

# Medicover Holding S.A. (publ) Interim Report

2001-05-16

## Highlights

- Revenue amounted to €6.8 million, a continued strong (58 percent) revenue growth versus last year (€4.4 million).
- Result after tax showed a loss of €0.2 million (1Q: 2000; €-5.3 million), equivalent to €-0.02 per share (€-0.45).
- Significantly improved operating result, loss reduced to €0.2 million versus €0.7 million same period last year.
- Prepaid membership increased to 81,100.
- Investment activities positive contribution.

## To our shareholders

**T**HE ANNUAL GENERAL MEETING OF SHAREHOLDERS which took place on 8 May, approved the name change to Medicover. As of Monday 11 June we will trade under the name Medicover, ticker (MCOV), on the O-list on Stockholmsbörsen. This is our first quarterly report as Medicover.

We are pleased that our announcement on 1 February regarding our strategic change and new focus as an operating healthcare company has received positive reactions both from shareholders and the financial markets.

I am happy to report a good first quarter with continued strong revenue growth, particularly in the key Polish market and a strong improvement in the operating result.



Revenue for the first quarter amounted to €6.8 million (2000: €4.4 million), an growth rate of 58 percent versus last year and an 18 percent growth over the previous quarter. We are pleased about this even though we do not expect the whole year overall to show such strong growth rates.

Total number of prepaid members increased from 75,000 to 81,100. 350 new corporate clients bought our services during the quarter, bringing the total to more than 2,350.

The operating result for the period improved, as the effects of the new business growth were passed through to the result. The loss for the quarter was reduced to €0.2 million (2000 Q1 loss: €0.7 million), compared to a loss of €0.6 million for the previous quarter. Operating profit before depreciation amounted to €0.2 million (2000 Q1 loss: €0.3 million) versus a loss of €0.1 million for the previous quarter.

Medical costs amounted to €3.9 million (2000 1Q: €2.6 million) representing 57.4 percent of revenue versus 59.6 percent for the same period last year. Distribution costs increased to €0.9 million (2000 1Q: €0.7 million) as new revenue growth is strong, but continues to fall in proportion to revenue, now representing 13.6 percent of revenue (2000 1Q: 16.0 percent). Administrative costs rose to €1.7 million (2000 1Q: €1.4 million), a reduction to 25.4 percent of revenue from 32.8 percent for the same period last year.

Investment activities contributed a net profit of €0.3 million (2000 1Q: €0.2 million). During the quarter the Russian assets, listed stocks and bonds increased in value by €0.9 million. Due to adverse market conditions we have decided to terminate the activities within the Polish i-Start venture, launched last year. We have provided fully for this investment, totalling €0.2 million. Additional costs of €0.1 million incurred in winding down the activities of i-Start were expensed in investment management costs during the quarter.

Financial costs amounted to a net of €0.2 million (2000 1Q: €0.2 million). We are starting to earn interest on cash balances being built up in the profitable markets, particularly Poland. The higher interest cost is associated with the full draw down of the loan with the International Finance Corporation.

Revenue growth was particularly strong in the key Polish market, growing well above 60 percent versus last year to €5.2 million (2000 1Q: €3.2 million). Total prepaid members increased to 69,400. The Polish zloty has strengthened considerably against the euro during the quarter. Growth in Polish zloties for this quarter against first quarter 2000 was 58 percent.

Revenue in Romania increased by 31 percent versus first quarter 2000 to €1.2 million (2000 1Q: €0.9 million). Growth was evenly divided between prepaid benefit plans and the laboratory operation. Total prepaid members increased to 9,100.

## Profit and loss Qtr. by Qtr.

€'000	Qtr. 1 2001	Year 2000	Qtr. 4 2000	Qtr. 3 2000	Qtr. 2 2000	Qtr. 1 2000
Poland	5,164	14,579	4,283	3,628	3,517	3,151
Romania	1,189	3,658	1,049	808	897	904
Hungary	320	882	266	175	233	208
Estonia	168	473	150	89	159	75
Other	2	289	66	127	36	61
<b>Total revenue</b>	<b>6,843</b>	<b>19,881</b>	<b>5,814</b>	<b>4,827</b>	<b>4,841</b>	<b>4,399</b>
Medical costs (excluding depreciation)	-3,929	-11,364	-3,453	-2,645	-2,678	-2,588
Medical loss ratio, %	57	57	59	55	55	59
Selling and distribution costs	-931	-3,054	-847	-737	-777	-693
Administrative costs	-1,737	-6,288	-1,585	-1,609	-1,649	-1,444
<b>Operating profit before depreciation</b>	<b>246</b>	<b>-825</b>	<b>-71</b>	<b>-164</b>	<b>-263</b>	<b>-326</b>
Depreciation, excluding amortization	-487	-1,607	-514	-365	-387	-341
<b>Operating profit/loss before financial items</b>	<b>-241</b>	<b>-2,432</b>	<b>-585</b>	<b>-529</b>	<b>-650</b>	<b>-667</b>

