		119 213	38.4	96 888	40.1
Research and development reimbursed		5 628	1.8	5 996	2.5
Research and development expenses		–22 834	–7.4	–20 290	–8.4
Research and development – expenses net	19	–17 206	–5.5	–14 295	–5.9
Marketing and sales expenses	19	–19 389	–6.2	–19 119	–7.9
Administration expenses	19	–20 276	–6.5	–15 926	–6.6
Operating profit		62 342	20.1	47 548	19.7
Financial income	21	4 283	1.4	2 131	0.9
Financial expense	22	–2 137	–0.7	–4 051	–1.7
Other income/(expense)	23	–56	–0.0	36	0.0
Profit before taxes		64 432	20.7	45 665	18.9
Income tax expenses	24	–8 784	–2.8	–6 470	–2.7
Net profit		55 648	17.9	39 195	16.2
Earnings per share (basic and diluted) ¹⁾	27	4.95		6.42	
Operating profit		62 342		47 548	
Amortization of intangible assets		1 016		778	
Depreciation of fixed assets		25 674		21 033	
EBITDA (earnings before interest, taxes, depreciation, amortization)		89 032	28.7	69 359	28.7

¹⁾ Calculated on a comparative basis, earnings per share in the previous year were CHF 3.49. This was calculated for 11 244 213 shares, the number of shares outstanding following the IPO of 22 September 2004.

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

CONSOLIDATED BALANCE SHEET

(Audited IFRS figures) in thousand CHF	Notes	31.03.06	in %	31.03.05	in %
Assets					
Cash and cash equivalents	3	65 668	9.9	55 985	8.5
Marketable securities	4	41 238	6.2	69 608	10.6
Trade receivables	5	45 421	6.8	39 629	6.0
Other current assets	6	10 874	1.6	7 252	1.1
Inventory	7	44 140	6.6	34 602	5.3
Total current assets		207 341	31.1	207 076	31.4
Financial assets	8	9 072	1.4	20	0.0
Deferred income tax assets	24	2 348	0.4	4 466	0.7
Other non-current assets		125	0.0	211	0.0
Fixed assets	9, 11	145 074	21.8	145 899	22.2
Intangible assets	10	301 739	45.3	300 810	45.7
Total non-current assets		458 358	68.9	451 406	68.6
Total assets		665 698	100.0	658 482	100.0
Liabilities and equity					
Trade payables	11	23 749	3.6	41 634	6.3
Current income taxes payable	24	5 704	0.9	5 389	0.8
Other payables and accrued expenses	12	18 352	2.8	18 445	2.8
Total current liabilities		47 805	7.2	65 468	9.9
Non-current financial liabilities to major shareholder	13	200 000	30.0	218 121	33.1
Provisions	14	9 768	1.5	13 869	2.1
Deferred income tax liabilities	24	4 112	0.6	3 851	0.6
Total non-current liabilities		213 880	32.1	235 842	35.8
Share capital	16	130 433	19.6	140 553	21.3
Group reserves		217 932	32.7	177 424	26.9
Net profit		55 648	8.4	39 195	6.0
Equity		404 013	60.7	357 172	54.2
Total liabilities and equity		665 698	100.0	658 482	100.0

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

CONSOLIDATED CASH FLOW STATEMENT

(Audited IFRS figures) in thousand CHF	Notes	April 1 2005 –March 31 2006	April 1 2004 –March 31 2005
Net profit		55 648	39 195
Depreciation of fixed assets	9	25 674	21 033
Amortization of intangible assets	10	1 016	778
Change in provisions, net	14	–4 101	1 313
Unrealized gains (–)/losses (+) from marketable securities	4	–1 503	441
Income tax expenses	24	8 784	6 470
Cash flow from operating activities before changes in net working capital		85 518	69 230
Increase (–)/decrease (+) in trade receivables	5	–5 792	–9 643
Increase (–)/decrease (+) in other current and non-current assets	6	–3 425	5 667
Increase (–)/decrease (+) in inventories	7	–9 538	3 101
Increase (+)/decrease (–) in trade payables	11	–3 401	24 794
Increase (+)/decrease (–) in other payables and accrued expenses	12	–93	5 954
Income tax paid	24	–6 090	–4 328
Cash flow from operating activities		57 179	94 775
Purchases of fixed assets	9	–40 110	–71 459
Disposals of fixed assets	9, 11	777	6 101
Purchases of intangible assets	10	–1 952	–1 013
Disposals of intangible assets	10	7	1
Cash flow from investing activities		–41 278	–66 370
Increase (–)/decrease (+) in marketable securities	4	29 873	–70 049
Increase (–)/decrease (+) in financial assets	8	–9 052	0
Increase (+)/decrease (–) in non-current financial liabilities to major shareholder	13	–18 121	–121 374
Increase (+)/decrease (–) in equity		–10 120	206 387
Trade in own shares		1 202	0
Cash flow from financing activities		–6 218	14 964
Total cash flow		9 683	43 369
Cash and cash equivalents as of April 1	3	55 985	12 616
Cash and cash equivalents as of March 31	3	65 668	55 985
Net increase (+)/decrease (–) in cash and cash equivalents		9 683	43 369
Interest received		735	321
Interest paid		1 066	1 152

Cash flow irrelevant transactions:

In the period under review, CHF 14.5 million of sold machinery were netted against advance payments by biotech and pharma partners. These items are not included under the changes of "trade payables" nor under "disposals of fixed assets" (see note 11). In the previous year, CHF 99.8 million of the loan from the major shareholder was netted against an equity capital increase.

