

Geschäftsbericht
Annual Report

2006

Die Unternehmensgruppe der Medisize Holding AG, Schweiz, ist ein international führender Entwickler und Anbieter von zahnmedizinischen und medizinischen Einwegprodukten und Pharmaprimärverpackungen. Die Namenaktien der Medisize Holding AG werden an der SWX Swiss Exchange unter dem Symbol MSZN gehandelt.

Medisize Holding AG, domiciled in Switzerland, comprises an international group of companies specializing in the development and manufacture of dental and medical disposables and primary pharma-packaging. The registered shares of Medisize Holding AG (symbol: MSZN) are listed on SWX Swiss Exchange.

Kennzahlen/Key Figures

In 1000 CHF	Medisize Group		Dental		Medical	
	2006	2005	2006	2005	2006	2005
Nettoumsatz/Net sales	249 864	246 887	153 560	147 109	96 310	99 780
Betriebserfolg (EBIT)/ Operating profit (EBIT)	30 081	27 185	24 298	19 378	5 805	8 069
In % vom Nettoumsatz/In % of net sales	12.0%	11.0%	15.8%	13.2%	6.0%	8.1%
Konzernergebnis/Net profit	22 637	18 124	16 240	12 691	4 186	5 635
Geldfluss aus Betriebstätigkeit/ Cash flow from operating activities	31 358	18 869				
Kauf von Sachanlagen/ Purchase of tangible assets	5 315	4 413				
Free Cashflow/Free cash flow	25 481	25 115				
Total Aktiven/Total assets	247 398	253 970				
Bankkredite und Darlehen/ Bank and other loans	48 499	74 592				
Eigenkapital/Shareholders' equity	149 196	131 383				
In % der Bilanzsumme/In % of total assets	60.3%	51.7%				
Dividende pro Aktie/Dividend per share	1.60	–				
Anzahl Mitarbeitende/Employees	1 206	1 150				

Nettoumsatz nach Regionen/Net sales by region

Europa/Europe	159 244	155 209				
Nord- und Südamerika/Americas	71 525	71 359				
Rest der Welt/Rest of World	19 095	20 319				

Verwaltungsrat/Board of Directors

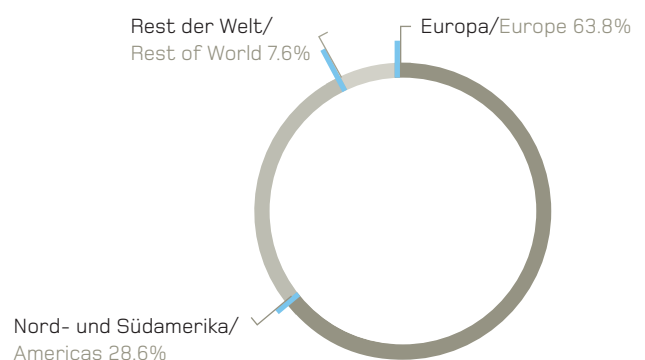
Dr. Paul Hälgi, Wollerau, Präsident/Chairman
 Robert Heberlein, Zumikon
 Nick Huber, Balgach
 Dr. Walter Känel, Jona
 Matthew Robin, Liestal
 Dr. Rudolf Wehrli, Richterswil

Management/Management

Jerry Sullivan, CEO Medisize Holding AG
 Dr. Hans Grüter, CFO Medisize Holding AG

Nettoumsatz nach Regionen 2006

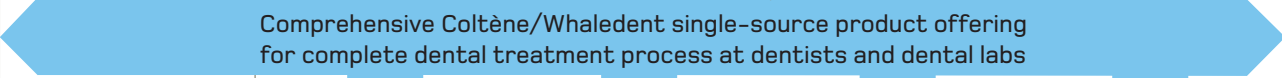
Net sales by region 2006



Medisize Dental Business

Zahnärzte und Dentallabors auf der ganzen Welt vertrauen den Dentalprodukten von Medisize, die unter der Dachmarke Coltène/Whaledent bekannt sind. Seit über 30 Jahren ist Coltène/Whaledent ein weltweit führender Entwickler und Hersteller von zahnmedizinischen Verbrauchsmaterialien. Mit dem breiten Angebot von feinstmechanischen Instrumenten, Zahnstiften, Hartmetall- und Diamantbohrern sowie einer umfassenden Produktpalette im Bereich Hygiene und Patientensicherheit deckt Coltène/Whaledent die ganze zahnärztliche Behandlungskette aus einer Hand ab. Die Produkte werden weltweit über Vertriebspartner vermarktet.

Dentists and dental labs all over the world rely on Medisize’s dental products best known by their umbrella brand Coltène/Whaledent. For over thirty years, Coltène/Whaledent has been a worldwide leading developer and manufacturer of dental consumables. With its polymer chemistry based impression and composite filling materials, its wide array of mechanical dental precision applications such as instruments, pins, posts and carbide or diamond burs as well as a comprehensive hygienic and patient-safety product offering, Coltène/Whaledent covers the full dental treatment process with a complete single-source product range. The products are sold worldwide by international distributors.

Comprehensive Coltène/Whaledent single-source product offering for Dental Hygiene, Prophylaxis, Treatment Planning and Preparation, Infection Control					
Treatment at	Prophylaxis/ Hygiene	Restoration/ Adhesives	Prosthetics/ Orthodontics	Endodontics	Implantation
Dentist					
Lab work					
Products	Tooth Cleaning BioSonic Scaler Hygiene Roeko Gloves Roeko Face Masks Roeko Patient Bibs Ultrasonics cleaning BioSonic BioSonic solutions	Composites Synergy D6/Miris Bonding Material A.R.T/One Coat Cements ParaCem, TempoSil Curing Lights Coltolux/LED Temporary Restoration CoolTemp, Coltosol Mechanical Retention TMS Link	Retraction Products Magic FoamCord, StayPut, Comprecord Impression Material A-Silicones President, Affinis/Precious C-Silicones Speedex, Rapid, Coltex/Coltoflax Bite Registration Jet Bite, Jet Blue Bite Waxes	Paper Points Temporary Fillings Calcium hydroxide points Permanent Sealer RoekoSeal Cold Filling System GuttaFlow Guttapercha Points Warm filling Systems Ultrafil 3D Post Systems ParaPost, Tenax	Impression Material President, Affinis/Precious Bite registration Jet Bite, Jet Blue Bite Gi-Mask Lab auxiliaries Pindex Waxes Hanel Products Rotary Instruments Diatech/Alpen/CEI

Medisize Medical Business

Medisize ist ein weltweit bekannter Partner für die Entwicklung, Gestaltung, Prototypenfertigung und Produktion komplexer Einwegprodukte und Pharma-Primärverpackungen aus Kunststoff. Mit der einzigartigen Breite der unter einem Dach verfügbaren Technologien sticht Medisize als einer der wenigen echten One-Stop-Entwicklungs- und Produktionspartner im internationalen Wettbewerbsumfeld heraus.

Medisize is a world known partner for development, design, prototyping and manufacturing of complex medical disposables and pharmaceutical packaging made of a broad array of plastics material. Mastering a comprehensive range of technologies, Medisize clearly stands out as one of the very few one-stop development and manufacturing partners for the global medical and pharmaceutical industry in a competitive environment.



Produktionsstätten/Production sites

Schweiz/Switzerland Niederlande/Netherlands Irland/Eire

Tschechien/Czech Republic

Anzahl Mitarbeitende/Employees

549

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Solides erstes Geschäftsjahr als eigenständige Gesellschaft

Mit einer 24,9%igen Gewinnsteigerung und einem um 10,7% verbesserten EBIT hat die Medisize Holding AG ihr erstes Geschäftsjahr als neu an der SWX Swiss Exchange kotierte Gesellschaft mit einer erfreulichen Note abgeschlossen. Bei einem Umsatz von CHF 249,9 Mio. und einem EBIT von CHF 30,1 Mio. resultierte eine EBIT-Marge von 12,0%. Im intensiven ersten Geschäftsjahr baute Medisize erfolgreich ein eigenständiges Managementteam sowie unter der Führung eines neuen CFO ein selbständiges Finanzwesen auf und etablierte eine zukunftsgerichtete Organisationsstruktur.



Reporting a 24.9% gain in net profit and a 10.7% EBIT improvement over the prior year, Medisize Holding AG is encouraged by the results of its first year as a newly listed healthcare company on the SWX Swiss Exchange. With sales of CHF 249.9 million and an EBIT of CHF 30.1 million, Medisize achieved a solid EBIT margin of 12.0%. In its busy first year, Medisize also successfully set up its new management team, installed a new CFO, and created a new operating structure going forward.

**A solid first year
as a newly listed company**

» Medisize Holding gab am 23. Juni 2006 ihren Einstand an der SWX Swiss Exchange. Gurit-Heberlein AG, die frühere Dachgesellschaft, hatte die Medisize Holding AG durch die Verselbständigung der Healthcare-Aktivitäten in der Form einer eigenständigen Gesellschaft und die nachfolgende Kotierung von deren Aktien an der Schweizer Börse geschaffen. Medisize hatte einen erfolgreichen Start in die Unabhängigkeit und blickt zuversichtlich in die Zukunft.

Attraktive Zielmärkte

Weltweit entwickelt sich der Healthcare-Markt sowohl im Dental- als auch im Medizinalgeschäft erfreulich. Das Wachstum im Healthcare-Markt basiert auf der weltweit steigenden Bevölkerung und der laufend wachsenden Anzahl Menschen, die sich eine Gesundheitsversorgung nach westlichem Muster leisten können. Medisize ist auf dem weltweiten Healthcare-Markt gut positioniert: Das Dentalgeschäft profitiert von einer soliden Marktverfassung, und im Medizinalgeschäft verfügt Medisize über breite Entwicklungs- und Produktionsfähigkeiten.

» Trotz der ungebrochen positiven Marktaussichten schmälern gewisse Faktoren die Prognosen: In fast allen Ländermärkten steigen die Gesundheitskosten im Vergleich zu den übrigen Lebenshaltungskosten überproportional an. Die Folge sind immer strengere Kostenkontrollen sowie in vielen Ländern ein Abbau der krankenkassenpflichtigen Leistungen. Hinzu kommen steigende Rohstoffpreise für Kunststoffmaterialien, welche sich nachteilig auf die Verkaufspreise und die Bruttomargen der Hersteller medizinischer Einwegprodukte auswirken.

Eine starke Kombination von Ertrag und Wachstumspotenzial

Im ersten Geschäftsjahr hat Medisize einen Umsatz von CHF 249,9 Mio. erzielt. Verglichen mit dem Vorjahr stellt dies einen Zuwachs von 1,2% dar.

» Die höheren Verkaufs- und Ertragszahlen gingen zur Hauptsache auf den unverändert starken Dentalmarkt zurück, während das Medizinalgeschäft hinter dem langfristig erwarteten Wachstumstrend zurückblieb. Der mittel- bis langfristige Erfolg von Medisize beruht unverändert auf der vielversprechenden Kombination eines solide Erträge abwerfenden Dentalgeschäfts und eines Medizinalgeschäfts mit grösseren Wachstumsaussichten.

» Medisize Holding AG made its entry on SWX Swiss Exchange on June 23, 2006. The company's former parent, Gurit-Heberlein AG, created Medisize Holding AG by separating its Healthcare Division as an independent company whose shares were then listed on the Swiss stock market. Medisize was successfully launched and the outlook for the future is positive.

Targeting attractive markets

Worldwide, both the dental and medical healthcare markets continue their strong development. The overall growth in healthcare consumption is supported by the growing elderly population and the ever rising number of people who have access to modern healthcare systems and treatments. Medisize is well positioned in the world healthcare market to capitalize on the market strength of the dental group and its portfolio of medical manufacturing capabilities.

» While the market outlook remains strong, several factors introduce moderation into the forecast: nearly all world markets see healthcare costs rising disproportionately to virtually all other services. As a result, increasing cost control and lowering remuneration levels for services in national healthcare systems remained issues in many world markets. Additionally, the ongoing effect of oil price increases on petroleum-based raw material prices continues to negatively impact the cost of delivered services and the gross profit margins of the manufacturers of medical consumables.

Strong combination of cash generating business and growth potential

In its first business year, Medisize achieved sales of CHF 249.9 million. Compared to the year before, this equals an increase of 1.2%.

» The sales and EBIT growth were the result of a very solid performance by the dental group. The medical group fell short of its expected result. However, the mid- to longer-term success of Medisize remains firmly based on the strong combination of the continuing strong performance of the dental group and the strategic growth opportunities in the medical group.

Medisize Dental Group

In its dental business group, Medisize reported sales of CHF 153.6 million. Compared with last year's results, this represents a sales increase of 4.4%. With an EBIT of CHF 24.3 million, Medisize shows an EBIT increase of 25.4% over the prior year. The resulting EBIT-Margin of 15.8% rep-

Medisize Dental Group

Im Dentalgeschäft hat Medisize einen Umsatz von CHF 153,6 Mio. erzielt. Gegenüber dem Vorjahr bedeutet dies eine Steigerung um 4,4%. Der Betriebsgewinn (EBIT) nahm um 25,4% auf CHF 24,3 Mio. zu. Damit resultierte im Dentalgeschäft eine von 13,2% auf 15,8% verbesserte EBIT-Marge. Gesamthaft hat Medisize im Dentalgeschäft im Berichtsjahr sehr erfolgreich gearbeitet.

» Die am Markt vor allem unter der Marke Coltène/Whaledent bekannte Dentalgruppe hat sich einen Namen geschaffen als Hersteller von hochpräzisen Abformmaterialien, Kunststoff-Zahnfüllungen, Zahnstiften und vielen weiteren Verbrauchsmaterialien für die Zahnbehandlung und den Patientenschutz. Darüber hinaus produziert Coltène/Whaledent auch eine breite Palette von Instrumenten und Geräten wie etwa Ultraschallgeräten zur Instrumentenreinigung oder zur Zahnsteinentfernung. Mit dieser eindrucklichen Produktpalette deckt Medisize die ganze zahnärztliche Behandlungskette von der restaurativen Zahnmedizin über die Prothetik, die Zahnstellungskorrektur bis hin zu den vorbereitenden Arbeitsschritten für Zahnimplantate ab.

Solides Wachstum in Europa

Während einzelne europäische Märkte eindruckliche Wachstumsraten aufwiesen, blieben andere Ländermärkte hinter den Vorjahreszahlen zurück. Solche Verschiebungen widerspiegeln jeweils die jüngsten nationalen Gesundheitsreformen und Änderungen bei den Krankenkassenregelungen. Nachdem im Vorjahr in Deutschland eine Gesetzesnovelle die Verkäufe gebremst hatte, erholte sich der deutsche Markt und Coltène/Whaledent legte im wichtigsten europäischen Markt wieder deutlich zu. Sogar in Grossbritannien, wo im Berichtsjahr für die Zahnversorgung ein neues Vergütungsregime eingeführt wurde, das sich nachteilig auf die kommenden Umsätze auswirken dürfte, stiegen die Verkäufe gegenüber dem Vorjahr substantiell. Frankreich blieb indessen ein äusserst hart umkämpfter Markt. Eindruckliche Zuwächse wurden in süd- und osteuropäischen Ländern wie Portugal, Spanien und der Türkei, wo die Verkäufe um über 10% zulegten, oder den GUS- und den baltischen Staaten erzielt, wo die Zuwächse noch dynamischer ausfielen.

