Half-year report 2006

- Operating profits rise 14.8% to frame a positive start for the new Medisize Holding
- Innovation gives dental sales a boost
- Second quarter Medical sales and profits improve over the first quarter
- Organizational changes will improve medical operations

Medisize Holding AG shareholders should be encouraged by the new company's first half-year results. In the face of the numerous distractions of becoming a newly listed independent company on SWX Swiss Exchange, as well as setting up an autonomous management structure, Medisize Holding AG has performed well.

Medisize Group sales were up by 4.3% to CHF 127.6 million during the first half of the year. Operating profit (EBIT) rose by 14.8% to CHF 14.7 million despite significant increases in the cost of petroleum-based raw materials in the medical sector. The first six months generated a net profit of CHF 10.1 million. Effectively, this means that Medisize operations are in line with expectations. The Medisize dental business provided a solid and appealing performance by out-performing the dental market as a whole.

Notwithstanding a slower than expected first quarter, the Medisize medical business unit regained momentum during the second quarter. Ireland suffered from raw material quality issues that reduced productivity and directly impacted sales and profit margins for the first quarter. Fortunately, the Irish Medisize medical business unit's significant performance improvement during the second quarter demonstrates that these issues are now behind us.

For the entire year, Medisize is confident of achieving CHF 260 million in sales as well as the targeted EBIT of CHF 32.5 million.

Intensive preparations were already under way last year for the planned division of the former Gurit-Heberlein Group into two independent companies, although it was only at the Annual General Meeting on 12 April 2006 that the move was sanctioned. This meant that the former Health Care Division of Gurit-Heberlein was able to start the new year under the banner of Medisize Holding AG, which was founded on 13 December 2005. Jerry Sullivan, who was responsible for Gurit-Heberlein's dental operations under the old organization, took over as CEO of the entire Group from the start of the year. Dr. Hans Grüter will become CFO as of September 1, 2006.

Auspicious transition to independence

The creation of a company geared specifically to the health care market like Medisize Holding AG and the establishment of an independent organizational and management structure have required more attention from the operative management team than initially expected. Nevertheless, the main focus has remained on day-to-day operations. During the first half of the year, Medisize Holding AG companies generated sales of CHF 127.6 million. Compared to the figures for the same period last year, this represents an increase of 4.3%. An EBIT of CHF 14.7 million for the first half of 2006 produced an EBIT margin of 11.5% compared to an EBIT margin of 10.5 % for the first six months of 2005. This represents a 9.5% improvement in the EBIT margin over the prior year. During the first six months of this year, the new Medisize Group posted a net profit of CHF 10.1 million, or CHF 2.15 per standard registered share. Starting with the opening balance sheet on 1.1.2006, the balance sheet at the end of the first half-year reflects the business development during the first half-year. Assets increased from CHF 254 million to CHF 256 million. Liabilities were reduced by some CHF 4 million to CHF 118.6 million, whereas the shareholder's equity increased from CHF 131.4 million to CHF 137.6 million reflecting the net profit for the period and the change in treasury stock (see also Shareholder's Equity on page 10). Medisize generated a solid free cash flow of CHF 9.3 million during the first half-year.

Medisize dental business outperformed the overall dental market

During the traditionally weaker first half of the year, the dental sector reported encouraging sales and EBIT. Worldwide, the dental market addressed by Medisize grows by about 5% annually. The dental business, which accounts for over 60% of Group sales, posted an overall sales growth of over 10% over the first half of 2005. This success can be attributed to the Coltène/Whaledent's enormously innovative approach and its timely decision to concentrate on new market trends. At 5%, growth in the saturated North American market equalled the international figure. This was despite the consolidation that has been taking place in dental wholesaling for some years now, and led to further inventory drawdowns across the industry. In spite of this evolving market place, Medisize dental operations even managed to outperform the market as a whole. This has proven to be particularly true in Europe.