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	Cumulative translation reserve	Retained earnings	Total
Balance as of April 1, 2004	250	0	0	11 590	11 840
Net profit 1.4.04–31.3.05				39 195	39 195
Capital increase	140 303	177 639			317 942
Transaction costs related to capital increase		-11 958			-11 958
Reserves from reverse merger		166			166
Currency translation differences			-13		-13
Gains and losses recognized directly in equity			-13		-13
Balance as of March 31, 2005	140 553	165 847	-13	50 785	357 172
Balance as of April 1, 2005	140 553	165 847	-13	50 785	357 172
Net profit 1.4.05–31.3.06				55 648	55 648
Par value repayment	-10 120				-10 120
Trade in own shares (net of tax)				1 202	1 202
Currency translation differences			111		111
Gains and losses recognized directly in equity			111	1 202	1 313
Balance as of March 31, 2006	130 433	165 847	98	107 635	404 013

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

CONSOLIDATED FINANCIAL STATEMENTS ACCOUNTING POLICIES

1. General information

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

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.

On 30 April 2003 Roche Holding AG purchased shares in Willy Michel's Disetronic Holding AG as part of a public take-over proposal.

Parallel to the sale of Disetronic, Willy Michel purchased Disetronic's injection business, while its firm Finox Beteiligungen AG took over all the shares of Ypsomed AG (formerly Disetronic Injection Systems AG), TecPharma Licensing AG (formerly Disetronic Services AG) and Ypsotec AG (formerly Décolletage AG). This was carried out on 30 April 2003.

Ypsomed Holding AG acquired the shares in its three direct subsidiaries Ypsomed AG, Ypsotec AG and TecPharma Licensing AG from Finox Beteiligungen AG pursuant to a share purchase agreement dated 23 March 2004. Further, the Company acquired various claims (loans) from Finox Beteiligungen AG under a loan agreement. On 28 July 2004, Finox Beteiligungen AG was merged with Ypsomed Holding AG.

In 2004, Ypsomed was listed on the SWX Swiss Exchange. Trading started on 22 September 2004.

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.

The consolidated financial statements have been approved for issue by the Board of Directors on 18 May 2006.

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.

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss.

Changes in accounting policies

In the period under review the following new and revised standards were applied:

IAS 1	Presentation of financial statements
IAS 2	Inventories
IAS 8	Accounting policies, changes in accounting estimates and errors
IAS 10	Events after the balance sheet date
IAS 16	Property, plant and equipment
IAS 17	Leases
IAS 19	Employee benefits
IAS 21	The effects of changes in foreign exchange rates
IAS 24	Related party disclosures
IAS 27	Consolidated and separate financial statements
IAS 32	Financial instruments: disclosure and presentation
IAS 33	Earnings per share
IAS 39	Financial instruments: recognition and measurement

Standards already applied since 1 April 2004:

IAS 36	Impairment of assets
IAS 38	Intangible assets
IFRS 3	Business combinations

The effects of the application of the new or revised IFRS standards are irrelevant for the Ypsomed group as a whole.

Consolidation

Subsidiaries

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

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

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

Associates

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

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

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

Foreign currency translation

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and time deposits maturing within three months.

Marketable securities

Marketable securities consist of debts, bonds, equity funds, hedge funds, options and similar investment products traded in active markets and are evaluated on the balance sheet rate of exchange. Management determines the classification of marketable securities the first time they are entered and checks the classification every effective day. Marketable securities are classified in principle as "at fair value through profit and loss". This category has two sub-categories: marketable securities that from the start were listed as held for trading and those that from the start were classified as "at fair value through profit and loss".

CONSOLIDATED FINANCIAL STATEMENTS ACCOUNTING POLICIES

Marketable securities are put in this category, if they were purchased principally with a view to quick sale or if designated by management. Derivatives also belong to this category, so long as they do not qualify as hedges. Quoted shares are calculated according to the current offer price. Exchange rate changes are counted as financial income or financial expense. All purchases and sales of financial assets are made on the trading day – the day on which the group is obliged to purchase or buy assets.

Trade receivables

The balance sheet carrying value corresponds to the nominal value less appropriate value adjustments for claims when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. An evaluation of dubious debts is made on an individual basis, if it is no longer possible to demand the full sum.

Other current assets

The balance sheet carrying value corresponds to the nominal value less appropriate value adjustments. Valuation adjustments are made when there is objective evidence that the Group will not be able to realize the recorded value of the assets.

Inventories

FIFO method is applied to inventory, which is 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 the 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 inventory with a lower net realizable value than cost. Inventory that cannot be sold is written off in full.

Financial assets

Financial assets are valued according to the type of investment, either at fair value or amortized cost.

Fixed assets

Fixed assets are valued at historical acquisition or production cost less depreciation. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

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

Long-term leasing agreements, 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 duration of the lease according to the straight-line method of depreciation.