Wachsende Umsätze aus neuen Weltregionen

Das Geschäft in Nordamerika entwickelte sich ebenfalls gut. Ein wachsender Umsatzanteil stammt heute bereits aus weiteren Weltregionen: Coltène/Whaledent ist in Lateinamerika und im Nahen Osten sehr gut positioniert. Im Jahr 2006 bearbeitete Coltène/Whaledent gezielt die grossen Agglo-

resents an increase of 2.6 margin points over last year's EBIT-Margin of 13.2%. Overall, the Medisize Dental Group performed very well during the year under review.

» The dental group, better known in the dental market as Coltène/Whaledent, has made a name for itself as a prime producer of highly accurate impression materials, composite fillings as well as dental pins and posts and many other one-time-use consumables in the field of dental treatment and patient hygiene. In addition, Coltène/Whaledent offers a wide range of dental instruments and equipment such as ultrasonic cleaners and scalers. With its impressive product range, Medisize covers the full array of dental consumables which dentists and dental labs use in restorative dentistry, prosthetics, orthodontics or the preparatory work for dental implants.

Solid growth in Europe

While some national European markets showed impressive growth rates, sales to other countries were somewhat slower than in previous years. These variances reflect the continuously changing remuneration schemes in the national healthcare systems. After a change in legislation in Germany in 2005 which had negatively impacted sales the year before, the German market clearly picked up again and Coltène/Whaledent reported a strong increase in sales in Europe's most important national market. The Year 2006 brought a change in the reimbursement policy in the UK. The new lower reimbursement scheme will slow the market growth and will affect 2007 revenues in the UK. Nevertheless, in 2006, Coltène/Whaledent was able to show continuous sales growth over the previous year. The French market, however, remained very competitive. Impressive growth rates were achieved in various Eastern European and Southern European countries such as Portugal, Spain or Turkey where sales grew by over 10%; in the CIS as well as the Baltic states, sales grew even more dynamically.

Increasing sales in new areas of the world

As North America continues to perform well, a rising proportion of sales is being generated in other world markets. Coltène/Whaledent is well positioned in Latin American as well as in Middle Eastern markets. In 2006, the metropolitan areas of China and India were a special marketing focus. Coltène/Whaledent successfully established important relationships to universities as well as healthcare organizations, invested in training the leading class of dentists in these markets and is confident to extend sales in these dynamic growth areas in the years ahead. The opening of a new

merationen in China und Indien. In diesen Märkten etablierte die Gruppe wichtige Beziehungen zu Universitäten und Gesundheitsorganisationen und führte für die führenden Zahnärzte lokal Ausbildungsseminare durch. Coltène/Whaledent wird in Zukunft in diesen Märkten weiter wachsen können. Die Gründung einer eigenen Verkaufsniederlassung in Beijing und der laufende Ausbau der Verkaufsmannschaft stellen einen wichtigen Meilenstein für die Expansion Richtung Asien dar.

Akquisition von CEI komplettiert Produktsortiment

Zu Beginn des Jahres 2007 hat Medisize im Dentalbereich die amerikanische Cutting Edge Instruments Inc. übernommen. Diese Gesellschaft ist auf die Entwicklung und Produktion von Karbidbohrern spezialisiert, welche die bisher von Coltène/Whaledent hergestellte Produktfamilie von Diamantbohrern ideal ergänzen. Die Dentalsparte bietet nun sämtliche Materialien zur Vorbereitung und Durchführung einer Zahnbehandlung aus einer Hand an.

Innovation als Basis künftigen Wachstums

Das Wachstum im Dentalgeschäft basiert vor allem auf Innovation und dem laufenden Ausbau der von Coltène/Whaledent dominierten Sortimentsnischen. Im Jahr 2006 hat Coltène/Whaledent international acht neue Produkte entwickelt und im Markt eingeführt. Die beachtlichsten Umsatzträger darunter sind Synergy D6 als neue Generation von Füllmaterialien sowie das detailgenaue Abformmaterial Affinis® Precious.

- » Synergy D6 ist ein in der Anwendung äusserst einfaches Nanohybrid-Composite, das die natürliche Schichtung des Zahns mit einem auf nur sechs Dentin-Farben (Duo Shades) und zwei Zahnschmelzfarben aufbauenden Farbsystem ermöglicht.
- » Im Bereich der ästhetisch anspruchsvollen Zahnrestoration wurde das gleichfalls auf der natürlichen Zahn-

representative office in Beijing is a milestone in Coltène/Whaledent's growing success in Asia, and the Chinese sales team was further expanded during 2006.

CEI acquisition complementing product offering

In early 2007, Coltène/Whaledent acquired Cutting Edge Instruments, a US based carbide bur manufacturer specializing in dental burs. The addition of carbide burs to the existing range of diamond rotary instruments Coltène/Whaledent currently manufactures, fills an important strategic market niche in rotary instrument sales. The dental group now offers "one-stop-shopping" for all the tooth preparation and finishing requirements of the dentist.

Innovation leads to future growth

Innovation combined with the dependable evolution of niche products segments dominated by Coltène/Whaledent are key factors that will leverage the growth of the dental group. In 2006, Coltène/Whaledent internationally developed eight new products which were all launched during the course of the year. The most important sales drivers amongst them are the new generation filling material Synergy D6 and the highly accurate impression material Affinis® Precious.

- » Synergy D6 is a nanohybrid composite filling material which combines the ease of using a system consisting of just six dentine colors (duo shades) and two enamel colors with the natural coating principle of the tooth.



Mit dem präzise applizierbaren Affinis® Precious gelingen extrem detailgetreue Abformungen.

Easy to apply, Affinis® Precious delivers highly accurate impressions.



schichtung basierende Miris-Füllungsmaterial optimiert und steht nun als Miris[®]2 zur Verfügung.

- » In der Prothetik ermöglicht das neu eingeführte Abformmaterial Affinis[®] Precious aufgrund seiner überlegenen Fliesseigenschaften gerade im feuchten Milieu des Mundes extrem exakte und detailgenaue Abformungen. An der International Dental Show in Köln stiess Affinis[®] Precious im März 2007 auf grosses Interesse.
- » Die Produktpalette für Wurzelkanalbehandlungen wurde mit dem lichtdurchlässigen Zahnstift ParaPost[®] Taper Lux ergänzt.
- » Im Bereich Behandlungshygiene und Patientensicherheit lancierte Coltène/Whaledent unter der Marke Hygenic[®] einen latex-freien Kofferdamm mit integriertem Rahmen, der die Einpassung im Mund vereinfacht.
- » Alternativ lässt sich ein Kofferdamm neu auch mit den latex-freien Wedjets ohne Klammern bequem anbringen.
- » Nicht zuletzt wurden auch die Roeko-Retraktionsfäden mit zwei neuen Produkten ergänzt.

» Durch gezielte Verkaufsanstrengungen für bestehende und neue Produkte sowie die Einführung von Produktinnovationen werden Umsatz und Ertragskraft der Medisize Dental Group auch im laufenden Jahr 2007 weiter wachsen. Insgesamt dürfte das Dentalgeschäft künftig parallel zur Marktentwicklung von zahnmedizinischen Verbrauchsgütern zulegen. Dieser Markt wird 2007 schätzungsweise rund 5% wachsen. Wie im Berichtsjahr wird Medisize auch im laufenden Jahr im Dentalgeschäft mögliche Akquisitionskandidaten evaluieren, die strategisch zu den Marktbereichen und Vertriebsstrukturen von Medisize Dental passen.

Medisize Medical Group

Die Medisize Medical Group umfasst die Aktivitäten auf den Gebieten der Herstellung von medizinischen Einwegprodukten, der Pharma-Primärverpackung sowie der Beat-

- » In the field of dental restoration, the highly esthetic, natural-layering filling material Miris[®] was redesigned and is now offered as Miris[®]2.
- » In prosthetics, the newly launched Affinis[®] Precious wash materials are highly accurate impression materials that offer superior flow properties that allow the impression material to capture all critical surface details in the moist environment of a patient's mouth. The newly launched Affinis[®] Precious was one of the highlights at the International Dental show in Cologne in March 2007.
- » In endodontics, the product range was extended with a translucent dental post called ParaPost[®] Taper Lux.
- » New treatment auxiliaries include a non-latex flexi dam with a convenient built-in frame that makes fitting the dental dam much easier.
- » Additionally, new Wedjets dam retainers were introduced. They are a consumable latex-free, clamp-less alternative which is utilized to retain dental dams. Both products are Hygenic[®]-branded.
- » The product range of Roeko-branded retraction cords was also extended with two new products designed to improve the patients' comfort.

» The aggressive promotion of well established products, a sales focus on new products, and new product introductions will continue to drive both the sales growth and the profitability of the dental group through 2007. The Medisize Dental Group is expected to grow at a rate that parallels the growth of the traditional dental consumable market. This market is projected to grow at approximately 5% during 2007. As it did during 2006, the Dental Group will systematically evaluate acquisition candidates that have a strategic fit to the market segments and distribution networks it serves.

Medisize Medical Group

The medical group comprises the activities of Medical Device Manufacturing, Pharma Primary Packaging, and Airway Management. The activities of the medical group build on an extensive and unique combination of synergistic manufacturing technologies. As a development and manufacturing partner for the worldwide medical device and pharmaceutical industry, Medisize is a world-renowned specialist in the development, design, prototyping, and manufacture of contractor owned proprietary medical disposables as well as pharmaceutical primary packaging solutions made of a broad array of polymer based materials. In its competitive environment, largely dominated by competitors specializing in just one manufacturing technology, the broad manufac-



Synergy D6 basiert auf einem einfachen Farbsystem.
Synergy D6 features an easy colouring system.

mungsprodukte. Die medizinischen Aktivitäten von Medisize bauen auf einzigartig breiten und sich ergänzenden Kunststoff-Verarbeitungskompetenzen auf. Als Entwicklungs- und Produktionspartner der gesamten Medizinalgüter- und Pharmaindustrie ist Medisize heute ein weltbekannter Spezialist in der Entwicklung, Prototypen-Herstellung und Produktion komplexer medizinischer Einmalgüter und Pharma-Primärverpackungen aus vielen unterschiedlichen Kunststoffen. Verglichen mit der Konkurrenz, die zum Grossteil aus Firmen besteht, die sich auf eine oder wenige bestimmte Technologien spezialisiert haben, macht der breite Technologieansatz Medisize zu einem echten One-Stop-Partner.

» Während das gut etablierte Dentalgeschäft kontinuierlich wachsende Umsätze und starke Ertragszahlen vorweist, versprechen die Medizinalaktivitäten ein rascheres inneres, und der Markt lässt akquisitorisches Wachstum zu. Das interne Wachstum beruht vor allem auf dem bei Medizinalgüter- und Pharmaherstellern beobachtbaren Trend, sich selber auf das eigentliche Kerngeschäft zu konzentrieren und die Produktion der jeweiligen Kunststoffkomponenten, Darreichungsformen oder Primärverpackungen ihrer Wirkstoffe mehr und mehr an kompetente Produktionspartner auszulagern. Unter Pharma-Primärverpackungen verstehen wir jene Verpackungskomponenten, die direkt mit einem Wirkstoff in Berührung kommen und daher einen registrierten Bestandteil des Pharmaprodukts darstellen. Sowohl die Herstellung von Medizinalgütern wie auch von Pharma-Primärverpackungen ist weiterhin stark fragmentiert, so dass für Medisize künftig noch interessante Akquisitionschancen bestehen.

Medizinalgeschäft wuchs weniger als erwartet

Verglichen mit dem auf 14% geschätzten Wachstum in der OEM-Fertigung medizinischer Verbrauchsgüter ist Medisize Medical weniger als erwartet gewachsen. Im Bereich Pharma-Primärverpackungen hingegen übertraf Medisize das geschätzte Marktwachstum.

Durchgezogene Entwicklung im OEM-Geschäft

Im ersten Halbjahr behinderten Qualitätsprobleme bei Rohmaterialien die Produktion einer wichtigen Produktionslinie im irischen Werk. Diese Anlage läuft normalerweise rund um die Uhr, so dass der im Frühling 2006 erlittene Produktionsausfall auch im restlichen Jahr nicht wettgemacht werden konnte. In der zweiten Jahreshälfte schlugen zum einen kundenspezifische Projektverzögerungen und zum anderen massiv gestiegene Rohmaterialpreise auf die Umsatz- und Ertragszahlen durch. Höhere Preise für Erdölderivate und

turing technology base mastered by Medisize makes this Group stand out as a truly professional one-stop partner.

» While the long-established dental activities generate solid sales growth and predictable earnings, the medical operations promise more rapid organic growth and considerably more opportunities to grow by acquisition. Internal growth is based on the international trend that medtech and pharmaceutical companies focus on their true core businesses and outsource the production of their medical devices and primary pharmaceutical packaging to competent partners. It is important to note that the primary pharmaceutical package is the container that actually comes in direct contact with the pharmaceutical. It is a registered element of the pharmaceutical product itself. Both primary pharmaceutical packaging and medical device segments are still very fragmented healthcare manufacturing segments which provide interesting consolidation opportunities that can significantly contribute to the growth of Medisize.

The total medical business grew less than expected

In comparison to the estimated industry growth rate of 14% in OEM disposable medical devices, Medisize Medical grew slower than expected. However, the medical group's pharmaceutical primary packaging segment growth exceeded the industry growth rate.

Mixed results in sales development in OEM business

During the first half of the year, raw material related quality issues impeded production of an important production line at our Irish manufacturing facility. As this production line normally runs 24/7 at full capacity, the shortfall registered during spring 2006 could not be compensated for during the remainder of the year.

» During the second half of the year, a combination of customer induced project delays and steep raw material price surges negatively impacted sales and earnings. The higher prices for petrochemical derivatives and the globally rising demand for certain plastic raw materials led to drastically higher sourcing costs. Higher raw material prices can generally only be passed on to the customers at times specified in the sales contracts. This means material price increases impact gross margins immediately but price increases on customer contracts typically lag behind.

die weltweit steigende Nachfrage nach gewissen Ausgangsstoffen führten vor allem im Spätsommer zu massiv höheren Beschaffungskosten. Höhere Rohmaterialpreise können in aller Regel nur zu bestimmten, vertraglich festgelegten Zeitpunkten an die Kunden weitergegeben werden. Die höheren Materialpreise schlagen daher sofort auf die Bruttomarge durch, während die Anpassung der Verkaufspreise erst mit einer gewissen Verzögerung erfolgen kann.

