

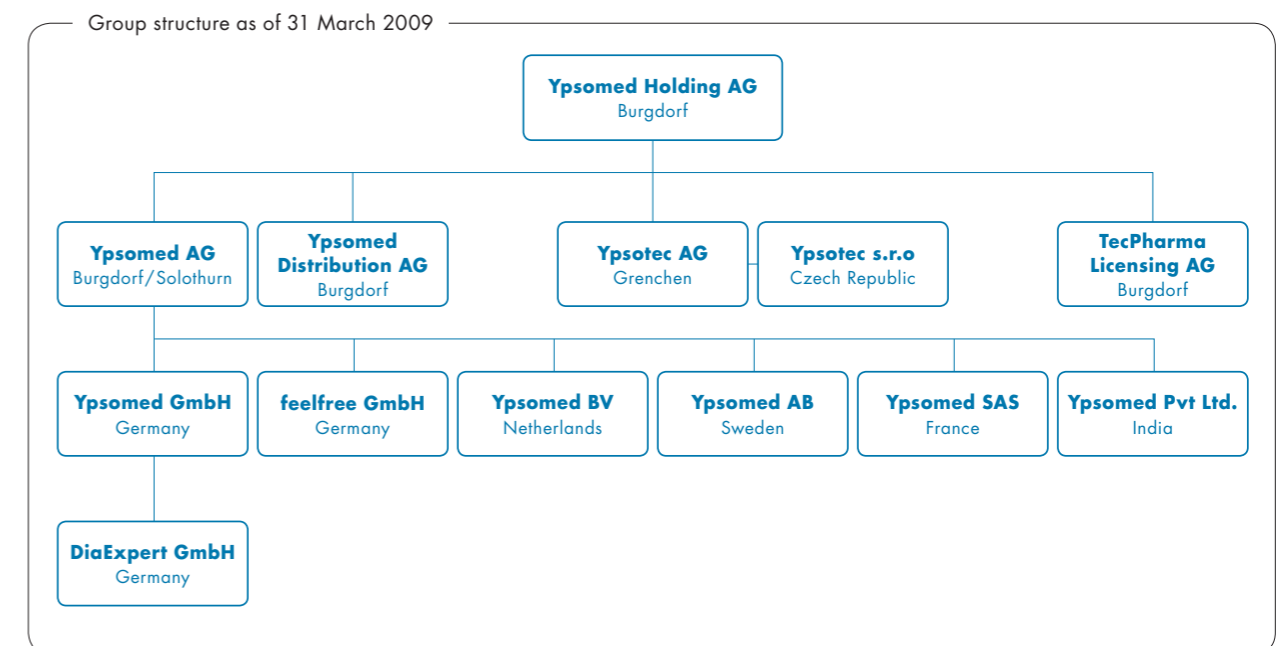


CORPORATE GOVERNANCE

This Corporate Governance report describes the management and control principles at the highest corporate level of Ypsomed Holding AG and its subsidiaries according to the directive of the SIX Swiss Exchange concerning information on corporate governance.

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

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



Group structure

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

History of Ypsomed's development

Ypsomed was formed from what was previously Disetronic, which was founded in 1984 and which developed and produced infusion systems and also, starting in 1986, injection systems. On April 30, 2003, Roche Holding AG acquired the infusion business of Disetronic through a public tender offer. Dr. h. c. Willy Michel continued the injection business under the Ypsomed trade name.

Listed holding company

Ypsomed Holding AG, which has its headquarters in Burgdorf, is the holding company of the Ypsomed Group. It has a share capital of CHF 109 631 076.75, divided into 11 244 213 registered shares with a par value of CHF 9.75 each. Shares in Ypsomed Holding AG have been traded on the principal market of the SIX Swiss Exchange since September 22, 2004, and since June 27, 2007, on the BX Bern eXchange, under Security Number 1939699 and the symbol YPSN.

| | as of 31 March 2009 | as of 31 March 2008 |
|------------------------------|---------------------|---------------------|
| Market capitalisation in CHF | 864 679 980 | 1 034 467 956 |
| In % of equity | 197.9* | 247.7* |
| Share price in CHF | 76.9 | 92.0 |
| Price-earnings ratio | 33** | 38.8** |

* Equity on 31 March 2008: CHF 417 579 124
Equity on 31 March 2009: CHF 437 032 278

** Profit per share 31 March 2008: CHF 2.37
Profit per share 31 March 2009: CHF 2.33

Operating organization

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

The corporate structure of Ypsomed Holding AG on March 31 2009, is illustrated on page 83

