

Geschäftsbericht
Annual Report

2007

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 40 Jahren ist Coltène/Whaledent ein weltweit führender Entwickler und Hersteller von zahnmedizinischen Verbrauchsmaterialien. Mit den chemisch-technischen Abform- und Füllmaterialien, einem 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 40 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					
	Dental Laboratories				
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

PRODUKTIONSSTÄTTEN/PRODUCTION SITES

Schweiz/Switzerland Deutschland/Germany Ungarn/Hungary USA/USA

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

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 CHF 1000	MEDISIZE GROUP		DENTAL		MEDICAL	
	2007	2006	2007	2006	2007	2006
Nettoumsatz/Net sales	274 233	249 864	168 110	153 560	106 122	96 310
Betriebserfolg (EBIT)/ Operating profit	35 230	30 081	27 043	24 298	9 552	5 805
In % vom Nettoumsatz/In % of net sales	12.8%	12.0%	16.1%	15.8%	9.0%	6.0%
Ergebnis/Net profit	26 295	22 637	18 514	16 240	6 899	4 186
Geldfluss aus Betriebstätigkeit/ Cash flow from operating activities	29 043	31 358				
Investitionen (ohne Beteiligungen)/ Investments (without subsidiaries)	6 170	5 287				
Free Cashflow/Free cash flow	22 873	26 071				
Total Aktiven/Total assets	247 568	247 398				
Bankdarlehen/Bank loans	36 555	48 499				
Eigenkapital/Shareholders' equity	165 665	149 196				
In % der total Aktiven/In % of total assets	66.9%	60.3%				
Dividende pro Aktie/Dividend per share	CHF 4.30	CHF 1.60				
Anzahl Mitarbeitende/Employees	1 227	1 206	686	657	541	549

NETTOUMSATZ NACH REGIONEN/NET SALES BY REGION

Europa/Europe	175 968	159 244
Nord- und Südamerika/Americas	76 984	71 525
Rest der Welt/Rest of World	21 281	19 095

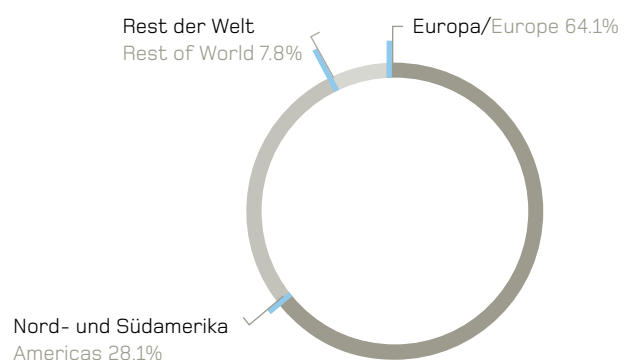
VERWALTUNGSRAT/BOARD OF DIRECTORS

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

KONZERNLEITUNG/GROUP MANAGEMENT

Jerry Sullivan, CEO Medisize Holding AG
 Dr. Hans Grüter, CFO Medisize Holding AG
 Andreas Meldau, COO Dental

NETTOUMSATZ NACH REGIONEN 2007 NET SALES BY REGION 2007



Bericht des Verwaltungsrats und der Konzernleitung Report of the Board of Directors and Group Management	02–13
Corporate Governance	14–23
Financials	25
Group Financial Statements	26–54
Statements on Medisize Holding AG	55–59
Investor Relations	60
Important Addresses	61

Starkes Umsatz- und Gewinnwachstum übersteigt Erwartungen

- Der Umsatz steigt um 9.8%, während der Gewinn überproportional um 16.2% zulegt
- Verkauf des gesamten Medizinalgeschäfts
- Strategischer Fokus verschiebt sich hin zu «Pure-Play» Dental
- Hoher Mittelrückfluss an Aktionäre dank gestiegenen Gewinns und wegen Verkaufs des Medizinalgeschäfts



Dr. Paul Hälg, Präsident/Chairman; Jerry Sullivan, CEO

- Sales increase 9.8% as net profit sharply rises 16.2%
- Sale of the total Medical business
- Strategic focus transitions to pure-play Dental company
- Large cash return to shareholders driven by higher profits and the sale of the Medical business

Strong growth in sales and profit exceed indications

In 2007, Medisize Group has validated the earning capabilities of its strategic focus on healthcare by reporting a strong consolidated sales increase of 9.8% over the previous year to CHF 274.2 million. The highly profitable Dental business improved its EBIT margin by three basis points to 16.1%. The Medical business reached an EBIT margin of 9.0%, bringing EBIT margins back to historical levels. The Group closed the year with a very solid balance sheet, showing an equity ratio of 66.9% for 2007.

Selecting what it deems to be the best strategic option, the Board of Directors has decided to fully concentrate the company's assets on the Dental business and sell the Medical business in its entirety. The Dental business has repeatedly proven its ability to generate strong cash flows, improve EBIT margins and integrate acquisitions profitably.

The record profits of 2007 combined with the sale of the Medical business give the Board of Directors the opportunity to propose to return a total of around CHF 93 million to shareholders in 2008.

By any measure, 2007 was a successful year for Medisize: Both businesses contributed to yield a strong 9.8% sales increase to CHF 274.2 million and an even more notable 17.1% gain in EBIT to CHF 35.2 million which translates into an EBIT margin for the whole Group of 12.8%. The strong Dental business continued to further improve its operations and pushed its EBIT margin up to 16.1%. The EBIT for the Medical business increased by over 64.5%. The successful implementation of a broad margin improvement program considerably strengthened this business segment. The Medical business' focused management and a good demand for key products improved the EBIT margin to 9.0%, up from 6.0% in 2006.

Medisize Holding konnte dank ihrer strategischen Ausrichtung auf die Gesundheitsmärkte die Gewinnfähigkeit neuerlich unter Beweis stellen: Die Gesellschaft steigerte gegenüber dem Vorjahr den Umsatz um 9.8% auf CHF 274.2 Mio. Das hoch rentable Dentalgeschäft konnte die EBIT-Marge nochmals um drei Basispunkte auf 16.1% heben. Das Medizinalgeschäft brachte die Rentabilität mit einer EBIT-Marge von 9.0% wieder auf einen historisch üblicheren Wert zurück. Die Gruppe schloss das Jahr mit einer sehr soliden Bilanz, wie die Eigenmittelquote von 66.9% zeigt.

Nach Abwägung der strategischen Optionen gelangte der Verwaltungsrat zur Überzeugung, die Ressourcen der Gesellschaft künftig vollständig auf das Dentalgeschäft zu konzentrieren und das Medizinalgeschäft als Ganzes zu veräussern. Das Dentalgeschäft hat wiederholt die Fähigkeit bewiesen, einen starken Mittelfluss zu generieren, die EBIT-Marge zu steigern und Akquisitionen erfolgreich zu integrieren.

In Anbetracht der rekordhohen Gewinne im Berichtsjahr 2007 und des strategischen Verkaufs des Medizinalgeschäfts schlägt der Verwaltungsrat der Generalversammlung vor, 2008 insgesamt ca. CHF 93 Mio. an die Aktionäre zurückzugeben.

2007 war für Medisize Holding in jeder Hinsicht ein erfolgreiches Jahr: Beide Geschäftssegmente trugen zu einer 9.8%igen Umsatzsteigerung auf CHF 274.2 Mio. und einer noch beachtlicheren Stärkung des Betriebsgewinns (EBIT) um 17.1% auf CHF 35.2 Mio. bei. Dies entspricht für die gesamte Gruppe einer EBIT-Marge von 12.8%. Das starke Dentalgeschäft verbesserte sich betrieblich weiter und konnte die EBIT-Marge auf 16.1% anheben. Das Medizinalgeschäft erzielte sogar eine 64.5%ige Verbesserung der EBIT-Marge, was die erfolgreiche Umsetzung eines breit angelegten Margensteigerungsprogramms in diesem Geschäftsbereich belegt. Dank der umsichtigen Arbeit in allen Abteilungen des Medizinalbereichs und dank der guten Nachfrage in wichtigen Produktkategorien resultierte nach 6.0% im Vorjahr nun eine deutlich erstarkte EBIT-Marge von 9.0%.

PROFITABILITY INCREASES

The second year as an independent company was again a successful one for Medisize. The Group's gross margin increased slightly despite fierce competition in some markets to a level of 67.6%.

Total operating expenses increased 10% compared to the prior year; one percentage point thereof is related to the impact of foreign exchange rates and another point is related to the addition of the acquired company Cutting Edge Instruments Inc.

With similar depreciation and amortization expenses as last year, the EBIT increased by 17.1% to CHF 35.2 million. This corresponds to a stronger EBIT margin of 12.8% of net sales compared to 12.0% last year. Despite higher net financial expenses and higher tax expenses than last year, net income increased by 16.2% to CHF 26.3 million.

With CHF 18.5 million in net profit, the Dental business again contributed the lion's share to this success, accounting for 70.4% of net income. The Medical Group increased its net income contribution strongly and reached CHF 6.9 million.

With a cash flow from operating activities of CHF 29.0 million and a cash flow from investing activities of CHF 6.2 million, Medisize showed a solid free cash flow of CHF 22.9 million. This is CHF 3.2 million lower than the prior year as the accounts payable are lower and the accounts receivables higher than last year. The latter mainly reflects higher net sales in December 2007.

The Group closed its business year with a very strong balance sheet as indicated by its solid equity ratio of 66.9%.

SETTING THE STAGE FOR A NEW PURE-PLAY DENTAL GROUP

During the business year under review, Medisize successfully acquired Cutting Edge Instruments Inc., a specialist in the manufacturing of carbide burs, and integrated these activities into its Dental business. In its half-year report, Medisize announced a new and concentrated strategic focus on the highly profitable Dental business. With this in view, Medisize extended its management team in late summer

STEIGENDE ERTRAGSKRAFT

Auch das zweite Geschäftsjahr war für Medisize als unabhängige Gesellschaft überaus erfolgreich: Die Bruttomarge der Gruppe konnte trotz des harten Wettbewerbs auf gewissen Märkten auf 67.6% gestärkt werden.

Die Betriebskosten nahmen gegenüber dem Vorjahr um 10% zu; ein Prozentpunkt davon geht auf Wechselkursverschiebungen zurück, ein weiterer auf den Neuzugang der akquirierten Gesellschaft Cutting Edge Instruments Inc.

Bei vergleichbaren Abschreibungen und Amortisationen wie im Vorjahr stieg der EBIT um 17.1% auf CHF 35.2 Mio. Dies entspricht einer von 12.0% auf neu 12.8% angehobenen EBIT-Marge. Nach höheren Finanz- und Steueraufwendungen als im Vorjahr resultierte ein um 16.2% höherer Nettogewinn von CHF 26.3 Mio.

Das Dentalgeschäft trug mit CHF 18.5 Mio. den Löwenanteil zu diesem Erfolg bei. Aber auch das Medizinalgeschäft legte deutlich zu und erzielte einen Nettogewinn von CHF 6.9 Mio.

Bei einem Mittelfluss aus Betriebstätigkeit von CHF 29.0 Mio. und einem Mittelfluss aus Investitionstätigkeit von CHF 6.2 Mio. resultierte für Medisize ein Free Cashflow von CHF 22.9 Mio. Dies ist CHF 3.2 Mio. weniger als im Vorjahr und erklärt sich im Wesentlichen mit tieferen Kreditoren und höheren Debitoren, letztere als Folge höherer Umsätze im Dezember 2007.

Die Gruppe schloss das Geschäftsjahr mit einer äusserst starken Bilanz, wie die 66.9%ige Eigenmitteldecke zeigt.

ENTWICKLUNG HIN ZUR REINEN DENTAL-GESELLSCHAFT

Im Berichtsjahr erwarb und integrierte Medisize erfolgreich die auf die Herstellung von Hartmetallbohrern spezialisierte Gesellschaft Cutting Edge Instruments Inc. in das bisherige Dentalgeschäft. Im Halbjahresbericht kündigte Medisize einen verstärkten Fokus auf das hoch profitable Dentalgeschäft an. Vor diesem Hintergrund erfolgte im Spätsommer auch die Ernennung von Andreas Meldau zum COO Medisize Dental Group. Diese Funktion hatte Jerry Sullivan,

promoting Andreas Meldau to the position of COO of the Medisize Dental business, a function historically held by Jerry Sullivan. This enabled Jerry Sullivan to step up his focus on the strategic development of Medisize Holding. The thorough assessment of the Group's target markets and the strategic options in both business segments resulted in the Board of Directors' decision to fully focus on the Group's Dental business and to sell the newly invigorated Medical business to Medifiq Healthcare OY, a Finnish company entirely focused on this interesting healthcare segment.