» Der Vertragsabschluss mit einem Biomedizinal-Kunden aus der Schweiz für die Produktion eines Einsystems zur Isolierung von Zellbestandteilen war ein wichtiger Projektgewinn. Das System beruht auf einer Zentrifuge für die rasche und automatische Auftrennung von Nabelschnurblut, Blut sowie von Knochenmark. Medisize übernimmt auch die Assemblierung und die Verpackung der Produktsets. Das innovative System verfügt über eine speziell entwickelte Prozesskammer und ermöglicht so den Plasmatransfer und die Trennung von Blut in seine Bestandteile in einer geschlossenen und sterilen Umgebung.

Marginendruck bei den Beatmungsprodukten

Der Markt für Beatmungsprodukte ist weltweit weiterhin hart umkämpft. Medisize erzielt den grössten Umsatzanteil in diesem Bereich im deutschsprachigen Europa. Nicht zuletzt wegen des fünf Monate dauernden Streiks der deutschen Ärzteschaft ging die Nachfrage nach Anästhesie- und Beatmungsprodukten massiv zurück. Der Doktorenstreik dauerte bis in den Juni hinein und löste europaweit einen erbarmungslosen Preiskampf aus, was natürlich im zweiten Halbjahr auf den Umsatz und die Margen durchschlug. Gleichzeitig stiegen in diesem Produktbereich die Rohmaterialpreise deutlich an. Medisize rechnet für das erste Halbjahr 2007 noch mit keiner wesentlichen Verbesserung

Pharmaverpackungen legen zu

Vor allem die Nachfrage nach Flaschen aller Art legte im Markt für Pharma-Primärverpackungen deutlich zu. Medi-

» On a significantly more positive note, Medisize signed a new contract with a Swiss biomedical specialist for the production of single use kits of stem-cell processing equipment. This was an additional important project win. This cell separation system is a modern cell centrifugation device for a fast and automated processing of cord and peripheral blood as well as bone marrow. Medisize also does the final assembly and packaging of the single use kits. The system, based on a specially designed processing chamber, enables both fluid transfer and the separation process to take place in a closed and sterile environment.

Margin-pressure in airway management

» The market for airway management products continued to be very competitive worldwide. The majority of revenue from the airway management segment comes from the German-speaking markets in central Europe. The sales slowdown resulting from the five-month long doctors' strike in Germany had a direct and immediate negative impact on sales of airway products. The doctors' strike ended in June and its end triggered a violent price war amongst suppliers. Lower pricing translated immediately to lower sales and lower margins. Both of these factors were compounded by higher raw material costs in the second half of 2006. The market is not expected to improve materially in the first half of 2007.

Solid increase in pharmaceutical primary packaging

In pharmaceutical primary packaging, the demand for bottles increased significantly. Medisize started various projects with new as well as with existing customers. Some new bespoke closures were designed to feature special diameters or to allow for "single hand use". Medisize designs these product innovations, makes the necessary prototypes, covers all the testing and brings production up to industrial scale.



Von Medisize produzierte
Flaschen für Augentropfen.
Eye drop bottles
produced by Medisize.



Ein Einwegsystem zur Isolierung
von Zellbestandteilen.
Single use kits for
stem-cell processing.

size konnte hier sowohl mit bestehenden als auch mit neuen Kunden Projekte in Angriff nehmen, die zum Teil neu entwickelten Verschluss-Durchmesser oder „einhand-taugliche“ Verschlüsse umfassen. Medisize entwickelt solche Produktneuheiten, stellt die nötigen Prototypen her, führt alle notwendigen Tests durch und bringt ein Produkt zur industriellen Serienreife.

Strategische Akquisitionen werden laufend geprüft

Im Berichtsjahr hat Medisize die Umsatz- und Ertragsbasis gezielt mit Akquisitionen auszubauen versucht. Mehrere mögliche Firmenzukäufe in den Bereichen Medizinalgüterherstellung und Pharma-Primärverpackungen wurden geprüft; in einigen Fällen wurden auch die entsprechenden Sorgfaltsprüfungen durchgeführt und Absichtserklärungen unterzeichnet. Leider erfüllten diese Vorhaben alle das wichtige Kriterium nicht, dass Akquisitionen zu keiner Gewinnverwässerung führen sollten. Deshalb kam es bisher im Medizinalgeschäft zu keiner Akquisition. Für den Bereich Beatmungsprodukte prüft das Management derzeit vorbehaltlos alle offenstehenden strategischen Optionen. Im Berichtsjahr sollen die Weichen für die weitere Entwicklung dieses Geschäfts gestellt werden. Im Medizinalgeschäft erzielte Medisize einen gegenüber dem Vorjahr um 3,5% geringeren Umsatz von CHF 96,3 Mio. Der EBIT ging sogar um 28,1% auf CHF 5,8 Mio. zurück. Wie oben dargelegt, lagen die Gründe für den Umsatz- und Ertragsrückgang vor allem beim Ärztestreik in Deutschland, den gestiegenen Rohmaterialkosten für Erdölprodukte sowie bei dem wegen Qualitätsproblemen mit Rohmaterialien im ersten Quartal tieferen Umsatz der Gesellschaft in Irland.

» Der Streik der deutschen Ärzteschaft ist seit Mitte Jahr beigelegt, die höheren Rohmaterialkosten sind in die Produktionsverträge eingeflossen und die Qualitätsprobleme beim Rohmaterial in Irland waren bereits Anfang des zweiten Quartals behoben. Die Auswirkungen zeigen sich jedoch im Abschluss 2006. Gesamthaft enttäuschte die Leistung im Medical-Bereich von Medisize im Jahr 2006. Die dafür verantwortlichen Probleme wurden erkannt und ausgeräumt. Gestützt darauf sowie auf steigende Umsätze bestehender Produkte, akquirierte neue Projekte und neue Vorhaben, die derzeit bearbeitet werden, ist Medisize zuversichtlich, die Leistung im Bereich Development & Manufacturing im laufenden Jahr nachhaltig steigern zu können.

Gut positioniert für weiteres Wachstum

Im Jahr 2006 erzielte Medisize finanziell klare Fortschritte. Die Bruttomarge der Gruppe konnte trotz der zum Teil

Evaluating strategic acquisitions

During 2006 the Medisize Group aggressively focused on expanding its sales and earnings base by acquisition. Numerous acquisition candidates in the medical device and primary pharmaceutical packaging sectors were evaluated, and a limited number were taken through the due diligence process. Letters of intent were given. Regrettably, the key criteria of expanding sales without diluting earnings could not be met. To date no acquisitions have been made by the medical group. All the strategic options available to management are also being evaluated for the airway management segment. A full range of possibilities are being considered. A resolution to the specific strategic direction of this segment will be found during 2007. Compared with last year, the Medical Group's sales declined by 3.5% to CHF 96.3 million. Disproportionately, the Medical Group's EBIT declined (28.1%) to CHF 5.8 million in 2006. The major contributors, as noted above, to both the sales and EBIT declines were the doctors' strike in Germany, significantly higher direct material costs on petrochemical products, and the lower sales from the Irish facility which were related directly to raw material quality issues during the first quarter of 2006.

» The German doctors' strike ended at mid-year 2006, petrochemical price increases are being phased into sales contracts with our customers, and the raw material quality issues in Ireland were resolved by the start of the second quarter of 2006. However, their legacy is reflected in 2006 results. The overall financial results being reported by the Medisize Medical Group for 2006 are not satisfactory. Looking forward, the detracting issues of 2006 have been addressed or resolved. This fact, combined with recently awarded new projects, a more robust project development pipeline, and increasing sales on existing contracts, the medical group is confident it can materially improve both its sales performance and earnings development in 2007.

Well positioned for future growth

In 2006, Medisize achieved significant financial improvements compared with 2005. Gross margin increased despite the fierce competition in some market and product segments. Tightly managed cost reduction programs led to under-proportional cost increases, and after lower depreciations Group EBIT rose by 10.7% to CHF 30.1 million. This equals an EBIT margin of 12.0% of net sales compared to 11.0% last year. Net profit increased by 24.9% to CHF 22.7 million. Gains from exchange rate differences as well as deferred tax assets contributed positively to this development. Cash positions and inventory levels decreased as

harten Wettbewerbsbedingungen in gewissen Produkt- oder Marktbereichen gestärkt werden. Dank straffer Kostenkontrolle resultierte ein unterproportionaler Anstieg der Kosten; nach tieferen Abschreibungen ergab sich ein gegenüber dem Vorjahr um 10,7% höherer Betriebserfolg (EBIT) von CHF 30,1 Mio. Dies entspricht einer EBIT-Marge von 12,0% nach 11,0% im Vorjahr. Wechselkursgewinne und der positive Beitrag aktivierter Steuerverluste trugen zu einem um 24,9% höheren Nettogewinn von CHF 22,7 Mio. bei. Die flüssigen Mittel und die Lager konnten dank verbesserter internen Abläufe und Systeme gesenkt werden. Bei einem Geldfluss aus Betriebstätigkeit von CHF 31,4 Mio. und einen Geldfluss aus Investitionstätigkeit von CHF 5,9 Mio, weist Medisize einen hervorragenden Free Cashflow von CHF 25,5 Mio. aus. Entsprechend konnten Bankkredite und Darlehen von CHF 74,6 Mio. um 35% auf CHF 48,5 Mio. abgebaut werden. Die Eigenmittel stiegen von CHF 131,4 Mio. auf CHF 149,2 Mio. Bei einer Eigenmitteldeckung von 60,3% Bankkredite und Darlehen weist Medisize eine solide und starke Bilanz auf und ist so für das weitere Wachstum gut positioniert.

Guter Start ins neue Jahr

Gestützt auf den guten Geschäftsgang im Dentalgeschäft, die erfolgreich den neuen Rohmaterialpreisen angepassten Produktionsvereinbarungen und vor allem in Anbetracht der gegenwärtigen Projekt- und Produktionspipeline erwartet Medisize Holding AG im neuen Geschäftsjahr in beiden Segmenten Umsatz- und Ertragszahlen, die jeweils über dem entsprechenden Marktwachstum liegen. Angesichts des guten Leistungsausweises im Dentalgeschäft und des wachsenden Schwungs im Medizinalgeschäft schlägt der Verwaltungsrat der Generalversammlung für das Geschäftsjahr 2006 die Ausschüttung einer Dividende von CHF 1.60 je Namenaktie zu nominal CHF 5.00 vor.

Wir möchten uns an dieser Stelle bei allen Geschäftspartnern und Aktionären für ihr Vertrauen und ihre Unterstützung bedanken. Unser Dank gilt insbesondere auch allen Mitarbeitenden, die engagiert zum erfolgreichen Start von Medisize als profitables Unternehmen mit aussichtsreichen Wachstumschancen beigetragen haben.

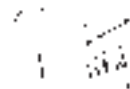
a consequence of streamlined internal processes and systems. With a cash flow from operating activities of CHF 31.4 million and a cash flow from investing activities of CHF 5.9 million, Medisize shows an excellent free cash flow of CHF 25.5 million. Accordingly, bank and other loans decreased dramatically by 35.0% from CHF 74.6 million in 2005 to CHF 48.5 million for 2006, and shareholders' equity improved from CHF 131.4 million to CHF 149.2 million. With an equity ratio of 60.3%, the company shows a solid and strong balance sheet and is well positioned for future growth.

Healthy start into the new year

Reflecting the ongoing solid performance of the dental activities, the successfully renegotiated OEM contracts honoring higher raw material costs, as well as the current medical project and production pipeline, Medisize Holding AG expects to see both healthcare segments grow sales and EBIT in excess of their respective market growth rates in 2007.

» Acknowledging the strong performance in the dental activities and the increasing momentum in the medical operations, the Board of Directors proposes to the Annual General Meeting of Shareholders a dividend for the financial year of CHF 1.60 per registered share of CHF 5.00 par value.


We would like to thank all our business partners and shareholders for their confidence and continued support and especially all our employees for their contribution in launching Medisize Holding AG as a profitable company with promising growth opportunities.



Dr. Paul Hälg
Chairman of the Board
of Directors



Jerry Sullivan
Chief Executive Officer



Dr. Paul Hälg
Verwaltungsratspräsident



Jerry Sullivan
Chief Executive Officer

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Corporate Governance Medisize Holding AG

The following chapter describes the principles of corporate governance applied at Group and Senior management level within the Medisize Group. The central elements are contained in the Articles of Incorporation and organizational regulations and are based on the guidelines and recommendations set out in the “Swiss Code of Best Practice for Corporate Governance” published by *economiesuisse*. To make orientation easier, the order and numbering of the individual sections correspond to those used in the “Guidelines concerning information on corporate governance” published by SWX Swiss Exchange.

All information is valid as at December 31, 2006, unless otherwise stated. Significant changes that have occurred between that date and the copy deadline for this Report have also been indicated as appropriate.

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

1.1.1 Operative Group structure

Specializing on Health Care applications, Medisize Group is targeting the markets for dental and medical consumables. The company evolved from the Health Care Division of the former Gurit-Heberlein AG and was incorporated as per December 15, 2005. The Health Care division was listed as an independent company on June 23, 2006 on SWX Swiss Exchange.

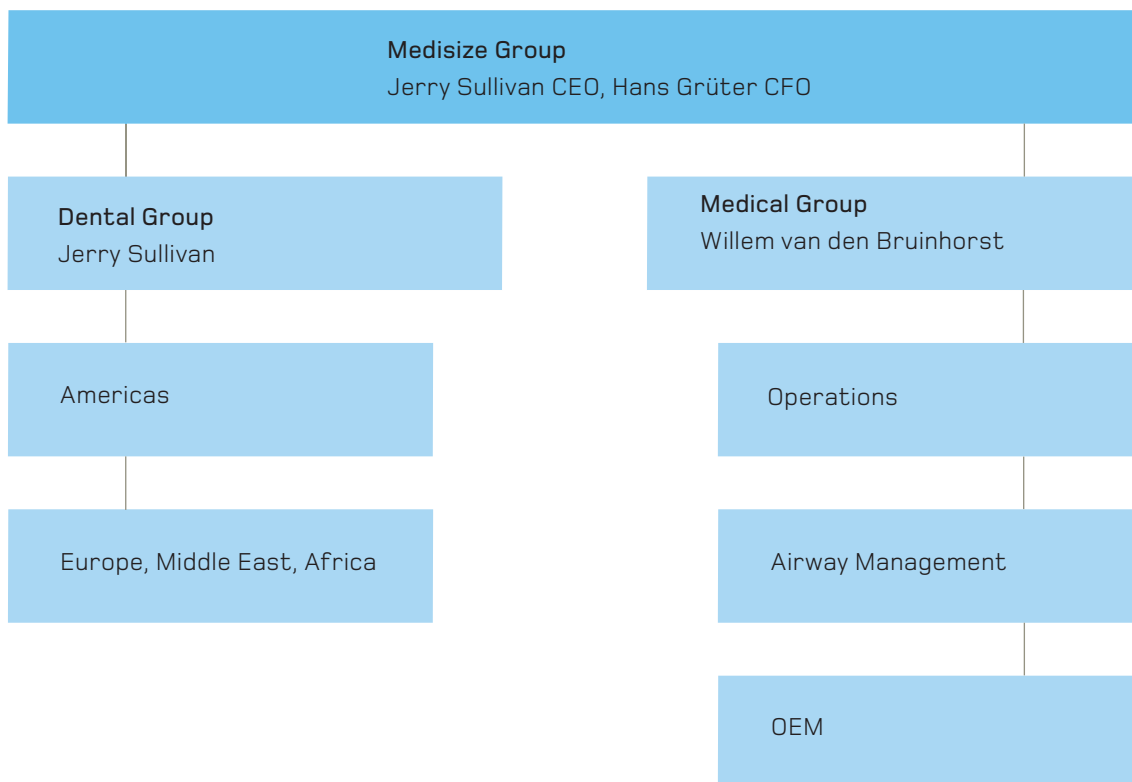
The organization of Medisize Group can be described as follows.

