

DELIVERING TOTAL SOLUTIONS FOR THE DENTAL BENEFITS INDUSTRY

2006 ANNUAL REPORT



 DeCare
Dental™

SUMMARY OF 2006

DeCare Dental is one of the fastest growing dental benefit management companies, overseeing more than \$1 billion in managed revenue and serving 3.9 million members in 21,000 groups throughout the United States and Europe.

KEY FINANCIAL HIGHLIGHTS*

2006

Total managed revenue	\$1.01 billion
Number of claims processed	6.4 million
Operating expense	\$70 million
Revenues over expenses	\$19 million
Equity	\$164 million

HISTORICAL CORPORATE GROWTH

2001

2006

5 Year Period

Total managed revenue	\$637 million	\$1.01 billion
Operating expense ratio	8.2%	6.9%
Members	3.1 million	3.9 million
Equity	\$82 million	\$164 million

*DeCare Dental family of companies

LETTER FROM THE CEO

AHEAD OF THE CURVE

Every great company is a work in progress. It evolves to meet the needs of a changing marketplace and challenges itself to explore new frontiers. Over the last 20 years, DeCare Dental has done just that, evolving from a small, local entity representing just one brand, to a multi-national enterprise with 10 marquee dental brands under management.

Our meteoric growth in a relatively short time period to a \$1 billion enterprise can be attributed to our solid global infrastructure, broad scope of solutions and an agile management team. These fundamentals, finessed—and re-finessed—over a period of several years, along with a series of strategically aligned partnerships with major dental, health and life insurance companies have allowed us to substantially expand our market presence in the United States, as well as enter the European market. It has also given us the financial prowess to acquire new assets; last year we successfully transitioned New England-based Patriot Dental into our national Securian Dental book of business.

DeCare Dental has clearly distinguished itself from the competition through its innovative market solutions. We've invested significant resources in developing next generation, analytically driven dental benefit tools to address long-term costs and better serve our rapidly expanding client base.

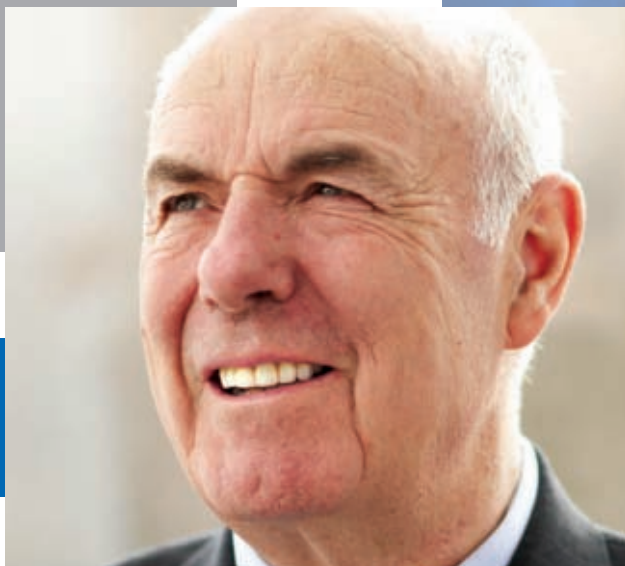
We're also examining how best to integrate emerging oral health research into our product platforms. Specifically, we're researching whether additional dental treatments can control or improve certain medical conditions—and, as a result, influence overall health care costs.

As we look ahead, we will continue to seek opportunities that expand our business operations and add value to our customer base. With DeCare Dental's commitment to innovation and delivering measurable results, I am confident we will remain at the forefront of the dental benefits industry.

Sincerely,



Michael F. Walsh | President and CEO



GLOBAL PRESENCE

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

Dynamic and robust, DeCare Dental enjoys strategic relationships with a number of leading health, dental and life insurance companies, and is active in all major markets across the United States.

DeCare Dental's global infrastructure seamlessly supports the day-to-day operations of 10 dental brands including those of Empire BlueCross BlueShield of New York (recently acquired by Wellpoint), Wellmark BlueCross BlueShield of Iowa, BlueCross BlueShield of Minnesota, Minnesota-based Medica and nationally marketed Securian Dental plans. It also manages several leading dental benefit carriers in the Upper Midwest, including Minnesota's largest dental benefits provider.

DeCare Dental is also the first American company to offer dental benefits in Europe, through Vhi DeCare Dental. In addition, it manages the DeCare Dental International Emergency Dental Program, which is available to clients in 137 countries.

Collectively, DeCare Dental brands serve 3.9 million members in 21,000 employer groups including some of the most respected Fortune 500 corporations as well as non-profit organizations, government entities and small to mid-size businesses.



CUSTOM SOLUTIONS

DeCare Dental can deliver custom dental benefit solutions to meet the unique needs of its clients.

