



A STRATEGIC EQUATION FOR SUCCESS



ADDING VALUE FOR PARTNERS,
CLIENTS AND MEMBERS THROUGH
ECONOMIES OF SCALE

 DeCare
DentalSM

2007 ANNUAL REPORT



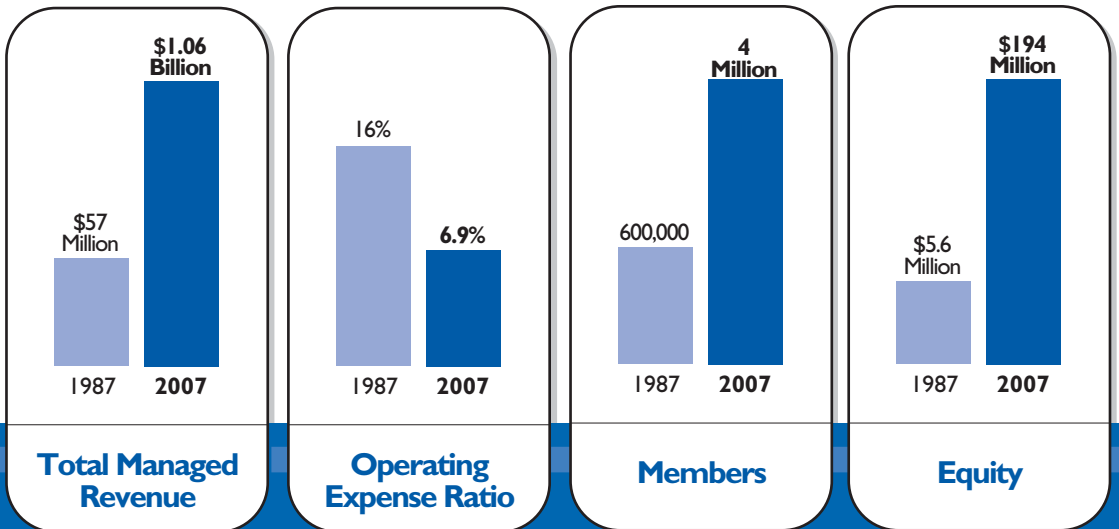
With more than \$1 billion in managed revenue, 4 million members, 22,000+ groups and a 40-year track record of proven success, DeCare Dental is one of the fastest growing multi-national dental benefit management companies.

Our formula for building economies of scale through a combination of organic growth and strategic alliances adds up to unequalled value for our partners, clients and members.

2007 FINANCIAL HIGHLIGHTS*

Total managed revenue	\$1.06 billion
Revenues over expenses	\$29.7 million
Equity	\$194 million

*DeCare Dental family of companies





LETTER FROM THE PRESIDENT AND CEO

2007 marked our 20th consecutive year of record revenue – a testament to the value we deliver to our partners, clients and members. This consistent long-term growth is also a testament to the strategic vision that has guided our business for two decades.

Our strategic vision is based on a straightforward principle: In the high-volume, low-margin business of dental benefit management, we deliver the greatest value to those who rely on us by continuously increasing economies of scale.

These economies enable us to continuously innovate and enhance the service we provide while maintaining value-driven pricing.

Growth built on solid fundamentals and strategic partnerships

We have executed our vision and built our economies of scale through organic growth and, equally important, through strategic partnerships with several of the world's most prominent health care and insurance companies.

This high-performance infrastructure growth has given us the resources to cost-effectively develop and manage versatile dental benefit systems; traditional and Web-based customer services; client-focused product innovations; multi-faceted sales and marketing capabilities; regional, national and international dentist networks; and dental analytic capabilities that are second to none.

In 2007, we continued to grow the partners, groups and individuals we serve, while delivering measurably superior service levels and maintaining operating costs significantly below the industry average.

We increased managed revenue to \$1.06 billion, achieved revenue over expenses of \$29.7 million, grew equity to \$194 million and expanded the number of individuals served through the 10 dental brands we manage to more than 4 million.