1.1.2 Legal structure of subsidiaries

Of all the companies consolidated, Medisize Holding AG (the Medisize Group's holding company) is the only one listed. It is headquartered in Wattwil/SG; Medisize Holding AG's registered shares (security no. 2.534.325, ISIN CH0025343259, symbol MSZN) are quoted on SWX Swiss Exchange. On December 31, 2006, the market capitalization amounted to CHF 388 million. Information on the companies belonging to the Medisize Group, which are not listed, is shown on page 47 of the financial report.

1.2 Major shareholders

On December 31, 2006, the following shareholders held more than 5% of the voting stock of Medisize Holding AG:



Huwa Finanz- und Beteiligungs AG, Heerbrugg, Rässengüetli 9, 9050 Appenzell: In the context of a merger, Huwa Finanz- und Beteiligungs AG, Heerbrugg, absorbed its 100% subsidiary Geha Holding AG. Accordingly, Huwa Finanz- und Beteiligungs AG holds 468,000 registered shares as at December 5, 2006. This equals voting rights of 10%. This equity participation includes a 9.4% stake that was previously held by Geha Holding AG, Nefenstrasse 9, 9435 Heerbrugg/SG. Huwa Finanz- und Beteiligungs AG is under control of Hans Huber, Appenzell/AI.

Harris Associates L.P., Two North La Salle Street, Suite 500, Chicago, IL 60602/USA, holds 278,850 registered shares representing voting rights of 5.96%.

FMR Corp., 82 Devonshire Street, Boston, MA 02109/USA, held directly and indirectly 304,980 registered shares as at November 24, 2006, through Fidelity Management & Research Company and Fidelity Management Trust Company. This equals 6.52% of all voting rights in Medisize Holding AG.

Litespeed Management LLC, 237 Park Avenue, Suite 900, New York, NY 10017/USA, being the fund manager of Litespeed Master Fund Ltd, holds 247,200 registered shares of Medisize Holding AG as at December 11, 2006, which equals 5.28% of voting rights in Medisize Holding AG.

Schroder Investment Management Limited, 31 Gresham Street, London, EC2V 7QA, Great Britain, holds 236,217 registered shares of Medisize Holding AG as at November 13, 2006, which equals 5.05% of voting rights in Medisize.

1.3 Cross-shareholding

Medisize Holding AG has no cross-shareholding arrangements with other companies.

2 CAPITAL STRUCTURE

Information about the capital structure can be found in Medisize Holding AG's Articles of Incorporation, in the financial statements of Medisize Holding AG as well as in the Investor Relations section on page 54 of this Report. The Articles of Incorporation in German are available on the website at <http://www.medisize-holding.com/about/corporate-governance.html>

2.1 Capital

Details on the capital are included in the notes to Medisize Holding AG's financial statements on page 51.

2.2 Authorized or contingent capital in particular

Medisize Holding AG has no authorized or contingent capital.

2.3 Changes in capital

The following changes in equity have occurred during the last two years taking into account that Medisize Holding AG was incorporated as per December 15, 2005.

IN CHF 1000	31.12.2006	31.12.2005
Share capital	23 400 000	23 400 000
General reserves	26 685 747	30 420 000
Treasury stock reserves	3 734 253	0
Net result	7 933 862	369 193
Total	61 753 862	54 189 193

2.4 Shares and participation certificates

The company's share capital consists of 4,680,000 registered shares with a par value of CHF 5.00 each. The shares are traded in the main section of the SWX Swiss Exchange (security no. 2.534.325, symbol MSZN). All shares are fully paid up and entitled to dividends. Medisize Holding AG has not issued any participation certificates.

2.5 Profit-sharing certificates

Medisize Holding AG has not issued any profit-sharing certificates.

2.6 Restrictions on transferability of shares and nominee registrations

According to § 4 of the Articles of Incorporation, only individuals who are registered in the share register may be recognized as the owners or beneficiaries of traded shares. Registration of ownership may be refused only in cases where the purchaser does not expressly declare that he has acquired the shares for his own account. The Board of Directors may cancel a registration of a shareholder or nominee in the share register, after hearing the respective parties, if the entry was made based on false declarations. The relevant party is to be immediately informed of this cancellation. The Board of Directors may define principles for the registration of fiduciaries or nominees and stipulate the necessary rules to guarantee compliance with the aforementioned principles.

2.7 Convertible bonds and warrants/options

Medisize Holding AG has no outstanding convertible bonds or options.

3 BOARD OF DIRECTORS

On December 31, 2006, the Board of Directors of Medisize Holding AG consisted of six members.

3.1.2 Members of the Board of Directors

The personal details together with the other activities and vested interests of individual members of the Board of Directors are listed below:

Paul Hälgi

- » Chairman of the Board of Directors
- » Doctorate in chemistry, Swiss citizen, 53
- » Non-executive member

Professional background (main stages)

- » 1986–2001 Gurit-Essex AG, from 1995 CEO
- » 2001–2004 Group Executive Vice President, Forbo International SA, Eglisau/ZH
- » 2004–present day CEO of Dätwyler Holding AG, Altdorf/UR

Other important activities and vested interests:

- » Chairman of the Board of Gurit Holding AG, Wattwil/SG

Robert Heberlein

- » Member of the Board of Directors
- » Attorney-at-law, Swiss citizen, 66
- » Non-executive member

Professional background (main stages)

- » Since 1977 Partner, Lenz & Staehelin, Zurich/ZH

Other important activities and vested interests:

- Member of the Board of Directors of Gurit Holding AG, Wattwil/SG
- » Member of the Board of Directors of Geberit AG, Jona/SG

Nick Huber

- » Member of the Board of Directors
- » Businessman, Swiss citizen, 42
- » Non-executive member

Professional background (main stages)

- » 1990–1995 Account Manager, IBM (Schweiz) AG
- » 1995–2005 Divisional Head, SFS Unimarket AG
- » 2005–present day member of the Executive Management of SFS Services AG

Other important activities and vested interests:

- » Member of the Board of Directors of Alpha Rheintal Bank, Heerbrugg/SG
- » Member of the Board of Directors of Huwa Finanz- und Beteiligungs AG, Heerbrugg/SG
- » Member of the Board of Directors of Gurit Holding AG, Wattwil/SG

Walter Känel

- » Member of the Board of Directors
- » Lic. oec HSG et Dr. rer. pol
- » Swiss citizen, 71
- » Non-executive member

Professional background (main stages)

- » 1975–2000 CEO and Delegate of the Board of Gurit-Heberlein AG

Other important activities and vested interests:

- » Member of the Board of Directors of Gurit Holding AG, Wattwil/SG

Matthew Robin

- » Member of the Board of Directors
- » M. Eng. in Chemical Engineering, Imperial College, University of London
- » Non-executive member
- » British citizen, 42

Professional background (main stages)

- » 1987–1998 Lonza Fine Chemicals, various functions in the USA and Switzerland (last function: Business Director US Custom Manufacturing)
- » 1998–2003 Disetronic, Burgdorf (last function: Head Disetronic Injection Systems)
- » 2003–2006 Ypsomed Holding AG, Burgdorf, CEO
- » 2007 Tecan Holding AG, Männedorf, Divisional Head Liquid Handling & Robotics

Rudolf Wehrli

- » Member of the Board of Directors until Annual General Meeting of the Shareholders 2007
- » Dr. phil. et Dr. theol. Swiss citizen, 57
- » Non-executive Member

Professional background (main stages)

- » 1979–1983 Management consultant, McKinsey Schweiz
- » 1984–1985 Directorate Credit Suisse, Zurich
- » 1986–1995 Head of marketing and sales and member of Executive Management, Silent Gliss Group, Muri/Bern
- » 1995–1998 Member of Group Management of Gurit-Heberlein AG

- » 1998–2000 COO of Gurit-Heberlein AG
- » 2000–2006 CEO of Gurit-Heberlein AG

Other important activities and vested interests:

- » President of the Swiss Chemical Industry Association (SGCI) and in this capacity a member of the supervisory board of economiesuisse
- » Member of the Board of Directors of SIG Holding AG, Neuhausen am Rheinfall/SH
- » Member of the Board of Directors of Bernische Kantonalbank BEKB, Bern/BE
- » Member of the Board of Directors of Kambly AG, Trubschachen/BE
- » Member of the Board of Directors of Mercuri Urval AG, Zollikon/ZH
- » Member of the Board of Directors of BioMedCredit AG, Muri bei Bern/BE
- » Member of the Board of Directors of SFChem AG, Schweizerhalle/BL
- » Chairman of the Board of Directors of Benninger AG, Uzwil/SG
- » Member of the Board of Directors of Gurit Holding AG, Wattwil/SG

3.3 Cross-involvement

Since the separation of Medisize Holding AG, the members of the Board of Directors of Medisize Holding are also members of the Board of Directors of Gurit Holding AG, except for Matthew Robin who is not a member of the Board of Directors of Gurit Holding AG.

3.4 Election and term of office

The members of the Board of Directors are elected by the shareholders for a period of three years. At the end of their term of office, members may be re-elected. There is no limit to the period of office or age of members of the Board of Directors. The members of the Board of Directors are elected person by person.

NAME	BORN	POSITION	ELECTION	UNTIL
Dr. Paul Hälg	1954	Chairman	15.12.2005	2008
Robert Heberlein	1941	Member	15.12.2005	2008
Nick Huber	1964	Member	15.12.2005	2008
Dr. Walter Känel	1935	Member	15.12.2005	2008
Matthew Robin	1965	Member	11.01.2006	2009
Dr. Rudolf Wehrli	1949	Member	15.12.2005	*

* resigns as per Annual General Meeting 2007

3.5 Internal organization

3.5.1 Allocation of tasks within the Board of Directors

The Board of Directors is ultimately responsible for the management of the company and the supervision of the persons in charge of the management. The Board of Directors represents the company and takes care of all matters which are not delegated by law, the Articles of Incorporation or the organizational regulations to another body.

The Board of Directors' main duties are as follows:

- » determination and formulation of the business strategy
- » purchase and sale of participations or establishments and liquidation of Group companies
- » approval of real estate transactions exceeding CHF 500,000 in value
- » definition of Medisize Group's finance strategy
- » determination of financial accounting and reporting, financial control and financial planning
- » definition of Medisize Group's organizational structure
- » appointment of the persons in charge of the management
- » approval of the auditor's report as well as preparation of the general meeting of the shareholders and the execution of its resolutions.

3.5.2 Membership of the committees of the Board of Directors, their duties and responsibilities

The Board of Directors has delegated the operational management to the Executive Management Board headed by the Chief Executive Officer. The Chairman of the Board of Directors organizes and manages the work of the Board of Directors.

The Board has formed permanent committees:

Audit and Corporate Governance Committee:

Chairman: Robert Heberlein

Members: Paul Hälg, Nick Huber, Walter Känel

The Audit and Corporate Governance Committee assists the Board of Directors in its supervisory duties. More specifically, the Audit and Corporate Governance Committee has the following main tasks and duties to perform:

- » approval of the auditing program and audit fees and form a judgment of the effectiveness of the external audits
- » assessment of the quality of internal control systems including risk management
- » review of the company and the consolidated financial statements as well as interim statements intended for publication

- » regularly review of the principles concerning Corporate Governance
- » proposal to the Board of Directors of amendments to the Articles of Incorporation or internal regulations

Compensation and Nomination Committee

Chairman: Walter Känel

Members: Paul Hälg, Nick Huber, Robert Heberlein

The nomination and compensation committee carries out the following duties:

- » determination of the remuneration of the members of the Board of Directors
- » definition of the principles for the remuneration of the members of the Executive Management Board and submission of them to the Board of Directors for approval
- » definition of principles for the selection of candidates for election or re-election to the Board of Directors
- » preparation of the selection and assessment of the candidates for the position of the CEO
- » approval of appointments of division heads and other members of the senior management
- » approval of the remuneration to be paid to the senior management

3.5.3 Working methods of the Board of Directors and its committees

The Board of Directors meets annually for six ordinary, mainly one-day meetings. Extraordinary meetings may be held as necessary. Every member of the Board of Directors is entitled to request an immediate meeting, provided that he names its purpose. In 2006, the Board of Directors met six times. The Audit and Corporate Governance Committee met three times in 2006, whereas the Nomination and Compensation Committee met two times in 2006.

Meetings are summoned in writing by the Chairman. An invitation together with a detailed agenda and documentation is sent to all participants at least seven days in advance of the date set for the meeting.

As a rule, the Chief Executive Officer and the Chief Financial Officer attend meetings of the Board of Directors. In order to ensure that the Board of Directors has sufficient information to make decisions, other members of staff or third parties may also be invited to attend.

The Board of Directors is quorate if all members have been duly invited and the majority of its members take part in the

decision-making process. Members may participate in deliberations and the passing of resolutions by telephone or other suitable electronic media if all participants are in agreement. The decisions of the Board of Directors are taken on the basis of the votes submitted. In the event of a tie, the Chairman has the casting vote. Decisions may also be made in writing.

Proposals may also be sent to all members and they are regarded as passed if the majority of members agree unconditionally and no member insists on discussion of the issues in question in a formal meeting. Members of the Board of Directors are obliged to leave meetings when issues are discussed that affect their own interests or the interests of persons close to them.

All proposals and decisions are entered in the minutes to the meeting. The minutes also contain a summary of important requests to speak and any deliberations.

3.6 Definition of areas of responsibility

The areas of responsibility between the Board of Directors and the Executive Management Board are defined in Medisize Holding AG's organizational regulations. Executive control of Medisize Group and, with it, operational management of the entire Medisize Group is, as far as permissible by law, delegated to the Executive Management Board.

Apart from decisions which, according to Art. 716a of the Swiss Code of Obligations, are part of its indefeasible and non-transferable duties, the Board of Directors has reserved for itself the duties listed under 3.5.1.

3.7 Information and control instruments vis-à-vis Executive Management Board

As a rule, the Executive Management Board updates the Board of Directors on operations and Medisize Group's financial position every month. In addition, the CEO and CFO report on business and all matters of relevance to the Board of Directors at each meeting of the Board of Directors. Every member of the Board of Directors has the right to ask any member of the Executive Management Board for information about matters within his remit, even outside meetings. The Chairman of the Board of Directors is also informed by the CEO about all business and issues of a fundamental nature or of special importance.

4 GROUP MANAGEMENT

On December 31, 2006, Medisize Holding AG's Executive Management Board consisted of the CEO and the CFO.