DENTAL BUSINESS EXPANDS STRONG MARKET POSITION

The overall strategic concept for the Dental business remained unchanged: Coltène/Whaledent provides dentists and dental labs with a comprehensive product portfolio of dental consumables as well as products, devices and equipment that go hand-in-hand with a comfortable, safe and state-of-the-art treatment of patients.

With its most important growth drivers and innovations, Coltène/Whaledent is well equipped to satisfy the unmet needs of dental professionals around the world. These needs have been satisfied historically by both internal product development and by acquisition. When these elements are combined with a highly successful range of existing products and worldwide distribution, profitable growth is the result.

In 2007, Coltène/Whaledent complemented its existing product range of rotary instruments with the acquisition of Cutting Edge Instruments, Inc. (CEI). CEI carbide burs were already well established in the US. After just one year, they are now successfully offered in all international markets as part of the extended

CEO der Gruppe, bis dahin in Personalunion ausgeübt. Nach der Aufteilung dieser Funktion konnte er sich konsequenter der strategischen Entwicklung der Medisize Holding zuwenden. Die Überprüfung der Marktentwicklungen und der strategischen Optionen in beiden Geschäftsbereichen führten schliesslich zum Entscheid des Verwaltungsrats, sich künftig vollständig auf das Dentalgeschäft zu konzentrieren und das wieder erstarkte Medizinalgeschäft als Ganzes an Medifiq Healthcare OY, einer ausschließlich auf dieses Geschäft ausgerichteten finnischen Gesellschaft, zu veräussern.

DENTAL FESTIGT STARKE MARKTPPOSITIONEN

Das strategische Grundkonzept des Dentalgeschäfts blieb unverändert: Coltène/Whaledent bedient Zahnärzte und Zahnlabors mit einem umfassenden Produktsortiment an Verbrauchsmaterialien sowie Produkten und Apparaturen zur komfortablen, sicheren Versorgung von Patienten nach neuestem technischem Stand.

Mit ihren wichtigsten Wachstumstreibern und Innovationen ist Coltène/Whaledent darauf ausgerichtet, bestehende oder neu identifizierte Bedürfnisse der Dentalspezialisten weltweit abzudecken. Dies stellte die Gruppe bisher sowohl mit interner Entwicklungsarbeit als auch mit Akquisitionen sicher. Aus der Kombination dieser doppelten Expansionsstrategie, einer äusserst erfolg-



Zahnärzte lernen neue Produkte, wie etwa das ästhetisch führende Füllmaterial Synergy-D6, am liebsten in der direkten Anwendung kennen. Dentists like to familiarize themselves with the latest in esthetic dentistry, like the Synergy-D6 filling materials.

Diatech diamond rotary instrument product range. Their exceptional craftsmanship, innovative cutting geometries and high quality raw materials have rapidly positioned them as the leading carbide burs in the market.

DYNAMIC GROWTH IN NEWLY TARGETED DENTAL MARKETS


The more mature national markets continue to be solid but competitive. Price pressure also increased in the more recently targeted market areas as the major market players are all trying to seize new growth opportunities for their consumable products. Still, Medisize Dental Group looks back on a successful year and can even boast impressive and strong growth rates in several markets. Excellent growth rates were achieved in Asia where Coltène/Whaledent had considerably enhanced its marketing and educational efforts. With sales growth of 53%, India saw the strongest sales increase worldwide. This growth was supported by a huge demand for high-precision impression materials and esthetic restorative products. China continues to be another key target market where sales increased by 35% last year. To bolster further growth in this vast market, Coltène/Whaledent doubled its sales and marketing personnel in China and has recently established a wholly-owned subsidiary to better serve the market.

reichen Produktpalette und einem weltweit engmaschigen Vertriebsnetz resultiert ein profitables Wachstum.

Im Jahr 2007 ergänzte Coltène/Whaledent das bestehende Produktsortiment im Bereich der rotierenden Instrumente mit der Akquisition von Cutting Edge Instruments, Inc. (CEI). Die Hartmetall-Bohrer von CEI waren in den USA bereits gut eingeführt. Nach nur einem Jahr werden sie nun international als ergänzender Bestandteil des Diatech-Sortiments an rotierenden Diamant-Instrumenten erfolgreich vermarktet. Die hervorragende Qualität und Machart, innovative Schneidegeometrien und die hohe Qualität des Rohmaterials haben die Hartmetallbohrer rasch als führende Produkte im Markt positioniert.

DYNAMISCHES WACHSTUM IN JÜNGEREN DENTALMÄRKTEN

Die reiferen nationalen Dentalmärkte zeichnen sich durch ein solides und unverändert kompetitives Umfeld aus. Der Preisdruck nahm 2007 auch in den jüngeren Dentalmärkten zu, da die meisten Marktteilnehmer sich hier Expansionsmöglichkeiten für ihre Verbrauchsmaterialien sichern wollen. Medisize Dental Group kann insgesamt auf ein erfolgreiches Jahr zurückblicken, hat die Gesellschaft in gewissen Märkten doch hohe, ja sogar eindruckliche Zuwächse erzielt. Hervorragende Wachstumsraten wurden in Asien verzeichnet, wo Coltène/Whaledent die Marketinganstrengungen und das Ausbildungsangebot deutlich ausgebaut hat. Mit einem Zuwachs von 53% verzeichnete Indien insgesamt die grösste Steigerung weltweit. Der Zuwachs ging dort in erster Linie auf eine enorme Nachfrage für hoch präzise Abformmaterialien und ästhetisch führende Restaurationsmaterialien zurück. In China – einem weiteren Zielmarkt – verzeichnete Medisize Dental ein Wachstum von 35%. Um die Umsätze in jenem riesigen Markt nachhaltig abzusichern, hat Coltène/Whaledent dort die Verkaufs- und Marketingmannschaft verdoppelt und kürzlich eine eigene 100%ige Tochtergesellschaft gegründet.



Hartmetallbohrer ergänzen das bisherige Sortiment von Diamant-Bohrern ideal. Carbide burs ideally complement the existing diamond bur product range.

SOLID BUSINESS IN ESTABLISHED MARKETS

Coltène/Whaledent also performed very well in its biggest national market, the United States. Achieving a sales increase of 11% in a consolidating market is quite remarkable. This performance was based on focused marketing initiatives as well as a strong demand for small equipment. The general market conditions remain very competitive. Major competitors have launched new products in the post and core segment, a traditional and strong market niche for Coltène/Whaledent. The company's high market shares, continuing innovation, and aggressive marketing programs have successfully protected its market shares.

Double-digit growth was also achieved in the Middle East, the CIS countries and Eastern Europe. Scandinavia, the Baltic and Benelux states as well as Switzerland and Southern Europe demonstrated considerable, but somewhat less accentuated sales increases. In the major European markets, more moderate growth rates resulted from pressure created by national health insurance and reimbursement programs. In Germany and Great Britain, Coltène/Whaledent saw growth, despite the challenging healthcare environment. France experienced a very difficult year and sales remained on the level of 2006.



Mit dem Elektrochirurgiegerät PerFect TCSII lassen sich Blutungen rasch stoppen und die Gingiva präzise konturieren.
The tissue contouring system PerFect TCII quickly stops bleeding and is ideal to contour the gingiva.

SOLIDE GESCHÄFTSENTWICKLUNG IN DEN REIFEN MÄRKTEN

Coltène/Whaledent arbeitete auch im grössten nationalen Markt, in den USA, sehr erfolgreich und konnte den Umsatz in diesem sich weiter konsolidierenden Markt um 11% steigern. Dieser Erfolg basierte auf gezielten Marketinganstrengungen sowie auf einer starken Nachfrage nach Kleingeräten für die Zahnarztpraxis. Die Marktbedingungen blieben jedoch insgesamt äusserst anspruchsvoll. Wichtige Wettbewerber lancierten neue Produkte im Bereich Zahnstifte – einer traditionell starken Marktnische von Coltène/Whaledent. Dank des traditionell hohen Marktanteils, laufender Produktverbesserungen und eines aggressiven Marketingprogramms liess sich der Marktanteil erfolgreich verteidigen.

Zweistellige Wachstumsraten wurden im Nahen Osten, in den GUS-Staaten und in Osteuropa erzielt. In Skandinavien, im Baltikum und in den Benelux-Staaten sowie in der Schweiz und in Südeuropa resultierten beachtliche, wenngleich weniger akzentuierte Wachstumsraten. In den grossen Märkten Europas ergaben sich wegen verschiedener nationaler Reformen im Gesundheitswesen eher moderate Zuwächse. In Deutschland und Grossbritannien erwirtschaftete Coltène/Whaledent trotz der ungebrochen anspruchsvollen Marktbedingungen ein moderates Wachstum. In Frankreich blieb das Geschäft dagegen schwierig, so dass die Verkäufe auf dem Vorjahresniveau verharrten.

In bestimmten nationalen und regionalen Märkten wurde das Geschäft massgeblich von Spezialfaktoren bestimmt: In Lateinamerika stieg die Nachfrage nach ästhetischer Zahnversorgung nach der erfolgreichen Lancierung von Coltène/Whaledent Produkten. Die Markterfolge hier sind sehr ermutigend. Während im Jahr 2007 unsere Distributoren in Australien mehr Materialien an die Endverbraucher auslieferten, führte das Zusammengehen zweier Dentalhändler zu tieferen als erwarteten Lieferungen. In Korea erzielten lokale Hersteller von additionsvernetzenden Silikonabformmaterialien Marktanteilsgewinne. Coltène/Whaledent ist jedoch zuversichtlich, mit produktspezifischen Marketingmassnahmen 2008 wieder auf einen gesunden Wachstumspfad zurückzufinden. In Japan ver-

Some national and regional markets were dominated by special developments: in Latin America, the demand for esthetic dentistry is rising rapidly after the successful launch of Coltène/Whaledent products specifically developed for this market. The results have been very encouraging. Although in 2007 sales from distributors to the end-user increased slightly in Australia, the consolidation between the two leading dental distributors led to lower than expected shipments. In Korea, local manufacturers of addition-cured silicone impression material gained market share. However, Coltène/Whaledent is confident it can return to a healthy growth pattern in this market with special product-specific marketing programs in 2008. In Japan, sales remained at the previous year's level as growth was slowed by product registration obstacles.

GROWING IMPORTANCE OF PRODUCT REGISTRATION, PATENTS AND CONTINUED EDUCATION

In all Asia, national registration requirements have become costlier and more time consuming. This has already delayed the introduction of some new products in China, Korea and Taiwan. It is important to note, however, that CE and US product approvals and registrations continue to be door openers: In 2007, top-selling new products introduced in the European and American markets, have successfully been registered in China, India and Russia. Apart from these national registration efforts, Coltène/Whaledent continues to protect its key products with numerous international patents.

harrten die Verkäufe auf Vorjahresniveau, da das Wachstum durch neue Erschwernisse bei der Produktregistrierung verzögert wurde.

STEIGENDE BEDEUTUNG VON PRODUKT-REGISTRIERUNGEN, PATENTEN UND AUSBILDUNG

In ganz Asien wurden die Voraussetzungen zur nationalen Registrierung von Produkten kostspieliger und zeitraubender. Dies hat in China, Korea und Taiwan einzelne geplante Produkteinführungen etwas verzögert. Hierbei ist aber wichtig festzuhalten, dass Produktzulassungen in der Europäischen Union sowie in den USA wichtige Türöffner für die dortigen Registrierungsprozesse darstellen: 2007 wurden Produkte, die sich in Europa und den USA bereits zu wichtigen Umsatzträgern entwickelt hatten, auch in China, Indien und Russland erfolgreich lanciert. Abgesehen von nationalen Produktregistrierungen sichert Coltène/Whaledent auch weiterhin wichtige Produkte mit internationalen Patenten ab.