The Hungarian operation is continuing its early signs of sustainable growth in the prepaid business. Total revenue increased by 47 percent versus the first quarter 2000 to €0.3 million (2000 1Q: 0.2 million) with revenue generated from Benefit Plans increasing fourfold. Total prepaid members increased to 2,200.

Estonia doubled revenues from a small base in 1Q 2000. This was primarily driven by growth in the occupational health business. Prepaid benefit plans are still in a market acceptance and promotion phase. Total prepaid members increased to 400.

Available liquid resources amounted to €15.2 million, including undrawn loan facilities.

The European Bank for Reconstruction and Development (EBRD) issued its annual Transition Report Update during the period. The bank is reporting a positive development, where for the first time since the fall of the Communist bloc, the entire region is reporting a growing economy. Foreign Direct Investments increased during the year by 13 percent to USD 26 billion and the bank anticipates a further increase of USD 3 billion for 2001.

We have started the year with a good quarter and we look forward to a continued good performance for the rest of the year.

JONAS AF JOCHNICK  
*Executive Chairman*

# Consolidated Profit & Loss Account

Quarter to 31 March	2001 €'000	2000 €'000
<b>Revenue</b>	<b>6,843</b>	<b>4,399</b>
<b>Operating expenses</b>		
Medical provision costs	(3,929)	(2,588)
Distribution, selling and marketing costs	(931)	(693)
Administrative costs	(1,737)	(1,444)
Depreciation	(487)	(341)
<b>Total operational costs</b>	<b>(7,084)</b>	<b>(5,066)</b>
<b>Operating loss</b>	<b>(241)</b>	<b>(667)</b>
Investment income	720	701
Investment management costs	(447)	(521)
<b>Net investment income</b>	<b>273</b>	<b>180</b>
Amortization of goodwill	–	(4,544)
Interest received	122	–
Less interest paid	(277)	(176)
Foreign exchange loss	(87)	(47)
<b>Total financial expenses</b>	<b>(242)</b>	<b>(223)</b>
<b>Loss before tax and minority interests</b>	<b>(210)</b>	<b>(5,252)</b>
Income tax	(53)	(47)
Minority interests in result	16	10
<b>Loss after taxation and minority interests</b>	<b>(247)</b>	<b>(5,289)</b>

<i>Per ordinary share information:</i>	2001	2000
<b>(Loss) per share</b>	<b>€(0.021)</b>	<b>€(0.450)</b>
<b>(Loss) per share excluding amortization</b>	<b>€(0.021)</b>	<b>€(0.063)</b>
<b>Diluted (loss)</b>	<b>€(0.021)</b>	<b>€(0.449)</b>
<b>Diluted (loss) excluding amortization</b>	<b>€(0.021)</b>	<b>€(0.063)</b>

# Consolidated Balance Sheet

As at	31 March 2001 €'000	31 December 2000 €'000
<b>Non-current assets</b>		
Intangible fixed assets	998	803
Tangible fixed assets	8,104	7,765
<b>Total fixed assets</b>	<b>9,102</b>	<b>8,568</b>
Loan investments	1,257	1,365
Unlisted equity investments	39,618	39,082
<b>Total unlisted investments</b>	<b>40,875</b>	<b>40,447</b>
Deferred tax assets	530	448
<b>Total non-current assets</b>	<b>50,507</b>	<b>49,463</b>
<b>Current assets</b>		
Listed equity shares	1,867	1,334
Inventories	137	131
Receivables	4,748	4,782
Bonds	2,802	2,422
Cash	1,376	807
<b>Total current assets</b>	<b>10,930</b>	<b>9,476</b>
<b>Total assets</b>	<b>61,437</b>	<b>58,939</b>
<b>Share capital and reserves</b>		
Share capital	62,368	62,368
Additional paid-in capital	27,221	27,221
Translation reserve	(695)	(633)
Retained earnings	(44,610)	(44,363)
<b>Total shareholders' equity</b>	<b>44,284</b>	<b>44,593</b>
Minority interest	100	116
<b>Non-current liabilities</b>		
Loans payable	8,269	6,683
Deferred tax liability	382	382
<b>Total non-current liabilities</b>	<b>8,651</b>	<b>7,065</b>
<b>Current liabilities</b>		
Loans payable	2,603	1,026
Trade and other payables	5,799	6,139
<b>Total current liabilities</b>	<b>8,402</b>	<b>7,165</b>
<b>Total liabilities</b>	<b>17,153</b>	<b>14,230</b>
<b>Total shareholders' equity, liabilities and minority interest</b>	<b>61,437</b>	<b>58,939</b>