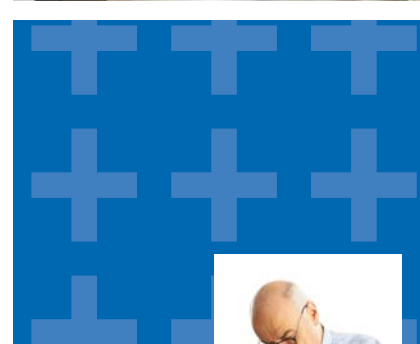
Consistent strategy yields continuing results

We remain guided by the vision that has driven our success for the past 20 years, delivering value by continually improving our economies of scale.

Our recent announcement that we've agreed to be acquired by WellPoint, Inc., the nation's largest health benefits provider, is the next chapter in this successful strategy for long-term growth and added value.

Thanks to the business partners, group clients, sales relationships and dentist networks we have in place – along with our proven management team and talented employees – we anticipate continuing growth for our organization and those who rely on us.

A handwritten signature in black ink, reading "Michael F. Walsh".



Michael F. Walsh
President and CEO



EXPONENTIAL GROWTH YIELDS IMPRESSIVE ECONOMIES OF SCALE

The economies of scale we deliver to our clients are the result of our strong growth. Those economies, in turn, create greater growth because they give us the resources to deliver market-driven solutions that combine solid fundamentals with true innovation.

In 2007, these solutions addressed the needs of 4 million members in 22,000+ employer groups including some of the most respected Fortune 500 corporations as well as non-profit organizations, government entities, unions and small to mid-size businesses.

We serve these groups and members through our own brands, and through strategic partnerships with several of the world's most prominent healthcare and insurance companies.

It's proven to be a formula for success.

DeCare Dental's global infrastructure seamlessly supports the day-to-day operations of 10 dental brands including those of healthcare and insurance leaders Empire BlueCross BlueShield of New York, Wellmark BlueCross BlueShield of Iowa, BlueCross BlueShield of Minnesota, Minnesota-based Medica and the nationally marketed Securian Dental Plans.

We also manage a number of the leading dental benefit carriers in the Southeast and Upper Midwest, including Minnesota's largest dental benefits provider.

Internationally, DeCare Dental was the first American company to offer dental benefits in Europe, through the Vhi DeCare Dental brand.



ADDING UNIQUE VALUE TO THE ORAL HEALTH CARE MANAGEMENT EQUATION

Economies of scale grow naturally from the value we deliver through our core capabilities, including:

- insurance underwriting
- financial modeling
- product development
- sales and marketing (traditional and direct mail/telemarketing)
- dentist network management
- third-party administrative support
- claims processing
- industry-leading analytics
- cutting-edge Web solutions and technology

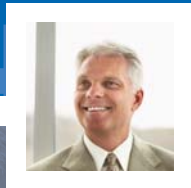
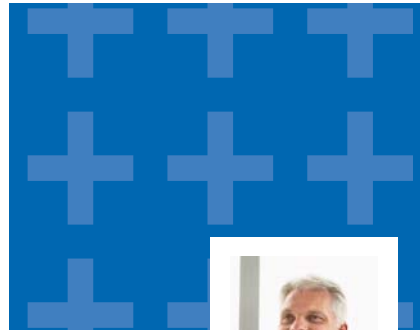
DeCare Dental brings a comprehensive solution set and proven expertise, providing our partners and clients with overall value that is greater – and less costly – than the sum of its parts.

+ Custom-designed dental benefit plans

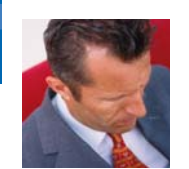
DeCare Dental's product development team tailors dental benefit plans for a wide range of clients. Together with subsidiaries and affiliates, we develop and underwrite dental benefit products to meet market needs – whether those needs are for traditional network and indemnity plans or for tomorrow's products centered on consumer empowerment.

Leading consultants and brokers are a critical link in distributing our products to businesses of all sizes – from small groups to enterprise-level Fortune 500 clients.

Through several of the brands we administer, we also offer dental benefit products for individuals and their families.