Intangible assets

Goodwill on acquisitions

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

Other intangible assets

Patents are shown at historical cost. Patents have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives of 15–20 years. EDP 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.

Impairment of assets

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

Non current financial liabilities to shareholders

The carrying amount of shareholder loans is determined based on the nominal amount, taking into consideration interest rate, repayment terms and other relevant contractual agreements.

Provisions

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

Retirement benefits

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

In conformity with IAS 19 (revised), pension liabilities in schemes with defined benefit characteristics (Switzerland) have been presented based on the Projected Unit Credit Method. The last actuarial valuation was made by 31.03.2006.

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

Taxes

Tax provisions are made on the basis of reported profits and include taxes on capital as well as non-reclaimable withholding taxes on dividends, licenses and management fees. They are calculated in conformity with the tax laws prevailing in the individual countries.

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

Revenue recognition

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

Reimbursement for product development

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

Research & development

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

Fixed assets used for research & development are capitalized and written off over their useful lives according to the straight-line method of depreciation.

CONSOLIDATED FINANCIAL STATEMENTS ACCOUNTING POLICIES

Critical accounting estimates and assumptions

The preparation of financial statements assumes that management makes certain estimates and meets expectations 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 valuations. The most important influential factors on positions based on estimates and assumptions are expressed as follows:

Goodwill

Ypsomed tests goodwill for impairment on an annual basis. The impairment tests are based on the financial plans prepared by management. The calculated values are based primarily on future expected cash flows. A sensitivity analysis shows that a negative deviation of 10% of these expected cash flows does not result in an impairment of goodwill.

Provisions for guarantees

In setting the provisions for guarantees management considers the company's own products on the market and sets the provisions according to the lifetime and relevant characteristics of each product and the past experience of the cover necessary for any guarantee claims.

Pension obligations

The calculation of pension obligations is carried out in agreement with IAS 19 according to the Projected Unit Credit Method. The calculation takes into account various actuarial probabilities as well as expectations for future developments of capital markets and salary increases. The most important parameters are in the notes to the group accounts.

Income taxes

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

3. Financial risk management

Foreign exchange risk

The Group is exposed to the effects of fluctuations in exchange rates of foreign currencies. Foreign exchange contracts (forward transactions and option contracts) are concluded from time to time with recognized financial institutions to hedge against material exchange-rate exposure. The outstanding contracts at the end of the business year are stated at market values. Any gains or losses are reported in the income statement.

Interest rate risk

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

Credit risk

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.

Other risks

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

Legal risks

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

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

State-prescribed cost saving measures in the area of healthcare as well as the practice of health insurance schemes to reimburse the costs of Ypsomed products and the policies of authorities regarding the authorization of drugs used together with Ypsomed products are largely decisive for the success of the Ypsomed group.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

in thousand CHF, unless otherwise stated

1. Consolidation scope

	Interest held	Share capital	Research & Development	Production	Marketing & Sales	Financing & Services
Ypsomed Holding AG, CH-Burgdorf		CHF 1 30 432 871				X
Ypsomed AG, CH-Burgdorf	100%	CHF 500 000	X	X	X	X
TecPharma Licensing AG, CH-Burgdorf	100%	CHF 100 000				X
Ypsotec AG, CH-Grenchen	100%	CHF 1 000 000		X	X	
Ypsotec s.r.o., CZ-Tabor	100%	CZK 200 000		X		X
Ypsomed GmbH, DE-Sulzbach	100%	EUR 100 000			X	
DiaExpert GmbH, DE-Sulzbach	100%	EUR 50 000			X	
Feelfree GmbH, DE-Sulzbach	100%	EUR 25 000			X	
Ypsomed AB, SE-Helsingborg	100%	SEK 100 000			X	
Ypsomed S.A.S., FR-Paris	100%	EUR 50 000			X	
Ypsomed BV, NL-Vianen	100%	EUR 50 000			X	
Ypsomed Srl, IT-Verona (in liquidation)	100%	EUR 50 000			X	

In the 2005/06 business year, the newly-founded Ypsotec s.r.o., in Tabor, Czech Republic, was consolidated for the first time. Ypsotec s.r.o. is a manufacturing company and is fully owned by Ypsotec AG in Grenchen. Ypsotec s.r.o. took up operations in the 2nd half of 2005/06, supplying mainly companies within the group. Ypsomed Srl in Italy is in liquidation.

2. Foreign currencies

	Balance sheet Year-end rates		Income statement Average rates	
	31.03.06	31.03.05	2005/06	2004/05
Euro (EUR)	1.58	1.55	1.55	1.54
US Dollar (USD)	1.31	1.20	1.27	1.22
Swedish Krona (100 SEK)	16.75	16.93	16.61	16.92
Norwegian Kroner (100 NOK)	19.89	18.87	19.50	18.60
Danish Krone (100 DKK)	21.17	20.81	20.81	20.70
British Pound (GBP)	2.27	2.26	2.27	2.26
Czech Koruna (CZK)	5.53		5.28	

3. Cash and cash equivalents

	31.03.06	31.03.05
Cash	51	15
Postal accounts	628	2 348
Banks	64 989	53 622
Total	65 668	55 985