MEDIZINALGESCHÄFT KEHRT ZU TRADITIONELLEN ERTRAGSWERTEN ZURÜCK

2007 kehrte die Medisize Medical Group zu deutlich höheren Ertragswerten zurück: Während der Umsatz um 10.2% zulegte, stiegen EBIT und Reingewinn um mehr als 64.5%. Dies spiegelt nicht nur die generell vorteilhafteren Marktbedingungen, sondern ist vor allem auf ein erfolgreich umgesetztes Margensteigerungsprogramm zurückzuführen. Angesichts der stark gestiegenen Rohmaterialpreise und der nachteiligen Effekte der anhaltenden Marktkonsolidierung sowohl auf Hersteller- als auch auf Kundenseite ist dieser Erfolg umso beachtlicher.



Mit der Beatmungsmaschine Zephyros können Patienten ohne Intubation behandelt werden.

Zephyros is the first non-invasive breathing therapy machine making intubation obsolete.

MEDICAL RETURNS TO MORE TRADITIONAL PROFITABILITY

In 2007, the Medisize Medical business significantly increased its profitability. While sales grew by 10.2%, both EBIT and net income increased by over 64.5%. This not only reflects generally more favourable market conditions but is also evidence of the positive implementation of a comprehensive margin improvement program. Against the backdrop of sharp raw material price increases as well as the effects of the ongoing market consolidation, both on the manufacturers' as well as customers' side, this success is even more remarkable.

PROVIDING ANSWERS TO NEW MARKET DEMANDS IN AIRWAY MANAGEMENT

The international market for respiratory care products remained very competitive. While Medisize succeeded in improving margins in the German market, the weak US dollar made exports overseas increasingly expensive. On both the demand and supply sides, the European market continues to consolidate. Pooling strategies among smaller buyers who then tender for offers from the manufacturers are becoming a trend throughout Europe. On the supplier side, large multinationals have again acquired some smaller manufacturers.

DEFENDING MARKET SHARE WITH INNOVATIVE PRODUCTS

After extensive tests of the new breath therapy machine Zephyros in early 2007, the product was successfully launched in Europe in August. The market shows great interest in this new device which greatly enhances patient comfort. Zephyros is the first ventilator developed for non-invasive breathing therapy. It uses breathing helmets instead of traditional intubation. Medisize sees growing order intake for the machine and its respective disposable patient interfaces. A broader international rollout will follow once the market introduction in Europe is completed.

ANTWORTEN AUF NEUE MARKTBEDÜRFNISSE IM BEATMUNGSBEREICH

Der internationale Markt für Beatmungsprodukte ist unvermindert umkämpft. In Deutschland konnte Medisize die Margen wieder verbessern; der schwache US-Dollar verteuerte aber die Exporte nach Übersee. Sowohl auf der Nachfrage- als auch der Angebotsseite ging in Europa die Marktkonsolidierung weiter. Nachfrager bündeln ihre Bestellungen und schreiben diese mehr und mehr aus. Auf der Herstellerseite haben grosse multinationale Gruppen neuerlich kleinere Hersteller aufgekauft.

MARKTANTEILE MIT INNOVATIVEN PRODUKTEN VERTEIDIGT

Nach aufwändigen Test zu Beginn des Jahres wurde die neue Beatmungsmaschine Zephyros im August erfolgreich im europäischen Markt eingeführt. Der Markt zeigt grosses Interesse an diesem neuartigen Gerät, das die Therapie für die Patienten deutlich angenehmer macht: Zephyros ist weltweit die erste Beatmungsmaschine für die nichtinvasive Beatmungstherapie. Dank Atemhelmen kann fortan auf die Intubation von Patienten verzichtet werden. Medisize sieht bereits steigende Bestellzahlen für die Maschine und die zugehörigen Verbrauchsmaterialien. Nach Abschluss der Markteinführung in Europa soll dieses erfolgreiche Produkt dann weltweit angeboten werden.

Das kompakte Ausatemventil Medisize CEV ist vor allem für die Pflege zuhause ideal.
The new Medisize Compact Expiration Valve (CEV) is ideal for homecare applications.



A new expiration valve designed and manufactured by Medisize was launched at the world's largest Medical trade show MEDICA in Düsseldorf. The product features a significantly smaller size and better usability than competing products and has thus been well received by the targeted homecare market. The product caters to the growing trend to treat respiratory care patients at home in their everyday environment rather than prolong their hospitalization time.

PROVEN CAPABILITIES IN DEVELOPMENT & MANUFACTURING

In its development & manufacturing activities, the Medisize Medical Group focuses on the production of medical devices and on primary pharmaceutical packaging. A demanding new manufacturing project for a single-use in-vitro diagnostic product started in 2007 and quickly developed into an interesting manufacturing project generating the expected volume turnover. Several development projects are currently under way in the areas of bag manufacturing, ophthalmics and biotech-processing. Most of these projects are in an early development or prototype phase.

The demand for primary pharmaceutical packaging – especially bottles – from existing customers and new orders rose rapidly in 2007. Medisize Medical reacted quickly to the rising demand by extending running hours of the equipment to a maximum and adding manufacturing capacity. In 2007 alone, four new blow moulding machines were installed, one of them being a fully electrically driven, next generation system.

In 2007, seven pharmaceutical product developments went into stability testing using a Medisize pharmaceutical packaging. At the same time, Medisize started the development processes for a number of new custom-made products for several customers. Recently Medisize received a manufacturing contract for a mouth spray project for which the tooling and equipment are now being prepared. Besides customer related development work, Medisize extended its own product offering with an innovative new one-piece, tamper-proof closure for PET bottlers as well as a new range of small 10 ml to 50 ml bottles which can be fitted with spray pumps.

Medisize entwickelte zudem ein neues Ausatemventil, das an der weltweit grössten Medizinalgütermesse, der MEDICA in Düsseldorf, vorgestellt wurde. Gegenüber Vorgängermodellen ist das neue Ventil kleiner und handlicher und daher besonders für den zunehmend wichtiger werdenden Pflegebereich zuhause geeignet. Immer mehr Patienten, die künstlich beatmet werden müssen, werden zuhause in der gewohnten Umgebung gepflegt, um die Hospitalisierung so kurz wie möglich zu halten.

AUSGEWIESENE STÄRKEN IN DEVELOPMENT & MANUFACTURING

Im Bereich «Development & Manufacturing» ist Medisize auf die Entwicklung und Herstellung medizinischer Verbrauchsgüter und Pharma-Primärverpackungen spezialisiert. Ein 2007 angestossenes, anspruchsvolles neues Fertigungsprojekt für ein Einweg-in-vitro-Diagnose-Set entwickelte sich rasch zu einem interessanten Produktionsauftrag mit entsprechenden Umsatzvolumina. Mehrere weitere Projekte, so etwa in den Bereichen der Infusionsbeutelproduktion, der Augenheilkunde und der Biotechnologie, sind ange laufen und befinden sich nun in der Entwicklung oder der Prototypierung.

Die Nachfrage nach Pharma-Primärverpackungen und hier vor allem nach Flaschen aller Art hat 2007 sowohl von bisherigen als auch von neuen Kunden stark zugenommen. Medisize hat auf die steigende Nachfrage rasch reagiert und die Maschinenlaufzeiten auf ein Maximum hochgefahren. Zudem wurden 2007 nicht weniger als vier neue Spritzgussmaschinen installiert, eine davon eine vollständig elektronisch gesteuerte Anlage der nächsten Generation.

Insgesamt haben 2007 sieben Pharma-Produktentwicklungen, die auf eine Medisize-Primär-Verpackung zurückgreifen, die Phase ihrer Stabilitätstests erreicht. Gleichzeitig nahm Medisize die Entwicklungsarbeit für mehrere kundenspezifische Produkte auf. Unlängst erhielt Medisize auch den Produktionsauftrag für einen Mundspray: Für dieses Projekt werden derzeit die Werkzeuge und Anlagen eingerichtet. Abgesehen von kundenspezifischen Entwicklungsarbeiten hat Medisize auch die eigene Produktpalette mit einem innovativen, einteiligen Sicherheitsverschluss für PET-Flaschen erweitert sowie eine ganze Pro-

BECOMING A PURE-PLAY DENTAL SPECIALIST

In 2007, the Board of Directors of Medisize Holding AG made important strategic decisions. After a thorough analysis of the relevant market conditions and trends in both its Medical and Dental business segments, the Board of Directors of Medisize Holding AG decided on February 27, 2008, to sell the Group's total Medical business to Medifiq Healthcare OY, Finland, for CHF 105 million. This sales price represents an EBIT multiple of eleven times based on the invigorated profitability of the Medical business in 2007.

MEDISIZE HOLDING TO CHANGE NAME

The Medisize brand name, which is strongly linked to the current Medical business, will be included with the sale of the Medical Group. The Board of Directors will therefore propose to change the name of Medisize Holding AG into COLTENE Holding AG. This new name best reflects the company's focus and position in the global dental market.

EXCLUSIVE FUTURE FOCUS ON PROMISING AND HIGHLY PROFITABLE DENTAL BUSINESS

In the future, the new COLTENE Group will focus solely on the highly profitable and continuously improving Dental business. In 2007, these activities achieved sales of CHF 168.1 million. The Board of Directors has

duktreihe von Kleinflaschen von 10 ml bis 50 ml auf den Markt gebracht, die mit Sprüh- und Vernebelungspumpen ausgerüstet werden können.

MEDISIZE WIRD REINER DENTALSPEZIALIST

2007 hat der Verwaltungsrat von Medisize Holding AG wichtige strategische Weichenstellungen vorgenommen: Nach einer gründlichen Analyse der relevanten Marktbedingungen und Trends sowohl im Medizinal- als auch im Dentalbereich hat der Verwaltungsrat von Medisize Holding AG am 27. Februar 2008 entschieden, die gesamten Medizinalaktivitäten der Gruppe an Medifiq Healthcare OY, Finnland, für CHF 105 Mio. zu veräussern. Dieser Verkaufspreis entspricht einem Multiple von elfmal EBIT basierend auf dem im Geschäftsjahr 2007 deutlich erstarkten Leistungsausweis des Medizinalgeschäfts.

MEDISIZE HOLDING SOLL NAME ÄNDERN

Die stark mit dem Medizinalgeschäft verbundene Marke Medisize wird mit dem Medizinalgeschäft zusammen verkauft. Der Verwaltungsrat wird daher vorschlagen, den Namen von Medisize Holding AG in COLTENE Holding AG zu ändern. Dieser neue Name bringt die strategische Ausrichtung und die Positionierung im globalen Dentalmarkt am besten zum Ausdruck.

ALLEINIGER FOKUS AUF VIEL VERSPRECHENDES UND HOCH RENTABLES DENTALGESCHÄFT

Künftig wird sich die neue COLTENE-Gruppe ausschliesslich auf das hoch profitable und kontinuierlich an Leistungskraft gewinnende Dentalgeschäft fokussieren. Im Geschäftsjahr 2007 erzielten diese Aktivitäten einen Umsatz von CHF 168.1 Mio. Um weiterhin ein überdurchschnittliches Wachstum zu erzielen, hat der Verwaltungsrat entschieden, künftig sowohl auf die Stärke und Stabilität der traditionellen Märkte als auch auf die rasch steigende Kaufkraft und die wachsende Nachfrage nach Zahnversorgungen in den aufstrebenden Weltmärkten zu setzen. Das Dentalgeschäft hat wiederholt seine Fähigkeit bewiesen, innovative Produkte zu entwickeln, akquirierte Firmen erfolgreich zu integrieren, den Umsatz weltweit kontinuierlich auszuweiten und dabei laufend die Ertragskraft zu verbessern. Mit hohen, erzielbaren Cashflows wird die Dentalgruppe auch künftig



Flaschen und Verschlüsse sind eine der Spezialitäten von Medisize im Bereich Pharma-Primärverpackungen. Bottles and closures are key primary pharma-packaging product specialties of Medisize.



decided to capitalize on the strength and stability of the traditional dental markets as it looks strategically toward the rapidly growing buying power and the rising demand for dental treatments in the world's emerging markets to sustain above-average growth in the future. The dental business has repeatedly proven its ability to develop innovative products, integrate acquisitions profitably, and expand sales globally as it continuously improves its EBIT margin. The Dental business's strong cash flows will provide the means to further expand its business organically and supplement sales growth by opportunistic acquisitions.