The upshot of this was that during the first half of 2006, Medisize reported a more than 10% increase in its dental business in Germany, an important market that had slid back markedly last year in the wake of new health legislation. New regulations that came into force in the UK in April 2006 will also depress volume slightly. Nevertheless, Medisize has still managed to post an impressive increase in dental sales and, with a range of high-quality and aesthetically demanding dental restoration products, is already well positioned in the increasingly important private sector. France, the third large European market, remains hotly contested but Medisize succeeded in maintaining sales at the same level as last year.

Symposia: successful marketing instruments

Substantially higher sales results than in the same period last year were also reported by the smaller countries of Southern, Central and Eastern Europe and the Baltic States, but also by markets in Africa and the Middle East that are managed from Europe. Business in Latin America was likewise positive. In the latter market, the Latin American Opinion Leader Meeting organized every three years by Coltène/Whaledent provided additional stimulus: 150 of Latin America's top dental specialists met together for a week in May in Cancun, Mexico, where they had ample opportunity to familiarize themselves with the company's products. Also in May, Coltène/Whaledent invited leading European dental specialists and technicians to Montreux for its biennial Swiss Symposium.

Competition in East Asia has become much stiffer and all the major players are addressing the dental markets in the large conurbations in India and China. In addition, new state approval procedures and registration requirements for dental products have temporarily dampened growth. All the same, the region remains an important priority for Medisize's dental business.

Innovation creates new product sales opportunities

Innovation remains the single most important growth driver. In February 2006, Coltène/Whaledent presented a range of new products at the world's most important dental fair, the Midwinter Meeting in Chicago, which found rapid acceptance by the market. SYNERGY® D6, a newly launched filling material, JET BLUE BITE™ and TempoSIL™, temporary cement released last year, are already some of the company's most important generators of revenue. SYNERGY® D6, a nanohybrid composite filling material, combines the ease of using a system consisting of just six dentine and two enamel colours with the natural coating principle of the tooth. Other properties such as low shrinkage, high-gloss polishability and high resistance to operating lights make it ideal for the needs of dental practitioners. JET BLUE BITE™, a bite registration material, is likewise a major advance for both dentist and patient. With a smooth whipped cream consistency, it is applied easily and precisely to the teeth. The patient can then close the upper and lower jaws without any form of resistance to produce a fast, accurate bite registration. After superfast setting, the impression can then be trimmed or cut easily, as required. The Coltène/Whaledent Group also reported major improvements in the consumables and hygienic materials sectors, while sales of precision-engineered pins tended to stagnate during the period under review.

Tougher competition for airway management products

The doctors' strike in Germany likewise left its mark on sales figures. The volume of anaesthetic and airway management products sold is closely linked to the number of operations carried out, and in Germany this has fallen off noticeably. Home care, on the other hand, another sector in which intensive efforts have been made, developed extremely well, as did sales of airway management products in the non-European markets, mainly the USA and Japan. In the second half of the year, following the testing and subsequent rollout of new respiratory therapy products, Medisize hopes to provide a new stimulus for sales in this stiffly competitive market.

Stronger position as development and production partner

For some time now, there has been a noticeable trend towards outsourcing in the US medical and pharmaceutical sectors, and it is becoming increasingly important in Europe. In the first half of the year, Medisize medical put out its first tenders for entire product lines. In order to strengthen contacts with leading European companies, Medisize has taken on new sales representatives in Germany and the UK. Their job is to increase selected customers' awareness of the Medisize product and service portfolio. Additionally, to heighten the company's profile and gain a larger foothold in the US market, Medisize has demonstrated its expertise in development, industrialization, and production at important industry fairs in New York and Anaheim.

During the first half of the year, Medisize medical won a bid for the assembly, packaging, and sterilization of blood processing products for a Swiss company specializing in cytology, cell therapy, and transfusion techniques. In a second stage, after the necessary development and validation process are completed, Medisize medical will also be taking over production and supply logistics towards the end of the current year.