# Consolidated Statement of Shareholders' Equity

€'000	Share capital	Additional paid-in capital	Retained earnings	Capital profits reserve	Trans- lation reserve	Total
<b>Opening balance as at 1 January 2000</b>	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 Medicover revaluation	–	–	(14,079)	–	–	(14,079)
Prior year amounts for Medicover	–	–	(10,329)	–	(68)	(10,397)
Transfer of capital reserve to retained earnings upon adoption of IAS 39	–	–	17,244	(17,244)	–	–
Loss for the period	–	–	(5,289)	–	–	(5,289)
Effect of exchange rate differences on translation of profit and loss	–	–	(86)	–	(322)	(408)
<b>Closing balance as at 31 March 2000</b>	<b>62,368</b>	<b>27,221</b>	<b>(37,700)</b>	<b>–</b>	<b>(390)</b>	<b>51,499</b>
<b>Opening balance as at 1 January 2001</b>	62,368	27,221	(44,363)	–	(633)	44,593
Loss for the period	–	–	(247)	–	–	(247)
Effect of exchange rate differences on translation	–	–	–	–	(62)	(62)
<b>Closing balance as at 31 March 2001</b>	<b>62,368</b>	<b>27,221</b>	<b>(44,610)</b>	<b>–</b>	<b>(695)</b>	<b>44,284</b>

A copy of the Annual Report for 2000 can be obtained from Medicover Holding S.A.,  
c/o Belro Medical S.A., Waterloo Office Park, Building O, Drève Richelle 161,  
BE-1410 Waterloo, Belgium, or requested through our web site  
[www.medicover.com](http://www.medicover.com).

## Information dates

- 6-month interim report      17 August 2001
- 9-month interim report      14 November 2001
- Preliminary report 2001      26 February 2002

# Consolidated Cash Flow Statement

Quarter to 31 March	2001 €'000	2000 €'000
<b>Net cash flow from operating activities</b>	<b>(880)</b>	<b>(1,021)</b>
<b>Investing activities</b>		
Loan investments repaid/(advanced)	108	—
Investment in unlisted securities	(720)	(462)
Purchase of tangible fixed assets	(720)	(357)
Investment in listed equity shares	—	(584)
Sale of listed equity shares	—	1,317
Dividends received	—	118
<b>Net cash flow from investing activities</b>	<b>(1,332)</b>	<b>32</b>
<b>Financing activities</b>		
Loans advanced	3,160	468
Interest received	122	—
Interest paid	(563)	(179)
<b>Net cash flow from financing activities</b>	<b>2,719</b>	<b>289</b>
Net effects of exchange gain/(loss) on cash balances	62	(16)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>569</b>	<b>(716)</b>
<b>Cash and cash equivalents</b>		
Cash balance as at 1 January	807	751
Foreign exchange adjustment to 31 December rates	—	52
Total cash balance as at 1 January	807	803
Total cash balance as at 31 March	1,376	87
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>569</b>	<b>(716)</b>

## Basis of Preparation

The accounting policies used in this report are the same as those in the annual audited financial statements of Medicovert Holding S.A. The above figures are unaudited, except for full-year comparatives.

The currency of the Group was changed at the end of 2000 from the U.S. dollar to the euro to better reflect the underlying transactions of the Group's subsidiaries. The comparative 2000 figures have been translated for convenience from U.S. dollars to euros using an average rate of 0.9558 and a closing rate as at 31 December 2000 of 0.9422.

This interim statement is in compliance with International Accounting Standard 34, "Interim Financial Reporting."