PROPOSAL TO RETURN A TOTAL OF CHF 93 MILLION BACK TO SHAREHOLDERS IN 2008

The Board of Directors intends to return the bulk of the proceeds from the sale of the Medical business to the shareholders through the following proposals to the upcoming ordinary General Meeting of Shareholders on April 16, 2008, and to an extraordinary Meeting to be convened in the second half of 2008:

- » Pay out an increased dividend of CHF 4.30 (previous year CHF 1.60) per share totalling some CHF 20 million.
- » Initiate the procedure to reduce the par value of the Medisize shares from currently CHF 5.00 per share to CHF 0.10 per share. This par value reduction will return some CHF 23 million to the shareholders approximately three months following the ordinary General Meeting.
- » Further reduce the equity of the company by CHF 50 million through a capital redemption program via the issuance of put options or a similarly shareholder-friendly scheme to be proposed at an extraordinary General Meeting. Shares redeemed in the context of such a procedure shall subsequently be cancelled and will thus strengthen the future earnings per share.

SOLID DENTAL EARNINGS AND CASH FLOWS LEAD TO HIGHER DIVIDEND PAY-OUT POLICY

In total, the Board proposes to return approximately CHF 93 million to the shareholders in 2008. After these measures, the balance sheet will comfortably permit the Company to pursue its strategic course focusing on organic and external growth through

die Mittel haben, um das Geschäft organisch zu entwickeln sowie bei sich bietenden Gelegenheiten über Akquisitionen auszubauen.

ANTRÄGE ZUR RÜCKZAHLUNG VON TOTAL CHF 93 MIO. AN DIE AKTIONÄRE IM JAHR 2008

Der Verwaltungsrat beabsichtigt, den grössten Teil der mit dem Verkauf des Medizinalgeschäfts der Gesellschaft zufließenden Mittel an die Aktionäre zurückzugeben. Dazu wird er an der kommenden ordentlichen Generalversammlung vom 16. April 2008 sowie einer für das zweite Semester 2008 geplanten ausserordentlichen Generalversammlung entsprechende Anträge stellen:

- » Die ordentliche Dividende soll von CHF 1.60 im Vorjahr auf CHF 4.30 erhöht werden; damit fließen rund CHF 20 Mio. an die Aktionäre zurück.
- » Ein Verfahren zur Nennwertreduktion von derzeit CHF 5.00 auf neu CHF 0.10 soll initiiert werden. Über diese Nennwertreduktion sollen rund drei Monate nach der Generalversammlung weitere rund CHF 23 Mio. an die Aktionäre zurückfließen.
- » An einer ausserordentlichen Generalversammlung soll zudem vorgeschlagen werden, das Eigenkapital über eine Kapitalrückzahlung um weitere rund CHF 50 Mio. zu reduzieren, indem Put-Optionen ausgegeben werden oder ein vergleichbar aktionärsfreundliches Verfahren zur Anwendung kommt. Die im Rahmen dieses Programms angebotenen Aktien sollen zur Stärkung des Gewinns je Aktie anschliessend vernichtet werden.

DIE SOLIDE ERTRAGSKRAFT UND DIE HOHEN CASHFLOWS DES DENTALGESCHÄFTS FÜHREN ZU EINER POLITIK HÖHERER DIVIDENZZAHLUNGEN

Der Verwaltungsrat plant, gesamthaft rund CHF 93 Mio. an die Aktionäre zurückzugeben. Auch nach diesen Massnahmen werden es die komfortablen Bilanzrelationen der Gesellschaft erlauben, den strategischen Wachstumskurs sowohl organisch als auch über ergänzende Akquisitionen fortzusetzen und die von der nächsten Generalversammlung an höheren ordentlichen Dividendenzahlungen aufrechtzuerhalten.

supplemental acquisitions as well as maintaining the generous level of ordinary dividend payments to be initiated at the upcoming Annual General Meeting.

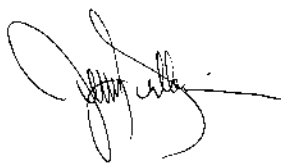
We would like to thank all our colleagues in the Medical business for their important contributions they all have made in the past years. Parting with this activity and all the people behind it, is not easy. However, we firmly believe that the divestment of the Medical business will significantly improve shareholder value and optimize the return on the capital invested.

We also take this opportunity to welcome all our Dental colleagues to their new corporate home – COLTENE. We are convinced that we have an exciting and demanding future ahead of us which we are eager to tackle with your full support.

At the same time, we would like to thank all our business partners, employees and our shareholders for their confidence and continued support.



Dr Paul Hälg
Chairman of the Board
of Directors



Jerry Sullivan
Chief Executive Officer

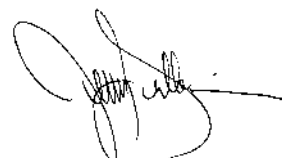
Wir möchten an dieser Stelle all unseren Kollegen des Medizinalgeschäfts für die in den vergangenen Jahren geleistete Arbeit, ihr Engagement und die vielen wichtigen Beiträge zum Geschäftserfolg danken. Es fällt uns nicht leicht, dieses Geschäftsfeld – und die Leute dahinter – ziehen zu lassen. Wir sind jedoch absolut überzeugt, dass der Verkauf des Medizinalgeschäfts den Wert der Gesellschaft für unsere Aktionäre und die Rendite auf dem eingesetzten Kapital deutlich stärken wird.

Wir möchten bei dieser Gelegenheit auch alle Kolleginnen und Kollegen des Dentalgeschäfts in ihrer neuen Gesellschaft – der künftigen COLTENE – willkommen heißen. Wir sind überzeugt, dass wir eine spannende, aber auch anspruchsvolle Zukunft vor uns haben. Wir freuen uns darauf, diese zusammen mit Ihnen und Ihrer vollen Unterstützung anzugehen.

Gleichzeitig möchten wir auch allen Geschäftspartnern, Mitarbeitenden und unseren Aktionären für das uns weiterhin entgegengebrachte Vertrauen danken.



Dr. Paul Hälg
Verwaltungsratspräsident



Jerry Sullivan
Chief Executive Officer

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, 2007, 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.

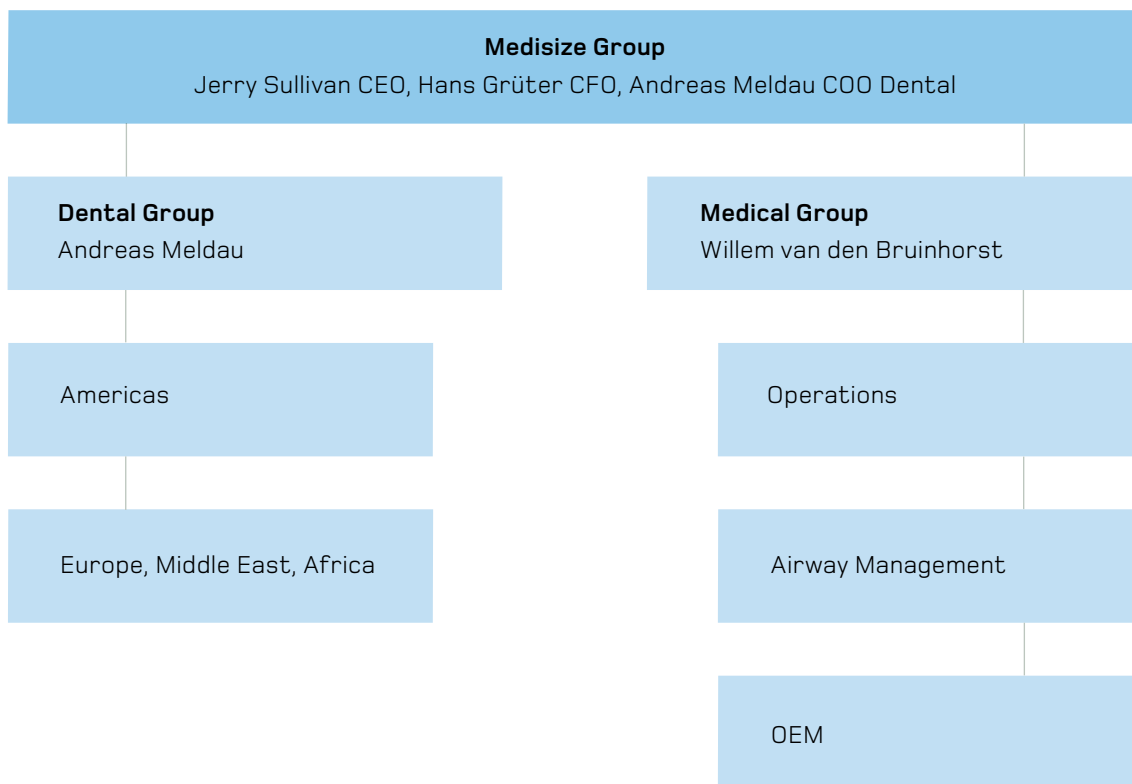
The organization of Medisize Group can be described as follows.

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, 2007, the market capitalization amounted to CHF 374 million. Information on the companies belonging to the Medisize Group, which are not listed, is shown on page 53 of the financial report.

1.2 MAJOR SHAREHOLDERS

On December 31, 2007, the following shareholders held more than 3% of the voting stock of Medisize Holding AG:



Huwa Finanz- und Beteiligungs AG, Heerbrugg, Rässengüetli 9, 9050 Appenzell, 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.

FMR Corp., 82 Devonshire Street, Boston, MA 02109/USA, held directly and indirectly 262,990 registered shares as at July 2, 2007, through Fidelity Management & Research Company and Fidelity Management Trust Company. This equals 5.62% 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.

Lincoln Vale European Partners GP LLC, Lincoln North, 55 Old Bedford Road, Lincoln, MA 01773, USA, held 235,835 registered shares on August 13, 2007 over its subsidiary Lincoln Vale European Master Fund L.P., Lincoln North, 55 Old Bedford Road, MA 01773, USA. This equals 5.04% of the voting rights.

Tweedy, Browne Company LLC reported on February 5, 2008, the possession of 218,569 registered shares since January 29, 2008, representing 4.67% of the voting rights through various funds or managed accounts. Of the shares, 186,990 shares belong to Tweedy, Browne Global Fund, Inc. This fund had reached the new 3% reporting threshold already before December 1, 2007.

3V Asset Management AG, Löwenstrasse 25, 8001 Zurich, disclosed 184,800 registered shares representing 3.95% of voting rights after the new reporting threshold of 3% came in force on SWX Swiss Exchange on December 1, 2007.

Schroder Investment Management Limited, 31 Gresham Street, London, EC2V 7QA, Great Britain, reduced its holdings of registered shares of Medisize Holding AG on October 23, 2007 to 175,783 shares which represented 3.76% of the voting rights.

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 60 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 57.

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.

IN CHF 1000	31.12.2007	31.12.2006
Share capital	23 400	23 400
General reserves	26 088	26 686
Treasury stock reserves	4 332	3 734
Net result	9 821	7 934
Total	63 641	61 754

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 afore-mentioned 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, 2007, the Board of Directors of Medisize Holding AG consisted of five 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 Hälg

- » Chairman of the Board of Directors
- » Doctorate in chemistry, Swiss citizen, 54
- » 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, 67
- » 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, 43
- » 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, 72
- » 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, 43

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

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

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, Matthew Robin

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, Matthew Robin

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 2007, the Board of Directors met nine times. The Audit and Corporate Governance Committee met two times in 2007, whereas the Nomination and Compensation Committee met three times in 2007.

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, 2007, Medisize Holding AG's Executive Management Board consisted of the CEO, the CFO and the COO Dental Group.

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, 61 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, 48 years

Professional background (main stages)

- » 1996–1998 CFO, Melcher AG, Uster/ZH
- » 1998–2001 Divisional President Europe, Uster/ZH, Power One, Camarillo, USA
- » 2002–2006 CFO Wicor Holding AG (Weidmann Group), Rapperswil/SG

Andreas Meldau

Chief Operating Officer, Dental Group
lic iur. University Zurich,
SVM Diploma University of St. Gallen
Swiss citizen, 49 years

Professional background (main stages)

- » 1985–1990 Sales Manager NCR / AT&T, Wallisellen/ZH,

- » 1990–1992 Martin Engineering, Egg/ZH
- » 1993–1999 CEO AVL Medical Instruments Schaffhausen
- » 1999–2002 CEO redIT Services, Zug
- » 2002–2007 CEO Coltène/Whaledent EMEA

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

The chairman of the Board of Directors is paid for his services a fixed per-diem allowance in cash. All other members of the Board of Directors are paid for their services with a yearly fixed amount in cash. In addition, for the first time with respect to the fiscal year 2007, all members of the Board of Directors receive a fixed number of shares having a restriction period of three years. The per-diem allowance in cash, the yearly fixed amount in cash and the number of shares awarded are 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.