Shareholder structure**Registered shareholders**

There were 6 379 shareholders registered in the Share Register on March 31, 2009 (prior year: 6 820 shareholders). Of these shareholders, 96% report Switzerland as their place of residence. The distribution of shareholdings is as follows:

| Number of shares | Number of shareholders as of 31 March 2009 | Number of shareholders as of 31 March 2008 |
|-------------------|--|--|
| 1 to 100 | 3 962 | 4 243 |
| 101 to 1000 | 2 252 | 2 404 |
| 1001 to 10 000 | 145 | 156 |
| 10 001 to 100 000 | 16 | 15 |
| more than 100 000 | 4 | 2 |

On 31 March 2009 the shareholder body was constituted as follows:

| Shareholder structure according to investor category (number of shares) | 31 March 2009 | 31 March 2008 |
|---|---------------|---------------|
| Dr. h. c. Willy Michel including affiliated persons | 71.0% | 70.6% |
| Natural persons | 10.2% | 10.9% |
| Banks | 1.1% | 0.9% |
| Funds, foundations, pension funds, insurances, public corporations and other legal entities | 7.4% | 4.4% |
| Not registered in Share Register | 10.3% | 13.2% |

Significant shareholder

The significant shareholder is Dr. h. c. Willy Michel, Chairman of the Board of Directors of Ypsomed Holding AG, who held 7 730 330 registered shares on March 31, 2009 (prior year: 7 700 330 shares). Dr. h. c. Willy Michel and affiliated persons together hold a total of 7 980 871 (71.0%) of the shares (prior year: 7 941 251 shares, making up 70.6%) in the company. There are no shareholder agreements or other agreements between shareholders.

Cross participations

There are no cross participations.

Capital structure

Capital

Ypsomed Holding AG has a share capital of CHF 109 631 076.75, divided into 11 244 213 fully paid up registered shares, each with a par value of CHF 9.75. All shares entitle the holder to receive dividends. Ypsomed Holding AG does not have an authorized share capital amount. The company has issued neither profit certificates nor participation certificates. There are no convertible bonds outstanding, and no options have been issued for participation rights in Ypsomed Holding AG or any Group companies.

Contingent share capital

Ypsomed Holding AG has conditional share capital totaling CHF 1 560 000. The company may issue to selected employees and members of the Board of Directors up to 160 000 registered shares, to be paid up in full, with a par value of CHF 9.75 each. Shareholders' purchase and advance subscription rights are excluded. Pursuant to the Articles of Association, shares and option rights may be issued at a price below the stock market value. The acquisition of shares through the exercising of subscription or option rights is subject to the statutory recording limitation and the statutory voting right limitation (see thereafter). The company has not issued any shares or option rights to date.

Limitation on the transferability of shares

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

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

Changes in capital

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

Changes in capital up to March 31, 2009, pursuant to the accounts of Ypsomed Holding AG produced in accordance with company law.

| Date | Issue | Number of shares | Nominal value | Share capital | Capital reserves | Retained earnings | Reserves for own shares | Total |
|-------------------------|--|-------------------|---------------|-----------------------|-----------------------|----------------------|-------------------------|-----------------------|
| 29.12.03 | Founding | 2 500 | 100.00 | 250 000.00 | | | | 250 000.00 |
| 31.03.04 | Net profit | | | | | 11 096 910.20 | | 11 346 910.20 |
| 01.04.04 Balance | | 2 500 | 100.00 | 250 000.00 | | 11 096 910.20 | | 11 346 910.20 |
| 01.07.04 | Reverse merger with Finox Beteiligungen AG | | | | -150 000.00 | 6 315 915.24 | | 17 512 825.44 |
| 28.07.04 | Capital increase settled with shareholder loan | 997 500 | 100.00 | 99 750 000.00 | | | | 117 262 825.44 |
| 18.09.04 | Split 1 : 8 | 8 000 000 | 12.50 | | | | | 117 262 825.44 |
| 20.09.04 | Capital increase IPO | 3 016 000 | 12.50 | 37 700 000.00 | 165 143 042.21 | | | 320 105 867.65 |
| 28.09.04 | Capital increase IPO over-allotment | 228 213 | 12.50 | 2 852 662.50 | 12 495 951.29 | | | 335 454 481.44 |
| 31.03.05 | Net profit | | | | | 825 726.81 | | 336 280 208.25 |
| 31.08.05 | Nominal value reduction CHF 0.90 per share | | -0.90 | -10 119 791.70 | | | | 326 160 416.55 |
| 31.03.06 | Net profit | | | | | 1 187 206.38 | | 327 347 622.93 |
| 05.09.06 | Nominal value reduction CHF 1.25 per share | | -1.25 | -14 055 266.25 | | | | 313 292 356.68 |
| 31.03.07 | Reserves for own shares | | | | | -2 223 985.21 | 2 223 985.21 | 313 292 356.68 |
| 31.03.07 | Net profit | | | | | 1 020 967.85 | | 314 313 324.53 |
| 31.03.08 | Reserves for own shares | | | | | 873 759.26 | -873 759.26 | 314 313 324.53 |
| 31.03.08 | Net profit | | | | | 6 099 149.38 | | 320 412 473.91 |
| 16.09.08 | Nominal value reduction CHF 0.60 per share | | -0.60 | -6 746 527.80 | | | | 313 665 946.11 |
| 31.03.09 | Reserves for own shares | | | | | -392 705.90 | 392 705.90 | 313 665 946.11 |
| 31.03.09 | Net profit | | | | | 11 968 630.02 | | 325 634 576.13 |
| 31.03.09 Balance | | 11 244 213 | 9.75 | 109 631 076.75 | 177 488 993.50 | 36 771 574.03 | 1 742 931.85 | 325 634 576.13 |