4.1/2 Members of the Executive Management Board

The personal details together with the other activities and vested interests of individual members of the Executive Management Board are listed below:

Jerry Sullivan

Chief Executive Officer Medisize Group
Bachelor of arts

American citizen, 60 years

Professional background (main stages):

- » 1981–1992 President and CEO, Whaledent International Inc.
- » 1992–2002 Managing Director, Coltène/Whaledent Inc. Cuyahoga Falls, Ohio/USA
- » 2003–2006 CEO Gurit Heberlein Dental Care

Hans Grüter

Chief Financial Officer Medisize Group
PhD Business Administration University Zurich,
AMP Wharton

Swiss citizen, 47 years

Professional background (main stages)

- » 1996–1998 CFO, Melcher AG, Uster/ZH
- » 1998–2001 Divisional President Europe, Uster/ZH, Power One, Camarillo, USA
- » 2002–2005 CFO Wicor Holding AG (Weidmann Group), Rapperswil/SG

4.3 Management contracts

No agreements pertaining to the provision of managerial services exist between Medisize Holding AG and other companies or natural persons outside Medisize Group.

5 COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 Content and method of determining compensation and shareholding schemes

Members of the Board of Directors are paid a fixed amount in cash for their services. This amount is determined by the Compensation and Nomination Committee from time to time.

The amount paid to the Chief Executive Officer is determined by the Compensation and Nomination Committee; the

amounts paid to other members of the Executive Management Board are the responsibility of the Chief Executive Officer, subject to approval of the Compensation and Nomination Committee.

Apart from their basic salary, the members of the Executive Management Board receive a performance and success-related bonus. The basic salary takes into account the functional value of the position, the individual qualifications required and local employment conditions. The size of the bonus depends on how successful the area for which the member is responsible has been in achieving its targets.

A supplementary pension scheme according to the individual jurisdictions exists for members of the Executive Management Board. An appropriate portion of the premiums are financed by the insured employees themselves.

There is no management participation program in place. The former management participation program of Gurit-Heberlein AG was phased out by December 2006.

5.2 Remuneration to acting members of governing bodies

The total sum of all remunerations¹ (excluding shares and options) paid during the year under review was as follows:

- a) to members of the Executive Management Board a total of CHF 1,297,350 (two persons in all); and
- b) to non-executive members of the Board of Directors a total of CHF 458,000 (six persons in all). For the highest remuneration paid to a non-executive member of the Board of Directors see item 5.9.

¹ Total of all remuneration, fees, salaries, grants and bonification (during the year under review no goods were distributed as payments.)

5.3 Remuneration to former members of governing bodies

No exit remuneration to a person leaving office during the year under review, and no remuneration to former members of governing bodies was paid during the year under review.

5.4 Share allotment in the year under review

During the year under review no shares were allotted.

5.5 Share ownership

On the reference date, the various groups held (directly or indirectly) the following amounts of shares in Medisize Holding AG:

a) executive members of the Board of Directors and members of the Executive Management Board and parties closely linked to them as well as the most senior management staff members: 400 shares with a par value of CHF 5.00 each.

b) non-executive members of the Board of Directors and parties closely linked to them: 612,200 shares with a par value CHF 5.00 each.

5.6 Options

On December 31, 2006 there were no options on shares of Medisize Holding AG issued.

5.7 Additional fees and payments

No additional fees or payments were made to members of the Board of Directors or to the Executive Management Board or parties closely linked to them.

5.8 Loans to governing bodies

No loans, securities, advances or credits have been granted to members of the Board of Directors or the Executive Management Board or parties closely linked to them.

5.9 Maximum total remuneration

The member of the Board of Directors with the highest total remuneration in the year under review received CHF 170,000.–

6 SHAREHOLDERS' PARTICIPATION RIGHTS

Details of shareholders' participation rights can be found in the Articles of Incorporation of Medisize Holding AG. The Articles of Incorporation in German are available on the Website at <http://www.medisize-holding.com/about/corporate-governance.html>.

6.1 Voting right restrictions and representation

The Articles of Incorporation contain no restrictions on voting rights. Every registered share represented at the General Meeting is entitled to one vote. A shareholder may vote his own shares or be represented at the General Meeting by way of a written proxy.

6.2 Statutory quorums

Unless otherwise determined by law, a General Meeting convened in accordance with the Articles of Incorporation is quorate regardless of the number of shareholders attending or the number of shares represented. To be valid

and subject to statutory provisions, resolutions require an absolute majority of the votes submitted. In the event of a tie, the Chairman, who is always entitled to vote, makes the casting vote.

Important decisions of the General Meeting as defined in Art. 704 para. 1 of the Swiss Code of Obligations require at least two thirds of the votes present and the absolute majority of the par value of shares represented.

6.3 Convocation of the General Meeting of the Shareholders

The ordinary General Meeting of the Shareholders takes place annually within six months of the end of the company's financial year. Extraordinary General Meetings can be called by decision of the General Meeting, the Board of Directors, at the request of the auditors, or if shareholders representing at least a tenth of the company capital submit a request in writing, stating the purpose, to the Board of Directors.

The invitation to the General Meeting of the Shareholders is published in the Swiss Official Gazette of Commerce. All shareholders whose addresses are registered in the share register are notified by a letter.

6.4 Agenda

The Articles of Incorporation contain no regulations relating to agendas that differ from those set forth by the law. Accordingly, shareholders representing shares of a par value of CHF 1 million may request items to be included in the agenda.

6.5 Entries in the share register

Shareholders and/or beneficiaries of registered shares are entitled to vote if they are already registered in the share register at the time when invitations are sent out to the General Meeting of the Shareholders.

7 CHANGES OF CONTROL AND DEFENCE MEASURES

7.1 Public purchase offers

The Articles of Incorporation of Medisize Holding AG do not stipulate an alleviation or exemption for the duty to submit a public offer according to Art. 32 and 52 of the Bundesgesetz über die Börsen und den Effektenhandel (Swiss Law on Stock Exchanges and Securities Trading).

7.2 Clauses on changes of control

Four employees are entitled to receive compensation in case of a change of control in Medisize Holding AG:

Three employees receive a retention bonus in case of a change of control in the amount of 100–150% of their relevant annual fixed salary portion. The respective payments are made if the three employees continue to offer their services to Medisize Holding AG for at least 90 days after the occurrence of the change of control. The amount of the payments (within the aforementioned margin) depends on the amount of the transaction price.

One employee is entitled to an amount corresponding to his annual total salary at the time his employment agreement is terminated (plus a bonus in the amount of the bonus that has been paid for the last business year before the termination of the employment agreement). Such amount is paid on a pro rata basis for the remainder of the year in which the relevant employment agreement is terminated as well as for the following two years after such year. Certain additional payments (fringe benefits) are made until September 6, 2011. In addition, the respective employee also receives a lump sum payment of USD 2,000,000 (in case the change of control occurs before September 6, 2007) and USD 1,000,000 respectively (in case the change of control occurs after September 6, 2007, but before September 6, 2011).

8 AUDITORS

8.1 Duration of mandate and lead auditor's term of office

PricewaterhouseCoopers AG, St. Gallen, has been Medisize Holding AG's statutory auditors since the foundation of the company (December 15, 2005) and also serves as Group auditors. Lorenz Lipp is auditor in charge.

8.2 Auditing fees

The total sum charged during the year under review by PricewaterhouseCoopers AG in its capacity as Medisize Group's statutory auditor amounted to CHF 313,808.–.

8.3 Additional fees

Fees for additional services (e.g. management and IT consultancy, tax and legal advisory services) supplied by the auditors during the year under review amounted to CHF 63,000.–.

8.4 Supervisors and control instruments pertaining to the auditors

As explained in section Ziff. 3.5.2., the Board of Directors has established an Audit and Corporate Governance Committee to monitor the external auditors (statutory and Medisize Group auditors). As part of its duties, the Audit and Corporate Governance Committee also assesses the services and fees charged by the external auditors as well as their independence from the entire Board of Directors. Generally, the auditors participate in two meetings of the Audit and Corporate Governance Committee/Board of Directors per year.

9 INFORMATION POLICY

Medisize Holding AG provides its shareholders with information in the form of the Annual Report and a half-yearly report. Important events are published immediately through press releases and/or letters to shareholders.

10 INTERNET

Shareholders and other interested parties can also obtain information about Medisize Group on the internet at www.medisize-holding.com

E-mail Alerts: The latest financial information from Medisize Holding AG can be automatically received by e-mail; sign up for this service is available in the investor relations section of the Medisize Group's website.

11 AD HOC PUBLICITY

Medisize Holding AG maintains regular contact with the financial world in general and with important investors. At the same time, it abides by the legally prescribed principle of treating all parties equally as regards communication. Relevant new facts are published openly and are available to all interested parties.

Important dates

The most important dates for publications this year and the following year are:

March 27, 2007

Presentation of annual results
Financial analysts' and media conference
Publication of Annual Report 2006

April 19, 2007

General Meeting of the Shareholders,
Seedamm Plaza, Pfäffikon/SZ

End of August 2007

Half-year report 2007, shareholders' letter

End of March 2008

Presentation of annual results 2007
Financial analysts' and media conference
Publication of Annual Report 2007

April 2008

General Meeting of the Shareholders

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GROUP INCOME STATEMENT

IN CHF 1000

	REF.	2006	2005
Net sales		249 864	246 887
Raw material and consumables used	2	-82 565	-83 400
Personnel expenses	3	-82 921	-81 046
Other operating expenses	5	-15 499	-15 325
Marketing and administrative expenses	5	-29 526	-29 806
Other income and expenses	6	112	-257
Depreciation and amortization	7	-9 384	-9 868
Operating profit (EBIT)		30 081	27 185
Financial expenses	8	-4 473	-5 713
Financial income	8	3 323	1 905
Net profit before tax expenses		28 931	23 377
Tax expenses	9	-6 294	-5 253
Net profit	11	22 637	18 124
Earnings per share		CHF 4.88	CHF 3.87
Diluted earnings per share		CHF 4.88	CHF 3.87

The notes are part of the group financial statements.

GROUP BALANCE SHEET

IN CHF 1000

	REF.	31.12.2006	31.12.2005
Assets			
Cash and cash equivalents		19 947	25 746
Accounts receivable from deliveries and sales	13	49 591	42 680
Tax receivables		14	0
Other receivables and accruals	14	4 643	5 143
Inventories	15	49 657	53 750
Current assets		123 852	127 319
Property, plant and equipment	16	59 101	62 443
Financial assets	17	2	2
Intangible assets	18	62 054	62 179
Deferred tax assets	10	2 389	2 027
Non-current assets		123 546	126 651
Total assets		247 398	253 970
Liabilities and equity			
Bank loans	19	31 888	11 501
Accounts payable to suppliers		10 181	9 076
Other accounts payable and accruals	20	17 307	16 784
Tax liabilities		2 981	2 697
Other short-term provisions	21	162	220
Current liabilities		62 519	40 278
Mortgages and loans	22	16 611	63 091
Other long-term liabilities	23	10 857	11 134
Deferred tax liabilities	10	5 900	6 035
Other long-term provisions	24	2 315	2 049
Non-current liabilities		35 683	82 309
Total liabilities		98 202	122 587
Share capital	25	23 175	23 400
Currency translation adjustments		-5 912	-4 914
Retained earnings	25	131 933	112 897
Total equity		149 196	131 383
Total liabilities and equity		247 398	253 970

The notes are part of the group financial statements.

GROUP CASH FLOW STATEMENT

IN CHF 1000

	2006	2005
Operating profit	30 081	27 185
Depreciation and amortization	9 384	9 868
Other non-cash items	-162	-105
Change in accounts receivable	-7 208	-3 249
Change in inventories	3 447	-2 825
Change in other current assets	468	1 183
Change in current liabilities	3 423	-3 669
Change in non-current liabilities	259	-45
Financial expenses	-3 210	-4 591
Financial income	1 259	181
Tax payments	-6 383	-5 064
Cash flow from operating activities	31 358	18 869
Purchase of property, plant and equipment	-5 315	-4 413
Proceeds from sale of property, plant and equipment	160	10 719
Purchase of financial assets	0	-26
Proceeds from sale of financial assets	0	25
Purchase of intangible assets	-132	-155
Proceeds from sale of intangible assets	0	2
Purchase of minority interests and earn out payments	-590	0
Proceeds from sale of subsidiaries	0	94
Cash flow from investing activities	-5 877	6 246
Change in current bank loans	-16 964	2 172
Proceeds from non-current bank and other loans	36 116	1 260
Repayment of non-current bank and other loans	-45 718	-17 090
Repayment of other non-current payables	-148	-1 365
Lease payments	-205	-680
Dividend to shareholders	0	-7 339
Purchase of treasury stock	-3 848	0
Proceeds from sale of treasury stock	22	0
Cash flow from financing activities	-30 745	-23 042
Exchange rate differences	-535	2 296
Change in cash and cash equivalents	-5 799	4 369
Cash and cash equivalents at beginning of year	25 746	21 377
Cash and cash equivalents at end of year	19 947	25 746

The notes are part of the group financial statements.

STATEMENT OF CHANGES IN EQUITY

IN CHF 1000

	SHARE CAPITAL	CURRENCY TRANSLATION ADJUSTMENTS	RETAINED EARNINGS	TOTAL EQUITY
1.1.2005	0	-8 963	102 112	93 149
Net profit			18 124	18 124
Exchange differences		4 049		4 049
Total income and expenses for the year		4 049	18 124	22 173
Foundation	23 400			23 400
Dividend distribution			-7 339	-7 339
Total transactions with shareholders	23 400		-7 339	16 061
31.12.2005	23 400	-4 914	112 897	131 383
Net profit			22 637	22 637
Exchange differences		-998		-998
Total income and expenses for the year		-998	22 637	21 639
Change in treasury stock	-225		-3 601	-3 826
Total transactions with shareholders	-225		-3 601	-3 826
31.12.2006	23 175	-5 912	131 933	149 196

The notes are part of the group financial statements.

NOTES TO GROUP FINANCIAL STATEMENTS

Reporting Entity

Medisize Holding AG – the holding company of the Medisize Group ('the Group') – is a stock corporation according to Swiss Code of Obligations. The company's legal domicile is in Wattwil, Switzerland. Medisize Holding AG was founded in accordance with Swiss company law on December 15, 2005. The Group is active in the dental and medical markets. Medisize Holding AG was established to integrate the former Health Care division of Gurit Holding AG under a new roof as well as to list Medisize Holding AG as an independent company at the SWX Swiss Exchange on June 23, 2006. The 2005 financial figures were compiled in view of the working out of the going public memorandum (Kotierungsprospekt). The figures comprise the carve-out figures of the Health Care Business as a division of Gurit Holding AG.

PRINCIPLES OF CONSOLIDATION

General remarks

The Group financial statements were compiled in compliance with the consolidation and valuation principles described in the following as well as in accordance with the International Financial Reporting Standards (IFRS). The figures are based on the historical cost convention and were modified according to the revaluation of certain financial assets carried at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates which could impact the assets, liabilities and contingent liabilities at the balance sheet date as well as income and expenses of the reporting period. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. If at a later moment of time such judgments and assumptions made by management based on the best information available at the time when books were closed differ from the actual circumstances, the original judgments and assumptions made are changed for the year in which the respective circumstances have changed.