Starting from the fiscal year 2008 a bonus and share participation program has been put in place for the members of the executive board as well as a limited number of key managers. This program is replacing existing bonus schemes and is a function of a) the economic profit of the actual year, b) the increase of economic profit compared over the prior year as well as c) the growth rate of net sales (all being subject to a watermark mechanism). Depending on the seniority of a participant, 20% of the bonus is allocated in shares at a fixed share price. Total bonus, including shares (if any), is capped depending on the seniority between 40% to 100% of the fixed salary of any participant. The program is defined and reviewed by the Compensation and Nomination Committee and is initially fixed for a period of three years.

5.2 REMUNERATION TO ACTING MEMBERS OF GOVERNING BODIES

The total sum of all remunerations¹ paid during the year under review was as follows:

a) to members of the Executive Management Board a total of CHF 1,879,806 (three persons in all); and
b) to non-executive members of the Board of Directors a total of CHF 653,906 (five persons in all).
For the highest remuneration paid to a non-executive member of the Board of Directors see item 5.9. Additional details are given on page 57.

¹ Total of all remuneration, fees, salaries, social insurances, grants, bonification and shares (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: 900 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: 601,800 shares with a par value of CHF 5.00 each.

5.6 OPTIONS

On December 31, 2007 there were no options on shares of Medisize Holding AG issued.

5.7 ADDITIONAL FEES AND PAYMENTS

Lenz & Staehelin, Attorneys-at-Law, in which Robert Heberlein, member of the Board of Directors, is a partner, acted as legal advisor of Medisize Holding AG in 2007 and presented Medisize Holding AG with fee invoices totalling less than CHF 100,000.

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 229,932.

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 CONVOCAION 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

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

Two 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 amount of the payments (within the aforementioned margin) depends on the amount of the transaction price. The respective payments are made if these employees continue to offer their services to Medisize for at least 90 days after the occurrence of the change of control.

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 1,000,000 in case the change of control occurs 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 auditor 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 555,802.

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 416,507.

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 at http://www.medisize-holding.com/investor-relations/news_en.html.

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 19, 2008

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

APRIL 16, 2008

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

END OF AUGUST 2008

Half-year report 2008, shareholders' letter

END OF MARCH 2009

Presentation of annual results 2008
Financial analysts' and media conference
Publication of Annual Report 2008

APRIL 2009

General Meeting of the Shareholders

CONTACT ADDRESSES

Investor Relations/Media Relations
Medisize Management Services AG
Hakabstrasse 5, CH-8309 Nürensdorf
T: +41 44 838 3910
F: +41 44 838 3916
E-Mail: info@medisize-holding.ch

Group Financial Statements	26–54
Statements on Medisize Holding AG	55–59
Investor Relations	60
Important Addresses	61

GROUP INCOME STATEMENT

IN CHF 1000	REF.	2007	2006
Net sales		274 233	249 864
Raw material and consumables used	2	-88 719	-82 565
Personnel expenses	3	-90 149	-82 921
Other operating expenses	5	-14 377	-15 499
Marketing and administrative expenses	5	-36 157	-29 526
Other income and expenses	6	3	112
Depreciation and amortization	7	-9 604	-9 384
Operating profit (EBIT)		35 230	30 081
Financial expenses	8	-2 979	-3 083
Financial income	8	1 203	1 933
Net profit before tax expenses		33 454	28 931
Tax expenses	9	-7 159	-6 294
Net profit	11	26 295	22 637
Earnings per share		CHF 5.67	CHF 4.88
Diluted earnings per share		CHF 5.67	CHF 4.88

The notes are part of the group financial statements.

GROUP BALANCE SHEET

IN CHF 1000	REF.	31.12.2007	31.12.2006
Assets			
Cash and cash equivalents		13 367	19 947
Accounts receivable from deliveries and sales	12	52 279	49 591
Tax receivables		12	14
Other receivables and accruals	13	5 464	4 643
Inventories	14	49 846	49 657
Current assets		120 968	123 852
Property, plant and equipment	15	57 596	59 101
Financial assets	16	5	2
Intangible assets	17	67 081	62 054
Deferred tax assets	10	1 918	2 389
Non-current assets		126 600	123 546
Total assets		247 568	247 398
Liabilities			
Current bank loans	18	26 054	31 888
Accounts payable to suppliers	19	8 861	10 181
Other accounts payable and accruals	20	16 882	17 307
Tax liabilities		3 221	2 981
Other short-term provisions	21	222	162
Current liabilities		55 240	62 519
Non-current bank loans	18	10 501	16 611
Other long-term liabilities	22	10 124	10 857
Deferred tax liabilities	10	4 565	5 900
Other long-term provisions	21	1 473	2 315
Non-current liabilities		26 663	35 683
Total liabilities		81 903	98 202
Share capital		23 129	23 175
Currency translation adjustments		-7 651	-5 912
Retained earnings		150 187	131 933
Total equity	23	165 665	149 196
Total liabilities and equity		247 568	247 398

The notes are part of the group financial statements.

GROUP CASH FLOW STATEMENT

IN CHF 1000	REF.	2007	2006
Net profit		26 295	22 637
Depreciation and amortization	7, 15, 17	9 604	9 384
Other non-cash items		9 641	8 140
Change in accounts receivable		-3 340	-7 208
Change in inventories		-763	3 447
Change in other current assets		-730	468
Change in current liabilities		-1 774	3 682
Interest paid		-2 637	-3 210
Interest received		367	401
Income tax paid		-7 620	-6 383
Cash flow from operating activities		29 043	31 358
Purchase of property, plant and equipment		-5 408	-5 315
Proceeds from sale of property, plant and equipment		32	160
Purchase of financial assets		-4	0
Purchase of intangible assets		-790	-132
Purchase of minority interests and earn-out payments		0	-590
Acquisition of subsidiaries – net of cash	24	-9 202	0
Cash flow from investing activities		-15 372	-5 877
Proceeds from loans and financial liabilities		10 218	36 116
Repayments of loans and financial liabilities		-22 064	-62 830
Lease payments		-176	-205
Dividend to shareholders	23	-7 413	0
Purchase of treasury stock		-1 325	-3 848
Proceeds from sale of treasury stock		651	22
Cash flow from financing activities		-20 109	-30 745
Exchange rate differences		-142	-535
Change in cash and cash equivalents		-6 580	-5 799
Cash and cash equivalents at beginning of year		19 947	25 746
Cash and cash equivalents at end of year		13 367	19 947

The notes are part of the group financial statements.

STATEMENT OF CHANGES IN EQUITY

IN CHF 1000	REF.	SHARE CAPITAL	CURRENCY TRANSLATION ADJUSTMENTS	RETAINED EARNINGS	TOTAL
01.01.2006		23 400	-4 914	112 897	131 383
Net profit		0	0	22 637	22 637
Exchange differences		0	-998	0	-998
<i>Total income and expenses for the year</i>		<i>0</i>	<i>-998</i>	<i>22 637</i>	<i>21 639</i>
Change in treasury stock		-225	0	-3 601	-3 826
<i>Total transactions with shareholders</i>		<i>-225</i>	<i>0</i>	<i>-3 601</i>	<i>-3 826</i>
31.12.2006		23 175	-5 912	131 933	149 196
Net profit		0	0	26 295	26 295
Exchange differences		0	-1 739	0	-1 739
<i>Total income and expenses for the year</i>		<i>0</i>	<i>-1 739</i>	<i>26 295</i>	<i>24 556</i>
Dividend distribution	23	0	0	-7 413	-7 413
Change in treasury stock		-46	0	-628	-674
<i>Total transactions with shareholders</i>		<i>-46</i>	<i>0</i>	<i>-8 041</i>	<i>-8 087</i>
31.12.2007		23 129	-7 651	150 187	165 665

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 one company as well as to list Medisize Holding AG as an independent company at the SWX Swiss Exchange on June 23, 2006.

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 wide 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 Packaging product group is placed on the development and manufacturing of premium primary packaging solutions for pharmaceuticals and nutraceuticals.

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, 2007:

- » IAS 1 – Presentation of Financial Statements
- » IFRS 7 – Financial Instruments: Disclosures (effective as from January 1, 2007)
- » 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 – Group and Treasury Share Transactions (effective as from March 1, 2007)

The adoption of these new or revised standards and interpretations resulted in some changes to the consolidated financial statements 2007. Especially the adoption of IFRS 7 required additional disclosure. Comparative figures have been restated.

IFRS 8 – Operating Segments 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.

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 February 27, 2008, for issue. The financial statements remain to be approved of by the Annual General Meeting of Shareholders scheduled to take place on April 16, 2008.

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 53.

Within the scope of consolidation, the following changes took place in 2007:

On January 19, 2007, Coltène/Whaledent Inc. acquired most assets of CEI Cutting Edge Instruments Inc., Bridgewater Corners, Vermont, USA.

Medisize Management Services AG, Nürens Dorf, was founded January 29, 2007.

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.

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 Group's share of 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.

Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

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. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. 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:

- » Machinery and equipment
- » Land
- » Buildings (including installations)
- » Assets under construction

Machinery 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 subcategories, 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 difference of the costs of acquisition over the Group's share of the fair value 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 normally not exceeding seven 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.

The Irish plans administrated by legally independent pension funds and the Swiss pension plans administrated 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 they exceed 10% the higher of 10% of defined benefit obligation and the fair value of plan assets at the beginning of the period ('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.

SHARE-BASED PAYMENTS

The chairman of the Board of Directors is paid for his services a fixed per-diem allowance in cash. All other members of the Board of Directors are paid for their services with a yearly fixed amount in cash. In addition, for the first time with respect to the fiscal year 2007, all members of the Board of Directors receive a fixed number of shares having a restriction period of three years. The per-diem allowance in cash, the yearly fixed amount in cash and the number of shares awarded are determined by the Compensation and Nomination Committee from time to time.

Starting from the fiscal year 2008 a bonus and share participation program has been put in place for the members of the executive board as well as a limited number of key managers. This program is replacing existing bonus schemes and is a function of a) the economic profit of the actual year, b) an increase of economic profit compared to the prior year as well as c) the net sales growth rate (all being subject to a watermark mechanism). Depending on the seniority of a participant, 20% of the bonus is allocated in shares at a fixed share price. Total bonus, including shares (if any), is capped depending on the seniority between 40% to 100% of the fixed salary of any participant. The program is defined and reviewed by the Compensation and Nomination Committee and is initially fixed for a period of three years.

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 delivery or service. 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.

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:

	31.12.2007	Ø 2007	31.12.2006	Ø 2006	31.12.2005
1 USD	1.1267	1.2004	1.2250	1.2540	1.3150
1 EUR	1.6587	1.6432	1.6080	1.5730	1.5580

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 managed. Additional rules governing the management of liquid and financial assets were also defined. The subsidiaries 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 (banks with rating A or better).

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.

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group management maintains flexibility in funding by maintaining availability under committed credit lines. Group management monitors rolling forecasts of the Group's liquidity reserve (comprises unused credit lines (see notes to the group financial statements, note 18) and cash and cash equivalents) on the basis of expected cash flow.

INTEREST RISK

Sales and operating cash flow do not depend on market rate changes. The Group undertakes no substantial interest bearing activities. Bank 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. No sensitivity analysis is provided as changes in interest rates have minor impacts on the net profit. For further details see note 18 of the notes to group financial statements.

CURRENCY RISK

The Group is internationally active and thus exposed to currency fluctuations mainly in EUR and USD. 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.

At 31 December 2007, if the CHF had weakened by 5% against the EUR with all other variables held constant, net profit for the year would have been TCHF 1001 lower (previous year TCHF 1685), mainly as a result of foreign exchange gains/losses on translation of EUR denominated accounts receivables from deliveries and sales, accounts payables to supplier, current bank loans and intercompany loans. Net profit is less sensitive to movement in CHF/EUR exchange rates in 2007 than 2006 mainly because of the increased current bank loans and the lower intercompany loans in EUR. If the CHF had strengthened by 5% against the EUR the net profit would have been TCHF 1001 higher (previous year TCHF 1685). The same sensitivity analysis (+/- 5%) for USD result in a change of net profit of TCHF +/- 68 (previous year TCHF +/- 47).

