

MEDCOST

SUBSCRIBE

IPO Paris Nouveau Marché
25th May 2000

OFFER PRICE : 9,8 € / 11,2 €
ESTIMATED MARKET CAP. : 44,8 M€

Number of shares :

- *Pre-IPO : 3 194 800 shares*
- *Post-IPO : 3 998 371 shares*

Number of shares offered : 803 571 shares (from a capital increase)

Financial Year 31/12	SALES (€000)	BNPG (€000)	BNPG corr.* (€000)	BNPA (€)	PER** (X)	EV/Sales (X)
1997	1 557	136	136	0.03	ns	28.8
1998	2 523	229	229	0.06	ns	17.7
1999	2 732	341	341	0.09	131.3	16.5
2000 (p)	4 793	481	481	0.12	93.1	8.0
2001 (p)	11 546	1 100	1 100	0.28	40.7	3.7
2002 (p)	21 304	1 890	1 890	0.47	23.7	2.1
2003 (p)	36 775	3 266	3 266	0.82	13.7	1.2

*before goodwill amortisation ** at 11.2 € per share

BREAKDOWN OF CAPITAL

	BEFORE IPO			AFTER IPO*		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Shareholders						
M. Laurent ALEXANDRE	2 680 800	83.91%	88.10%	2 680 800	67.05%	77.48%
M. Thierry DISPOT	180 000	5.63%	6.14%	180 000	4.5%	5.40%
M. Cédric TOURNAY	150 000	4.70%	2.56%	150 000	3.75%	2.25%
M. Christophe CLEMENT	90 000	2.82%	1.53%	90 000	2.25%	1.35%
Divers minoritaires	94 000	2.94%	1.67%	94 000	2.35%	1.47%
Public	-	-	-	803 571	20.1%	12.05%
TOTAL	3 194 800	100.00%	100.00%	3 998 371	100.00%	100.00%

*on the basis of a share price of 11.2 €

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Introduction on the Nouveau Marché

Year to 31/12	Sales (€000)	% Change	Op. profit/Sales	Net attr. profit (€000)	Restated net attr. profit* (€000)
1995	429		15.60%	44	44
1996	646	50%	14.12%	59	59
1997	1,557	141%	12.75%	136	136
1998	2,523	62%	14.27%	229	229
1999	2,732	8%	13.78%	341	341
2000 (e)	4,793	75%	6.09%	349	349
2001 (e)	11,546	141%	8.40%	838	838
2002 (e)	21,304	85%	12.01%	1,542	1,542
2003 (e)	36,775	73%	15.94%	3,120	3,120

*before goodwill amortisation

Over the last five years, Medcost has built up a key position in IT technology applied to the medical sector. Its original core business was strategic consulting and data analysis, mainly for pharmaceutical companies and hospitals. These activities enabled the company to develop consulting skills and establish a solid position with the leading health players.

Medcost's customer base is varied and includes players from all segments of the health sector: pharmaceutical companies (Johnson & Johnson, Pfizer, etc.), health-care establishments, and health insurers (Groupama). Thanks to the quality of its technical services and its knowledge of the medical sector, **Medcost has established itself as an essential partner for implementing innovative projects.**

Today, Medcost is a benchmark in the field of healthcare Internet. It generates more than 70% of sales in Internet/intranet services **and offers a complete range** from consulting through to the designing and hosting of web sites for institutional and private healthcare players. However, Medcost is also present in two other high growth businesses: online clinical trials and healthcare network management.

The French health-care system is set to change radically, driven by two conflicting factors: reduced spending on health and a higher quality of healthcare. **New IT technology, particularly the Internet, offers a solution.** It leads to greater co-operation between the different players (doctors, hospitals, etc.), shorter delays and reduced management costs. Furthermore, it satisfies the increased demand for information from pharmaceutical

companies, insurers and patients. In addition, the Internet is a key marketing tool for players such as pharmaceutical companies and health insurers, which operate in tightly regulated and competitive markets. **The medical Internet market, still in its infancy in France, is expected to grow strongly**, as has occurred in the US with the explosion of Internet sites dedicated to the health sector. Demand for Internet and intranet services is expected to increase significantly.

Medcost's strategy focuses exclusively on the business-to-business Internet health market. Accordingly, all the applications developed by Medcost are financed by professionals, even when aimed at consumers. This strategy ensures profitability and is less risky.

The company's growth strategy focuses on developing existing activities (Internet/intranet services, healthcare networks and clinical trials) **and creating a new business**: managing special-interest vertical portals. In Internet services, Medcost plans to attract new clients and increase turnover generated by existing clients thanks to the development of more complex applications. With regard to clinical trials and healthcare networks, the company has already established contacts, carried out tests and developed prototype applications that have enabled it to gain experience. These two business activities are expected to grow once these projects have been generalised on a wide scale. Lastly, Medcost plans to set up three special interest portals whose main purpose will be e-commerce.

In 1999, Medcost employed 39 staff and generated turnover of €2.7m with an operating margin of 13.8%. Over the next four years, the company is expected to post average organic growth of more than 90% a year, while maintaining a satisfactory margin.

The capital increase is being carried out to finance investments necessary for the development of these new businesses. Furthermore, the funds raised will help accelerate future growth through acquisitions. Medcost wishes to be listed in order to strengthen its reputation and facilitate recruitment.

<p>The price of 11.2€ means a 30% potential increase for the medium term. On the basis of this price, the share is valued at 8X 2000 sales and 3.7X 2001 sales</p>

Alice AYME
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I. A UNIQUE PLAYER IN THE FIELD OF IT SERVICES FOR THE HEALTH SECTOR

A. MEDCOST, HISTORICALLY A CONSULTING FIRM SPECIALISED IN HEALTH ECONOMICS

Medcost was founded in 1995, by Laurent Alexandre, surgeon and health economist. The company quickly became a benchmark in the health sector and was the first to create an Internet site dedicated to health economics: WWW.MEDCOST.FR. By mid-February 2000, the site received 500 hits daily and on 31st March 2000 had over 2000 names on its mailing list.