4. Marketable securities

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

Currency exposure	31.03.06	31.03.05
CHF	38 620	52 150
EUR (translated in CHF)	2 618	17 458
Total	41 238	69 608

Investment groups

Bonds	24 848	64 031
Equity funds	2 571	2 532
Hedge funds	2 785	2 493
Options	1 034	552
Other	10 000	0
Total	41 238	69 608

5. Trade receivables

	31.03.06	31.03.05
Trade receivables	45 957	40 086
Provision for bad and doubtful debts	-536	-457
Total	45 421	39 629

6. Other current assets

	31.03.06	31.03.05
Accrued income and prepaid expenses	3 680	1 705
Other receivables	7 194	5 547
Total	10 874	7 252

7. Inventory

	31.03.06	31.03.05
Raw materials and supplies	4 332	3 594
Goods in process	27 562	19 585
Finished products	15 268	15 957
Gross inventory	47 162	39 136
Valuation adjustment	-3 022	-4 534
Total	44 140	34 602

8. Financial assets

Financial assets held at fair value through profit or loss:	31.03.06	31.03.05
Investment in P Medical Holding SA, Orvin, CH	9 052	0
Investment in Cooperative Energy Burgdorf, CH	20	20
Total	9 072	20

P Medical Holding SA

BV Holding AG, with head offices in Bern, holds in its own name 12.75% of P Medical SA, but to the cost and for the benefit

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Ypsomed Holding AG. The purchase of this fiduciary title is financed by a loan of Ypsomed Holding AG to BV Holding AG of CHF 9.1 million (which under certain circumstances can be increased by a maximum of CHF 0.6 million) and can be settled by the transfer and cession of the title of P Medical Holding SA to Ypsomed Holding AG. Ypsomed Holding AG bears the economic risk of the share in P Medical Holding SA financed by this loan.

Valuation of the investment is based on the DCF method, whereby future expected cash flows are discounted on the valuation date. The cash flows are based on the financial plans prepared by the company.

9. Fixed assets

	Land and buildings	Machinery and equipment	Other fixed assets	Assets under construction	Total
Cost					
At 01.04.04	52 921	94 709	5 434	5 959	159 023
Additions	16 171	46 074	702	8 512	71 459
Disposals		-8 123	-104		-8 227
Transfers	891	2 645	100	-3 636	0
Currency translation differences	-1	-1	-2		-4
At 31.03.05	69 982	135 304	6 130	10 835	222 251
Accumulated depreciation					
At 01.04.04	-10 156	-44 424	-2 873	0	-57 453
Depreciation	-2 025	-17 853	-1 151		-21 029
Disposals		2 082	48		2 130
At 31.03.05	-12 181	-60 195	-3 976	0	-76 352
Net book value at 01.04.04	42 765	50 285	2 561	5 959	101 570
Net book value at 31.03.05	57 801	75 109	2 154	10 835	145 899
Cost					
At 01.04.05	69 982	135 304	6 130	10 835	222 251
Additions	2 150	26 858	1 749	9 422	40 179
Disposals	-230	-16 418	-384		-17 032
Transfers	64	9 339	514	-10 027	-110
Currency translation differences		25	16		41
At 31.03.06	71 966	155 108	8 025	10 230	245 329
Accumulated depreciation					
At 01.04.05	-12 181	-60 195	-3 976	0	-76 352
Depreciation	-2 152	-22 324	-1 182		-25 658
Disposals		1 435	336		1 771
Currency translation differences		-5	-11		-16
At 31.03.06	-14 333	-81 089	-4 833	0	-100 255
Net book value at 01.04.05	57 801	75 109	2 154	10 835	145 899
Net book value at 31.03.06	57 633	74 019	3 192	10 230	145 074

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 2006 amounted to CHF 369.4 million (previous year: CHF 260.2 million).

10. Intangible assets

	Goodwill	Other intangible assets	Total
Cost			
At 01.04.04	313 719	7 059	320 778
Additions		1 013	1 013
Disposals		-28	-28
Currency translation differences	-4	1	-3
At 31.03.05	313 715	8 045	321 760
Accumulated depreciation			
At 01.04.04	-14 691	-5 508	-20 199
Amortization		-777	-777
Disposals		28	28
Currency translation differences		-2	-2
At 31.03.05	-14 691	-6 259	-20 950
Net book value at 01.04.04	299 028	1 551	300 579
Net book value at 31.03.05	299 024	1 786	300 810

Cost

At 01.04.05	313 715	8 045	321 760
Additions		1 816	1 816
Disposals		-96	-96
Transfers		110	110
Currency translation differences	16	10	26
At 31.03.06	313 731	9 885	323 616

Accumulated depreciation

At 01.04.05	-14 691	-6 259	-20 950
Amortization		-1 010	-1 010
Disposals		89	89
Currency translation differences		-6	-6
At 31.03.06	-14 691	-7 186	-21 877
Net book value at 01.04.05	299 024	1 786	300 810
Net book value at 31.03.06	299 040	2 699	301 739

Impairment test for goodwill

Goodwill from acquisitions is allocated to individual identifiable units called "cash-generating units" (CGU) and subjected to annual impairment tests. The Ypsomed group consists of only one business segment – "injection systems and accessories" – which is defined as a CGU.