CAPITAL RISK MANAGEMENT

The Group's objective when managing the capital is to assure the Group's ability to maintain going concern of the Group, to support the Group's strategy (especially potential acquisition), to provide attractive returns to shareholders and to aim for an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Group may propose to adjust the dividend policy, to return capital to shareholders or issue new shares. In line with industry measures the Group monitors the capital basis with the two ratios interest bearing debt divided by EBITDA and total equity divided by total liabilities and equity. These ratios were at December 31, 2007 as follows:

IN CHF 1000	2007	2006
Interest bearing debt	46 679	59 356
EBITDA	44 834	39 465
Debt ratio	1.0	1.5
Equity ratio in %	66.9%	60.3%

Without pursuing an acquisition strategy targets for these ratios would be for debt ratio below three times and for equity ratio above 40%. Group management would allow these ratios being higher respectively lower for a short period of time in case evidence is given that the targets can again be achieved.

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

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 IFRS

Future changes include IFRS 8, which was early adopted in 2006. Currently, the following new standards as well as amendments to existing standards and interpretations are published but not early adopted.

- » IFRIC 12 – Service Concession Arrangements (effective as from January 1, 2008)
- » IFRIC 13 – Customer Loyalty Programs (effective as from July 1, 2008)
- » IFRIC 14 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective as from January 1, 2008)
- » IAS 1 (revised) – Presentation of Financial Statements (effective as from January 1, 2009)
- » IAS 23 (revised) – Borrowing Costs (effective as from January 1, 2009)
- » IAS 27 (revised) – Consolidated and Separate Financial Statements (effective as from July 1, 2009)
- » IAS 32 (revised) – Financial Instruments: Presentation (effective as from January 1, 2009)
- » IFRS 2 (revised) – Share-based Payment (effective as from January 1, 2009)
- » IFRS 3 (revised) – Business Combinations (effective as from July 2, 2009)

The Group is currently assessing the impact of these changes on future consolidated financial statements.

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	
	2007	2006	2007	2006	2007	2006	2007	2006
Net sales	168 110	153 560	106 122	96 310	1	-6	274 233	249 864
Raw material and consumables used	-46 859	-42 391	-41 859	-40 174	-1	0	-88 719	-82 565
Personnel expenses	-54 163	-49 793	-33 978	-32 709	-2 008	-419	-90 149	-82 921
Other operating expenses	-8 492	-8 613	-5 885	-6 876	0	-10	-14 377	-15 499
Marketing and administrative expenses	-25 923	-24 339	-9 060	-5 599	-1 174	412	-36 157	-29 526
Other income and expenses	1	96	2	14	0	2	3	112
Management Fees	-1 254	0	-595	0	1 849	0	0	0
Depreciation and amortization	-4 377	-4 222	-5 195	-5 161	-32	-1	-9 604	-9 384
Operating profit	27 043	24 298	9 552	5 805	-1 365	-22	35 230	30 081
Interest expenses	-2 672	-2 626	-2 188	-1 956	1 881	1 499	-2 979	-3 083
Interest income	367	368	60	1	2	0	429	369
Exchange rate differences (net)	128	678	135	-50	511	936	774	1 564
Net profit before tax expenses	24 866	22 718	7 559	3 800	1 029	2 413	33 454	28 931
Tax expenses	-6 352	-6 478	-660	386	-147	-202	-7 159	-6 294
Net profit	18 514	16 240	6 899	4 186	882	2 211	26 295	22 637

In 2007 Medisize Management Services AG is for the first time included in the column 'Other & Consolidation.' In 2007 management fees were paid to Medisize Management Services AG, whereas in 2006 these services were procured externally.

NET SALES GEOGRAPHICAL AREAS IN CHF 1000	DENTAL		MEDICAL	
	2007	2006	2007	2006
Switzerland	3 111	3 553	11 081	8 763
Germany	26 427	25 185	28 287	21 912
Other Europe	51 162	47 950	55 899	51 887
Americas	69 167	61 625	7 817	9 900
Rest of World	18 243	15 247	3 038	3 848
Net sales	168 110	153 560	106 122	96 310

NET SALES PRODUCTS AND SERVICES IN CHF 1000	DENTAL		MEDICAL	
	2007	2006	2007	2006
Dental	168 110	153 560	0	0
Aiway Management	0	0	39 347	35 917
Pharma Packaging	0	0	48 581	44 062
Medical Devices	0	0	18 194	16 331
Net sales	168 110	153 560	106 122	96 310

In the operating segment 'Dental' one customer qualifies as a major customer – over 10% of net sales – with net sales of TCHF 36,476 (previous year TCHF 32,227) corresponding to 13.3% of Group net sales (previous year 12.9%).

BALANCE SHEET ITEMS IN CHF 1000	DENTAL		MEDICAL		OTHER & CONSOLIDATION		GROUP	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Assets	157 048	155 708	89 440	90 600	1 080	1 090	247 568	247 398
Liabilities	66 364	71 617	49 080	58 828	-33 541	-32 243	81 903	98 202

ADDITIONS TO BALANCE SHEET IN CHF 1000	DENTAL		MEDICAL		OTHER & CONSOLIDATION		GROUP	
	2007	2006	2007	2006	2007	2006	2007	2006
Property, plant and equipment	2 271	2 178	3 136	3 337	0	0	5 407	5 515
Intangible assets	491	128	133	595	166	-1	790	722

Assets reported in the column 'Other & Consolidation' are the assets of Medisize Holding AG and Medisize Management Services AG. These assets consist of cash and cash equivalents, other receivables and accruals as well as of intangible assets. Liabilities reported in the column 'Other & Consolidation' are mainly the eliminated intra-group loans granted by Medisize Holding AG of TCHF 51,587 (previous year TCHF 58,400) reduced by the current and non-current bank loans granted to Medisize Holding AG of TCHF 16,749 (previous year TCHF 27,003).

PROPERTY, PLANT AND EQUIPMENT GEOGRAPHICAL AREAS IN CHF 1000	DENTAL		MEDICAL	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Switzerland	13 568	13 707	17 181	17 188
Germany	2 443	2 743	109	256
Other Europe	489	492	10 263	11 306
USA	13 543	13 409	0	0
Property, plant and equipment	30 043	30 351	27 553	28 750

INTANGIBLE ASSETS GEOGRAPHICAL AREAS IN CHF 1000	DENTAL		MEDICAL	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Switzerland	5 297	5 310	217	320
Germany	25 273	24 285	141	24
Other Europe	164	159	19 908	19 654
USA	15 947	12 302	0	0
Intangible assets	46 681	42 056	20 266	19 998

2 RAW MATERIAL AND CONSUMABLES USED

The item amounted to 32.4% (previous year 33.0%) of net sales. This item also includes changes in finished goods and goods in progress amounting to TCHF –542 (previous year TCHF 3160).

3 PERSONNEL EXPENSES

The pro rata average workforce amounted to 1227 employees (previous year, pro rata 1206).

Detailed information on personnel expenses:

IN CHF 1000	2007	2006
Wages and salaries	76 918	70 170
Expenses for defined benefit plans	1 071	1 416
Expenses for defined contribution plans	2 179	2 959
Other personnel expenses	9 981	8 376
Total	90 149	82 921

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 98 (previous year TCHF 475). Defined benefit plans exist for the Irish and Swiss Group companies. Detailed information on the defined benefit plans:

IN CHF 1000	2007	2006
Pension costs		
Current service cost	1123	1171
Interest expenses	1320	1332
Expected return on plan assets	-1505	-1479
Amortization of recognized actuarial gains and losses	60	392
Overfunding not recognized	73	0
Total	1071	1416
Actual return on plan assets	1236	-206
Expected contribution for 2008/2007	2900	3200
Change in pension liabilities		
Balance 1.1.	38 818	37 184
Exchange rate differences	419	456
Current service cost	1123	1171
Interest expenses	1320	1332
Employees' contribution	1298	1566
Paid pensions from plans with separated assets	-5 128	-2 769
Actuarial gains and losses	-2 581	-321
Other impacts	-69	199
Balance 31.12.	35 200	38 818
Change in plan assets		
Balance 1.1.	35 855	34 952
Exchange rate differences	379	383
Employees' contribution	1298	1566
Employers' contribution	1784	1338
Paid pensions from plans with separated assets	-5 128	-2 769
Expected return on plan assets	1505	1479
Actuarial gains and losses	-269	-1 685
Other impacts	-69	591
Balance 31.12.	35 355	35 855
Details to plan assets		
Equity instruments	7300	9897
Debt instruments	756	2169
Property	3211	505
Receivables from insurance company	24 088	23 284
Total	35 355	35 855

No investments were made in Medisize Holding AG.

IN CHF 1000	2007	2006	2005
-------------	------	------	------

Assets and liabilities included in balance sheet

Liabilities of plans with separated assets	35 200	38 818	
Plan assets	35 355	35 855	
Over-/underfunding	-155	2 963	
Not recognized actuarial gains or losses	1 042	-1 302	
Overfunding not recognized	73	0	
Net amount	960	1 661	

Changes in net amount

Balance 1.1.	1 661	1 585	
Exchange rate differences	12	11	
Expenses for defined benefit plans	1 071	1 416	
Employers' contribution	-1 784	-1 338	
Other impacts	0	-13	
Balance 31.12.	960	1 661	

Actuarial assumptions

Discount rate	3.99%	3.64%	
Expected return on plan assets	4.71%	4.78%	
Future salary increase	2.40%	2.26%	
Inflation	1.32%	1.23%	
Future pension increase	0.50%	0.54%	

IN CHF 1000	2007	2006	2005
-------------	------	------	------

Other information

Experience adjustments on plan assets	-269	-1 685	882
Experience adjustments on pension liabilities	2 583	2 406	554

Over-/underfunding

Liabilities of plans with separated assets	35 200	38 818	37 184
Plan assets	35 355	35 855	34 952
Over-/underfunding	-155	2 963	2 232

The pension liabilities are reported in other long-term provisions.

5 OTHER OPERATING, MARKETING AND ADMINISTRATIVE EXPENSES

Operating expenses include repair and maintenance cost of property, plant and equipment as well as R&D costs. In 2007 TCHF 5045 (previous year TCHF 5639) were spent on research and development and accounted for as such in the income statement.

6 OTHER INCOME AND EXPENSES

This item includes gains from sales of property, plant and equipment of TCHF 3 (previous year TCHF 21).

7 DEPRECIATION AND AMORTIZATION

IN CHF 1000	2007	2006
Depreciation on property, plant and equipment	8 459	8 241
Amortization of intangible assets	1 145	1 143
Total	9 604	9 384

8 FINANCIAL EXPENSES AND FINANCIAL INCOME

IN CHF 1000	2007	2006
Interest income on cash and cash equivalents	429	369
Exchange rate differences (net)	774	1 564
Total financial income	1 203	1 933
Interest expenses for bank overdrafts and loans	-2 559	-2 659
Interest expenses for financial leasing liabilities	-420	-424
Total financial expenses	-2 979	-3 083
Total financial result (net)	-1 776	-1 150

9 TAX EXPENSES

Tax expenses comprise the following positions:

IN CHF 1000	2007	2006
Taxes payable	7 871	6 695
Deferred taxes	-712	-401
Total	7 159	6 294

Tax expenses can be analyzed as follows:

IN CHF 1000	2007	2006
Net profit before tax expenses	33 454	28 931
Tax expenses at applicable tax rate of 26.38% (25.00%)	8 825	7 233
Effects of non-tax deductible expenses	139	1 281
Effects of tax exempt or reduced income	-1 036	-1 118
Effects of tax loss not capitalized in current year	522	308
Effects of tax loss used not capitalized in prior years	-749	-1 347
Effects of change in tax rate of deferred taxes	-766	0
Effects of tax adjustments for prior years by tax authorities	25	0
Current source tax not refundable	180	0
Other impacts	19	-63
Effective tax	7 159	6 294
Effective tax rate in %	21.40%	21.76%

In 2007 the applicable tax rate represents a weighted average rate based on all Group companies whereas in 2006 the applicable tax rate represents an estimated average based on experience.