Originally, the company had two core businesses

- *data analysis for hospitals:*

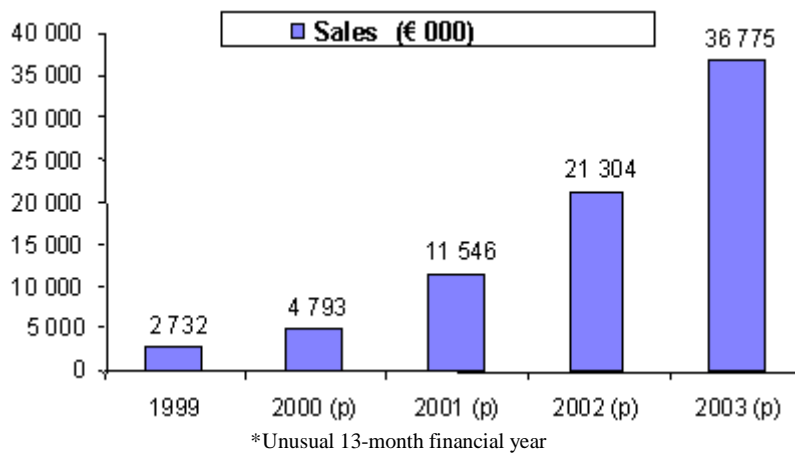
Medcost assisted hospitals to implement and manage the PMSI (Programme de Médicalisation des Systèmes d'Information or Programme for Information Technology in Healthcare), an analytical accounting concept applied to hospitals, which enables hospitals to assess their business. Thanks to PMSI, hospitals can determine the resources they need for a given operation.

Medcost provided a number of services in this area: the organisation of PMSI (setting up the information system), **medico-economic data coding and strategic consulting.**

This traditional business has gradually migrated to the Internet (online data), but above all has enabled Medcost to build up positions at more than 100 establishments. Moreover, these medical data management services give the company a major advantage in the new businesses it plans to develop.

- *Consulting for the pharmaceutical industry:*

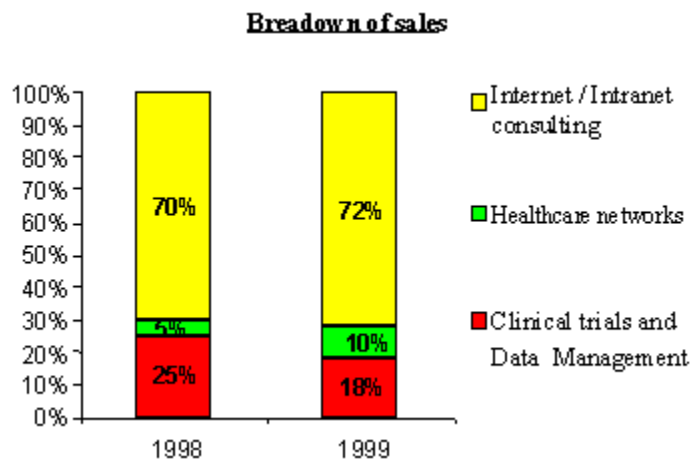
Through this division, Medcost offers data gathering, research and consulting services for the health sector and the organisation of healthcare systems. The company provides strategy consulting, carries out epidemiological surveys and produces medico-economic research.



B PIONEER IN INTERNET/INTRANET SERVICES FOR THE HEALTH SECTOR

Medcost's Multimedia department launched its Internet/intranet offer in 1995. At that time, the multimedia division had two types of activity: producing CD ROMs and Internet services and **the company posted turnover of about €0.4m.** Internet services represented a very small proportion of sales, since the market had not yet really taken off.

Today, Medcost's business is nearly all Internet related. The company has extended its offer since 1998 and it can be divided into three categories: Web services (72% of 1999 sales), clinical trials and data management (18%) and healthcare networks (10%).



I. WEB SERVICES

Medcost sets up medical information systems using Internet/intranet technologies. In this field, Medcost has a global offer ranging from Internet strategy consulting to web site realisation. The company's extensive offer includes:

- Internet strategy consulting (e-business consulting);
- Information systems design (defining the architecture, etc.);
- Developing Internet, intranet and extranet sites (design, HTML development, databases, Java, interfaces for Windows, etc.) and integrating them into clients' existing information systems;
- Hosting (hosting Internet/intranet applications, identification and coding solutions, etc.);
- Internet site management (maintenance, site management, content management, electronic marketing, etc.);
- research (market research, audience analysis, etc.);
- training (for users, and Internet and intranet project leaders).

The company is present at every stage of the process and has opted for a strongly integrated service offer, but it does occasionally subcontract certain stages such as design.

With regard to hosting, Medcost entered this market in 1997. It has developed its own platform and on 1 February 2000 hosted 42 sites, representing an aggregate audience of 73,000 visitors a month. Medcost offer high valued-added hosting services, since the applications hosted are extremely sensitive and demand high levels of quality and security. For this reason, Medcost's hosting solutions are more expensive than the average market price.

Medcost offers mainly fixed-price projects, including Internet applications requiring a great deal of maintenance and frequent upgrading. These two factors result in a high rate of repeat business.

II. CLINICAL TRIALS AND DATA MANAGEMENT

Clinical trials are medical studies designed to prove the safety and effectiveness of new drugs. Medcost helps its clients, pharmaceutical companies or CROs (contract research organisations), to implement online clinical trials. In the past, these services were largely consulting services, since the market was not really open. However, the range of services was extended rapidly and the company now designs these sites, electronically monitors the data, and manages the intranet network and its security.

The company also provides data analysis services thanks to its skills in this field. Data management consists of gathering data online (exclusively) and analysing it. Analysis ranges from: marketing analysis, medico-economic analysis, epidemiological analysis, etc.

III. HEALTHCARE NETWORKS

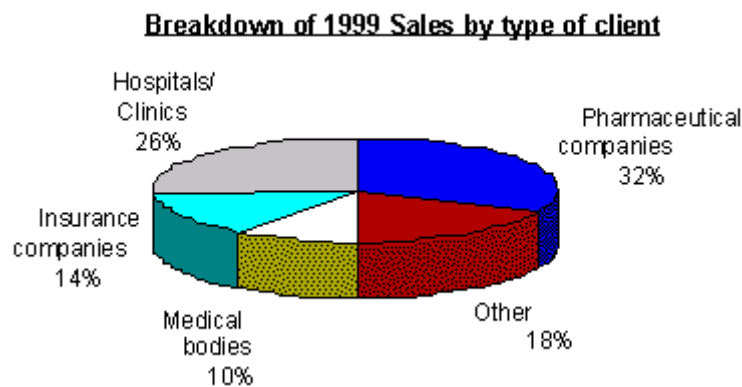
Healthcare networks are among those health networks whose purpose is the global management and care of persons with severe or chronic illnesses, or of specific populations. These networks are set up between the independent professionals (city doctors), professionals at health institutions (hospital specialists), patients and health or social welfare organisations.