From insurance underwriting, financial modeling, product development and dental network management to third-party administrative support, claims processing, sophisticated analytics and advanced Web-based solutions, DeCare Dental adds unique value to the oral health care management equation.

Flexible, Cost-Effective Dental Benefit Plans

DeCare Dental's product development team can tailor its dental benefit plans to meet the needs of any customer-base configuration. DeCare Dental, its subsidiaries and affiliates develop and underwrite a wide range of dental benefit products for small, medium and large group customers on either an insured (risk) or self-insured (administrative services only or ASO) basis.

In addition, the product team offers expertise in developing employer-sponsored or individual dental plans and can design unique, wrap-around products to complement an existing dental or health benefit program.

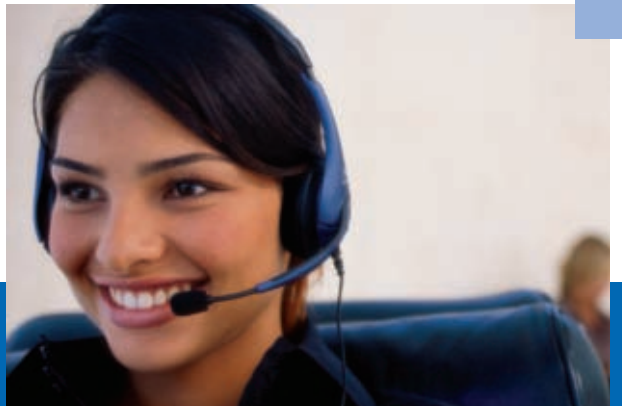
Broad Access to Credentialed Dentists

DeCare Dental Networks, a subsidiary of DeCare Dental, develops and manages dentist networks for business partners locally, nationally and around the world. The company oversees 22 dental networks including an international network spanning 137 countries.

World-Class Customer Service

Meeting the needs of its customers and partners is a top priority. DeCare Dental customer service staff field more than 6,000 calls a day from members, group benefit administrators and dentists, assisting with information requests and delivering top-quality service.

DeCare Dental's U.S. operations work seamlessly with its Irish affiliate, DeCare Operations Ireland, to process approximately 25,000 claims a day—almost 99 percent of those claims are processed within 10 business days, which is significantly better than the industry average.



Applying Analytics to Derive Cost Savings

Led by a team of experts comprising dentists, actuaries and statisticians, DeCare Dental Analytics, a subsidiary of DeCare Dental, develops the next generation of dental benefit solutions.

From tiered dentist networks to predictive modeling, the DeCare Dental Analytics team has successfully brought to market a number of proprietary dental benefit solutions that yield exceptional economic value to partners and customers.

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. DeCare Dental affiliates are partnering with various 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 its potential effect on dental benefit plan designs, DeCare Dental experts are also examining how it may influence medical plan designs and overall health care costs.

Mark A. Moksnes

Executive Vice President,
Sales and Marketing




Advanced Technology and Web Solutions

DeCare Dental's capabilities include its ability to integrate its dental expertise with the most advanced systems technology platforms in the marketplace.

Its Irish affiliate, DeCare Systems Ireland (DSI), along with its home office information technology team, offer a number of services to its business partners, including custom enterprise software solutions, e-business applications and application performance tuning.

In addition to serving DeCare's software development needs, DSI serves a growing list of global clients that include Amazon.com, Avon, Expedia and some of the largest dental and health insurance plans in the United States.