Mark A. Moksnes
Executive Vice President,
Sales and Marketing



+ Dental network management

DeCare Dental Networks, a subsidiary of DeCare Dental, develops and manages dentist networks for business partners locally, nationally and internationally. We oversee 22 dental networks including an international network spanning 137 countries.

These networks range from traditional PPO arrangements to custom-designed networks that apply our proprietary analytics to deliver the greatest access and value for specific large clients based on their employee locations and savings objectives.

+ Outstanding customer service

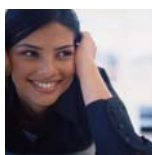
Meeting the needs of our customers and partners is one constant that never changes. DeCare Dental's customer service team responds to approximately 6,000 calls a day from members, group benefit administrators, producers and dentists – with calls answered by a live, experienced representative in an average of just 11 seconds.

Our U.S. operations works seamlessly with our Irish affiliate, DeCare Operations Ireland, to process more than 6 million claims a year. The average claim is processed in 2.6 days, with accuracy of 99.7 percent.

+ Applying analytics for even greater value

From tiered dentist networks to predictive modeling, DeCare Dental Analytics, a subsidiary of DeCare Dental, has successfully brought to market a number of proprietary dental benefit solutions that deliver exceptional economic value to partners and customers for their benefit dollars.

The pioneering work of our Analytics team represents the next generation of dental benefit solutions that empower individuals with information to make wise choices about their dental care while addressing the true driver of costs.



+ Research on oral health's effect on general health

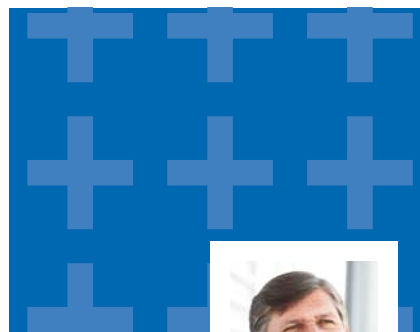
DeCare Dental is at the forefront of integrating the latest medical-dental research into its product platform. Our affiliates are teaming up with national experts and health care institutions to better understand the connection between oral health disease and major systemic conditions such as cardiovascular disease, stroke, diabetes and pre-term births.



Aside from the potential effect on dental benefit plan designs, we're also examining how this may influence medical plan designs and overall health care costs.

+ Cutting-edge technology and Web solutions

DeCare Dental's investment in technology yields dividends that can be multiplied across all the partners, clients and members we serve. Our dental systems easily are among the most advanced in the industry.



Our Irish affiliate, DeCare Systems Ireland (DSI), together with the information technology team in our home office, provide a number of services to business partners, including custom enterprise software solutions, e-business applications and application performance tuning.

In addition to meeting our own software development needs, DSI serves a number of prominent global organizations including Amazon.com, Avon, Expedia and some of the largest dental and health insurance plans in the United States.



Norman C. Storbakken
Executive Vice President,
Operations



SUMMING IT UP – A STRATEGIC VISION DRIVING TWO DECADES OF GROWTH

When Mike Walsh joined the organization as President and CEO 20 years ago, he saw the writing on the wall:

To prosper in the increasingly competitive dental benefits industry, it would be necessary to continuously improve the quality – while decreasing the unit cost – of the services we provide to our clients.

The only way to do this in a high-volume, low-transaction-cost business was to grow. And that meant creating economies of scale by spreading our fixed costs across a broader membership.

This equation for business success worked precisely because it was also the formula for providing the greatest value to those who rely on us for dental benefits.

1987 Managed Revenue: \$57 million

ELIMINATING LIMITS TO GROWTH

As an organization that did business only in Minnesota, we faced significant challenges in creating the economies of scale demanded by the emerging marketplace.

First, we needed broader distribution channels to more effectively serve the state of Minnesota. Second, we needed to move beyond the geographic – and thus membership volume – limitations of being a one-state company.

Minnesota partners broaden distribution in the state (1992-1996): Partnerships with BlueCross BlueShield of Minnesota (1992) and Medica (1996) gave us the ability to work jointly with these health insurance powerhouses – providing valuable dental benefits to their members while using the increased volume to strengthen our own business infrastructure.