| | Capital | in % | IPO costs | Share premium gross | Share premium net |
|---------------------------|----------------------|----------------|----------------------|-----------------------|-----------------------|
| 18.09.04 Capital increase | 37 700 000.00 | 92.97% | 10 189 057.47 | 165 143 042.21 | 154 953 984.74 |
| 28.09.04 Capital increase | 2 852 662.50 | 7.03% | 770 979.90 | 12 495 951.29 | 11 724 971.39 |
| Total | 40 552 662.50 | 100.00% | 10 960 037.37 | 177 638 993.50 | 166 678 956.13 |

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

Board of Directors

Members of the Board of Directors

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

The main task of the Board of Directors is the overall management of the company and the supervision and control of executive management. No member of the Board of Directors holds an operative function with Ypsomed Holding AG or one of its subsidiaries or has held such a position in the past three years. With the exception of Dr. h. c. Willy Michel, no business relationships exist between the individual members of the Board of Directors and Ypsomed Holding AG or any of its subsidiaries. The following business relationships between Dr. h. c. Willy Michel and affiliated persons and Ypsomed Holding AG and/or its subsidiaries existed in the year under review (information relating to the actual remuneration paid directly or indirectly in the 2008/09 business year that is stipulated by Art. 663b bis of the Swiss Code of Obligations can be found in the Notes to the 2008/09 financial statement, page 70):

| Name | Nationality | Year | Position | Member since* | Elected until the GM in |
|--|-------------|------|---|---------------|-------------------------|
| Dr. h. c. Willy Michel | Swiss | 1947 | Chairman of the Board of Directors | 1984 | 2010 |
| Anton Kräuliger | Swiss | 1946 | Vice-Chairman of the Board of Directors | 2007 | 2010 |
| Prof. Dr. rer. pol. Dr. h. c. mult. Norbert Thom | German | 1946 | Member of the Board of Directors | 2005 | 2010 |
| Gerhart Isler | Swiss | 1949 | Member of the Board of Directors | 2008 | 2010 |

*including Member of the Board of Directors of Disetronic

Executive loans

Dr. h. c. Willy Michel made a loan to the company that he assigned to his company Techpharma Management AG. As of March 31, 2009, an amount of CHF 140 million was still outstanding on this loan. In the year under review, an amount of CHF 20 million was paid off and the loan agreement was amended. The key terms of the amended loan agreement are: the loan bears interest at a rate of 0.5% p.a. until March 31, 2010. Starting April 1, 2010, the interest rate shall be based on the CHF 12-month LIBOR as published by the Swiss National Bank plus 0.5%; subsequently, the interest rate shall be adjusted every six months. Ypsomed Holding AG may repay the loan in full or partially at any time. However, it is repayable by March 31, 2012, at the latest. Starting April 1, 2010, Techpharma Management AG may demand repayment of a maximum of CHF 20 million annually on three months' notice. There are no further executive loans.

Rental contract

Dr. h. c. Willy Michel (respectively his company Techpharma Management AG) has been renting to Ypsomed the building on Buchmattstrasse in Burgdorf (Ypsomed Nord) since January 1, 2006. The parties signed a rental contract that provides for an indexed normal market rent in the amount of CHF 953 000 plus VAT (excluding additional costs). On January 1, 2009, the rent was adjusted to CHF 985 402 plus VAT. The rental contract can be terminated for the first time on December 31, 2015, conditional upon 24 months' notice. The tenant has unlimited first right of refusal for purchasing the property for the entire rental period, however for a maximum of 25 years from the start of the rental. The rental contract dictates that small and normal maintenance work on the building be paid by the tenant up to a maximum amount of 2% of the annual rent per calendar year. Major maintenance work and repairs necessary for safeguarding the asset value of the building is at the lessor's expense. On termination of the contract, the tenant will be reimbursed for the alterations carried out to the leased property with the lessor's consent in application of IFRS depreciation rates at the residual book value. The rental contract was discussed and approved by the Board of Directors, in whose opinion this is regarded as a rental contract at normal market conditions.