As in the online clinical trials business, Medcost's healthcare network services were, until recently, mainly consulting. However, the company now has a global offer including the organisation, management and

evaluation of networks. It carries out a preliminary audit, sets up the network's information system, handles legal requirements and ensures the follow-up and monitoring of the network.

C. CLIENT BASE THAT INCLUDES THE MAJORITY OF PLAYERS IN THE HEALTH SECTOR

Medcost has a very varied client base, representative of the health sector in France, but is also present at most of the large international pharmaceutical companies (GlaxoWellcome, Pfizer, Johnson & Johnson, etc) and at influential players such as FFSA (Fédération Française des Sociétés d'Assurance) in health insurance and the SNIP (Syndicat National de L'Industrie Pharmaceutique). Furthermore, turnover is evenly spread among the different players in the sector.



The different types of clients include:

1. *Pharmaceutical companies:*

The French pharmaceutical industry generated FF100bn in 1988, having grown steadily since the early 1980s. This is a profitable sector, as the average net margin stood at 6.7% in 1996.

Medcost counts a number of large international pharmaceutical companies among its customers (Johnson & Johnson, Smithkline Beecham, Pfizer, Novartis, etc.) to which it supplied mainly Internet services up to now. Medcost's skills in this field are recognised by these companies, which is a key factor of success in the field of Internet health. These groups frequently sponsor the development of new Internet applications.

Pharmaceutical laboratories, which currently spend approximately 11% of turnover on sales promotion, **are prohibited from advertising drugs reimbursed by the social security system** and are being constrained by the government to reduce marketing expenditure. As a result, **all of these groups are adopting increasingly innovative marketing approaches**. More and more frequently, they target segments other than doctors: dispensary pharmacies, patients, etc. This has led to the development of healthcare networks and Internet sites offering information on a given illness (e.g.: AIDS, diabetes, etc). All these sites are financed or co-financed by pharmaceutical laboratories.

Medcost, as the only Web service provider of Novartis' French subsidiary designed the site www.transplantation.net. It offers a specialised data base and daily news services to transplant specialists. Medcost developed and hosts AstraZeneca France's corporate web site and also hosts and provides technical services to all Smithkline Beecham's Internet sites.

2. Health insurers (insurance companies, mutuals, etc.):

Since 1996, Medcost has assisted the FFSA in all its research, communication, and medical cover programmes. This has allowed it to play a crucial role in all new projects and to maintain close relations with large medical insurance groups such as Groupama.

The French health insurance market is buoyant and very attractive. It generates approximately FF1,500bn and this figure is expected to continue growing thanks to three factors: the ageing of the population, increasingly expensive and sophisticated medical equipment, and growth in household demand for medical care.

Anxious to gain market share and improve their brand image in an increasingly competitive market, health insurers are developing new services such as call centres and healthcare networks. These new communication methods not only allow them to increase their reputation, but also to gain a foothold in a market with strong growth potential.

These new services give insurers access to trustworthy data. Indeed, insurers are currently often considered as "blind payers" owing to their lack of information. Greater knowledge of the information available results in effective risk control and encourages price reductions thanks to better-adapted insurance contracts.

3. Healthcare establishments:

Medcost is currently present at about 100 establishments (hospitals and clinics). For example, Medcost developed and hosts all Medidep's Internet and intranet sites.

This segment of the market, which consumes less Web services than the other segments since its financial resources are more limited, is not one of the group's priorities. However, healthcare establishments will be potential clients for Medcost's e-procurement platform and will be important players in the different healthcare networks.

4. Medical societies and representative bodies:

Medcost has built up a strong presence among these organisations (unions, regional professional bodies, academic bodies, associations of professionals, etc.). The bulk of this business has been simply setting up web sites. Nonetheless, being a close partner of these players is a major advantage, bearing in mind that these bodies will play a major role in the evolution of the French health system. In certain cases, Medcost could share the investments costs of developing strategic applications.

II. THE EVOLUTION OF THE FRENCH HEALTH SYSTEM: A REAL CHALLENGE

A. THE MODERNISATION OF THE FRENCH HEALTH SYSTEM

The French health system faces a number of conflicting challenges:

- ↔ **to reduce health expenditure while improving the quality of medical care;**
- ↔ **to provide better information to patients and paying organisations.**

The solution is to construct a real health information system in France, which necessarily implies computerising and networking with health and social welfare professionals.

National spending on health reached FF850bn in 1998, i.e. 9.5% of GDP. This is high compared with the average for European countries, but well below health spending in the US (13.9% of GDP). In France, 75.5% of this expenditure was financed by the social welfare system. Complimentary health insurance providers (insurers, mutuals, providence funds, etc.) financed 12%. This explains their need for data, since they want to know what they are paying for. Households, which account for 11% of spending, also demand quality service and information.

The health sector is currently undergoing a profound transformation. It must now respond to **increased demand for improved quality and lower costs.** However, the health sector is characterised by poor information, and is highly fragmented in terms of players and functions. To respond to these new constraints, the health sector will need IT technologies. The French model of computerisation is quite different from that implemented by other countries. It is based on state control of the project and a universal equipment plan. In spite of the reticence displayed by certain players (criticism of the RSS), this seems the best solution.

The computerisation of the health system has been achieved in two phases:

1. *PMSI:*

The programme for information technology in the health sector (PMSI) is a compulsory national measure under which all establishments must code their clinical activities. All hospital treatments are noted in a standardised discharge slip that classes the patient in a homogeneous patient category thus defining the context and consequently the cost covered by the social welfare system. Coding medical acts and illnesses, which allows databases to be systemised, is carried out by doctors. PMSI was set up in the early 1990s and has now been extended to all hospitals and private clinics. This system has facilitated a type of computerisation, which although slow, works.