The International Accounting Standards Board (IASB) issued the following new standards and interpretations to be applied for annual periods beginning on or after January 1, 2006:

- » IFRS 6 – Exploration for and Evaluation of Mineral Resources
- » IFRIC 4 – Determining whether an Arrangement contains a Lease
- » IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

In addition, the following standards have been revised and became effective as of January 1, 2006:

- » IAS 19 – Employee Benefits
- » IAS 21 – Effects of Changes in Foreign Exchange Rates
- » IAS 39 – Financial Instruments: Recognition and Measurement

The adoption of these new or revised standards and interpretations resulted in minor changes to the consolidated financial statements 2006. Comparative figures have been restated.

In addition, IFRS 8 – operating segments was early adopted.

Early adoption of IFRS 8 – Operating Segments

This standard redefines the criteria applying to segments and segment reporting. Following the separation from the Gurit-Holding AG, a new management structure was established and developed further. Moreover, additional financial systems were set up. Information gained from these new management tools is submitted to the Management Board and the Board of Directors regular for review and as basis for decision taking. Given the fact that all criteria for IFRS 8 were met and the transparency of the financial statements was improved upon, the Board of Directors decided in favor of an early adoption of this standard. The IFRS standard was adopted for the first time for the annual report of 2006. Comparative amounts have been restated.

The Group financial statements are based on the individual financial statements of the Group's subsidiaries, prepared according to identical guidelines as of December 31. The Group financial statements were prepared in accordance with Swiss company law and the accounting principles of the listing regulations of the SWX Swiss Exchange. If no information to the contrary is provided, the applicable currency unit shall be thousand Swiss Francs (TCHF). Swiss Francs are the functional currency of the Holding company as well as the reporting currency of the Group.

The Medisize Holding AG Board of Directors authorized these financial statements on March 13, 2007, for issue. The financial statements remain to be approved of by the Annual General Meeting of Shareholders scheduled to take place on April 19, 2007.

Companies consolidated

Group subsidiaries, controlled directly or indirectly by Medisize Holding AG, are fully consolidated. Subsidiaries are fully consolidated as of date on which control was transferred to the Group. Subsidiaries are considered to be de-consolidated as

of the date on which control ceases. The companies consolidated are shown in the summary provided on page 47.

Within the scope of consolidation, the following changes took place in 2006:

Coltène/Whaledent Vertriebservice und Marketing GmbH, Altstätten, was founded July 17, 2006.

Minority interests in Medisize CZ sro, Trhové Sviny, of 33% were acquired July 20, 2006.

With in the scope of consolidation, the following changes took place in 2005:

Sale of Homedica AG, Hünenberg, effective as of December 31, 2005.

Consolidation method and goodwill

The Group applies the purchase price method to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed upon the date of exchange, including the costs directly attributable to the acquisition. Identifiable assets acquired and (contingent) liabilities assumed are measured initially at fair value on the date of acquisition, irrespective of the extent of any minority interest.

The positive difference of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets, the negative difference is accounted for in the Group income statement.

Goodwill from acquisitions prior to December 31, 1994 was charged to equity. Goodwill from acquisitions after January 1, 1995 and prior to March 31, 2004 has been amortized on a straight-line basis over the useful life not to exceed 20 years.

The assets, liabilities as well as the earnings and expenses of the consolidated subsidiaries are recorded in their entirety in the consolidated financial statements. The share of profit and equity to which third-party shareholders are entitled is shown separately in the Group balance sheet and income statement. Intra-Group transactions were eliminated thereof.

PRINCIPLES OF VALUATION

Cash and cash equivalents

Cash and cash equivalents consist of money at bank and at hand as well as other easily marketable receivables with an original maturity of three months or less.

Accounts receivable

Accounts receivable in respect of deliveries and services and other accounts receivable are initially recognized at fair value and subsequently measured at amortized cost, minus value adjustments. Value adjustments are made when it is objectively foreseeable that less than the full original value can be collected. Value adjustments correspond to the difference between the carrying amount and the present value of estimated future cash flows.

Inventories

Inventories are stated at the lower of average cost price or manufacturing cost and net realizable value. Value adjustments are made for obsolete and slow moving items.

Property, plant and equipment

Property, plant and equipment take into account the categories listed in the following:

- » Plant and equipment
- » Leased plant and equipment
- » Land
- » Buildings
- » Leased land
- » Leased buildings
- » Assets under construction

Plant and equipment is stated at purchase cost less depreciation on a straight-line basis over the useful life of normally five to ten years, 15 years in exceptional cases. Buildings are stated at historical cost less depreciation on a straight-line basis over the useful life of 40 to 50 years. Land is stated at historical cost and is not depreciated.

Leases in which the company holds a significant portion of risks and rewards of ownership are classified as financial leases. The respective property, plant and equipment are carried as assets and depreciated. The corresponding leasing obligations are shown as liabilities. Leasing installments are distributed accordingly, either as capital repayments or interest expenses.

Financial assets

» Classification

The Group classifies its financial assets as follows:

- » At fair value through profit or loss
- » Loans and receivables
- » Held to maturity investments
- » Available for sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. In the current and prior reporting periods, the Group only held financial assets at fair value through profit or loss as well as loans and receivables.

» Financial assets at fair value through profit or loss

This category has two sub-categories, i. e. financial assets held for trading, and assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or by management, if so designated. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months following the balance sheet date.

» Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Receivables are included in current assets, except for maturities greater than twelve months following the balance sheet date. These loans and receivables are classified as non-current financial assets.

» Recognition

Regular purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Investments are derecognized when rights to receive cash flows from the investments have expired or

have been transferred and the Group has transferred substantially all risks and rewards of ownership.

» Subsequent measurement/impairment

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from fair value changes are presented in the income statement as financial income or financial expense in the period in which they arise. Loans and receivables are carried at amortized cost using the effective interest method. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by means of specific valuation techniques recent at arm's length transactions, reference to other basically identical instruments, discounted cash flow analysis, and option pricing models. On each balance sheet date, the Group shall determine whether there is objective evidence that financial assets were impaired. In the case of an impairment of the financial assets, the respective expenses will be taken into account in the income statement.

Intangible assets

» Goodwill

Goodwill is the excess of the costs of acquisition over the fair value of the Group's share of the identifiable net assets acquired and represents the future economic benefit, which can not be recognized as a separate asset. Goodwill is carried in the currency of the acquired business and tested annually for impairment and carried at cost less accumulated impairment losses. For purposes of the impairment test goodwill is allocated to the cash generating units – 'Dental' and 'Medical'.

» Intangible assets other than goodwill

Intangible assets contain patents, software and others. They are stated at historical costs less amortization on a straight-line basis over the useful life not exceeding five years.

Impairment of assets

Assets that are subject to amortization or depreciation are periodically reviewed for impairment or reviewed 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 the value in use.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources, which can be reliably estimated, will be required to settle the obligation. Such provisions are made to cover guarantee obligations and liability claims where these are not insured. Provisions for restructuring measures are made as soon as the corresponding decision is taken and communicated.

Post-employment benefits

The Group maintains various pension fund schemes according to state law and other legal requirements according to the respective local regulations. The non-governmental pension plans are mostly organized in form of legally independent pension funds; contributions are paid both by employer and employee. Most pension plans outside Switzerland are accounted for as defined contribution plans.

Some foreign pension plans and the Swiss pension plans administered by an independent insurance company are accounted for as defined benefit plans according to IAS 19. The pension liability resulting from defined benefit plans is calculated by independent actuaries at least every three years using the 'projected unit credit method'. Actuarial gains and losses are charged or credited on a straight-line basis to income over the employees expected average remaining working lives when the actual defined benefit obligation or plan assets, respectively, deviates more than 10% from the projections ('corridor approach').

Senior management staff of the Group benefit from a supplementary pension plan which, together with the state-run social security and compulsory statutory company pension schemes, provides for a pension amounting to a maximum of 60% of the recipient's insured annual salaries. The maximum insurable annual salary is limited to TCHF 300 and at least one third of the premium contributions are financed by the Senior management staff members themselves.

Management stock participation program

No participation program for Medisize management is in place. The former Gurit Holding AG program was settled December 31, 2006.

Taxes

All taxes payable on income, capital and assets for the financial year are provided for in full on balance sheet date and in due compliance with the applicable tax laws. According to the

liability method, deferred income tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the group financial statements at enacted or substantially enacted tax rates on balance sheet date is provided in full. Deferred tax assets are recognized to the extent that future taxable profit will be available. No provisions are recognized for non-reclaimable withholding taxes on retained earnings at subsidiaries as such dividends are not foreseen for the immediate future.

Net sales

Revenues from deliveries and services to third parties are recognized on the date of the service or delivery. Sales taxes and rebates are deducted to obtain net sales figures.

Repair and maintenance costs

Repair and maintenance costs are recognized in the income statement when they occur. Expenses increasing the value of assets are recognized as property, plant and equipment and depreciated accordingly.

Research and development

Research costs are expensed as they occur. Development costs are capitalized if they can be determined accurately and if it can be safely assumed that the project in question will be completed successfully and result in future benefits. Development costs capitalized are amortized on a straight-line basis and over a maximum period of five years.

DEFINITION OF OPERATING SEGMENTS AND PRODUCTS

Operating segments are defined on the basis of the business activities from which the Group earns revenues and incurs expenses. Medisize consists of the two operating segments 'Dental' and 'Medical' that were defined in line with the management and organizational structure and the products of the Group. Financial information for the operating segments is available and regularly reviewed by the Board of Directors as the entity's chief decision maker in order to allocate resources and assess its performance.

The products are defined as follows:

- » Under the umbrella brand Coltène/Whaledent Medisize 'Dental' develops, manufactures and sells via distribution channels a broad and comprehensive range of disposables and tools for dentists and dental laboratories.

- » The 'Medical' segment consists of the three product groups Airway Management, Medical Devices and Pharma Packaging:
 - » The Airway Management product group covers a complete range of bacterial and viral breathing filters and accessories such as valves, tubes and connectors that are mainly used by hospitals to ensure that patients be able to breathe safely and comfortably.
 - » The Medical Devices product group comprises a wide range of medical products designed, developed and manufactured by Medisize.
 - » The primary focus of the Pharma Packing product group is placed on the development and manufacturing of premium primary packaging solutions for pharmaceuticals and nutraceuticals.

FINANCIAL RISK MANAGEMENT

Financial risk management is ensured according to the principles defined by Group management. These principles define how credit, interest and currency risk are to be hedged. Additional rules governing the management of liquid and financial assets were also defined. The respective bodies manage their financial risk according to the defined risk policies the aim consisting in minimizing the above-mentioned risk, including hedging costs. If appropriate, derivative financial instruments are used to hedge certain risk positions. The Group does not apply hedge accounting. Derivative financial instruments are only agreed upon with first class counter parties.

Credit risk

There is no substantial credit risk concentration in the Group. Group subsidiaries, however, have relationships with certain key accounts. Management regularly assesses the credit potential of all counter parties (especially key accounts) on the basis of experiences and expectations. If appropriate, management also applies credit insuring instruments.

Interest risk

Sales and operating cash flow do not depend on market rate changes. The Group undertakes no substantial interest bearing activities. Loans are subject to fixed as well as variable interest rates, with management deciding upon the interest rate risk to be taken in every individual case.

Currency risk

The Group is internationally active and thus exposed to currency fluctuations in USD and EUR. When necessary, the local operations make use of derivative financial instruments

to minimize potential currency risks. Risk associated with the conversion of the foreign currency balance sheets of subsidiaries, however, is not hedged.

Foreign currency

Transactions conducted in foreign currencies are converted at the exchange rate applicable on the transaction date. Accounts receivable and payable in foreign currencies are shown at the year-end exchange rate. Gains and losses are reported in the income statement.

The balance sheets and income statements of foreign subsidiaries were converted into Swiss francs at the rate applicable at year-end respectively at the average exchange rate for the year. Differences resulting from the conversion of shareholders' equity and the income statements are absorbed under shareholders' equity and have no effect on the income statement. These conversion differences are only carried forward as of January 1, 1994. In the event of the sale of a subsidiary, prorated foreign currency differences are taken into account as part of the capital gain resulting from the sale. Goodwill from acquisition of foreign companies and fair-value adjustments of assets and liabilities in connection with acquisitions are also converted at year-end rates.

The most important exchange rates are listed below:

Exchange rates against CHF	31.12.06	Ø2006	31.12.05	Ø2005	31.12.04
1 USD	1.225	1.254	1.315	1.245	1.145
1 EUR	1.608	1.573	1.558	1.548	1.545

MAIN SOURCES OF UNCERTAINTIES

The Group makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates rarely correspond to the related actual results. The estimates and assumptions bearing a significant risk of entailing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the following.

Goodwill

The Group's goodwill is tested annually for impairment using discounted cash flow projections. These calculations require the use of estimates regarding projected sales, product prices and costs, projection period as well as interest rate.

Property, plant and equipment and inventories

The Group assets are reviewed annually for impairment. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the assets and its eventual disposal. Factors such as changes in the planned use of buildings, machinery, or equipment, the closure of facilities or technical obsolescence can lead to shortened use of lives or impairment.

FUTURE CHANGES IN FINANCIAL REPORTING STANDARDS

In 2006, the following new standards as well as amendments to existing standards and interpretations were published.

- » IAS 1 – Presentation of Financial Statements
- » IFRS 7 – Financial Instruments: Disclosures
(effective as from January 1, 2007)
- » IFRS 8 – Operating Segments
(effective as from January 1, 2009)
- » IFRIC 8 – Scope of IFRS 2
(effective as from May 1, 2006)
- » IFRIC 9 – Reassessment of Embedded Derivatives
(effective as from June 1, 2006)
- » IFRIC 10 – Interim reporting and impairment
(effective as from November 1, 2006)
- » IFRIC 11 – IFRS 2: Group and Treasury Share Transactions
(effective as from March 1, 2007)

The Group is currently assessing the impact of these changes on future consolidated financial statements, thereby placing particular focus on IFRS 7. IFRS 7 combines all disclosures related to financial instruments in one standard. It requires the disclosure of qualitative and quantitative information on exposure to risks arising from financial instruments and their impact on the financial position of an entity. An amendment to IAS 1 related to the introduction of IFRS 7 introduces disclosures on the level of the Group's capital and the manner in which the Group manages the latter.