Other contractual relationships

Dr. h. c. Willy Michel (respectively his company Techpharma Management AG) and Ypsomed have concluded a service contract that can be terminated by either side at any time. This contract allows for Techpharma Management AG to provide occasional services to the Ypsomed Group (e.g. hotel and catering services) as well as selected management support services (including temporary personnel) and, for its part, for the Ypsomed Group to offer occasional services to Techpharma Management AG (e.g. management and IT support, including temporary personnel). The services are invoiced at normal market conditions. The mutual supply of temporary personnel is invoiced at the personnel cost rate. This contract was discussed and approved by the Board of Directors, in whose opinion this is regarded as a cooperation at normal market conditions. In the year under review, there were no significant temporary personnel services.

Dr. h. c. Willy Michel has furthermore a minority shareholding in Faes Bau AG, which is headquartered in Burgdorf, and is a member of its Board of Directors. Ypsomed occasionally awards Faes Bau AG with building contracts that are in line with normal market conditions.

Cooperation contract with Finox

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

Dr. h. c. Willy Michel: Chairman of the Board of Directors of Ypsomed Holding AG, founded Disetronic together with his brother in 1984. They were together until his brother's departure from the business in 1995, and thereafter Dr. h. c. Willy Michel was alone responsible for the development, production, distribution and sale of Disetronic products (until 1999). Within the scope of the sale of Disetronic to Roche Holding AG in 2003, Dr. h. c. Willy Michel repurchased the injection business of Disetronic, which has since then traded under the name Ypsomed. He has held the post of Chairman of the Board of Directors of the Disetronic Group and now the Ypsomed Group without interruption. Prior to the founding of Disetronic, Dr. h. c. Willy Michel obtained a broad range of experience with several industry and pharmaceutical companies in the fields of development, sales & marketing, and he was the head of Novo-Nordisk Switzerland for six years (from 1978 until 1984). For three years (from 1998 until 2001) he was a member of the Burgdorf City Council, and in 2004 the city awarded him its Medal of Honor. In addition, he is the owner of a number of companies including several involved in the fields of art and gastronomy as well as Finox AG, which is active in the development, manufacturing and sales of pharmaceuticals. He is currently Vice-Chairman of the Board of Directors of BV Holding AG (from 2001 until March 2008 President), member of the Board of Directors of Adval Tech Holding AG (since 2007), and is a member of the Boards of Directors of various non-listed companies (Faes Bau AG and others). In 2005, Dr. h. c. Willy Michel was declared the "Master Entrepreneur of the Year" for his overall business performance by Ernst & Young AG, and in 2006 he was awarded an honorary doctorate (Dr. h. c.) by the Economic and Social Science Faculty of the University of Bern.

Gerhart Isler: Member of the Board of Directors of Ypsomed Holding AG since 2008. After completing his studies in economics at the University of Zurich, Mr. Isler joined the family newspaper publishing company Finanz und Wirtschaft AG as an editor in 1976. In 1980 he managed the company's editorial department in New York, was head of foreign correspondents from 1981 until 1986, and then held the position of manager of the publishing house until 1989. He then became the owner of Finanz und Wirtschaft, which enjoyed strong growth until 2000 and became the country's most important financial newspaper. Mr. Isler subsequently sold the publishing firm but continued as its publisher until the end of 2004. In 2005, Mr. Isler was elected to the Board of Directors of the listed companies PubliGroupe and Grand Casino Baden. Mr. Isler has been since 2005 a member of the Board of Trustees of the move>med Foundation, which is involved in the field of sports. In 2008, Mr. Isler was elected to the Board of Directors of the listed investment company New Value.

Anton Kräuliger: Member of the Board of Directors of Ypsomed Holding AG since 2007, Vice-Chairman since 2008. After completing his studies at ETH Zurich with a degree in Mechanical Engineering, Mr. Kräuliger joined the family business in 1971 and in 1978 took over the majority shareholding in Lyss AG (today Metalyss AG), a metal foundry and fittings factory. He developed this company into the leading fittings group on the Swiss market, the Similor Group. Within the scope of the sale of the fittings division to Madison Private Equity Holding AG in 2002 and 2005, Mr. Kräuliger repurchased the Industrial Division, which today is again combined into Metalyss AG. Between 1993 and 2004, Mr. Kräuliger was a member of the Board of Directors of the listed Bernese Kantonalbank BEKB | BCBE and continues to be an active member of several Boards of Directors including as Chairman of the Board of Directors of Metalyss AG (since 1978), Chairman of the Board of Directors of Sécheron SA (since 2005) as well as a member of the Board of Directors of the parent company Sécheron-Hasler Holding AG (since 2005). As a member of the City Council for the town of Kappelen he is director of the Finance Department, and he is president of the Swiss Horse Racing Federation.