Improved organizational set-up

In the first half of the year, Medisize commissioned a new injection blow moulding system in Switzerland. The system is significantly more efficient, replaces several older machines and will help further improve both productivity and quality. The company attaches particular importance to having uniform quality standards at its various production centers and, in a first step towards achieving this, is introducing the same documentation and quality control system at all its facilities. This gives the company clear advantages when dealing with customers but also has benefits at the operative level, because production can be relocated more easily from one factory to another and the ensuing cost advantages more efficiently exploited. In the Czech Republic, Medisize has succeeded in buying out the interest of a minority shareholder in its Czech subsidiary so that this company is now wholly owned by Medisize Holding.

Outlook

In view of the solid performance of its dental business and the positive outlook for the medical activities in the second half of this year, Medisize Holding continues to expect for the whole of fiscal 2006 sales of around CHF 260 million as compared to last year's sales of CHF 246.9 Mio under IFRS. In the health care markets Medisize focuses on, the second half-year is traditionally stronger than the first semester. Due to the indirect distribution structure, sales typically increase towards the end of the year. Medisize thus expects to achieve the targeted EBIT of CHF 32.5 million (previous year CHF 27.2 million under IFRS).

Yours sincerely
Medisize Holding AG

Dr. Paul Hälg
Chairman of the Board of Directors

Jerry Sullivan
Chief Executive Officer

Group Income Statement (condensed)

IN CHF 1000

	1 HY 2006	1 HY 2005
Income statement		PRO FORMA FIGURES
Net sales	127 600	122 300
Cost of goods and materials	–42 800	–38 100
Personnel expenses	–41 400	–39 800
Other operating expenses	–7 100	
Marketing and administrative expenses	–16 100	–27 300
Sundry operating result	–600	
Depreciation and Amortization	–4 900	–4 300
Operating profit	14 700	12 800
Financial expenses	–2 600	
Financial income	900	
Profit before tax	13 000	
Tax expense	–2 900	
Profit after tax	10 100	
Minority interests	–	
Group profit	10 100	
Earnings per registered share	CHF 2.15	
Diluted earnings per registered share	CHF 2.15	

Depreciation and amortization	1 HY 2006
Group cash flow (profit after tax + depreciation)	15 000

EBITDA	19 600
Depreciation	–4 900
EBIT (Operating profit)	14 700
Financial expenses/income	–1 700
Tax expense	–2 900
Minority interests	–
Group profit	10 100

Group Balance Sheet (condensed)

IN CHF 1000

	30.6.2006	(CARVE-OUT) 1.1.2006
Assets		
Cash and cash equivalents	25 055	25 746
Accounts receivable and accruals	58 814	47 823
Inventories	50 073	53 750
Current assets	133 942	127 319
Plant and equipment	20 812	21 621
Real estate	38 730	40 822
Property, plant and equipment	59 542	62 443
Financial assets	1	2
Intangible assets	61 639	62 179
Deferred tax assets	1 064	2 027
Non-current assets	122 246	126 651
Total assets	256 188	253 970
Equity and liabilities		
Bank loans	7 988	11 501
Accounts payable and accruals	29 322	25 860
Short-term provisions	4 440	2 917
Current liabilities	41 750	40 278
Mortgage and loans	58 208	63 091
Other long-term liabilities	10 914	11 134
Long-term provisions	7 757	8 084
Non-current liabilities	76 879	82 309
Total liabilities	118 629	122 587
Share capital	23 287	23 400
Additional paid-in capital and retained earnings	121 132	112 897
Currency translation adjustments	–6 860	–4 914
Total equity	137 559	131 383
Total equity and liabilities	256 188	253 970

Group Cash Flow Statement (condensed)

IN CHF 1000

	1 HY 2006
Cash flow from operating activities	11 966
Investments in fixed assets (net)	–2 091
Financial investments (net)	–
Investments in intangible assets (net)	–553
Cash flow from investment activities	–2 644
Change in current bank loans	–209
Change in non-current bank and other loans	–7 072
Change in non-current payables	–148
Lease payments	–84
Purchase of treasury stock	–1 963
Cash flow from financing activities	–9 476
Exchange rate differences	–537
Change in cash and cash equivalents	–691
Cash and cash equivalents at beginning of year	25 746
Cash and cash equivalents at end of half year	25 055

Segment Information (condensed)

IN CHF MIO.