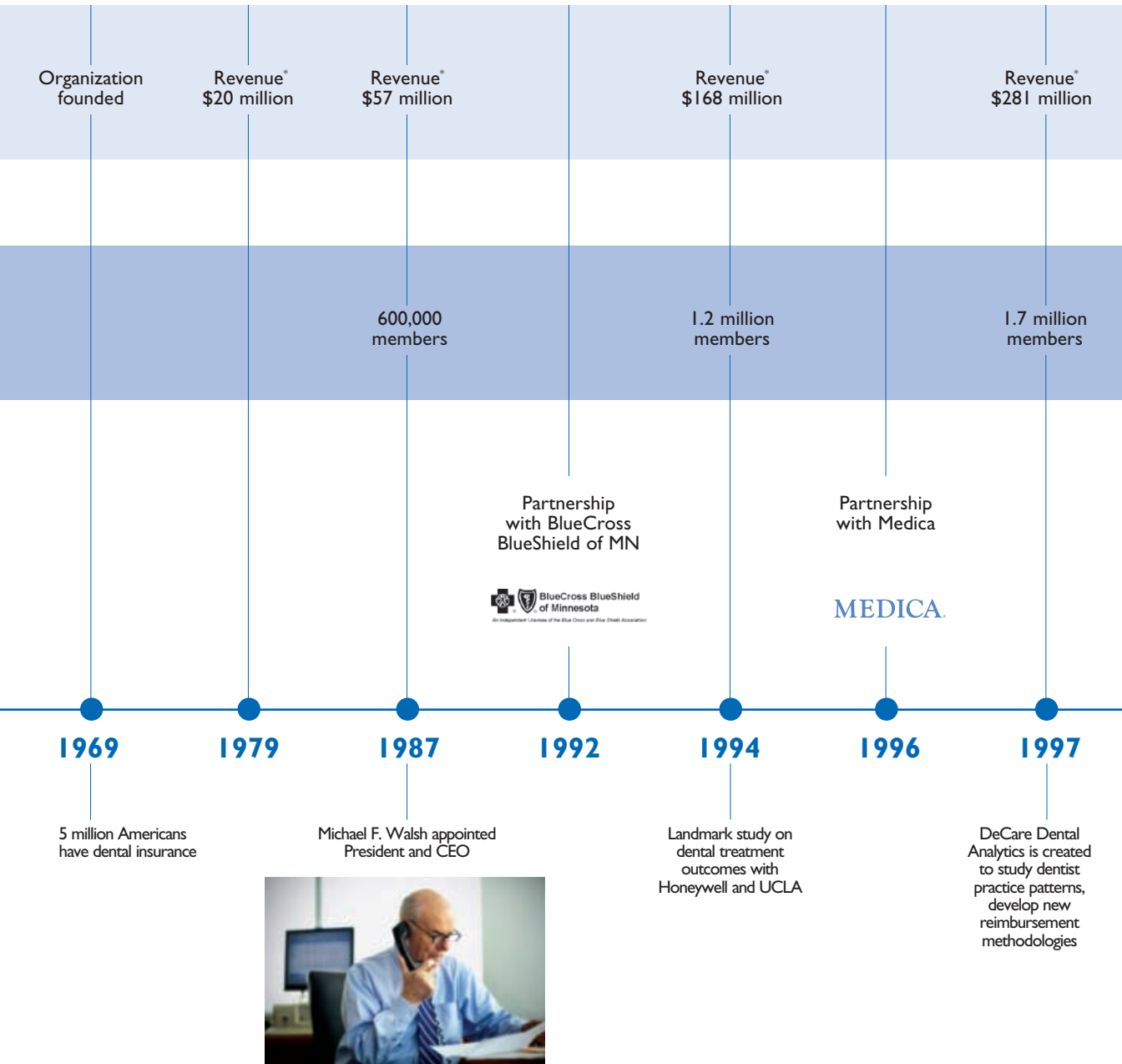
TEX	DENTIST NAME	DENTAL OFFICE
1	Jennifer Doe	
1	Thomas Smith	
2	Don Williams	