Impairment tests are carried out using utilization value calculations, based on strategic financial planning embracing the next 5 years. The future expected cash flows are discounted down to the cash value. The discount rate is 9% (previous year: 9%); projected sales growth is derived from experience and future growth in the diabetes market according to WHO (World Health Organization) estimates.

On the basis of these calculations there was no impairment of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Advance payments of biotech and pharma partners

Our biotech and pharma partners settle payments for selected production machinery that are tailored specifically to their products. The production machinery are transferred to the partner's property after completion and are therefore no longer considered as fixed assets. In the year under review, further advance payments of CHF 2.5 million (previous year: CHF 33.4 million) were added to the existing balance of CHF 27.1 million. In the year under review, it was possible to settle completed production machinery to the value of CHF 19.4 million (previous year: CHF 6.3 million) with existing advance payments. The amounts charged to biotech and pharma partners are included in the disposals in the fixed assets analysis. The remaining advance payments of CHF 10.2 million are included in trade payables. With the sound financial basis provided by the IPO Ypsomed is again increasing its own investments in customer specific equipments. The return on specific investments is guaranteed by minimum purchasing quantities.

12. Other payables and accrued expenses

	31.03.06	31.03.05
Accrued expenses	16 163	15 845
Other payables	2 189	2 600
Total	18 352	18 445

13. Non-current financial liabilities to major shareholder

	Interest rate	Maturity	Carrying amount	
			31.03.06	31.03.05
Loan Techpharma Management AG, Burgdorf	0.50%	31.03.10	200 000	218 121

Ypsomed Holding AG is entitled to repay the loan at any time in part or in full, full repayment is due on 31.03.2010 at the latest. As of 1 April 2005, the loan from Willy Michel has been assigned to his company Techpharma Management AG.

In the 2005/06 business year interest amounting to CHF 1.0 million (previous year: CHF 1.0 million) was paid on the loan.

14. Provisions

	Guarantees	Pensions	Restructuring	Other	Total
At 01.04.04	3 089	9 467	0	0	12 556
Additions	1 912		1 658	295	3 865
Unused amounts reversed				-939	-939
Utilization		-1 615			-1 615
Transfers		-959		959	0
Currency translation differences		-6	8		2
At 31.03.05	5 001	6 887	1 666	315	13 869
At 01.04.05	5 001	6 887	1 666	315	13 869
Additions				778	778
Unused amounts reversed		-890	-172	-315	-1 377
Utilization	-2 051		-1 451		-3 502
At 31.03.06	2 950	5 997	43	778	9 768

Guarantees

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

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

Expected cash outflows

Provisions for guarantees cover any guarantee claims that may occur for products on the market. The provisions extend for the average life of the products, which is between 1 and 4 years, depending on the product. Provisions for pension obligations are based on a valuation in accordance with IAS 19, from which no direct cash outflow arises. For the remaining provision for restructuring and other provisions in the next 1–2 years a cash outflow corresponding to the existing provisions is expected.

15. Pension obligation

Most employees are insured under various private and/or state provision schemes. The service-oriented obligations and the assets of the most important provision plans associated with them (2 provision plans of the Swiss companies in total) are evaluated on a bi-annual basis by independent insurance experts. The last actuarial valuation was dated 31.03.2006.

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

	31.03.06	31.03.05
Present value of benefit obligation	86 812	57 455
Market value of plan assets	69 231	52 029
Underfunding	17 581	5 426
Provision (note 14)	-5 997	-6 887
Unrecognized asset due to IAS 19.58	0	-14
Unrecognized actuarial (gain)/loss	11 584	-1 475

The amounts recognized in the income statement are as follows:

	2005/06	2004/05
Current service cost	6 844	4 991
Interest cost	2 572	1 799
Expected return on plan assets	-2 341	-1 679
Past service cost/plan amendments	-202	0
Net actuarial (gains)/losses recognized in year	14	0
Adjustment due to IAS 19.58	-14	14
Employee contributions	-3 490	-2 469
Expense recognized in the income statement	3 383	2 656

The actual return on plan assets was CHF 4.6 million (previous year: CHF 1.9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in liability recognized in the balance sheet:

	2005/06	2004/05
Provision as of 01.04.	6 887	9 467
Total expenses – as shown above	3 383	2 656
Employer contributions	-4 273	-5 236
Provision as per 31.03. (note 14)	5 997	6 887

The principal actuarial assumptions used are as follows:

Discount rate	3.0%	4.0%
Expected rate of return on assets	4.0%	4.5%
Expected rate of salary increase	2.5%	2.5%
Rate of pension increase	1.0%	1.0%

16. Share capital

Share capital (in thousand CHF)	2005/06	2004/05
At 01.04.	140 553	250
Capital increase/IPO		140 303
Par value repayment of CHF 0.90 per share	-10 120	
At 31.03.	130 433	140 553

Number of shares		
At 01.04.	11 244 213	2 500
Capital increase/IPO		11 241 713
At 31.03.	11 244 213	11 244 213

Ypsomed Holding AG was founded on 29 December 2003 with original share capital of CHF 250 000, consisting of 2500 shares with a nominal value of CHF 100 each. Since the initial public offer in September 2004 there are a total of 11 244 213 shares with a nominal value of CHF 12.50 each. Effective 29.08.2005 the nominal value was reduced by CHF 0.90 to CHF 11.60.