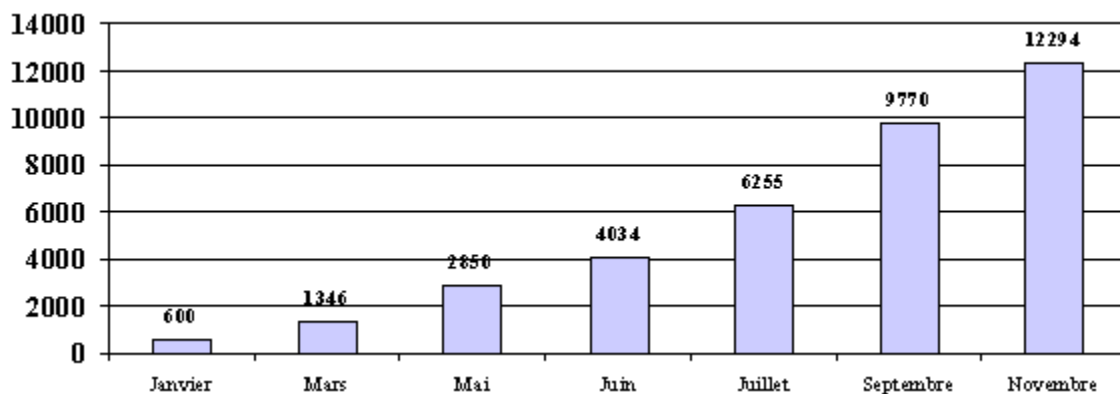
2. *The SESAM-Vitale project and the tele-transmission of medical reimbursement forms:*

Cegetel obtained the concession for the Réseau Santé Social (RSS) in January 1998. This Vivendi group subsidiary is the only operator authorised to transmit the electronic reimbursement forms established by the GP for each consultation. Cegetel was named the sole operator of RSS for a five-year period. The

electronic healthcare network will eventually link 350,000 health professionals (GPs, hospitals, pharmacies, social security health organisations, laboratories, etc.) via a vast intranet.

The RSS is a secure network, which only health professionals can access. The electronic transmission of healthcare files is completely secure, as it requires the simultaneous use of two smart cards: a patient's card (Vitale card) and the GP's card (CPS card: the health professional's card). The health professional sends the electronic reimbursement form (FSE) to the CNAM (social welfare organism) via RSS. At the end of November 1999, 12,294 GPs used this system, i.e. about 11% of the profession, and CNAM aims to raise this figure to 80% by 2005. Figures are growing steadily, at a monthly rate of 10%. In January 2000, 72% of GPs possessed a computer compared with 68% in April 1999.

Growth in the number of independent GPs using FSEs in 1999



The RSS was not only to be used to transmit FSEs, but also to provide a support for numerous services

aimed at doctors. However, it seems that this is not yet the case. Furthermore, the RSS is meeting with growing competition.

At the beginning of September 1999, France Télécom attacked Cegetel with its decision to launch a medical IT network. The telecoms operator signed an agreement with 13 regional GP unions (Union Régionales de Médecins Libéraux or URML) representing 57,000 GPs to launch Libéralis, a health intranet that competes with RSS. The GPs connected to Libéralis have access to a wide range of services (secure messaging services, Internet connection, information systems, payment systems, etc.). Furthermore this network allows GPs to send their electronic healthcare files to the unions, which then transmit them to the relevant social welfare organisation via the RSS (thereby respecting the monopoly that RSS has in the final transmission stage).

All Medcost's targets have now been, or are in the process of being, computerised:

B. INTERNET/INTRANET TECHNOLOGIES AND THE HEALTH SECTOR

The explosion in online health services in the US over the last three years is a sign of things to come in France. Internet health services are booming in the US. The Internet is now used as a source of information by increasingly well-informed users, not only consisting of health professionals. There are already more than 20,000 sites dedicated to the health sector. In 1998, 17 million Americans consulted medical sites on the Internet, 35% more than in 1997. This trend accelerated in 1999, since according to a Louis Harris survey, 60 million Americans, i.e. two-thirds of Internet users, looked up information on health web sites. At international level, an Intelliquest survey showed that 46% of web surfers have taken to looking for information on the Internet when they or someone close to them have a medical problem.

According to an *Atelier* report from BNP-Paribas, four services in particular are growing:

- **electronic medical records:** the patient puts his/her medical records on a secure site either alone or with the help of the GP;
- **online consultations:** doctors at health portals usually only provide documentation. Some provide online diagnosis and prescriptions;
- **online clinical trials**
- **patient communities:** there are now more than 850 such communities in the US, which attract more than 2.5 million visitors to their sites each month.

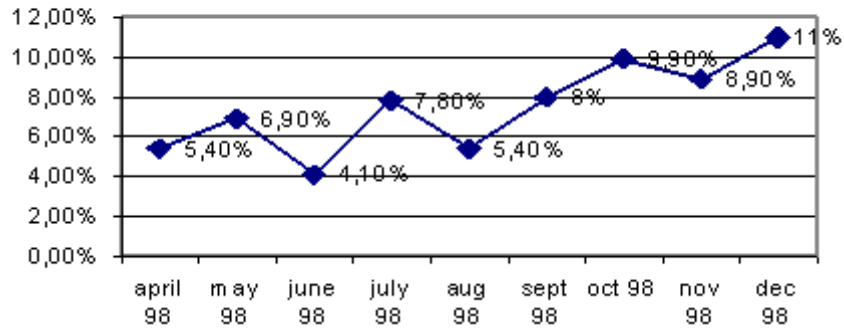
In the US, sites aimed at the general public are generally free and financed by the pharmaceutical industry. On such sites, (e.g.: www.drkoop.com, www.mediconsult.com, etc.), patients can access information on medical treatments, consult an online pharmacy, take out insurance cover, and converse with doctors. The patient has taken control of his/her medical record that up to now had been in the control of doctor. The doctor/patient relationship is changing with patients becoming much more demanding.

Note that **the US health system is very different from the French system**, since it is organised around activities controlled by insurers that are linked to health service providers (hospitals, doctors, etc.).

In France, the development of health sites for the general public will be slowed by the restriction on advertising for drugs or medical treatments – the main source of financing for these sites in the US – and the fact that the use of the Internet is less widespread. However, even without advertising for medical treatment that is reimbursed by the social welfare system, sites targeting the general public are beginning to develop in France. Furthermore, French patients wish to have access to their medical records. According to an Ipsos-Panorama du Médecin survey published in February 2000, 94% of French people are in favour of having direct access to their medical records.