These Minnesota partnerships – in fact all of our partnerships with leading health care and insurance companies nationwide – remain in place to this day. We consider this a significant endorsement of the value we deliver and receive.

1997 Managed Revenue: \$280 million

Irish affiliates establish global base (1998-1999): In the 1990s, many leading American companies were setting up shop in Ireland to take advantage of low labor costs in an English-language country.

While the cost argument was compelling, we found even more compelling long-term reasons to establish two Irish affiliates: DeCare Operations Ireland (our Claims input center in Claremorris) and DeCare Systems Ireland (our IT and Web affiliate) in Cork.

Minnesota's data-entry population was graying fast at the time, and the available young people were generally interested in other employment opportunities. With Minnesota experiencing a tech boom – and Y2K concerns driving companies to hire legions of consultants and programmers – there was a definite shortage of qualified IT personnel in the state.

Ireland, on the other hand, had employment shortages and an educational system on par with that of the United States.

Establishing an Operations center and an IT company in Ireland fit the bill in another way that was equally critical to our long-term global business strategy: It gave us a base in the European Union, where we could further fuel our growing infrastructure through product sales and business partnerships with healthcare leaders overseas.



Nationwide and international partners remove geographic barriers

(1999-Present): Having built successful partnerships to increase market share in Minnesota and facilitate business growth overseas, in 1999 we began establishing partnerships with a number of additional leading health care and insurance companies doing business outside our state.

A 1999 partnership with Wellmark BlueCross BlueShield of Iowa was followed by a 2000 partnership with New York's largest health insurer – Empire BlueCross BlueShield of New York.

In 2003, we teamed up with a powerful national partner in our own backyard – St. Paul-based Securian Financial Group. Through Securian Life Insurance Company, we offer dental benefits to groups in 46 states.

The following year we began marketing Ireland's first private dental insurance program – Vhi DeCare Dental – in partnership with Vhi Healthcare, the nation's largest health insurer.

EXPLORING BROADER PLATFORMS TO SERVE A CHANGING MARKETPLACE

Once the organization had expanded into nationwide and international markets, the opportunities for continuing growth – and the economic dynamics creating threats to growth – required an even broader platform to ensure the greatest scale.

The benefits industry, and the dental benefits industry within it, was changing. With increasing scientific evidence of a connection between oral health and overall health, dental benefits were no longer being viewed in isolation from the health benefit package.

At the same time, medical costs were rising significantly and, to cope with rising costs, employer groups were shifting more of their health care benefit costs to their employees.

These rising costs, and the corresponding cost shifting, put more pressure on employers' and employees' benefit spending dollars – requiring everyone in the benefits industry to become even more efficient in delivering valuable coverage at an affordable price.

In a world where medical and dental benefits were now regarded as part of a whole rather than in isolation, the ideal partner would be a major player in the medical industry with a proven commitment to dental benefits – and the bigger the partner, the better, for economies of scale.

2007 Managed Revenue: \$1.06 billion

Joining forces with America's largest health insurer (2008): WellPoint turned out to be the ideal partner. As America's largest medical insurer, with 34 million members, it provides the DeCare organization with access to a vast number of potential new dental customers to serve.

As an organization with a current base of 5 million dental members, WellPoint also brings more existing customers to fuel DeCare's Minnesota-based infrastructure – creating even greater economies of scale to serve our Minnesota and worldwide members, groups and partners.



SUMMING IT UP...

1987

Membership
600,000

Annual Managed Revenue
\$57 million

Operating Expense Ratio
16%

2007

Membership
4,020,000

Annual Managed Revenue
\$1.06 billion

Operating Expense Ratio
6.9%



CFO REPORT

The breadth and scope of services offered by DeCare Dental – along with its broad market presence through the various brands it manages – have significantly contributed to its financial success.

In 2007, the organization registered nearly \$1.06 billion in total managed revenues, compared to \$1.01 billion in 2006. Our annual growth in managed revenues has averaged more than 7 percent over the recent five-year period (2002 to 2007).