Conditional share capital (in thousand CHF)	2005/06	2004/05
At 01.04.	2 000	0
Capital increase/IPO		2 000
Par value repayment of CHF 0.90 per share	-144	
At 31.03.	1 856	2 000

Number of conditional shares		
At 01.04.	160 000	0
Capital increase/IPO		160 000
At 31.03.	160 000	160 000

17. Contingent liabilities

The Group has contingent liabilities in respect of 3rd party sureties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

Expiry schedule:	31.03.06	31.03.05
2005		109
2006		
2007		
2008		300
unlimited in time	406	402
Total	406	811

18. Commitments

	31.03.06	31.03.05
Contractual obligations from consultancy and research and development projects until 31.12.08	2 036	2 731
Contractual obligations from rental contracts with Techpharma Management AG bis 31.12.15	9 287	0
Maturity up to 1 year	953	0
Maturity longer than 1 year and up to 5 years	3 810	0
Maturity longer than 5 years	4 524	0

The rental contract (see note 26) between Ypsomed AG and Techpharma Management AG, a company controlled by Willy Michel, was signed at arm-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.

Contractual obligations for the purchase of fixed assets as at 31.03.2006 amount to CHF 5.4 million (previous year: CHF 3.7 million).

19. Operating expenses

	2005/06		2004/05	
Cost of goods and services sold	191 375	77.1%	144 936	74.6%
Research and development expenses	17 206	6.9%	14 295	7.4%
Marketing and sales expenses	19 389	7.8%	19 119	9.8%
Administration expenses	20 276	8.2%	15 926	8.2%
Total	248 246	100.0%	194 276	100.0%
Cost of materials	79 340	32.0%	66 994	34.5%
Personnel expenses	94 885	38.2%	70 903	36.5%
Depreciation/amortization	26 690	10.8%	21 811	11.2%
Other operating expenses	47 331	19.1%	34 568	17.8%
Total	248 246	100.0%	194 276	100.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Distribution of staff by country and function

Personnel at 31 March (full-time equivalents)	Production & Logistics	R&D	Marketing & Sales	Admin- istration	Total 31.03.06	Total 31.03.05
Switzerland	783	84	28	105	999	786
Germany	14		47	10	71	81
Netherlands			3	1	3	5
France			3	1	4	15
Scandinavia			7	1	8	8
Czech Republic	5			1	6	0
Total	802	84	88	118	1 090	894
Headcount					1 139	933

21. Financial income

	2005/06	2004/05
Interest income	735	321
Gains from securities	2 817	683
Foreign exchange gains	730	890
Other financial income	1	237
Total	4 283	2 131

22. Financial expense

	2005/06	2004/05
Interest expense	1 066	1 152
Losses from securities	508	728
Foreign exchange losses	445	2 063
Other financial expense	118	108
Total	2 137	4 051

23. Other income/(expense)

	2005/06	2004/05
Real estate income (rental income)	309	338
Real estate expense	-243	-292
Other non-operating expense	-122	-10
Total	-56	36

24. Taxes

	2005/06	2004/05
Income taxes	6 389	5 799
Deferred taxes	2 395	671
Total	8 784	6 470

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 tax	64 432	45 665
Tax calculated at a tax rate of 22% (expected)	14 175	10 046
Effect of reduced tax rates	-7 066	-4 442
Effect from realisation and resolution of tax-loss carryforwards	1 189	0
Effect from non-activated loss carryforwards	486	866
Total income tax	8 784	6 470

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

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

	31.03.06	31.03.05
Current income taxes:		
Income taxes payable	-5 704	-5 389
Net current income taxes	-5 704	-5 389
Deferred income taxes:		
Deferred income tax assets	2 348	4 466
Deferred income tax liabilities	-4 112	-3 851
Net deferred income taxes	-1 764	615

The amounts for deferred income taxes stated in the consolidated balance sheet are reported under long-term assets and long-term liabilities.

Under deferred tax assets, tax-loss carryforwards are only taken into account if the associated tax credits can be realized. As per the balance sheet date the company has unrecognized tax-loss carryforwards of CHF 3.1 million (previous year: CHF 1.3 million), which can be offset without limit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	31.03.06	31.03.05
Deferred income tax assets:		
Tax-losses carried forward	1 982	4 120
Impact from intercompany profits	366	346
Total	2 348	4 466
Deferred income tax liabilities:		
Trade receivables	238	254
Inventory	1 216	1 017
Long-term assets	-169	0
Provisions	151	-72
Tax valuation differences	1 436	1 199
Fixed assets	1 898	2 333
Intangible assets	778	319
Accelerated tax depreciation	2 676	2 652
Total	4 112	3 851

25. Segment information

The primary reporting format is by business segments and the secondary reporting format by geographical area because the group is affected predominantly by its products and services. The Ypsomed Group has one business segment "injection systems and accessories". The disclosures below represent the secondary reporting segment.