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



Dr. h. c. Willy Michel



Anton Kräuliger



Gerhart Isler



Prof. Dr. rer. pol. Dr. h. c. mult. Norbert Thom

Interrelated companies

Dr. h. c. Willy Michel, Chairman of the Board of Directors of Ypsomed Holding AG and Vice-Chairman of the Board of Directors of BV Holding AG, which is listed on the BX Bern eXchange. On March 31, 2009, BV Holding AG held a total of 20 000 shares in Ypsomed Holding AG (previous year: 20 000 shares), representing a shareholding of 0.18% (previous year: 0.18%). Daniel Kusio, Managing Director of BV Holding AG, on the basis of a personal contract, acts as Ypsomed Holding AG's Head of Investor & Public Relations and works on other selected projects.

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

How the Board of Directors operates

The Board of Directors holds regular meetings four times per year at which it accepts management's written report and the verbal comments of the CEO, deliberates and also decides on management proposals. The auditors participate in the May meeting of the Board of Directors at which they give information on the explanatory report and on other questions. The Board of Directors meets on one additional occasion per year for two to three days within the context of a strategy meeting with management. Occasionally the Board of Directors makes additional decisions by correspondence. The agendas for the meetings are set by the Chairman in agreement with the CEO; any member may ask for points to be included on the agenda. The members receive the agenda and the necessary basis for decision-making generally 7 to 10 days before each meeting. Any member of the Board of Directors may request information about any aspect of the Group's affairs. Votes and resolutions within the Board of Directors are taken by majority decision; if the vote is tied, the Chairman, or in his absence the Vice-Chairman, has the deciding vote. Votes may not be taken by proxy. Meetings of the Board of Directors are regularly attended by the CEO, COO and the CFO and, depending on the business to be discussed, by other members of management. Simon Michel, the son of Dr. h. c. Willy Michel and who is a member of management, also takes part in Board of Directors meetings with an advisory vote.

Given the size and composition of the Board of Directors, it may advise and decide on all matters in plenary. However, pursuant to the Organizational Policy, it may delegate some of its powers to a committee of the Board of Directors on a case-by-case basis. There are currently no additional permanent committees appointed. The Chairman of the Board of Directors routinely meets with the CEO several times a month, and with the CFO several times a year, to discuss individual business operations.

In the year under review, the Board of Directors met a total of five times and passed several resolutions by correspondence. During the Board of Directors meeting in May 2008, the lead auditor participated. The Board of Directors additionally met in January 2009 for 2.5 days as part of the strategy meeting with executive management. All members of the Board of Directors participated in all Board of Directors meetings, in the General Meeting of Shareholders of June 2008, and in the strategy meeting of January 2009.

Regulations concerning authority

The Board of Directors has certain non-transferable and irrevocable duties under Swiss corporate law. It has the highest decision-making power in the company, under restriction of those matters on which shareholders must decide in accordance with the law. In particular, it defines company policy, the mission statement – consisting of a mission and a vision – and the strategic direction of the Ypsomed Group, sets its targets and priorities, and allocates the resources for achieving the targets set. The Board of Directors defines the organization of the Ypsomed Group, supervises business activities, controls the finance and accounting divisions and is responsible for appointments and dismissals as well as the supervision of the individuals entrusted with management duties. It is responsible for the Annual Report, approves the budget and the mid-term planning for executive management and also monitors the business activities of the Group companies.

The Board of Directors approves individual business affairs that are reserved for it according to applicable assignment of authority. This includes, in particular, decisions on the purchase or sale of companies and properties as well as contracts regarding strategic cooperation as well as contracts with other financial significance.

Otherwise, the Board of Directors has delegated responsibility for running the company to the CEO and management.