DeCare continues to contain costs and provide affordable dental care for all of its members.

We processed 6.5 million dental service claims in 2007. Operating expenses in 2007 were 6.9 percent of total DeCare managed revenue – one of the most efficient levels in the industry.

DeCare's 2007 revenues over expenses of nearly \$30 million measures a return of more than 15 percent of average equity, representing a strong return in an industry where margins are thin and dependent upon prudent management of operating expenses.

DeCare's December 31, 2007, balance sheet is solid. DeCare holds a strong position in cash and cash equivalents and maintains sufficient liquidity. The vast majority of investments are high-investment-grade fixed securities, and market values exceed cost for the portfolio. The aging of accounts receivable is very current. An external actuarial firm annually reviews our claim reserving methods and assumptions and rendered an opinion that our dental service claim liability is fairly stated. DeCare's total equity grew to \$194 million as of December 31, 2007, providing sound financial security to its customer groups, subscribers and business partners.

DeCare's 2007 financial statements are supported by an Independent Auditor's Report with an unqualified opinion from external auditor McGladrey & Pullen, LLP. DeCare again received an unqualified 2007 Independent Service Auditor's Report from McGladrey & Pullen, LLP on DeCare's claims processing controls.

These reports are available upon request.



Dani V. Fjelstad
Executive Vice President,
Finance and Business
Development, and Chief
Financial Officer

DECARE INTERNATIONAL CONSOLIDATED FINANCIAL STATEMENTS FOR 2007 AND 2006

Years Ended December 31

Dollars in thousands (\$000)

2007

2006

Managed Revenue ¹	\$1,058,835	\$1,009,841
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STATEMENTS OF REVENUES AND EXPENSES

Subscription revenue, net	\$858,145	\$799,408
Dental administrative revenue	12,799	10,315
Investment and other income	24,778	15,743
Total revenue	895,722	825,466

Dental service claims	782,240	729,616
Dental administration	73,056	69,885
Software development	10,734	6,577
Total expenses	866,030	806,078

Revenue over expenses	29,692	19,388
Other change in surplus	480	1,739
Equity, beginning of year	163,934	142,807
Equity, end of year	\$194,106	\$163,934

December 31

BALANCE SHEETS

2007

2006

Cash and cash equivalents	\$73,099	\$71,104
Available-for-sale securities	129,906	104,986
Accounts receivable	65,742	58,789
Property and equipment, net	18,926	17,938
Other assets	9,982	11,388
Total assets	\$297,655	\$264,205

Dental service claims	\$74,174	\$70,689
Deferred revenue and group refunds	6,304	6,648
Accounts payable and accrued expenses	23,071	22,934
Total liabilities	103,549	100,271

Surplus	189,627	159,935
Accumulated other comprehensive income	4,479	3,999
Total equity	194,106	163,934
Total liabilities and equity	\$297,655	\$264,205

¹ Managed revenue consists of the subscription revenue, net from the statement of revenues and expenses, and also includes the subscription revenue from our partner business that we manage or administer.



LEADERSHIP

MANAGEMENT TEAM

Michael F. Walsh
President and
Chief Executive Officer

Dani V. Fjelstad
Executive Vice President,
Finance and Business
Development, and
Chief Financial Officer

Mark A. Moksnes
Executive Vice President,
Sales and Marketing

Norman C. Storbakken
Executive Vice President,
Operations

DECARE DENTAL BOARD OF DIRECTORS

Michael F. Walsh
Executive Chairman
President and
Chief Executive Officer
DeCare Dental

John W. Bluford
Executive Director and
Chief Executive Officer
Truman Medical Center
(Missouri)

Fosten A. Boyle
Vice President,
Human Resources
Honeywell, Inc.
(retired)

Andrew J. Cecere
Chief Financial Officer and Vice Chairman
U.S. Bancorp

Michael W. Howe
M.W. Howe Consulting, LLC

Vance K. Opperman
President and Chief Executive Officer
Key Investment, Inc.

Richard D. Pihlstrom, D.D.S.
Brooklyn Center, MN

John D. Somrock
Consultant
Edina, MN

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