

Medicover S.A. (publ)

26 FEBRUARY 2001

Highlights

- Oresa Ventures focuses exclusively on healthcare and changes its name to Medicover.
- Continued strong development by Medicover. Sales rose by 77 percent, with a positive results trend.
- Profit for the year amounted to €6.3 million before goodwill amortization, or €0.54 (0.12) per share, and a loss of €11.8 million after goodwill amortization, or €-1.0 (0.12) per share.
- Successful divestment of our holding in Romania's Brewery Holdings. More than a 100 percent IRR return.

I am writing this just a few weeks after we made a preliminary announcement that the Board will recommend to the shareholders that Oresa Ventures focus on healthcare and become an operating healthcare company. Our current holdings of unlisted investments will gradually be divested. As a result of our new focus, Oresa Ventures will change its name to Medicover.

Financial results

Profit for the year amounted to €6.3 million before goodwill amortization, or €0.54 per share (0.12). Total goodwill arising out of the consolidation of Medicover amounted to €18.2 million, which was written off in its entirety against the year's result, leading to a net loss of €11.8 million, or -1.0 per share (0.12). The company's equity after fully eliminating goodwill amounts to €44.6 million.



Market development

There was further positive macroeconomic development in the countries we focus on, primarily Poland and other Central European countries but also Romania, where preparations for EU membership continued to be a major political and economic factor influencing many aspects of society. We saw a continued strengthening of democratic institutions in the region.

The region continues to experience above average growth. Poland grew by approximately 5 percent. Romania's economy also reported good growth in 2000.

Investments

During the year Oresa Ventures made two new investments and two follow-up investments. The first new investment was in Medinsite AB, where Oresa Ventures together with IT Provider, a leading Swedish investment firm, invested €1.6 million for an equity stake of 33 percent.

During the last quarter Oresa Ventures also committed up to €3.2 million for an investment in i-Start. The final capitalization has not been concluded, but Oresa Ventures expects to hold around 40 percent of the equity.

During the year Oresa Ventures made a follow-up investment of €0.8 million in Churchill Media, a Romanian outdoor media company in which it now holds 30 percent of the equity.

We also made a follow-up investment of €0.7 million in Intersource, a temporary staffing and recruitment agency in Poland. Intersource developed strongly during the past year.

Exits

As previously announced, we completed an extremely successful exit from our investment in Brewery Holdings Ltd, the largest brewery group in Romania. The investment generated an IRR return of more than 100 percent. We are proud to have played an active part in making Brewery Holdings the successful company it is today.

Medicover

In 2000 Medicover continued to develop very strongly. Compared with the previous year, sales rose by 77 percent to €19.9 million. The pro forma operating loss, i.e. including other expenses in Oresa Ventures, fell by €2.8 million to a loss of €2.4 million in 2000. At year-end Medicover's subscription base consisted of around 70,000 clients.

Medical costs have been kept under control. Administrative and selling costs rose at a significantly slower rate than sales, which explains the improvements in results.

Russian bonds

The value of the remaining portfolio of Russian bonds increased during the year from €0 to €2.4 m. As liquidity increases, we expect to gradually liquidate this portfolio.

Liquidity

At year-end we had available financial resources of around €14.6 m, including committed credit facilities.

Change of strategy

Oresa Ventures invested in Medicover in 1995, when it was in a start-up phase. We have since devoted considerable financial and management resources to build the business and develop its management resources. We have gradually increased our ownership position and in 1999 issued Oresa Ventures shares in exchange for practically all the outstanding Medicover shares. We currently hold 95 percent of the capital.

Medicover is the market leader among healthcare providers to businesses in Poland as well as Romania, Hungary and Estonia. Altogether, we operate more than 30 clinics and have a subscription base of over 70,000 clients.

Healthcare is still underdeveloped and under-funded in all the countries in which Medicover operates, and there is a strong political consensus that the future development of the sector must be structured through partnerships between public and private initiatives.

The private healthcare market in Poland and the rest of the region is expected to grow strongly for many years to come.

To build and manage a multinational healthcare business is a complex and challenging task and requires total focus and dedication. The Board therefore took the decision to change the strategic orientation of Oresa Ventures to become a dedicated healthcare company listed in Stockholm and with the name Medicover to fully reflect our new orientation. We are convinced that this is a business opportunity with great potential and that the change will benefit our shareholders.