Instruments for information about and control of management

The Ypsomed Group's information and control instruments, which are at the disposal of the Board of Directors, consist of written management reporting, which is produced quarterly (management review, quarterly reports), and financial reporting, which is based on Group accounting in accordance with IFRS, comprising comprehensive consolidated accounts (profit & loss statement, balance sheet, cash flow statement) with a budget comparison as well as selected management statistics. Furthermore, the Board of Directors uses strategic planning documents as management instruments for steering the company. Responsibility for risk management and monitoring rests with management, which reports on these matters periodically to the Board of Directors, but at least once a year. In addition to these documents, further selected financial figures are at management's disposal on a monthly basis. Minutes of management meetings are also at the disposal of the Chairman of the Board of Directors. The Internal Auditing function, for which the Board of Directors is directly responsible, is commissioned with the constant expansion of the documented, internal control system. The auditing plans are based on a risk-oriented procedure that relates to business processes and are geared towards the following goals and tasks: reviewing the fulfillment of business goals and objectives; evaluation of the effectiveness of risk management, control and corporate management processes; optimization of business processes; improvement of controls and processes with regard to the information systems; verification of controls and processes for accounting systems; confirmation and guarantee of authorized business transactions; safeguarding of assets; support with regard to complying with legal and regulatory requirements; and reviewing significant or particular business cases and transactions. The Board of Directors can determine additional areas to be reviewed.



Management

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

| Name | Nationality | Year of birth | Position | Acting for Ypsomed (or pre-2003 for Disetronic) |
|-----------------------------|-------------|---------------|---|---|
| Richard Fritschi | Swiss | 1960 | CEO | 2006 |
| Maurice Meytre | Swiss | 1957 | Chief Operating Officer (COO) | 2006 |
| Markus Geist | Swiss | 1968 | Senior Vice President Technology | 2006 |
| Dr. Manfred Mäder | German | 1962 | Senior Vice President Quality Management & Regulatory Affairs | 2007 |
| Yvonne Müller | Swiss | 1969 | Senior Vice President Human Resources | 2003 |
| Simon Michel | Swiss | 1977 | Senior Vice President Marketing | 2006 |
| Dr. Christoph Rindlisbacher | Swiss | 1955 | Senior Vice President Corporate Development | 1992 |
| Niklaus Ramseier | Swiss | 1963 | Chief Financial Officer (CFO) | 2002 |
| Dr. Jörg-Markus Paul | German | 1967 | Senior Vice President Sales | 2002 |
| Dr. Beat Maurer | Swiss | 1958 | Senior Vice President Legal & Intellectual Property, Secretary of the Board | 1992 |

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

Markus Geist: Senior Vice President Technology, at Ypsomed since 2006, previously responsible for research and development at RUAG Land Systems (from 2003 until 2006) and various projects and product responsibilities at MAN B&W Diesel, Augsburg (2002) as well as New Sulzer Diesel AG, Winterthur (now Wärtsilä Ltd, from 1991 until 2001). Education: degree in Mechanical and Process Engineering from ETH Zurich and an Executive MBA from the University of St. Gallen.

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

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



Richard Fritschi, CEO



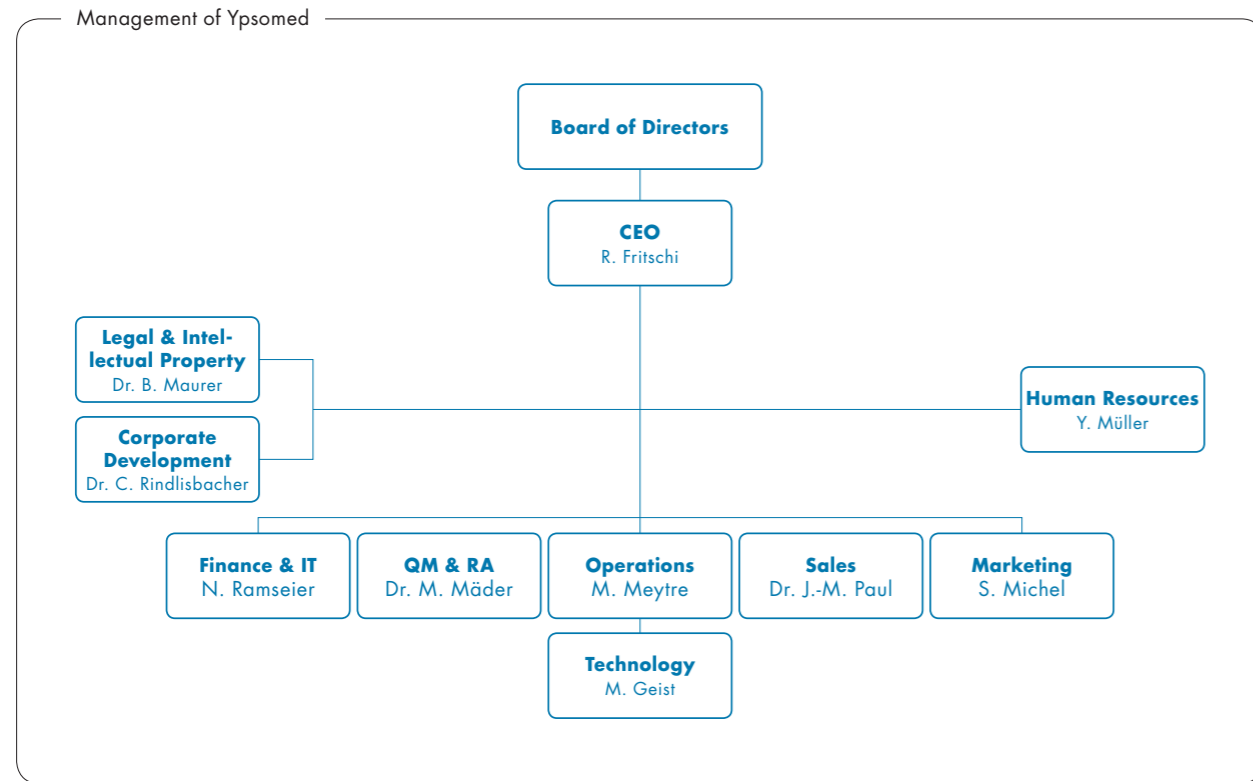
Maurice Meytre, Chief Operating Officer (COO)