Nonetheless, **the French health Internet is still the almost exclusive preserve of health professionals.** In March 1999, 11% of GPs consulted at least one medical web site per month. Between April 1998 and March 1999, an average of 7.5% consulted at least one medical site per month. In February 2000, about one quarter of doctors were connected to the Internet.

Hits to medical sites per month

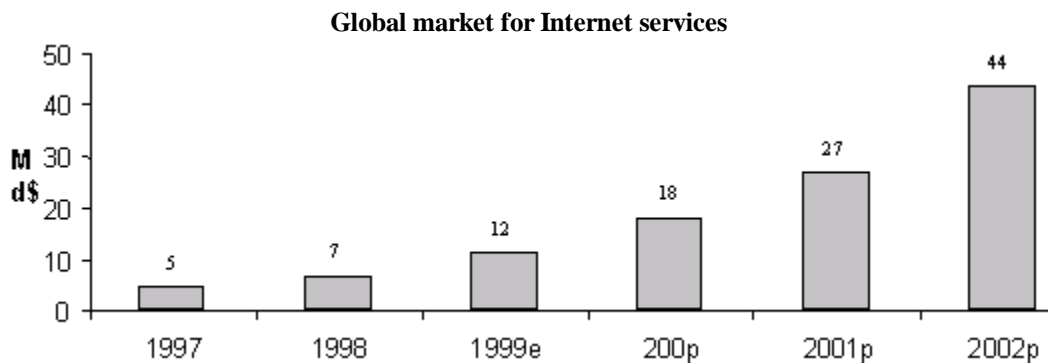


Source: Panel CESSIM Moyens d'information du médecin généraliste, April 98-April 99

C. MEDCOST TARGETS SUBSTANTIAL AND FAST-GROWING MARKETS

I. INTERNET/INTRANET SERVICES

- Outsourcing to IT services companies is an underlying trend for several reasons. In the first place, restrictive labour regulations and the spread of "Anglo-Saxon" business management practices have led companies operating in France, particularly the large pharmaceutical companies, to limit their work forces in order to increase flexibility and reduce fixed costs. The second reason is temporary and concerns the lack of qualified personnel.
- The world market for Internet services is expected to grow very strongly. Estimated at \$11.5bn in 1999, **this market is expected to grow by 55% a year over the next three years** to attain \$43.6bn in 2002. Growth in Europe is expected to be closer to 70% a year.



Source: IDC

- **For France**, IDC expects the Internet services market to reach €1.07bn in 2001 compared with €185m in 1998, representing an **average growth of 79% a year**.

(€bn)	1998	1999	2000	2001
French Internet/intranet services market	0,2	0,4	0,6	1,1
<i>Growth rate</i>		86,4%	78,5%	72,8%

Source: IDC

- **The demand for Internet/Intranet services in the health sector is expected to be strong and come from several types of players:** health insurers, pharmaceutical companies, and medical Internet start ups aimed at the general public. In the short term, the greatest demand will be for Internet strategy consulting.
- **Pharmaceutical companies are set to become big consumers of Internet/Intranet services.** These companies spend a large proportion of turnover on marketing their drugs and increasingly this is likely to be done via the Internet in the future.

Spending on medical information and advertising in 1997

	In billions of francs	% of marketing expenditure
Medical information	10.8	79.2
- Medical visits	9.6	70.7
- Samples	0.7	4.6
- Conferences	0.5	3.9
Advertising	2.9	20.8
- Medical press	1.7	12.6
- Other expenses	1.2	8.2
Total marketing expenditure in France	13.7	100

Source: SNIP

Spending on advertising totalled FF13.7bn in 1997, but medical visits still accounted for a very substantial proportion of expenditure and **marketing via new media was still in the embryonic stage in 1997**. It has developed very rapidly since, either at the cost of or as a complement to medical visits. Medical sales reps and Internet services are likely to increasingly merge marketing activities. The former are already equipped with computers and use multimedia supports such as CD-ROMs.

This trend will be favoured by commitments made by the pharmaceutical industry under the framework agreement signed with the Comité Economique du Médicament (CEM) in July 1999: **the CEM wants marketing expenditure reduced to 10% by 2002**, and is targeting medical visits in particular. The pharmaceutical industry has undertaken to reinforce quality control and improve the standard of the materials and communication tools of medical visitors.

Furthermore, the current consolidation of the pharmaceutical sector is forcing companies to develop more efficient management tools for their sales forces: **the use of networks, and notably intranets, is an appropriate means of optimising the cost/efficiency ratio of sales staff**.

II. ONLINE CLINICAL TRIALS

Worldwide, the pharmaceutical industry spends \$40m on Research & Development each year. Developing a new drug is a long and expensive process requiring clinical trials.

In France, pharmaceutical companies' R&D expenditure totalled FF19.8bn in 1996, which corresponded to 14% of sales. **Around 70% of this R&D expenditure or FF14bn was spent on clinical trials** (developing drugs). Pharmaceutical companies outsource between 35% and 40% of their clinical trials. The market for clinical trials managed by external operators (CROs or Contract Research Organisations) represents FF5bn. This market is therefore significant, and the trend is towards outsourcing.

Internet technology can be very useful for pharmaceutical companies and CROs in the area of clinical trials. The **current method of collecting data on paper**, with double keyboarding in order to avoid errors as much as possible, **is relatively expensive and very long** (the average cost of a clinical trial involving one thousand patients over three to four months is \$750,000). The concept of online medical treatment testing means that clinical trials can be managed without paper. Data input is done via a web browser, double keyboarding is no longer necessary and data can be monitored and analysed in real time. Furthermore, **the Internet facilitates patient recruitment**, as demonstrated by the agreement reached in the US in June 1999 between Quantiles, one of the world's largest CROs, and DrKoop's consumer information web site. Visitors to the site have access to the list of clinical trials in progress and can sign up if they wish to participate.