Existing portfolio of unlisted shares

The new Medicover will not make any further investments in unlisted shares. Our existing portfolio will be managed to natural exits during the next three years in order to maximize the value of the holdings.

The value of the portfolio excluding Medcover is €39 million, and we expect these investments to be realized in the years ahead. The proceeds of these divestments will be used in Medcover and as dividends to shareholders.

Management

No changes will be made in the legal structure of the company. Fredrik Rågmark will continue to serve as Managing Director and Joe Ryan will remain as Financial Director. Dr. Paul Lenz, currently responsible for the operations of Medcover N.V., will continue to hold the position of Business Development and Medical Director. I will continue as Chairman of the company.

Outlook

Medcover will continue to focus on expanding the business in Poland and gradually improve and broaden its product offerings.

Operations in other countries that are currently small in comparison to Poland will show rapid growth, and in years to come we will seek out opportunities in neighboring countries where we can utilize our management resources and know-how in the healthcare industry.

We therefore feel that Medcover, as the leader in a growing market, has an opportunity to grow on a sustainable basis by at least 25 percent per annum and achieve an operating margin before depreciation of 20 percent.

Jonas af Jochnick

Chairman of the Board

Consolidated Profit & Loss Account

Year ending 31 December	€000's	2000	1999
Revenue		19,881	268
Operating expenses			
Medical provision costs		-11,364	–
Distribution, selling and marketing costs		-3,054	-264
General and administrative costs		-6,288	-1,471
Depreciation		-1,607	–
Total operational costs		-22,313	-1,735
Operating profit/(loss)		-2,432	-1,467
Investment income		12,252	4,346
Investment management costs		-2,369	-1,397
Net investment income		9,883	2,949
Amortization of goodwill		-18,181	–
Interest received		87	184
Less interest paid		-1,414	-384
Foreign exchange gain/(loss)		310	-14
Total financial expenses		-1,017	-214
Profit/(loss) before tax and minority interests		-11,747	1,268
Taxation		-131	-66
Minority interests in result		39	–
Profit/(loss) after taxation and minority interests		-11,839	1,202
Revaluation adjustments upwards on unlisted investments		–	2,240
Total return		-11,839	3,442
		2000	1999
Earnings per share before goodwill		0.540	0.123
Earnings per share after goodwill		-1.007	0.123

The Board is proposing to change the currency the Group uses in its financial reporting from dollars to euros, which is more appropriate to the region where Medcover operates. The financial statements for 2000 have been restated in euro. Because of the focus on Medcover, its results are consolidated for the first time in 2000. To facilitate comparisons, we are publishing the pro forma profit and loss account that shows results for previous years as if Medcover had always been consolidated, and applying the same accounting policies as applied in 2000.

Pro forma Consolidated Profit & Loss Account

Year ending 31 December	€000's	2000	1999
Revenue		19,881	11,264
Operating expenses			
Medical provision costs		-11,364	-6,851
Distribution, selling and marketing costs		-3,054	-2,267
General and administrative costs		-6,288	-6,128
Depreciation		-1,607	-1,237
Total operational costs		-22,313	-16,482
Operating profit/(loss)		-2,432	-5,218
Investment income		12,252	6,585
Investment management costs		-2,369	-1,396
Net investment income		9,883	5,189
Amortization of goodwill		-8,525	-3,102
Interest received		87	181
Less interest paid		-1,414	-640
Foreign exchange gain/(loss)		310	-145
Total financial expenses		-1,017	-604
Profit/(loss) before tax and minority interests		-2,091	-3,735
Taxation		-131	-273
Minority interests		39	1,427
Profit/loss after tax and minority interests		-2,183	-2,581
		2000	1999
Pro forma earnings per share before goodwill		0.540	0.053
Pro forma earnings per share after goodwill		-0.186	-0.264