Markus Geist, Senior Vice President Technology



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



Yvonne Müller, Senior Vice President Human Resources



Simon Michel, Senior Vice President Marketing

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

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

Simon Michel: Senior Vice President Marketing, with Ypsomed since October 2006. Member of management since 2008 and responsible for the business development and marketing of the injection, infusion and blood glucose meters as well as pen needles, before that Head of the Infusion Business Division. From 2003 until 2006, he worked for Orange Telecommunications in Zurich and Lausanne where he was responsible for, among other things, the introduction and marketing of UMTS. He has been on the Board of Directors at Sphinx Werkzeuge AG since 2006 and on the executive committee of the local trade and industry association since 2008. Education: studied Economics at the University of St. Gallen and completed a Masters with a focus on Media and Communications Management.

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



Dr. Christoph Rindlisbacher,
Senior Vice President Corporate Development



Niklaus Ramseier, Chief Financial Officer (CFO)



Dr. Jörg-Markus Paul, Senior Vice President Sales

Jörg-Markus Paul: Dr. med., Senior Vice President Sales, with Ypsomed since 2002 (or pre-2003 with Disetronic). Member of management since 2008 and responsible for the sale of needles, before then (since 2005) Managing Director of Ypsomed GmbH in Germany and the diabetes direct sales company DiaExpert GmbH in Germany, and before then responsible for marketing and sales in Germany. Prior to working for Ypsomed, Marketing Manager Germany at Novo Nordisk and Brand Manager with Procter & Gamble Pharmaceuticals. Education: medical studies and doctorate at the University of Frankfurt am Main; also completed the Managing Medical Sales and Marketing diploma program of the Scandinavian International Management Institute.

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



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

Management contracts

The management contract with Jantos Consulting GmbH, headquartered in Herrsching, Germany, under which Mr. Detlef Jantos, as an employee of Jantos Consulting GmbH, managed and oversaw Ypsomed Group's European distribution network, was terminated on December 31, 2008. Information relating to the actual remuneration paid directly and indirectly to Jantos Consulting GmbH and Mr. Jantos in the 2008/09 business year that is stipulated by Art. 663b *bis* of the Swiss Code of Obligations can be found in the Notes to the 2008/09 financial statement, page 77.

CORPORATE GOVERNANCE

Board of Directors' remuneration

The members of the Board of Directors draw a remuneration that is discussed and established by the complete Board of Directors. All remunerations are paid in cash. Share or option plans do not exist.

The Board of Directors' remuneration (consisting of a fixed amount, a variable amount and an attendance fee) is set new each year by the Board of Directors. The variable amount depends on achieved vs. budgeted targets based on $\frac{2}{3}$ of the consolidated EBIT margin and $\frac{1}{3}$ of the consolidated sales. The fixed sum amounts to CHF 100 000 (prior year: CHF 100 000) for the Chairman of the Board of Directors and CHF 60 000 (prior year: 60 000) per member of the Board of Directors; the variable sum amounts to at most CHF 100 000 for the Chairman of the Board of Directors and CHF 60 000 for each member. The attendance fee amounts to CHF 1 500 per meeting (prior year: CHF 1 500). The Board of Directors' remuneration and attendance fees are paid to the members of the Board of Directors following the General Meeting of Shareholders.

In addition, for consulting services, the Chairman of the Board of Directors (respectively his company Techpharma Management AG) receives a flat fee of CHF 140 000 + VAT (prior year: CHF 140 000).