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

IN CHF 1000	2007	2006
Tax losses capitalized		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	5 143	3 650
Expiration over 5 years	0	0
Total	5 143	3 650

Tax credits of capitalized tax losses

Expiration within 1 year	0	0
Expiration between 1 and 5 years	1 183	722
Expiration over 5 years	0	0
Total	1 183	722

Tax losses not capitalized

Expiration within 1 year	43	256
Expiration between 1 and 5 years	3 414	5 271
Expiration over 5 years	23 842	20 068
Total	27 299	25 595

Tax credits of not capitalized tax losses

Expiration within 1 year	14	61
Expiration between 1 and 5 years	798	1 220
Expiration over 5 years	6 099	7 140
Total	6 911	8 421

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 assets include the following positions:

IN CHF 1000	2007	2006
1.1.	2 389	2 027
Additions	235	752
Reversals	-225	-329
Reclassification	-419	0
Currency effects	-62	-61
31.12.	1 918	2 389

Deferred tax liabilities include the following positions:

IN CHF 1000	2007	2006
1.1.	5 900	6 035
Additions	250	23
Reversals	-952	0
Reclassification	-419	0
Currency effects	-214	-158
31.12.	4 565	5 900

No deferred taxes were made for valuation differences on investments of TCHF 2703 (previous year TCHF 2703). 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	2007		2006	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Cash and cash equivalents	0	0	120	0
Receivables and accruals	7	345	216	322
Inventories	0	6	939	837
Property, plant and equipment	0	6 633	0	6 820
Financial assets	0	0	117	7
Intangible assets	0	10	0	324
Financial liabilities	3 271	114	2 850	165
Deferred taxes from losses carried forward	1 183	0	722	0
Offset of deferred assets and liabilities	-2 543	-2 543	-2 575	-2 575
Total	1 918	4 565	2 389	5 900

11 NET PROFIT

The net profit amounts to TCHF 26,295 (previous year TCHF 22,637). The earnings per share (EPS) are calculated as follows:

	2007	2006
Weighted number of shares issued at 31.12.	4 634 829	4 640 702
Earnings per share (EPS)	CHF 5.67	CHF 4.88
Diluted earnings per share	CHF 5.67	CHF 4.88

12 ACCOUNTS RECEIVABLE FROM DELIVERIES AND SALES

IN CHF 1000	2007	2006
Accounts receivable from deliveries and sales (gross)	53 811	50 876
Allowance	-15 32	-1 285
Total	52 279	49 591

Accounts receivable from deliveries and sales by currency

CHF	5 790	4 951
EUR	27 503	27 263
USD	15 890	15 239
Other currencies	3 096	2 138
Total	52 279	49 591

Accounts receivable from deliveries and sales by maturity

Not due	29 081	35 713
Past due 1 to 30 days	11 622	8 970
Past due 31 to 60 days	6 238	2 286
Past due 61 to 90 days	3 027	1 275
Past due 91 to 120 days	1 240	389
Past due over 120 days	1 071	958
Total	52 279	49 591

Change in Allowance

1.1.	1 285	1 094
Additions	497	312
Used	-238	-89
Reversals	-14	-33
Currency effects	2	1
31.12.	1 532	1 285

No collaterals exist in both reporting periods. The change in the allowance due to addition, use or reversal is included in expenses.

13 OTHER RECEIVABLES AND ACCRUALS

These items include:

IN CHF 1000	2007	2006
Other receivables	2 073	2 361
Prepaid expenses	3 391	2 282
Total	5 464	4 643

Financial instruments:

No open derivative financial instruments exist as per December 31, 2007, or as per December 31, 2006.

14 INVENTORIES

Inventories are as follows:

IN CHF 1000	2007	2006
Raw materials	18 804	22 033
Trade merchandise	8 841	8 830
Goods in progress	11 258	4 036
Finished goods	10 943	14 758
Total	49 846	49 657
Write-down of inventories	1 457	1 882

No inventories are pledged or measured at selling price less variable selling expenses (net realizable value).

15 PROPERTY, PLANT AND EQUIPMENT

IN CHF 1000	MACHINERY AND EQUIPMENT	LAND	BUILDINGS (INCL. INST.)	ASSETS UNDER CONSTRUCTION	TOTAL
Gross values					
Value 31.12.2005	74 947	4 246	54 576	563	134 332
Additions	3 759	0	551	1 205	5 515
Disposals	-3 165	0	-113	-98	-3 376
Currency effects	272	-85	-348	8	-153
Reclassification	5 792	0	0	-543	5 249
Value 31.12.2006	81 605	4 161	54 666	1 135	141 567
Change in scope	2 330	0	74	0	2 404
Additions	2 022	0	491	2 894	5 407
Disposals	-548	0	-81	0	-629
Currency effects	84	-94	-561	12	-559
Reclassification	-6 889	0	9 415	-2 669	-143
Value 31.12.2007	78 604	4 067	64 004	1 372	148 047
Accumulated depreciation					
Value 31.12.2005	53 326	174	18 389	0	71 889
Depreciation	6 274	71	1 896	0	8 241
Disposals	-3 124	0	-113	0	-3 237
Currency effects	136	-13	226	0	349
Reclassification	5 224	0	0	0	5 224
Value 31.12.2006	61 836	232	20 398	0	82 466
Depreciation	5 811	69	2 579	0	8 459
Disposals	-531	0	-70	0	-601
Currency effects	95	-23	55	0	127
Reclassification	-7 524	0	7 524	0	0
Value 31.12.2007	59 687	278	30 486	0	90 451
Net values					
Value 31.12.2005	21 621	4 072	36 187	563	62 443
Value 31.12.2006	19 769	3 929	34 268	1 135	59 101
Value 31.12.2007	18 917	3 789	33 518	1 372	57 596

TCHF 143 (previous year TCHF 0) are reclassified to intangible assets. Leased property, plant and equipment amount to TCHF 10,123 (previous year TCHF 10,436).

Contractual Commitments:

As per December 31, 2007, no significant contractual commitments to acquire property, plant and equipment were entered upon.

Pledged assets:

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

IN CHF 1000	2007	2006
Book value	9 305	18 491
Maximum credit line	2 000	14 565
Loans contracted	2 000	2 000

Fire insurance values:

Fire insurance values of property, plant and equipment amount to TCHF 187,218 (previous year TCHF 178,340).

16 FINANCIAL ASSETS

Financial assets consist of TCHF 3 securities (previous year TCHF 1) and of TCHF 2 loans (previous year TCHF 1).

17 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	2007	2006
Dental	44 438	41 800
Medical	16 092	15 597
Total	60 530	57 397

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 is extrapolated by the rates given below. The value in use is the basis to calculate the recoverable amount.

Following assumptions were made:

	2007	2006
Long-term growth rate	3.5%	3.5%
Gross profit margin	50–62%	50–62%
Discount rate	7.9%	7.9%

The long-term growth rates used are consistent with the forecasts included in industry reports. Management determined the gross profit margin based on past performance and its expectations. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

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

IN CHF 1000	GOODWILL	RECOGNIZED R&D COSTS	OTHER INTAN- GIBLE ASSETS	TOTAL
Gross values				
Value 31.12.2005	56 596	14	10 512	67 122
Additions	590	0	132	722
Disposals	-152	-14	-986	-1152
Currency effects	339	0	223	562
Reclassification	24	0	-608	-584
Value 31.12.2006	57 397	0	9 273	66 670
Change in scope	3 044	0	2 089	5 133
Additions	0	0	790	790
Disposals	0	0	-18	-18
Currency effects	89	0	86	175
Reclassification	0	0	143	143
Value 31.12.2007	60 530	0	12 363	72 893
Accumulated amortization				
Value 31.12.2005	0	14	4 929	4 943
Amortization	0	0	1 143	1 143
Disposals	0	-14	-986	-1 000
Currency effects	0	0	87	87
Reclassification	0	0	-557	-557
Value 31.12.2006	0	0	4 616	4 616
Amortization	0	0	1 145	1 145
Disposals	0	0	-18	-18
Currency effects	0	0	69	69
Value 31.12.2007	0	0	5 812	5 812
Net values				
Value 31.12.2005	56 596	0	5 583	62 179
Value 31.12.2006	57 397	0	4 657	62 054
Value 31.12.2007	60 530	0	6 551	67 081

TCHF 143 (previous year TCHF 0) are reclassified from property, plant and equipment. In 2007 TCHF 5045 (previous year TCHF 5639) were spent on research and development and accounted for as such in the income statement.

18 BANK LOANS

The following tables show details to current bank loans as well as to non-current bank loans. Book values are equal to fair values.

IN CHF 1000	2007	2006
Current bank loans		
Unsecured bank facility	235	1388
Unsecured bank loans	23819	30500
Secured bank loan (mortgages)	2000	0
Total	26054	31888

Non-current bank loans		
Unsecured bank loans	10501	14611
Secured bank loan (mortgages)	0	2000
Total	10501	16611

IN CHF 1000	CURRENCY	INTEREST RATE	MATURITY	2007
Current bank loans				
Unsecured bank loan	CHF	2.99%	31.01.08	4300
Unsecured bank loan	CHF	3.45%	31.01.08	2300
Unsecured bank loan	CHF	3.51%	31.01.08	1200
Unsecured bank loan	EUR	5.13%	31.01.08	8335
Unsecured bank loan	EUR	5.34%	31.01.08	614
Unsecured bank loan	USD	6.00%	10.04.08	5070
Unsecured bank loan	CHF	3.30%	02.06.08	1500
Secured bank loan (mortgages)	CHF	3.10%	30.06.08	2000
		LIBOR +		
Unsecured bank loan	CHF	0.65%	22.11.08	500
Unsecured bank facility	EUR	5.75%		235
Total				26054

Non-current bank loans				
Unsecured bank loan (revolving credit facility)	USD	6.39%	31.01.09	5633
		LIBOR +		
Unsecured bank loan	CHF	0.65%	22.11.09	361
Unsecured bank loan (revolving credit facility)	USD	5.86%	31.03.10	4507
Total				10501

IN CHF 1000	CURRENCY	INTEREST RATE	MATURITY	2006
Current bank loans				
Unsecured bank loan	CHF	2.80%	29.01.07	4500
Unsecured bank loan	CHF	2.76%	31.01.07	1000
Unsecured bank loan	CHF	2.50%	15.02.07	5000
Unsecured bank loan	CHF	2.70%	23.02.07	10000
Unsecured bank loan	CHF	2.57%	28.02.07	2500
Unsecured bank loan	CHF	3.05%	22.03.07	4000
Unsecured bank loan	CHF	2.80%	22.03.07	1000
Unsecured bank loan	CHF	1.85%	22.07.07	1000
		LIBOR +		
Unsecured bank loan	CHF	0.65%	22.11.07	500
Unsecured bank loan	CHF	2.61%	31.12.07	1000
Unsecured bank facility	CHF	5.75%		724
Unsecured bank facility	EUR	5.90%		664
Total				31888

Non-current bank loans				
Unsecured bank loan	CHF	3.30%	02.06.08	1500
Secured bank loan (mortgages)	CHF	3.10%	30.06.08	2000
		LIBOR +		
Unsecured bank loan	CHF	0.65%	22.11.08	500
Unsecured bank loan (revolving credit facility)	USD	6.02%	31.01.09	4900
		LIBOR +		
Unsecured bank loan	CHF	0.65%	22.11.09	361
Unsecured bank loan (revolving credit facility)	USD	6.45%	31.03.10	7350
Total				16611

Total credit lines amount to TCHF 119,503 (previous year TCHF 120,983) of which 31% are used (previous year 40%). Covenants exist and the conditions of the covenants are complied for both periods. Due to the sale of the segment 'Medical' it is planned to repay all current bank loans. For further details see notes to group financial statements, note 27.

19 ACCOUNTS PAYABLE TO SUPPLIERS

IN CHF 1000	2007	2006
Accounts payable to suppliers by currency		
CHF	1635	2541
EUR	3884	4108
USD	2768	3369
Other currencies	574	163
Total	8861	10181

All accounts payable to suppliers fall due and will be paid within 120 days.