A large number of integrated technical solutions are available for carrying out online clinical trials: Web Trial from Versal Technology, In Form by Phase Forward, IBM's ClinWare, etc. Apparently however, the pharmaceutical industry and CROs are **still rather reticent** about the use of these tools, mainly because of concerns about the safety of data transmission via the Internet. The switch to a completely electronic management of clinical trials is expected to take some time but it is certain to happen. **It is interesting to note that the FDA is in favour of this shift.**

III. HEALTHCARE NETWORKS

A large number of networks are currently being set up. These can be divided into three main categories:

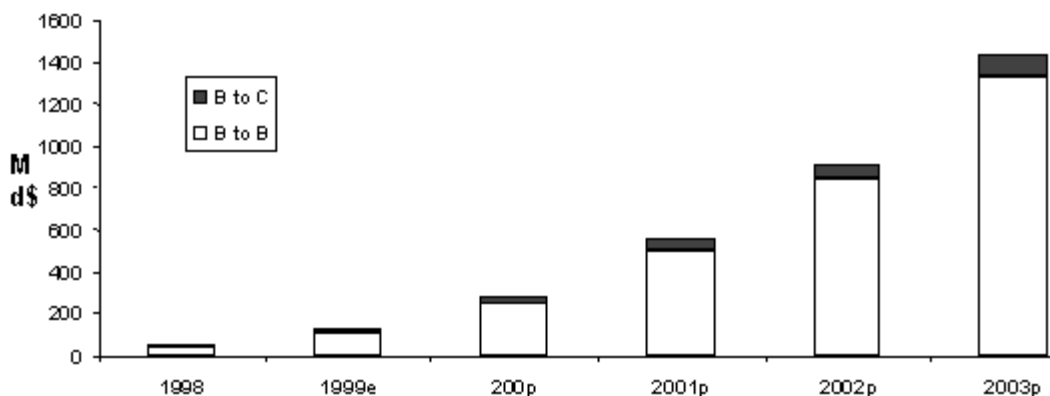
- **experimental networks** set up under the procedure known as "Soubie", and financed by the Social Health Insurance organism, the Agences Régionales de l'Hospitalisation, (ARH) and the pharmaceutical companies. These networks are state-approved as they **carry a Ministry of Health label**, but the necessary authorisation is long to obtain. This label enables the network to obtain financing for three years and results must be proven in order for financial assistance to be renewed. There are real funds available as the authorities wish to use these networks to reduce the costs of medical treatment;
- **city-hospital networks** are financed by private players, mutuals and pharmaceutical companies. They are independent and can be set up rapidly as they are not subject to the requirements imposed on the Soubie networks. Their long-term development prospects remain uncertain in view of the competition from the Soubie networks, which a priori enjoy greater credibility. These networks are organised around specific issues such as AIDS, drug addiction, Hepatitis C, alcoholism, people in difficulty, etc.;
- medical care networks and **groupings of establishments** are aimed at developing closer collaboration between the different hospitals.

This market is therefore expected to develop rapidly in view of the significant financing and grants available. **Medical care networks allow increased co-operation between the different players, shorter delays and consequently lower costs.**

IV. E-PROCUREMENT IN THE HEALTH SECTOR

Forrester Research estimates that electronic commerce is expected to grow from \$127bn in 1999 to \$1,400bn in 2003, of which B2B will generate 90%. The shows **B2B's preponderant position in relation to B2C**. In France, e-commerce is only just taking off. According to IDC, B2B transactions generated more than FF1bn in 1998, accounting for 65% of e-commerce revenue in France. They are expected to attain FF200bn in 2003, i.e., 80% of total transactions.

US e-commerce market



Source: Forrester Research

E-procurement covers all the possibilities available to companies for making purchases and procuring supplies via the Internet. It is an extremely promising market, since the new services and tools offered by the Internet will enable companies to optimise purchasing functions and therefore reduce costs. E-procurement offers numerous advantages: access to a greater number of suppliers, the possibility of exercising pressure on prices by setting up a system of competition on an international scale, the rapid taking and processing of orders, lower transaction costs, etc.

E-procurement is of real strategic importance in the field of medical purchasing, which is still highly fragmented. There is as yet no player positioned as an intermediary to the medical sector in France. **Medcost wants to position itself in this market and create an electronic marketplace linking healthcare establishments, medical equipment suppliers and pharmaceutical companies.**

Purchases in the pharmaceutical and medical sectors concern mainly biomedical equipment, drugs and diagnostic equipment. Manufacturers target healthcare establishments (equipment and consumables), doctors (consumables, equipment for medical exploration) and private medical laboratories. Medcost intends to focus on the hospital and clinic purchasing market. **This market totalled FF46m in 1999 and is expected to grow by 4% a year until 2003.**

Hospital purchases	Market	Product description
Biomedical equipment	FF25bn	Orthopaedic equipment, medico-surgical equipment, instruments, apparatuses, fittings and furnishings
Drugs	FF15bn (or 15% of total pharmaceutical sales)	
Diagnostic equipment	FF6bn	Products for medical laboratories and hospital laboratories

V. ONLINE ADVERTISING

According to a survey carried out by Jupiter Communications, medical advertising on the Internet is expected to generate revenues of US\$265m worldwide in 2002. Half will come from advertising campaigns launched by pharmaceutical companies and aimed at patients.

D. THE COMPETITIVE ENVIRONMENT

I. THE COMBINATION OF TECHNICAL AND SECTOR-SPECIFIC SKILLS: A STRONG COMPETITIVE ADVANTAGE

Medcost has no global competitor owing to the diversity of its service offer and its positioning in the medical sector. But in each individual segment, competitors are numerous and highly specialised.