The relationship to affiliated persons is described in the section Board of Directors, Members of the Board of Directors, page 88/89.

Information relating to all actual remuneration paid to present and former members of the Board of Directors in the 2008/09 business year as stipulated by Art. 663b *bis* of the Swiss Code of Obligations can be found in the Notes to the 2008/09 financial statement, page 77.

Management remuneration

Remuneration for members of management consists of a fair market established base salary that corresponds to the qualifications, professional experience and performance of the respective person as well as a variable amount depending on the success of the company and the achievement of individual goals. The variable salary amount for the CEO is at most CHF 500 000 (net) and for the remaining members of management it is at most 31.25% of their annual salary (gross). The variable salary amount depends on achieved vs. budgeted targets based on 50% of the consolidated EBIT margin and 25% each of the consolidated sales and the achievement of individual targets. The amount of the base salary is approved as a whole by the Board of Directors; individual adjustments are made at the CEO's request by the Chairman of the Board of Directors. The gradation of the variable salary is adjusted annually at the CEO's request through the President of the Board of Directors and is based on the budget that has been approved by the complete Board of Directors. All remunerations are paid in cash. Share or option plans do not exist.

Bimo Unternehmungen, a company affiliated with Yvonne Müller, regularly finds temporary personnel for Ypsomed on a contract basis in line with normal market conditions.

The payment of lump sum expenses is based on the expense regulation approved by the Canton of Bern; according to this, lump sum expenses only cover effective expenses and are thus not reported separately. Likewise, additional payments (such as discounts for purchasing Reka vacation checks, etc.) are not listed as long as they do not exceed a total amount of CHF 2 000 per person per year.

No severance payments have been agreed upon with directors, nor have any long-term contracts of more than 12 months duration been signed with members of management. In the year under review, no severance payments were made to former directors. In the year under review, Mr. Detlef Jantos resigned from management.

In the year under review, remuneration in the form of a one-time contribution of CHF 164 400 was paid to the retirement fund of a former member of management who had retired from management in 2006 and is no longer employed by one of the companies belonging to the Group. Furthermore, during the year under review, no remunerations were paid to former members of management who had retired from management in the previous two years if they were no longer employed by one of the Group companies. The salaries paid out to directors who resigned from management during the year under review and in the previous years but who are still employed by one of the Group companies are not related to their previous activities as members of management.

Information relating to the actual remuneration paid directly and indirectly to members of management in the 2008/09 business year as stipulated by Art. 663b *bis* of the Swiss Code of Obligations can be found in the Notes to the 2008/09 financial statement, page 77.

Allocation of shares in the year under review

No shares were allocated in the year under review.

Share ownership

Information relating to the actual shares held directly and indirectly by members of the Board of Directors, management and affiliated persons in the 2008/09 business year as stipulated by Art. 663b and 663c of the Swiss Code of Obligations can be found in the Notes to the 2008/09 financial statement, page 78.

There were no options issued by the company on equities of Ypsomed Holding AG or Group companies.

Shareholders' rights of participation

Voting right restrictions and representation

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

Quorums according to the Articles of Association

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

Convening the General Meeting of Shareholders

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

Agenda items

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

Entries in the Share Register

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

Change of control and blocking mechanisms

In the event of a public takeover bid, the bidder is required pursuant to Art. 32 of the Swiss Stock Exchange Act to make an offer for all of the company's listed shares as soon as it acquires shares directly, indirectly or in concert with third parties, which along with the shares already held exceed the threshold of 49% of the voting rights of the company, whether exercisable or not (Art. 10 Articles of Association).

There are no change-of-control clauses with members of the Board of Directors, management and/or other personnel.

Auditors

Term of mandate of auditors and term of the lead auditor

On June 27, 2007, the General Meeting of Shareholders of Ypsomed Holding AG selected a new auditor, Ernst & Young AG, Bern. The lead auditor has been in office at Ypsomed Holding AG since June 2007. The auditors are each appointed for a term of one year by the General Meeting of Shareholders, the last time being on the occasion of the 2008 General Meeting of Shareholders.

Auditing fees

The total auditing fees charged by the auditor for Ypsomed Holding AG and its Group companies in the course of the year under review amount to CHF 271 000. Ypsomed Holding and its Group companies were invoiced CHF 50 700 for additional services.

Instruments for supervision and control of auditing

The complete Board of Directors undertakes the supervision and control of the auditor. The lead auditor is in attendance during the discussion and acceptance of the consolidated and annual financial statements by the Board of Directors. The auditor compiles a comprehensive report annually for the attention of the Board of Directors, and it is discussed by the Board of Directors in attendance of the lead auditor.