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Consolidated Balance Sheet

As at 31 December	€000's	2000	1999
Non-current assets			
Intangible fixed assets		803	0
Tangible fixed assets		7,765	43
Total fixed assets		8,568	43
Loan investments held for sale		1,365	2,475
Equity investments held for sale		39,082	76,594
Total investments held for sale		40,447	79,069
Deferred tax asset		448	0
Total non-current assets		49,463	79,111
Current assets			
Listed equity shares, held for sale		1,334	2,207
Stocks		131	0
Trade receivables		4,262	987
Amounts due from direct investment companies		18	151
Other		166	0
Prepayments		336	46
Bonds, held for sale		2,422	0
Cash		807	751
Total current assets		9,476	4,141
Total assets		58,939	83,252
Share capital and reserves			
Share capital		62,368	58,356
Share premium		27,221	25,470
Revaluation reserve		(633)	0
Profit and loss reserve		(44,363)	(7,408)
Total share capital and reserves		44,593	76,418
Minority interest		116	0
Liabilities due after one year			
Loans payable		6,683	0
Deferred tax liability		382	0
Current liabilities			
Loans payable		1,026	5,859
Trade creditors		1,037	128
Other payables		623	19
Accruals		2,438	475
Deferred revenue		1,662	0
Amounts due to related parties		379	354
Current liabilities		7,165	6,834
Total reserves and liabilities		58,939	83,252

Consolidated Statement of Shareholders' Equity

€000's	Share capital	Additional paid-in capital	Retained earnings	Capital profits reserve	Translation reserve	Total shareholders' equity
Balance as at 1 January 1999	48,159	24,092	-24,877	13,645	–	61,019
Return for the period			1,201	2,241		3,442
Increase in share capital associated with acquisition of minority in Medcover	10,197	1,378				11,575
Effect of exchange rates differences on translation of profit and loss			134	248		382
Closing balance as at 31 December 1999	58,356	25,470	-23,542	16,134	–	76,418
Opening balance as at 1 January 2000	58,356	25,470	-23,542	16,134	–	76,418
Adjustment to exchange rate at 31 December 2000	4,012	1,751	-1,619	1,110		5,254
Reversal of Medcover revaluation			-14,079			-14,079
Prior year amounts for Medcover			-10,329		-68	-10,397
Transfer of capital reserve to general reserve upon adoption of IAS 39			17,244	-17,244		–
Loss for the period			-11,839			-11,839
Exchange difference on translation			-199		-565	-764
Closing balance as at 31 December 2000	62,368	27,221	-44,363	–0	-633	44,593

Reporting Dates

■ Annual General Meeting	8 May
■ 3-month interim report	16 May
■ 6-month interim report	17 August
■ 9-month interim report	14 November
■ Preliminary report	26 February 2002

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Consolidated Cash Flow Statement

€000's	2000	1999
Net cash flow from profit	-2,219	-4,159
Working capital effect of initial Medcover consolidation	-1,941	–
Investing activities		
Loans investments repaid/(advanced)	-1,078	1,544
Investment in unlisted securities	-2,357	-18,739
Sale of unlisted securities	12,156	1,683
Investment in bonds and interest bearing securities	–	4,472
Purchase of tangible fixed assets	-2,108	-15
Sale of tangible fixed assets	30	8
Investment in listed equity investments	-585	-473
Sale of listed equity investments	1,656	11,679
Net cash flow from investing activities	7,714	159
Financing activities		
Loans repaid	-2,709	1,986
Cost of share issue	–	-120
Interest received	87	205
Interest paid	-1,414	-427
Net cash flow from financing activities	-4,036	1,644
Net effects of exchange rate differences	88	0
(Decrease)/increase in cash and cash equivalents	-394	-2,356
Cash and cash equivalents		
Cash balance in Oresa Ventures at 1/1/00	751	3,107
Cash balance in Medcover at 1/1/00	399	–
Foreign exchange adjustment	51	–
Total cash balance as at 1 Jan 00	1,201	3,107
Total cash balance as at 31 dec 00	807	751
(Decrease)/increase in cash and cash equivalents	-394	-2,356

Basis of preparation

The accounting policies used in this report are the same as those used in the annual audited financial statements of Oresa Ventures Holding S.A. except for the early adoption of IAS 39, "Financial Instruments: Recognition and Measurements". The above figures are audited, without qualification. Medcover Holdings N.V. and subsidiaries have been consolidated into the above figures for the first time in 2000.