NOTES TO GROUP FINANCIAL STATEMENTS

1 Segment information

The operating segments of Medisize Group are 'Dental' and 'Medical'. The performance of these segments is provided in the following:

INCOME STATEMENT IN CHF 1000	DENTAL		MEDICAL		OTHER & CONSOLIDATION		GROUP	
	2006	2005	2006	2005	2006	2005	2006	2005
Net sales	153 560	147 109	96 310	99 780	-6	-2	249 864	246 887
Raw material and consumables used	-42 391	-41 608	-40 174	-41 792			-82 565	-83 400
Personnel expenses	-49 793	-48 755	-32 709	-32 283	-419	-8	-82 921	-81 046
Other operating expenses	-8 613	-8 534	-6 876	-6 791	-10		-15 499	-15 325
Marketing and administrative expenses	-24 339	-24 254	-5 599	-5 300	412	-252	-29 526	-29 806
Other income and expenses	96	35	14	-292	2		112	-257
Depreciation and amortization	-4 222	-4 615	-5 161	-5 253	-1		-9 384	-9 868
Operating profit (EBIT)	24 298	19 378	5 805	8 069	-22	-262	30 081	27 185
Interest expenses	-2 837	-3 317	-2 213	-2 008	1 416	-126	-3 634	-5 451
Interest income	1 154	800	73	108			1 227	908
Exchange differences (net)	103	362	135	155	1 019	218	1 257	735
Net profit before tax expenses	22 718	17 223	3 800	6 324	2 413	-170	28 931	23 377
Tax expenses	-6 478	-4 532	386	-689	-202	-32	-6 294	-5 253
Net profit	16 240	12 691	4 186	5 635	2 211	-202	22 637	18 124

In 2005 Homedica AG – sold effective as of December 31, 2005 – was included in Medical's respectively Group's figures.

Net sales of Homedica AG in 2005 were TCHF 4721.

GEOGRAPHICAL AREAS IN CHF 1000	DENTAL		MEDICAL	
	2006	2005	2006	2005
Net sales				
Switzerland	3 553	3 172	8 763	13 853
Germany	25 185	22 483	21 912	24 057
Other Europe	47 950	43 883	51 887	47 763
Americas	61 625	61 081	9 900	10 278
Rest of World	15 247	16 490	3 848	3 829
Total net sales	153 560	147 109	96 310	99 780

PRODUCTS AND SERVICES IN CHF 1000	DENTAL		MEDICAL	
	2006	2005	2006	2005
Dental	153 560	147 109		
Airway Management			35 917	35 287
Pharma Packaging			44 062	42 242
Medical Devices			16 331	22 251
Total net sales	153 560	147 109	96 310	99 780

In the operating segment 'Dental' one customer qualifies as a major customer – over 10% of net sales – with net sales of TCHF 32,227 (previous year TCHF 31,572) corresponding to 12.9% of group net sales (previous year 12.8%).

BALANCE SHEET ITEMS IN CHF 1000	DENTAL		MEDICAL		OTHER & CONSOLIDATION		GROUP	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Assets	155 708	167 759	90 600	86 210	1 090	1	247 398	253 970
Liabilities	71 617	93 080	58 828	59 012	-32 243	-29 505	98 202	122 587

ADDITIONS TO BALANCE SHEET ITEMS IN CHF 1000	DENTAL		MEDICAL		OTHER & CONSOLIDATION		GROUP	
	2006	2005	2006	2005	2006	2005	2006	2005
Property, plant and equipment	2 178	2 022	3 337	13 004			5 515	15 026
Intangible assets	128	-296	595	98	-1		722	-198

	DENTAL		MEDICAL	
	2006	2005	2006	2005
Property, plant and equipment				
Switzerland	13 707	14 456	17 188	17 024
Germany	2 743	3 112	256	126
Other Europe	492	407	11 306	12 252
USA	13 410	15 066	0	0
Total	30 352	33 041	28 750	29 402
Intangible assets				
Switzerland	5 310	5 550	320	436
Germany	24 285	23 660	24	59
Other Europe	159	154	19 654	19 114
USA	12 302	13 206	0	0
Total	42 056	42 570	19 998	19 609

2 Raw material and consumables used

The item amounted to 33.0% (previous year 33.8%) of net sales. This item also includes changes in finished goods and goods in progress amounting to TCHF 3160 (previous year TCHF –1083).

3 Personnel expenses

The pro rata average workforce amounted to 1206 employees (previous year, pro rata 1150).

Detailed information on personnel expenses:

IN CHF 1000	2006	2005
Wages and salaries	70 170	68 411
Expenses for post-employment benefits	5 153	4 563
Other social security expenses	249	226
Other personnel expenses	7 349	7 846
Total	82 921	81 046

For information on expenses for post-employment benefits according to IAS 19, please refer to note 4.

4 Pension liabilities

Short-term payables against pension plans amount to TCHF 475 (previous year TCHF 377). Detailed information on the defined benefit plans:

IN CHF 1000	2006	2005
Pension costs		
Current service cost	2 737	2 654
Interest expenses	1 332	1 231
Expected return on plan assets	-1 479	-1 375
Amortization of recognized actuarial gains and losses	392	1 059
Employees' contribution	-1 566	-1 905
Total expenses for defined benefit plans	1 416	1 664
Actual return on plan assets	-206	2 257
Expected contribution for 2007	1 600	
Change in pension liabilities		
Balance 1.1.	37 184	33 872
Exchange rate differences	456	103
Current service cost	2 737	2 654
Interest expenses	1 332	1 231
Employees' contribution	1 566	1 905
Paid pensions from plans with separated assets	-2 769	-1 123
Actuarial gains and losses	-1 887	-554
Other impacts	199	-904
Balance 31.12.	38 818	37 184
Change in plan assets		
Balance 1.1.	34 952	30 822
Exchange rate differences	383	90
Employees' contribution	1 566	1 905
Employers' contribution	1 338	1 001
Paid pensions from plans with separated assets	-2 769	-1 123
Expected return on plan assets	1 479	1 375
Actuarial gains and losses	-1 685	882
Other impacts	591	0
Balance 31.12.	35 855	34 952
Details to plan assets		
Equity instruments	9 897	10 938
Debt instruments	2 169	287
Property	505	0
Receivables from insurance company	23 284	23 727

No investments were made in Medisize Holding AG.

IN CHF 1000	2006	2005
Assets and liabilities included in balance sheet		
Liabilities of plans with separated assets	38 818	37 184
Plan assets	35 855	34 952
Over-/Underfunding	2 963	2 232
Not recognized actuarial gains and losses	-1 302	-647
Net amount	1 661	1 585
Change in net amount		
Balance 1.1.	1 585	1 531
Exchange rate differences	11	3
Expenses for defined benefit plans	1 416	1 664
Employers' contribution	-1 338	-1 001
Other impacts	-13	-612
Balance 31.12.	1 661	1 585
Actuarial assumptions		
Discount rate	3.64%	3.75%
Expected return on plan assets	4.78%	4.48%
Future salary increase	2.26%	2.88%
Inflation	1.23%	1.13%
Future pension increase	0.54%	0.38%
Other information		
Experience adjustments on plan assets	-1 685	882
Experience adjustments on pension liabilities	2 406	554
Over-/Underfunding		
Liabilities of plans with separated assets	38 818	37 184
Plan assets	35 855	34 952
Underfunding	2 963	2 232

5 Other operating, marketing and administrative expenses

Other operating expenses amounted to TCHF 45,025 (previous year TCHF 45,131). Operating expenses include repair and maintenance cost of property, plant and equipment as well as R&D costs.

6 Other income and expenses

This item includes gains from sales of property, plant and equipment of TCHF 21 (previous year TCHF 54).

7 Depreciation and amortization

IN CHF 1000	2006	2005
Depreciation on property, plant and equipment	8 241	8 682
Amortization of intangible assets	1 143	1 186
Total depreciation and amortization	9 384	9 868

8 Financial expenses and financial income

IN CHF 1000	2006	2005
Interest income	1 227	908
Interest expenses	-3 634	-5 451
Exchange rate differences (net)	1 257	735
Total	-1 150	-3 808

9 Tax expenses

Tax expenses comprise the following positions:

IN CHF 1000	2006	2005
Taxes payable	6 695	5 474
Deferred taxes	-401	-221
Total	6 294	5 253

Tax expenses can be analyzed as follows:

	2006	2005
Net profit before tax expenses	28 931	23 377
Tax expenses at applicable tax rate of 25%	7 233	5 844
Tax expenses at other rates	-1 118	3 734
Loss for the period without tax savings	308	-1 626
Tax effect of loss carried forward	-1 347	0
Effect of not accepted tax positions	1 534	-1 294
Other impacts	-63	-119
Effect of not accepted goodwill amortization	-253	-1 286
Effective tax	6 294	5 253
Effective tax rate in %	21.76%	22.47%

The Group has the following tax relevant losses to be carried forward:

IN CHF 1000	2006	2005
1-3 years	256	0
4-6 years	8 922	0
More	20 068	18 166
Total	29 245	18 166
Positive tax effect	9 143	6 268
Adjustments	-8 421	-6 268
Capitalized	722	0

Tax liabilities comprise of expected income tax payments based on taxable profit of the year as well as pending tax assessments.

10 Deferred taxes

Deferred tax liabilities include the following positions:

IN CHF 1000	2006	2005
1.1.	6 035	6 065
Additions	23	0
Reversals	0	-294
Change in scope	0	-75
Currency effects	-158	339
31.12.	5 900	6 035

Deferred tax assets include the following positions:

IN CHF 1000	2006	2005
1.1.	2 027	1 961
Additions	752	42
Reversals	-329	-3
Currency effects	-61	27
31.12.	2 389	2 027

No deferred taxes were made for valuation differences on investments of TCHF 510 (previous year TCHF 510). Deferred tax assets and liabilities are based on the valuation differences between Group valuation and tax valuations in the following balance sheet items.

IN CHF 1000	2006		2005	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Cash and cash equivalents	120	0	150	0
Receivables	65	322	457	291
Inventories	939	837	539	61
Accruals	151	0	0	0
Property, plant and equipment	0	6 820	0	5 426
Financial assets	117	7	0	0
Intangible assets	0	324	0	436
Current borrowings	75	22	40	0
Non-current borrowings	2 775	143	1 131	111
Deferred taxes from losses carried forward	9 143	0	6 268	0
Adjustments of deferred losses carried forward	-8 421	0	-6 268	0
Offset of deferred assets and liabilities	-2 575	-2575	-290	-290
Total	2 389	5 900	2 027	6 035

11 Net profit

The net profit amounts to TCHF 22,637 (previous year TCHF 18,124). The earnings per share (EPS) are calculated as follows:

	2006	2005
Weighted number of shares issued as at 31.12.	4 640 702	4 680 000
Earnings per share (EPS)	CHF 4.88	CHF 3.87
Diluted earnings per share	CHF 4.88	CHF 3.87

12 Management options

No participation program for Medisize management is in place. The former Gurit Holding AG program was settled December 31, 2006.

13 Accounts receivable from deliveries and sales

IN CHF 1000	2006	2005
Accounts receivable from deliveries and sales (gross)	50 876	43 774
Allowance	-1 285	-1 094
31.12.	49 591	42 680

14 Other receivables and accruals

These items include:

IN CHF 1000	2006	2005
Other receivables	2 361	2 850
Prepaid expenses	2 282	2 293
31.12.	4 643	5 143

Financial instruments:

No open derivative financial instruments exist as per December 31, 2006, or as per December 31, 2005.

15 Inventories

Inventories are as follows:

IN CHF 1000	2006	2005
Raw materials	22 033	19 269
Trade merchandise	8 830	8 167
Goods in progress	4 036	7 823
Finished goods	14 758	18 491
31.12	49 657	53 750
Write-down of inventories	1 882	-44

No inventories are pledged.

16 Property, plant and equipment

IN CHF 1000

	PLANT AND EQUIPMENT	LEASED PLANT AND EQUIPMENT	LAND	BUILDINGS (INCL. INST.)	LEASED LAND	LEASED BUILDINGS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT
Gross values								
Value 31.12.2004	68 821	1 748	1 671	54 592	0	326	268	127 426
Additions	3 841			205	2 400	8 100	480	15 026
Disposals	-574	-45		-10 520			-172	-11 311
Change in scope	-391							-391
Currency effects	1 911	1	175	1 859		3	1	3 950
Other	1 029	-1 394		11			-14	-368
Value 31.12.2005	74 637	310	1 846	46 147	2 400	8 429	563	134 332
Additions	3 759			351		200	1 205	5 515
Disposals	-3 165			-113			-98	-3 376
Currency effects	267	5	-85	-358		10	8	-153
Other	5 942	-150					-543	5 249
Value 31.12.2006	81 440	165	1 761	46 027	2 400	8 639	1 135	141 567
Accumulated depreciation								
Value 31.12.2004	45 333	998	86	15 930	0	326	0	62 673
Depreciation	6 543	155	71	1 753		160		8 682
Disposals	-583	-45		-18				-646
Change in scope	-358							-358
Currency effects	1 535		17	235		3		1 790
Other	757	-1 009						-252
Value 31.12.2005	53 227	99	174	17 900	0	489	0	71 889
Depreciation	6 243	31	71	1 694		202		8 241
Disposals	-3 124			-113			0	-3 237
Currency effects	134	2	-13	216		10		349
Other	5 289	-65						5 224
Value 31.12.2006	61 769	67	232	19 697	0	701	0	82 466
Net values								
Value 31.12.2004	23 488	750	1 585	38 662	0	0	268	64 753
Value 31.12.2005	21 410	211	1 672	28 247	2 400	7 940	563	62 443
Value 31.12.2006	19 671	98	1 529	26 330	2 400	7 938	1 135	59 101

Contractual Commitments:

As per December 31, 2006, no significant contractual commitments to acquire property, plant and equipment were entered upon.

Pledged assets:

Pledged assets (mainly real estate for mortgages) are as follows:

IN CHF 1000	2006	2005
Book value	18 491	22 630
Maximum credit line	14 565	15 231
Loans contracted	2 000	4 146

Fire insurance values:

Fire insurance values of property, plant and equipment amount to TCHF 178,340 (previous year TCHF 168,455).

17 Financial assets

Financial assets consist of TCHF 1 securities (previous year TCHF 1) and of TCHF 1 loans (previous year TCHF 1).

18 Intangible assets

Impairment test for goodwill:

Goodwill is allocated to the Group's cash-generating units (CGUs). The CGUs are defined according to the operating segments 'Dental' and 'Medical'.

IN CHF 1000	2006	2005
Dental	41 800	42 071
Medical	15 597	14 525
31.12.	57 397	56 596

The impairment test for goodwill is based on the discounted cash flow method and on approved budgets and business plans for the next three years. Cash flow after this period are extrapolated by the rates given below.

Based on experience, the following assumptions were made:

	2006	2005
Long-term growth rate	3.5%	3.5%
Gross profit margin	50–62%	50–62%
Discount rate	7.9%	7.9%

Based on these calculations there was no need for the Medisize Group to make any impairment adjustments.