Breakdown by geographical location:

	Sales		Assets		Net capital expenditure	
	2005/06	2004/05	31.03.06	31.03.05	2005/06	2004/05
Switzerland	20 352	19 705	646 501	639 092	26 050	66 078
Europe excl. Switzerland	282 536	218 944	19 197	19 390	744	288
North America	7 591	2 985	0	0	0	0
Rest of world	109	189	0	0	0	0
Total	310 588	241 823	665 698	658 482	26 794	66 366

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

26. Transactions with related parties

Related parties are Techpharma Management AG, which is controlled by majority shareholder Willy Michel, and the pension fund. In the year under review the following transactions were made with members of the Board of Directors, management and parties related with them:

	2005/06	2004/05
Board of Directors	575	565
Management	2 398	2 264
Former members of the management	201	322
Techpharma Management AG (Interest according to note 13)	1 038	1 005
Techpharma Management AG (Rent according to note 18)	238	0
Pension fund (employer's contributions)	3 810	4 279
Total	8 260	8 435

In the previous year, the transactions with the pension fund contained a one-off contribution of CHF 1.6 million from the employer.

Since 1 January 2006, Ypsomed AG has rented business premises from Techpharma Management AG, which belongs to majority shareholder Willy Michel. The rental contract was signed at arm-length (see note 18) and can be terminated at the earliest and with 24 months notice as from 31 December 2015. The tenant has unlimited first right of refusal for the whole rental period, to a maximum of 25 years. Rental payments had not commenced in the year under review. Ypsomed AG reported accrued expenses amounting to CHF 0.2 million.

27. Earnings per share

Earnings per share is calculated by dividing net profit through the weighted monthly number of shares outstanding during the period. The average number of shares held by the group's companies is deducted from the number of shares issued.

	2005/06	2004/05
Net profit in thousand CHF	55 648	39 195
Number of outstanding shares weighted on a monthly basis	11 238 259	6 105 865
Earnings per share in CHF (basic and diluted)	4.95	6.42

Calculated on a comparative basis, earnings per share in the previous year was CHF 3.49. This was calculated for 11 244 213 shares, the number of shares outstanding following the IPO of 22 September 2004.



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

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes; pages 34 to 55) of Ypsomed Holding AG for the year ended March 31, 2006.

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

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

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

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

PricewaterhouseCoopers AG

Hanspeter Gerber

Rolf Johner

Bern, May 2, 2006

FIVE-YEAR OVERVIEW April 1–March 31

in thousand CHF	2005/06	2004/05	2003/04	2002/03	2001/02
Own finished products ¹⁾	269 638	186 403	130 573	90 773	73 014
FreeStyle	3 487	20 656	46 324	36 201	17 432
Other products ²⁾	37 463	34 764	21 837	10 213	10 168
Total Sales	310 588	241 823	198 734	137 187	100 614
Gross profit	119 213	96 888	75 857	42 270	25 659
Gross profit in %	38.4%	40.1%	38.2%	30.8%	25.5%
Operating profit	62 342	47 548	18 442	14 204	6 689
Operating profit in %	20.1%	19.7%	9.3%	10.4%	6.6%
Net profit	55 648	39 195	14 044	12 061	5 776
Net profit in %	17.9%	16.2%	7.1%	8.8%	5.7%
Depreciation of fixed assets	25 674	21 033	15 747	12 913	11 485
Amortization	1 016	778	15 376	531	488
EBITDA ³⁾	89 032	69 359	49 564	27 648	18 662
EBITDA in %	28.7%	28.7%	24.9%	20.2%	18.5%
Total current assets	207 341	207 076	93 313	61 078	44 790
Total non-current assets	458 358	451 406	407 470	81 884	72 327
Total current liabilities	47 805	65 468	33 254	23 229	16 517
Total non-current liabilities	213 880	235 842	455 689	8 050	5 022
Balance sheet total	665 698	658 482	500 783	142 962	117 117
Capital expenditures	-40 110	-71 459	-37 960	-22 330	-18 219
Cash flow from operating activities	57 179	94 775	33 540	20 398	6 496
Cash flow from investing activities	-41 278	-66 370	-39 676	-22 481	-18 468
Cash flow from financing activities	-6 218	14 964	14 859	4 044	12 864
Issued shares as of March 31	11 244 213	11 244 213			
Average shares outstanding	11 238 259	6 105 865			
Earnings per share (basic and diluted) in CHF ⁴⁾	4.95	3.49	1.25	1.07	0.51
Dividend per share (in CHF) ⁵⁾	0.00	0.00	n/a	n/a	n/a
Par value repayment per share (in CHF)	1.25	0.90	n/a	n/a	n/a
Book value per issued share (in CHF)	35.93	31.76			
Stock prices (in CHF): year's highest	221.80	126.50	n/a	n/a	n/a
Stock prices (in CHF): year's lowest	109.00	70.65	n/a	n/a	n/a
Stock prices (in CHF): year-end	218.20	124.00	n/a	n/a	n/a
Market capitalization (in million CHF)	2 453	1 394	n/a	n/a	n/a
Average headcount	1 052	891	761	535	420
Average fulltime equivalent	1 009	845	722	508	399
Year-end headcount	1 139	933	797	560	440
Year-end fulltime equivalent	1 090	894	764	537	422
Sales per average fulltime equivalent	307 818	286 037	275 130	270 208	252 177

¹⁾ Sales of injection moulding products for 3rd parties included in "Other products"

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

³⁾ Operating profit before interest, taxes, depreciation and amortization

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

⁵⁾ The Board of Directors will recommend to the 2006 General Meeting of Shareholders that, instead of a dividend payment, the nominal value of the Ypsomed share be reduced by CHF 1.25 and this amount be repaid to shareholders.