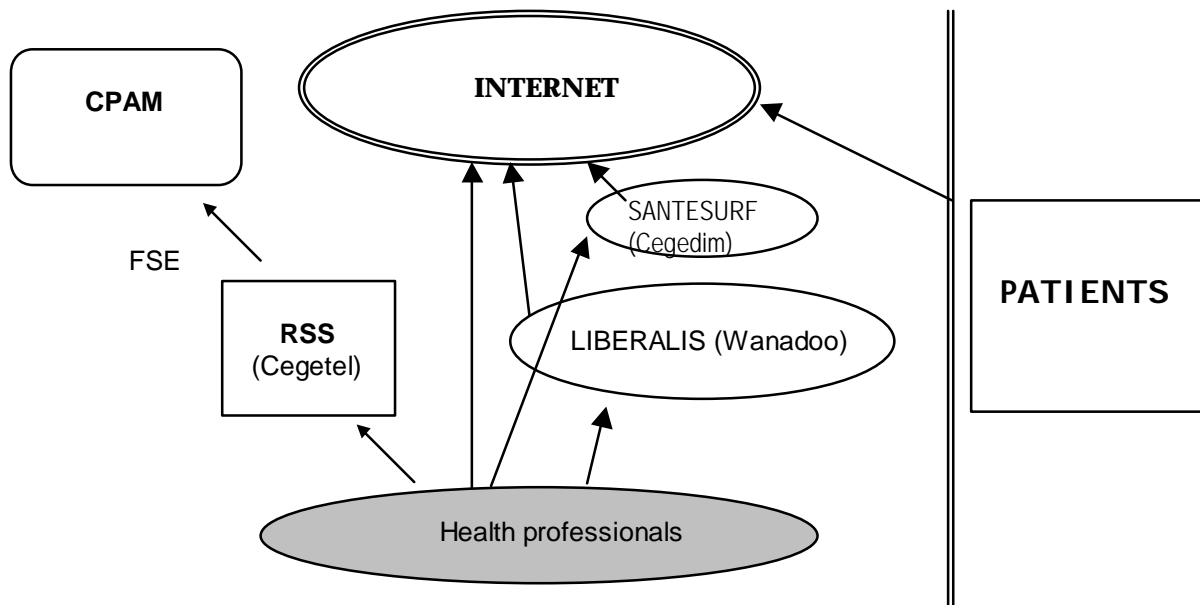
Medcost's potential competitors or peers can be identified for each of its businesses.

- In Internet/intranet services, **Medcost faces competition from traditional IT services companies, communications agencies or Web agencies** such as Fi System. However, Medcost has a major advantage over its rivals thanks to its in-depth knowledge of the health sector. Demand from the health sector in terms of Internet services is often very complex. **Clients need a service provider that can advise them in implementing their Internet strategy, which require both technical skills and sector-specific knowledge.** In hosting, Medcost faces competition from the large all-purpose hosting companies like Integra. These players obviously have greater resources at their disposal than Medcost, but the latter's hosting services are very high quality in terms of confidentiality and security. Note however, that unlike these companies, hosting is not one of Medcost's core businesses. For certain projects, Medcost subcontracts these companies. **Medcost's special feature is the global assistance provided by its consulting team for implementing the Internet strategy of its clients.**

Medcost's competitors include:

- **Valoris:** traditionally present in the pharmaceutical sector, this company has more than 500 consultants in Europe. Its pharmaceutical clients include Sanofi, Rhône-Poulenc-Rorer, GlaxoWellcome, and AstraZeneca among others;
 - **Lincoln Systems:** this IT service and consulting subsidiary of Lincoln S.A. posted 1999 turnover of FF62m. It specialises in Decision Support and Internet/intranet solutions;
 - **Wcube** (Groupe Framfab): a company specialised in consulting, information systems engineering and new media. It employs more than 1,700 staff and counts companies such as Glaxowellcome and AkzoNobel among its clients;
 - **Intégra:** this company is one of Europe's leading e-commerce hosts with 1,104 sites operated in 1999;
 - **Fi System:** a Web Agency that offers Internet/intranet consulting, artistic design and implementation services. It offers a comprehensive service, and is positioned on the borderline between the media and IT sectors. It posted 1999 turnover of €27.8m.
 - **Valtech:** traditionally focused on the high-tech training market, Valtech currently specialises in the development of e-business applications. The company is an expert in the field of Internet architectures and posted 1999 turnover of €26.3m.
- The French medical Internet market is still in its infancy. The main challenge currently facing health professionals is to create a leading intranet linking all the different players. The main operators are

France Télécom, Vivendi, and to a lesser extent, Cegedim. In fact, **Medcost is up against these players but is by no means in direct competition with them. Medcost has chosen to focus on very specific segments** (online clinical trials, e-procurement for healthcare establishments, etc), **which are totally unrelated to this networking offer.**



France Télécom and Vivendi wish to become leaders in this market and are battling to become the benchmark in the medical Internet, which demonstrates the potential of this market. However, they are positioned in two segments that do not interest Medcost: **health information portals, mainly for consumers, and networking, but more from the point of view of an operator.** They are therefore potential clients for Medcost since they are consumers of Internet/intranet services. Through Havas and its subsidiaries OVP/Le Vidal, Le Quotidien du Médecin, and Masson, the Vivendi group possesses significant "health" content. In addition, Vivendi's subsidiary Cegetel holds the concession for the RSS.

	FRANCE TELECOM	VIVENDI
Networking:	Libéralis	RSS
Content:	Portail Santé Egora (Wanadoo)	www.atmedica.fr portal Vidal Masson Le Quotidien du médecin

Cegedim provides IT services to the pharmaceutical industry. The company has two core businesses: data management and marketing and sales management software (ETMS), i.e. the management of medical visitors. The company has more than 70% of the ETMS market in France. **The companies main business is to gather medical data from practitioners and resell it to medical laboratories in the form of statistics.** The company is currently setting up an intranet network: that will link up medical laboratories, pharmacies, CPAM (social health insurance organisms), etc. with the aim of offering as wide a range of services as possible to each segment. Patients' electronic healthcare files can also be transmitted to the social insurance organisms via this network.

Up to now, Cegedim has simply operated as an **access provider** (to the RSS and the Internet) via the Santesurf network, since it does not yet provide any content. Moreover, this network is still being set up. Cegedim is therefore a relatively important player in this market but **is not in direct competition with Medcost**. It is worth noting that Medcost's size gives it a capacity for response and level of flexibility that Cegedim lacks.

II. THE AMERICAN EXAMPLE

US e-health players can be divided into three categories according to the '3 Cs' rule:

- Content: portals (e.g.: www.drkoop.com, www.medicconsult.com...);
- Connectivity: networking healthcare providers and consumers: (e.g.: Healtheon/WebMD, etc.);
- Commerce: online pharmacies (e.g.: www.drugstore.com, www.PlanetRx.com, etc.).