Norman C. Storbakken

Executive Vice President,
Operations

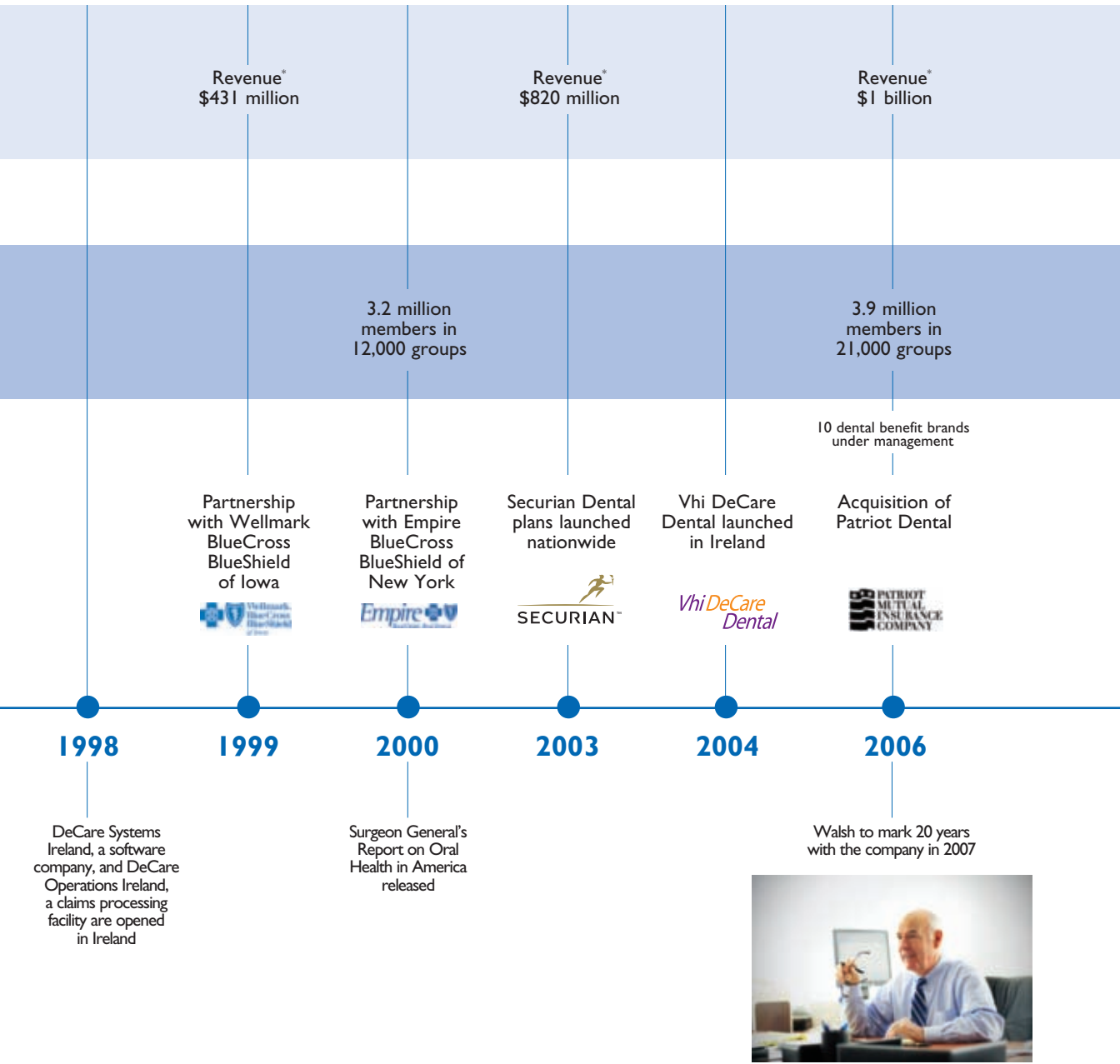


FORTY YEARS OF GROWTH AND SERVICE



* Total Managed Revenue

The DeCare Dental family of companies has one of the most successful track records of growth and service in the dental benefits industry. As an industry pioneer, the organization provides unparalleled service and a distinct competitive advantage to the dental benefit brands it manages. Over the last four decades, DeCare Dental has grown from a local entity to one of the fastest growing multi-national dental benefit companies.



TOTAL MANAGED REVENUES SURPASS \$1 BILLION

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 2006, the organization passed a major milestone as it registered \$1.01 billion in total managed revenues, compared to \$956 million in 2005. Our annual growth in managed revenues has averaged roughly 10 percent over the recent five-year period (2001 to 2006).

DeCare continues to contain costs and provide affordable dental care for all of its members. We processed 6.4 million dental service claims in 2006. Operating expenses in 2006 were 6.9 percent of total DeCare managed revenue—one of the most efficient levels in the industry.

DeCare's 2006 revenues over expenses of more than \$19 million measures a return of nearly 13 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, 2006, 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 \$164 million as of December 31, 2006, providing sound financial security to its customer groups, subscribers and business partners.

DeCare's 2006 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 2006 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 2006 AND 2005

Years Ended December 31

Dollars in thousands (\$000)

2006

2005

Managed Revenue ¹	\$1,009,841	\$956,212
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STATEMENTS OF REVENUES AND EXPENSES

Subscription revenue, net	\$799,408	\$757,537
Dental administration income	10,315	9,813
Investment and other income	15,743	13,674
Total revenue	825,466	781,024

Dental service claims	729,616	691,645
Dental administration expense	69,885	68,154
Software development expense	6,577	3,743
Total expenses	806,078	763,542

Revenues over expenses	19,388	17,482
Other change in surplus	1,739	(2,804)
Equity, beginning of year	142,807	128,129
Equity, end of year	\$163,934	\$142,807

December 31

BALANCE SHEETS

2006

2005

Cash and cash equivalents	\$71,104	\$49,762
Investments	104,986	100,776
Accounts receivable	58,789	55,866
Property and equipment, net	17,938	16,850
Other assets	11,388	11,340
Total assets	\$264,205	\$234,594

Dental service claims	\$70,689	\$64,548
Deferred revenue and group refunds	6,648	6,962
Accounts payable and accrued expenses	22,934	20,277
Total liabilities	100,271	91,787

Surplus	159,935	139,937
Accumulated other comprehensive income	3,999	2,870
Total equity	163,934	142,807
Total liabilities and equity	\$264,205	\$234,594

¹ Managed revenue consists of "subscription revenue, net" from the statements of revenues and expenses, and also partner brand businesses 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



P.O. Box 29
Minneapolis, MN 55440

651-406-5994
800-371-6561

www.decare.com