BALANCE SHEET YPSOMED HOLDING AG

INDIVIDUAL FINANCIAL STATEMENTS

in thousand CHF	31.03.06	31.03.05
Assets		
Cash and cash equivalents	58 049	40 288
Marketable securities	41 238	69 608
Accrual of dividends from Group companies	14 400	21 200
Accrued income and prepaid expenses	65	63
Other current assets	350	218
Total current assets	114 101	131 377
Loans to Group companies	111 307	107 266
Investments	308 538	315 468
Intangible assets	8 170	10 562
Total non-current assets	428 015	433 296
Total assets	542 116	564 673
Liabilities and equity		
Trade payables	45	221
Accrued expenses and deferred income	791	824
Current income taxes payable	436	45
Current payables to Group companies	13 422	9 182
Other current liabilities	74	0
Total current liabilities	14 768	10 272
Non-current financial liabilities to major shareholder	200 000	218 121
Total non-current liabilities	200 000	218 121
Share capital	130 433	140 553
Reserves	177 539	177 538
Retained earnings	18 189	17 363
Net profit	1 187	826
Equity	327 348	336 280
Total liabilities and equity	542 116	564 673

INCOME STATEMENT YPSOMED HOLDING AG

INDIVIDUAL FINANCIAL STATEMENTS

in thousand CHF	2005/06	2004/05
Income		
Financial income	23 482	27 560
Total income	23 482	27 560
Expense		
Amortization and depreciation	18 373	23 181
Financial expenses	1 845	2 049
Administration expenses	1 461	1 458
Income taxes	615	46
Total Expense	22 295	26 734
Net profit	1 187	826

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS

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

in thousand CHF	31.03.06	31.03.05
Retained earnings	18 189	11 047
Retained earnings Finox Beteiligungen AG	0	6 316
Net profit for business year	1 187	826
Retained earnings at disposal of the General Meeting	19 376	18 189
Allocation to free reserves	0	0
Dividends ¹⁾	0	0
To be carried forward	19 376	18 189

¹⁾ The Board of Directors will recommend to the General Meeting of Shareholders that, instead of a dividend payment, the nominal value of the Ypsomed share be reduced by CHF 1.25 (previous year: CHF 0.90) and this amount be repaid to shareholders.

NOTES TO THE FINANCIAL STATEMENTS 2005/06 OF YPSOMED HOLDING AG

Income

Financial income mainly consists of dividends and interest income.

Assets

Dividends of CHF 14 400 000 (previous year: CHF 21 200 000) of the fully consolidated subsidiaries of Ypsomed Holding AG were prematurely posted to the income statement.

Share capital

The share capital of CHF 130 432 871 (previous year: CHF 140 552 663) consists of 11 244 213 (previous year: 11 244 213) registered shares with a nominal value of CHF 11.60 (previous year: CHF 12.50) each.

Conditional share capital

The company has a conditional share capital totalling of CHF 1.9 million (previous year: CHF 2.0 million). The company may issue a maximum of 160 000 (previous year: 160 000) fully paid up registered shares of nominal value CHF 11.60 (previous year: CHF 12.50) each to selected employees and members of the Board of Directors.

Important shareholders

	31.03.06		31.03.05	
	Registered shares	Capital- and vote share	Registered shares	Capital- and vote share
Willy Michel	7 700 330	68.5%	8 000 000	71.1%

Investments

in CHF	31.03.06		31.03.05	
	Interest held	Share capital	Interest held	Share capital
Ypsomed AG, CH-Burgdorf	100.0%	500 000	100.0%	500 000
Ypsotec AG, CH-Grenchen	100.0%	1 000 000	100.0%	1 000 000
TecPharma Licensing AG, CH-Burgdorf	100.0%	100 000	100.0%	100 000
P Medical Holding SA, CH-Orvin	12.75%	863 017		

P Medical Holding SA

BV Holding AG, with head office in Bern, holds in its own name 12.75% of P Medical SA, but to the cost and for the benefit of Ypsomed Holding AG. The purchase of this fiduciary title is financed by a loan of Ypsomed Holding AG to BV Holding AG of CHF 9.1 million (which under certain circumstances can be increased by a maximum of CHF 0.6 million) and can be settled by the transfer and cession of the title of P Medical Holding SA to Ypsomed Holding AG. Ypsomed Holding AG bears the economic risk of the share in P Medical Holding SA financed by this loan.

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

	31.03.06	31.03.05
Credit Suisse, CH-Zurich		
Guarantee in the context of credit business for Ypsomed AG	15 000 000	15 000 000

REPORT OF THE STATUTORY AUDITORS



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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes; pages 58 to 60) of Ypsomed Holding AG for the year ended March 31, 2006.

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

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

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

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

PricewaterhouseCoopers AG

Handwritten signature of Hanspeter Gerber in blue ink.

Hanspeter Gerber

Handwritten signature of Rolf Johner in blue ink.

Rolf Johner

Berne, May 2, 2006