20 OTHER ACCOUNTS PAYABLE AND ACCRUALS

IN CHF 1000	2007	2006
Other accounts payable	4801	3947
Accruals	11918	13184
Short-term financial leasing liabilities	163	176
Total	16882	17307

21 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. The provisions for pension plans and other social security 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 mainly cover the risk of litigations. A capital outflow is expected in the next two to five years. Provisions developed as follows:

IN CHF 1000	GUARANTEE	PENSION PLANS & SOCIAL SECURITY	OTHER	TOTAL
31.12.2005	220	1844	205	2269
Amount used	-156	-27	0	-183
Additions	159	236	50	445
Reversal	-66	0	0	-66
Currency effects	5	7	0	12
31.12.2006	162	2060	255	2477
Amount used	-2	-766	0	-768
Additions	0	0	156	156
Reversal	0	-139	-55	-194
Currency effects	6	18	0	24
31.12.2007	166	1173	356	1695
Short-term provisions				
31.12.2006	162	0	0	162
Short-term provisions				
31.12.2007	166	0	56	222
Long-term provisions				
31.12.2006	0	2060	255	2315
Long-term provisions				
31.12.2007	0	1173	300	1473

22 OTHER LONG-TERM LIABILITIES

This item includes non-current lease commitments of TCHF 10,124 (previous year TCHF 10,287).

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

IN CHF 1000	OPERATING LEASING		FINANCIAL LEASING	
	2007	2006	2007	2006
No later than 1 year	1412	753	583	598
Later than 1 year and no later 5 years	3583	2758	2258	2302
Later than 5 years	2657	3173	13503	14041
Interest included in above payments	0	0	-6057	-6478
Total	7652	6684	10287	10463
Total over 1 year	6240	5931	15761	16343

Only Medisize Schweiz AG is subject to a financial leasing contract for its operating site in Nürensdorf, Switzerland. Several operating leasing contracts for machinery exist.

IN CHF 1000	2007	2006
Financial leasing liabilities by currency		
Short-term financial leasing liabilities in CHF	163	163
Short-term financial leasing liabilities in EUR	0	13
Total	163	176
Long-term financial leasing liabilities in CHF	10 124	10 287
Total	10 124	10 287

The short-term financial leasing liabilities are reported in other accounts payable and accruals.

23 EQUITY

The share capital shows the capital of Medisize Holding AG; adjusted by treasury stock. Treasury stock on December 31, 2007, included 54,156 shares (previous year 44,991).

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 4.30 per share will be proposed to the Annual General Meeting on April 16, 2008.

Based on the AGM decision on April 19, 2007 the Company paid a dividend of CHF 1.60 (previous year CHF 0) per share, less 35% withholding tax, to its shareholders on April 24, 2007. The total amount of the gross dividend paid was TCHF 7413 (previous year TCHF 0).

24 CASH FLOW FROM INVESTING ACTIVITIES

On January 19, 2007, Medisize acquired most assets of CEI Cutting Edge Instruments Inc. (CEI), Bridgewater Corners, Vermont, USA. CEI specializes in the development and production of carbide burs and expands the existing product offering of the dental segment. The details to the purchase price are shown in the table below.

IN CHF 1000	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
Accounts receivable from deliveries and sales	343	343
Other receivables and accruals	31	31
Inventories	983	1 393
Property, plant and equipment	289	2 404
Intangible assets	0	2 089
Accounts payable to suppliers	-191	-191
Net assets acquired	1 455	6 069
Goodwill		3 044
Total purchase consideration		9 113
Cash paid to the seller		-9 087
Direct cost relating to the acquisition		-115
Cash outflow on acquisition		-9 202

The goodwill is justified by the expected synergies and by the acquired business. Between the date of the acquisition and December 31, 2007 CEI contributed TCHF 4299 to the net sales and TCHF -67 to the net profit of Medisize Group.

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

25 CONTINGENT LIABILITIES

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

26 TRANSACTION WITH RELATED PARTIES

Key management compensations are as follows:

IN CHF 1000	2007	2006
Compensations	2 463	1 714
Contribution to pension funds	71	41
Total	2 534	1 755

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 Gurit Services AG (subsidiary of Gurit Holding AG). In 2006 the loan was repaid in full. For further details concerning the remuneration to the Board of Directors and Group management see page 57.

27 SUBSEQUENT EVENTS

The Board of Directors authorized the Group financial statements on February 27, 2008, 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 mentioned in the following:

The Board of Directors has decided to concentrate the Group on the Dental business and sell all of the Medical business. Therefore Medisize Holding AG signed on February 27, 2008 a sale and purchase agreement with Medifiq Healthcare Corporation to sell the shares of its two subsidiaries Medisize Schweiz AG and Medisize Medical Business Beheer B.V. together with all its subsidiaries. The closing date is planned to be end of March 2008 subject to some closing conditions. The enterprise selling price is about CHF 105 million subject to certain adjustments until the closing date as defined in the sale and purchase agreement. Third party financial debt will be assumed by the buyer. Accordingly it is expected that Medisize Holding AG will receive cash of about CHF 75 million for Medical's equity of about CHF 40 million and CHF 27 million for the existing intercompany loans.

MAJOR GROUP COMPANIES

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 services and marketing of dental specialities	CHF 20 000	100%
Roeko VerwaltungsGmbH, Langenau DE	Management 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 Beheer B.V., Hillegom NL	Holding company	EUR 7 941 000	100%
Medisize B.V., 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., Rome 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%
Medisize Management Services AG, Nürensdorf CH	Management company	CHF 200 000	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 26 to 53) of Medisize Holding AG for the year ended December 31, 2007.

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, February 28, 2008

BALANCE SHEET MEDISIZE HOLDING AG

IN CHF	31.12.2007	31.12.2006
Assets		
Cash and cash equivalents	522 051	631 165
Other receivables from third parties	1 026	475 786
Other receivables from subsidiaries	0	2 512 590
Prepaid expenses and accrued income	328 570	0
Current assets	851 647	3 619 541
Loans to subsidiaries	51 586 896	58 399 684
Investments in subsidiaries	24 926 805	24 676 805
Own shares	4 332 480	3 734 253
Non-current assets	80 846 181	86 810 742
Total assets	81 697 828	90 430 283
Liabilities		
Bank loans	16 748 740	27 002 909
Other liabilities to third parties	0	795 754
Other liabilities to subsidiaries	1 008 646	0
Accruals and provisions	299 941	877 758
Total liabilities	18 057 327	28 676 421
Share capital	23 400 000	23 400 000
Statutory reserves	26 087 520	26 685 747
Reserves for treasury stock	4 332 480	3 734 253
Net income brought forward	9 820 501	7 933 862
Total equity	63 640 501	61 753 862
Total liabilities and equity	81 697 828	90 430 283

INCOME STATEMENT MEDISIZE HOLDING AG

IN CHF	2007	2006
Income from investments	8 483 720	5 360 526
Other income	0	559 188
Financial income	3 421 711	3 501 014
Total income	11 905 431	9 420 728
Financial expenses	-1 004 055	-982 066
Administrative expenses	-1 384 081	-578 057
Depreciation	-75 572	-92 085
Tax expenses	-141 694	-203 850
Total expenses	-2 605 402	-1 856 058
Profit of the year	9 300 029	7 564 670

NOTES TO MEDISIZE HOLDING AG

IN CHF	31.12.2007	31.12.2006
1 Contingent liabilities		
Warranty liabilities	10 500 000	10 500 000
Group credits (general contracts)	31 408 330	24 811 000
2 Significant investments		
see list on page 51		
3 Treasury stock		
Total at 31.12.		
54 156 (44 991) shares par value CHF 5.00	4 332 480	3 734 253
Purchases: 16 507 (45 270) shares at an average price of	80.26	85.00
Sales: 7 342 (279) shares at an average price of	88.67	78.07
4 Significant shareholders		
The company is aware of the following registered shareholders who own over 3 % (5 %) of the shares		
Huwa Finanz- und Beteiligungs AG, Heerbrugg	10.00%	10.00%
FMR Corp., Boston/USA	5.62%	6.52%
Harris Associates L.P., Chicago/USA	below 3%	5.96%
Litespeed Management LLC, New York/USA	5.28%	5.28%
Lincoln Vale European Partners Master Fund L.P., Lincoln/USA	5.04%	below 5%
Tweedy, Browne Company LLC, New York/USA	4.67%	below 5%
3V Asset Management AG, Zürich	3.95%	below 5%
Schroder Investments Management Limited, London/UK	3.76%	5.05%
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.	26 685 747	30 420 000
Change	-598 227	-3 734 253
Statutory reserves at 31.12.	26 087 520	26 685 747
7 Net income brought forward		
Net income at 1.1.	7 933 862	3 691 193
Dividend distribution	-7 413 390	0
Profit of the year	9 300 029	7 564 669
Net income at 31.12.	9 820 501	7 933 862
8 Remuneration to Board of Directors		
Dr. Paul Hälg, Chairman (including 500 shares of the share program)	229 932	
Robert Heberlein, Member (including 250 shares of the share program)	105 004	
Nick Huber, Member (including 250 shares of the share program)	106 983	
Dr. Walter Känel, Member (including 250 shares of the share program)	105 004	
Matthew Robin, Member (including 250 shares of the share program)	106 983	
Total	653 906	458 000
9 Remuneration to Group management		
Jerry Sullivan, Chief Executive Officer (highest remuneration)	1 116 732	
Total	1 879 806	1 297 350
10 Number of shares held by Board of Directors		
Dr. Paul Hälg, Chairman	1 100	
Robert Heberlein, Member	120 400	
Nick Huber, Member	468 300	
Dr. Walter Känel, Member	11 750	
Matthew Robin, Member	250	
Total	601 800	612 200
11 Number of shares held by Group management		
Dr. Hans Grüter, Chief Financial Officer	400	
Andreas Meldau, Chief Operating Officer	500	
Total	900	400

PROPOSAL FOR THE ALLOCATION OF NET INCOME

IN CHF	2007	2006
Net income carried forward from the previous year	520 472	369 193
Profit of the year	9 300 029	7 564 669
Available net income	9 820 501	7 933 862
Out of statutory reserves	10 303 499	0
Distribution of dividend of 86% (32%)	-20 124 000	-7 413 390
To be carried forward	0	520 472

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 55 to 58) of Medisize Holding AG for the year ended December 31, 2007.

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, February 28, 2008

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 19, 2008

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

APRIL 16, 2008

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

END OF AUGUST 2008

Half-year report 2008, shareholders' letter

END OF MARCH 2009

Presentation of annual results 2008
Financial analysts' and media conference
Publication of Annual Report 2008

APRIL 2009

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 www.medisize-holding.com/investor-relations/news_en.html.

KEY FIGURES PER SHARE

Price at year end	80.00
Highest price	100.40
Date	26.4.2007
Lowest price	67.10
Date	6.12.2007
Earnings per share	5.67
Equity per share	35.81
Dividend per share	4.30
Taxable value	80.00

IMPORTANT ADDRESSES

MEDISIZE HOLDING AG

Ebnater Strasse 79
CH-9630 Wattwil
Phone +41 (0)44 838 3910
Telefax +41 (0)44 838 3916
www.medisize.com
E-mail: info@medisize-holding.com

MEDISIZE MANAGEMENT SERVICES AG

Hakabstrasse 5
CH-8309 Nürensdorf
Phone +41 (0)44 838 3910
Telefax +41 (0)44 838 3916
www.medisize.com
E-mail: info@medisize-holding.com

MEDISIZE PRODUCTION SITES

COLTENE/WHALEDENT INC.

235 Ascot Parkway
Cuyahoga Falls, Ohio
44223-3701/USA
Phone +1 330 916 8800
Telefax +1 330 916 7077
www.coltene.com

COLTENE/WHALEDENT AG

Feldwiesenstrasse 20
CH-9450 Altstätten
Phone +41 (0)71 757 5300
Telefax +41 (0)71 757 5301
www.coltene.com

COLTENE/WHALEDENT GMBH + CO. KG

Raiffeisenstrasse 30
P.O. Box 1150
D-89122 Langenau
Phone +49 7345 805 0
Telefax +49 7345 805 201
www.coltene.com

MEDISIZE NETHERLANDS BV

Edisonstraat 1
NL-2181 Hillegom
Phone +31 (0)252 576 888
Telefax +31 (0)252 519 825
www.medisize.com

MEDISIZE IRELAND LTD.

Letterkenny
County Donegal
Ireland
Phone +353 7491 220 55
Telefax +353 7491 229 15
www.medisize.com

MEDISIZE SCHWEIZ AG

Hakabstrasse 5
CH-8309 Nürensdorf
Phone +41 (0)44 838 3939
Telefax +41 (0)44 838 3900
www.medisize.ch