	1 HY 2006		1 HY 2005 PRO FORMA FIGURES	CHANGE IN %; COMPARABLE WITH TODAY'S STRUCTURE
Net sales				
Health Care	127.6	100.0%	122.3	+4.3%
Other/Consolidation		0.0%		
Total net sales	127.6	100.0%	122.3	+4.3%
EBITDA				
Health Care	19.9	15.6%	17.1	+16.4%
Other/Consolidation	–0.3	–0.2%		
Total EBITDA	19.6	15.4%	17.1	+14.6%
Operating profit (EBIT)				
Health Care	15.0	11.8%	12.8	+17.2%
Other/Consolidation	–0.3	–0.2%		
Total EBIT	14.7	11.5%	12.8	+14.8%
EBIT in % of net sales				
Health Care	11.8%	10.5%		
Other/Consolidation				
Total EBIT in %	11.5%			

Shareholders' Equity and Minority Interests (condensed)

IN CHF 1000

	SHAREHOLDERS' EQUITY					
	SHARE CAPITAL	CUR. TRANSL. ADJUSTMENTS	RETAINED EARNINGS	MEDISIZE SHAREHOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
30.6.2005	0	0	0	0	0	0
Formation (13.12.2005)	23 400			23 400		23 400
Split-off		–8 963	112 897	103 934		103 934
Year Group result						0
Currency effects		4 049		4 049		4 049
31.12.2005	23 400	–4 914	112 897	131 383	0	131 383
Half-year Group result			10 085	10 085		10 085
Change in Treasury stock	–113		–1 850	–1 963		–1 963
Currency effects		–1 946		–1 946		–1 946
30.6.2006	23 287	–6 860	121 132	137 559	0	137 559

Selected Notes

This unaudited consolidated half year report was prepared in accordance with IAS 34, using the same principles of consolidation and accounting polices as in the year-end report 2005 of Gurit-Heberlein Group. The new standards effective as at January 1, 2006 led to no changes in this half-year report as at June 30, 2006.

As announced at the end of summer 2005, the Medisize Group was formed as at 1.1.2006 based on the former Health Care division of Gurit-Heberlein Group. The shares of Medisize Holding AG are listed on SWX Swiss Exchange since June 23, 2006.

EXCHANGE RATES IN CHF

	31.12.2005	30.6.2006	∅ 1 HY 2006	30.6.2005	∅ 1 HY 2005
1 USD	1.3150	1.2493	1.2697	1.2800	1.2020
1 EUR	1.5580	1.5655	1.5609	1.5500	1.5460
1 GBP	2.2600	2.2619	2.2725	2.2300	2.2520

Investor Relations

Company capital
After the par value reduction of 22 June 2006, existing Gurit Holding AG shareholders were allotted a total of 4,680,000 registered shares, par value CHF 5, securities n. 2.534.325, in proportion to their holdings in Gurit shares.

Stock market trading
The registered share is listed on the SWX Swiss Exchange. Prices are published in the Swiss daily and financial press as well as in electronic price information systems under the ticker symbol MSZN /securities number 2.534.325.

Important dates
Beginning of March 2007: Key figures YE 2006
End of March 2007: Publication of full YE 2006 results
April 2007: Annual General Meeting
End of August 2007: Half-year Report

Internet/e-mail bulletins
Further information about Medisize can be found at www.medisize-holding.com. To obtain a subscription to the company's news service, please register in the Publications/Downloads section at
http://www.medisize-holding.com/investor-relations/news.html.

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