	GOODWILL	RECOGNIZED R&D COSTS	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Gross values				
Value 31.12.2004	74 720	0	6 594	81 314
Additions	-353		155	-198
Disposals			-17	-17
Change in scope	-1 412		-136	-1 548
Currency effects	3 212		57	3 269
Other ¹⁾	-19 571	14	3 859	-15 698
Value 31.12.2005	56 596	14	10 512	67 122
Additions	590		132	722
Disposals	-152	-14	-986	-1 152
Currency effects	339		223	562
Other	24		-608	-584
Value 31.12.2006	57 397	0	9 273	66 670
Accumulated amortization				
Value 31.12.2004	16 398	0	2 885	19 283
Amortization		10	1 176	1 186
Disposals			-15	-15
Change in scope	-810		-119	-929
Currency effects	1 183		25	1 208
Other ¹⁾	-16 771	4	977	-15 790
Value 31.12.2005	0	14	4 929	4 943
Amortization			1 143	1 143
Disposals		-14	-986	-1 000
Currency effects			87	87
Other			-557	-557
Value 31.12.2006	0	0	4 616	4 616
Net values				
Value 31.12.2004	58 322	0	3 709	62 031
Value 31.12.2005	56 596	0	5 583	62 179
Value 31.12.2006	57 397	0	4 657	62 054

¹⁾ Reclassification according to IFRS 3

Intangible assets include TCHF 57,397 (previous year TCHF 56,596) in goodwill purchased along with interests in other companies. The value of other intangible assets amounted to TCHF 4657 (previous year TCHF 5583), and includes patents and software purchased. In 2006 TCHF 5639 (previous year TCHF 5,754) were spent on research and development and accounted for as such in the income statement.

19 Bank loans

Current bank loans include current account overdrafts and fixed-rate advances at customary market interest rates. The actual rates are revised regularly to ensure that they reflect current market conditions (between 1% and 8%).

20 Other accounts payable and accruals

Other accounts payable include TCHF 176 (previous year TCHF 181) in current lease commitments (see also note 23).

21 Short-term provisions

Reserves for guarantees were made according to estimates based on experience for guarantee claims that cannot be insured or are most probably based on the assessment of special cases. Short-term provisions for guarantees were developed as follows:

IN CHF 1000	SHORT-TERM PROVISIONS
31.12.2004	147
Amount used	-128
Additions	218
Reversal	-19
Currency effects	2
31.12.2005	220
Amount used	-156
Additions	159
Reversal	-66
Currency effects	5
31.12.2006	162

22 Mortgages and loans

Mortgages amount to TCHF 2000 (previous year TCHF 2146). The loan from Gurit Holding AG to Medisize Holding AG was paid back in full (previous year TCHF 36,130). Non-current bank loans amount to TCHF 14,611 (previous year TCHF 24,815). A large portion of this sum relates to loans granted to subsidiaries in local currencies. Book values are equal to fair values. The following tables show when payments are due:

PER 31.12.2006 IN CHF 1000	BANK LOANS	LOANS	MORTGAGES	TOTAL
MATURITY				
2008	2 000		2 000	4 000
2009	7 711			7 711
2010	4 900			4 900
2011				0
More				0
Total	14 611	0	2 000	16 611
Interest rate \emptyset	5.80%		3.10%	

PER 31.12.2005 IN CHF 1000	BANK LOANS	LOANS	MORTGAGES	LOAN GURIT HOLDING AG	TOTAL
MATURITY					
2007	7 446	500	489	36 130	44 565
2008		500	489		989
2009	15 780	361	489		16 630
2010			489		489
More		228	190		418
Total	23 226	1 589	2 146	36 130	63 091
Interest rate \emptyset	4.41%	1.99%	5.00%	3.75%	

23 Other long-term liabilities

This item includes non-current lease commitments of TCHF 10,287 (previous year TCHF 10,286).

Financial leasing commitments and other operating leasing and rental commitments not recognized in the balance sheet are as follows:

IN CHF 1000	FINANCIAL LEASING COMMITMENTS		OPERATING LEASING AND LONG-TERM COMMITMENTS	
	2006	2005	2006	2005
2007 (2006)	176	181	753	1 444
2008 (2007)	170	137	740	819
2009 (2008)	177	130	716	819
2010 (2009)	185	136	667	615
2011 (2010)	162	141	635	615
More	9 593	9 742	3 173	4 306
Total over 1 year	10 287	10 286	5 931	7 174
Total	10 463	10 467	6 684	8 618

24 Other long-term provisions

Other long-term provisions include the following items:

IN CHF 1000	PENSION PLANS AND OTHER SOCIAL SECURITY PAYMENTS	OTHER PROVISIONS	TOTAL PROVISIONS
31.12.2004	1 797	275	2 072
Amount used	-18	-27	-45
Additions	63	50	113
Reversals		-93	-93
Currency effects	2		2
31.12.2005	1 844	205	2 049
Amount used	-27		-27
Additions	236	50	286
Currency effects	7		7
31.12.2006	2 060	255	2 315

The provisions for pension plans and other social payments include future pension claims, termination benefits and age-related part-time work agreements, promised pension or capital payments to the extent to which these payables are not included or reinsured by a legally separate fund.

The other provisions cover guarantee obligations and the risk of litigations. A capital outflow is expected in the next two to five years.

25 Equity

The share capital shows the capital of Medisize Holding AG; adjusted by treasury stock. Treasury stock on December 31, 2006, included 44,991 shares (previous year 0).

The outstanding capital consists of 4,680,000 registered shares of CHF 5.00 par value per share. All shares are issued; there is no additional conditional or approved capital.

The payment of a dividend of CHF 1.60 per share will be proposed to the Annual General Meeting on April 19, 2007. In the previous year no dividend payments were made. The dividend shown in the cash flow statement 2005 was paid to Gurit Holding AG.

26 Cash flow from investing activities

On July 20, 2006, Medisize acquired the minority interest of Medisize CZ sro for TCHF 79. The details are shown in the table below. In the previous year no acquisitions were made.

IN CHF 1000	2006
Net assets acquired	-471
Minority interest (33.3%)	-157
Payment	-79
Goodwill	79

In the year 2005 Homedica AG was sold. The details are shown in the following table:

IN CHF 1000	2005	2005
Assets		-3 685
Liabilities		2 366
Sold net assets		-1 319
Selling price	1 300	1 300
Sales loss		-19
Cash and cash equivalents sold	-1 206	
Cash flow net	94	

27 Contingent liabilities

With regard to operating activities, the Group has no contingent liabilities resulting from bills of exchange, letter of credits or guarantees.

28 Transaction with related parties

Key management compensations are as follows:

IN CHF 1000	2006	2005
Compensations	1 256	1 191
Contribution to pension funds	41	0
Total	1 297	1 191

There are no receivables or payables in relation to material shareholders or key management. No transactions were made with related parties. The only exceptions were the loans granted for 3.75 % by Gurit Holding AG (former owner) and the management fees paid to Hepatex AG (subsidiary of Gurit Holding AG). In 2006 the loan was repaid in full.

29 Acquisitions

In 2006 and 2005 no acquisitions were made.

30 Subsequent events

The Board of Directors authorized the group financial statements on March 13, 2007, for issue. As per this date the Board of Directors and Group Management were unaware of any important events subsequent to the closing of books, with the exception of the acquisition mentioned in the following:

On January 19, 2007, Coltène/Whaledent Inc. acquired CEI Cutting Edge Instruments Inc. based in Bridgewater Corners, Vermont/USA. CEI specializes in the development and production of carbide burs and expands the existing product offering. CEI Cutting Edge Instrument Inc. was founded in 2002. The company employs 19 persons and realized net sales amounting to USD 4 million in 2006. Further information as required by IFRS was not available when this report went to print.

MAJOR GROUP COMPANIES

Either directly or indirectly via a subsidiary, Medisize Holding AG holds an interest in the following companies:
(inserted = indirect holding by means of subsidiaries)

COMPANY	ACTIVITY	REGISTERED CAPITAL	GROUP OWNERSHIP
Coltène/Whaledent AG, Altstätten CH	Production and sales of dental specialities	CHF 1 600 000	100 %
Coltène/Whaledent Vertriebservice und Marketing GmbH, Altstätten CH	Sales of dental specialities	CHF 20 000	100 %
Roeko Verwaltungs GmbH + Co. KG, Langenau DE	Holding company	EUR 30 000	100 %
Coltène/Whaledent GmbH + Co. KG, Langenau DE	Production and sales of dental specialities	EUR 1 850 000	100 %
Dentalia Kft., Bicske HUN	Production and sales of dental specialities	HFT 3 000 000	100 %
Endodent Inc., Duarte CA/USA	Production and sales of dental specialities	USD 30 000	100 %
Coltène/Whaledent Ltd., Burgess Hill GB	Sales of dental specialities	GBP 200 000	100 %
Coltène/Whaledent S.à.r.l., Le Mans FR	Sales of dental specialities	EUR 503 000	100 %
Coltène/Whaledent Inc., Cuyahoga Falls, OH/USA	Production and sales of dental specialities	USD 5 000 000	100 %
Medisize Medical Business bv, Hillegom NL	Holding company	EUR 7 941 000	100 %
Medisize bv, Hillegom NL	Production and sales of plastic medical products	EUR 18 000	100 %
Medisize Ireland Ltd., Letterkenny IE	Production and sales of plastic medical products	EUR 1 587 000	100 %
Medisize CZ sro, Trhové Sviny CZ	Production of plastic medical products	CZK 200 000	100 %
Medisize Belgium BVBA, Antwerpen BE	Development of plastic medical products	EUR 18 509	100 %
B+P Beatmungs-Produkte GmbH, Neunkirchen-Seelscheid DE	Production and sales of plastic medical products	EUR 307 000	100 %
Medisize Italia Srl, Rom IT	Sales of plastic medical products	EUR 50 000	100 %
Medisize Schweiz AG, Nürensdorf CH	Production and sales of plastic products	CHF 1 700 000	100 %

Report of the group auditors to the General Meeting of Medisize Holding AG, Wattwil

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 24 to 47) of Medisize Holding AG for the year ended December 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

Lorenz Lipp Werner Frei
Auditor in charge

St. Gallen, March 14, 2007

BALANCE SHEET MEDISIZE HOLDING AG

IN CHF

	31.12.2006	31.12.2005
Assets		
Cash and cash equivalents	631 165	0
Other receivables from third parties	475 786	0
Other receivables from subsidiaries	2 512 590	0
Current assets	3 619 541	0
Loans to subsidiaries	58 399 684	49 911 654
Investments in subsidiaries	24 676 805	24 676 805
Own shares	3 734 253	0
Non-current assets	86 810 742	74 588 459
Total assets	90 430 283	74 588 459
Liabilities and equity		
Bank debts	27 002 909	0
Other liabilities to third parties	795 754	237 008
Loans from shareholder	0	20 130 258
Accruals and provisions	877 758	32 000
Total liabilities	28 676 421	20 399 266
Share capital	23 400 000	23 400 000
Statutory reserves	26 685 747	30 420 000
Reserves for treasury stock	3 734 253	0
Net income brought forward	7 933 862	369 193
Total equity	61 753 862	54 189 193
Total liabilities and equity	90 430 283	74 588 459

INCOME STATEMENT MEDISIZE HOLDING AG

IN CHF

	2006	15.12. – 31.12.2005
Income from investments	5 360 526	0
Other income	559 188	0
Financial income	3 501 014	554 669
Total income	9 420 728	554 669
Financial expenses	982 066	125 814
Administrative expenses	578 057	27 662
Depreciation	92 085	0
Tax expenses	203 850	32 000
Total expenses	1 856 058	185 476
Profit of the year	7 564 670	369 193

NOTES TO MEDISIZE HOLDING AG

IN CHF

	31.12.2006	31.12.2005
1 Contingent liabilities		
Warranty liabilities	10 500 000	0
Group Credits (general contracts)	24 811 000	0
2 Significant investments		
See list on page 47		
3 Treasury stock		
Total at 31.12.		
44 991 (0) shares par value CHF 5.00	3 734 253	0
Purchases: 45 270 (0) shares at an average price of	85.00	0
Sales: 279 (0) shares at an average price of	78.07	0
4 Significant shareholders		
The company is aware of the following registered shareholders who own over 5% of the shares		
Gurit Holding AG, Wattwil	below 5%	100%
Huwa Finanz- und Beteiligungs AG, Heerbrugg	10.00%	0
FMR Corp., Boston/USA	6.52%	0
Harris Associates L.P., Chicago/USA	5.96%	0
Litespeed Management LLC, New York/USA	5.28%	0
Schroder Investments Management Limited, London/UK	5.05%	0
5 Share capital		
The nominal capital at 31.12. consisted of		
4 680 000 (4 680 000) registered shares par value CHF 5.00	23 400 000	23 400 000
6 Statutory reserves carried forward		
Statutory reserves at 1.1.	30 420 000	0
Change	-3 734 253	30 420 000
Statutory reserves at 31.12.	26 685 747	30 420 000
7 Net income brought forward		
Net income at 1.1.	369 193	0
Profit of the year	7 564 669	369 193
Net income at 31.12.	7 933 862	369 193

PROPOSAL FOR THE ALLOCATION OF NET INCOME

IN CHF

The Board of Directors proposes that the net income be allocated as follows:

Net income carried forward from the previous year	369 193
Profit of the year 2006	7 564 669
Available net income	7 933 862
Distribution of dividend of 32%	-7 488 000
<u>To be carried forward</u>	<u>445 862</u>

Subject to approval by the Annual General Meeting, dividend payments will be made as follows:

CHF 1.60 gross per share, minus withholding tax.

Report of the statutory auditors to the General Meeting of Medisize Holding AG, Wattwil

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes/pages 49 to 52) of Medisize Holding AG for the year ended December 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

Lorenz Lipp Werner Frei
Auditor in charge

St. Gallen, March 14, 2007

INVESTOR RELATIONS

Company Capital:

After the par value reduction of Gurit Holding AG on June 22, 2006, existing Gurit Holding AG shareholders were allotted a total of 4,680,000 registered Medisize shares with a par value of CHF 5.00 each in proportion to their holdings in Gurit shares.

The registered shares of Medisize Holding AG were then listed on SWX Swiss Exchange as at June 23, 2006. The share capital of Medisize Holding AG thus consists of:

4,680,000 registered shares at CHF 5.00 par value
Securities number 2.534.325

Stock market trading:

The registered shares of Medisize Holding AG are listed on SWX Swiss Exchange. Prices are published in the Swiss daily and financial press as well as in electronic price information systems under the following symbols or numbers:

Telekurs: MSZN

Valorennummer: 2.534.325

Important dates

The most important dates for publications this year and the following year are:

March 27, 2007

Presentation of annual results
Financial analysts' and media conference
Publication of Annual Report 2006

April 19, 2007

General Meeting of the Shareholders,
Seedamm Plaza, Pfäffikon/SZ

End of August 2007

Half-year report 2007, shareholders' letter

End of March 2008

Presentation of annual results 2007
Financial analysts' and media conference
Publication of Annual Report 2007

April 2008

General Meeting of the Shareholders

Internet/e-mail bulletins

Further information about Medisize can be found at www.medisize-holding.com. To obtain a subscription to the Group's news service, please register in the investor relations section of the Medisize website at http://www.medisize-holding.com/investor-relations/news_en.html.

Key figures per share

Price at year end	83.00
Highest price	95.00
Date	23.6.2006
Lowest price	73.50
Date	23.11.2006
Earnings per share	4.88
Equity per share	32.15
Dividend per share	1.60
Taxable value	83.00

IMPORTANT ADDRESSES

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