The largest player in the US is Healtheon/WebMD, created by the merger between Healtheon and WebMD in 1999. This group, which is virtually **equivalent to the RSS in France**, uses the Internet to manage flows between the different players concerned (hospitals, GPs, pharmacies, insurers, patients, etc.). From the very start the company has bet on the migration to the Internet of all types of medical transactions and is currently the benchmark player in the health Internet. **The group has made numerous acquisitions and now offers a comprehensive range of services**, aimed at both health professionals and the general public (health information, online purchases of drugs, etc.).

Some recent acquisitions made by Healtheon/WebMD

2000		
24/01	Envoy (Quintiles e-business)	Quintiles is world leader in clinical trials
27/01	Healthsouth	
11/02	Investment of \$100m in VitalWorks	Medical Manager Corporation offers financial management and medical and administrative management consulting to 185,000 US doctors. CareInsite has set up network that, among other things, allows doctors to prescribe medical treatment online.
14/02	Acquisition of Medical Manager Corporation and its subsidiary CareInsite	
16/02	Acquisition of OnHealth Network Company	

The leading US portals for the general public are:

Portals	Number of visitors in December 1999
OnHealth	3 180 000
www.drkoop.com	2 558 000
WebMD	1 705 000
HealthCentral	723 000
...	
Mediconsult	492 000
Medscape	400 000

Source: Media Metrix

In the B2C sector, the main applications in the US are **online pharmacies**, where three leading companies have emerged: **Soma.com, Drugstore.com and PlanetRx.com**. These three companies control the market and offer medical drugs, vitamins and beauty products.

With regard to e-procurement for the medical sector, there is the portal **Hospital Network** developed by VerticalNet. This web site is aimed at decision makers in the hospital world. As well as providing professional information, it offers users the possibility of purchasing hospital equipment. This vertical portal generates revenues for the company in the form of commissions on sales and advertising revenues. The largest Internet marketplace is **Chemdex** (set up by Vetro). Initially focussed on the chemicals industry, it is now the leading medical marketplace in the US. Thanks to the quality of its service, it has managed to regroup sufficient purchasers to negotiate with manufacturers from a position of strength.

III. MEDCOST, A HEALTH INTERNET OPERATOR

Medcost was until recently simply a service provider. It is now set to become an operator of B2B health Internet, in other words a supplier of electronic added value to the health sector.

It is necessary to stress that Medcost is a Business-to-Business player rather than a Business-to-Consumer player. Some Medcost projects are aimed at consumers, but the business model chosen by the group means that these applications are always sponsored, i.e. financed by health professionals (pharmaceutical companies, insurance providers, etc.) This Business-to-Business focus ensures recurrent business and profitability.

Medcost's development plan can be resumed as follows:

1. Medcost wishes to extend its position at existing clients in order to cover more than one market segment. Medcost's currently has a quality customer base but has still not extended its service offer sufficiently to generate maximum turnover from these clients.
2. Medcost plans to **increase its customer base thanks to new offers, a strengthened marketing structure and international expansion.** The company plans to start operations in London and Basle in the second half of 2000. This could be achieved through acquisitions.

The company intends to take advantage of its position to prepare existing and new customers for the advent of new Internet technologies and assist in their implementation. In this way, Medcost **will become a major player in the four markets that will necessarily develop over the next decade:**

- **professional web sites with strong added value, which are currently being created.** These are vertical special-interest portals developed and managed by Medcost and catering exclusively to health professionals. These offer mainly B to B **electronic commerce facilities**;
- **healthcare networks**, which are growing fast following successful pilot tests (a large number are being financed, notably by the Soubie commission);
- **online clinical trials** which pharmaceutical companies are currently conducting and for which the first large scale project is expected to start within two years;
- **Internet/intranet services**

A. VERTICAL SPECIAL-INTEREST PORTALS

I. PHARMA4NET.COM: A PORTAL FOR THE PHARMACEUTICAL INDUSTRY

1.1 PRESENTATION

A survey carried out by Pharmaceutiques Online in collaboration with ACS on the use of the Internet by pharmaceutical companies shows that it is widely used, mainly for researching data, and communications. **Medcost plans to create a special-interest portal** (which will also serve as an electronic marketplace) **for pharmaceutical executives**. This site aims to become a centre for discussion and information.

It is aimed at providing top pharmaceutical executives with a virtual office. The advantage of this site will be to offer personalised local information, adapted to the special needs of the French health sector. It will have several functions: industry watch and data (pharmacology, FDA, etc.), recruitment (job offers, access to career advisors), other services (hotel and air travel bookings, etc.).

Medcost's aim is to erect a barrier to entry by capturing a large slice of the sector's decision makers and offering them a variety of services. The company will bring together and sort data in a system where pharmaceutical executives are swamped with data.

The pioneers in this field are Décideur.com (but this site is not specific to a particular profession), and PharmiWeb in the UK. However, the latter contains a certain amount of data but does not offer other services and is not customised.

These services may be extended to:

- offer on-demand and customised health e-consulting services to decision makers in real time;
- e-business services (e-procurement, etc.) ;
- management of calls for tender;
- integration of the portal with pharmaceutical intranet networks.

Medcost's targets are:

- Pharmaceutical industry executives (30% of the 90,000 persons employed by the industry) ;
- health deciders (freelance consultants, hospitals operators) ;
- managers of institutional bodies (ARH, administrations, etc.)

It should be added that this type of portal is set to become international. The translation and European positioning of this portal will be put in place gradually starting in 2001.

1.2 BUSINESS MODEL

Medcost plans to have this portal set up by the end of 2000 and to have attracted 2,000 users by 2001. The portal will rely on several sources for financing:

- **subscription fees:**

Access to the public part of the site will be free, but access to services will require a subscription fee. There will be three levels of subscription and the average price will be FF30 a month.

- **online consulting services:**

Medcost will take advantage of its skills in this area to offer consulting services to its subscribers. These personalised e-consulting services will generate occasional revenue.

- **Advertising and the co-branding of sections and services:**

Medcost will sell advertising space to service providers such as IT companies, hotel groups, car rental companies, etc.

- **Commissions on sales:**

The company will electronically manage certain purchases for the pharmaceutical industry. As it will have a substantial subscriber base it will be able to make calls for tender via the Internet and will receive commissions on the transactions carried out.

Sales estimates for the Pharma4net portal

€m	2000	2001	2002	2003
Number of fee-paying subscribers		2 000	10 000	15 000
subscriptions		0,11	0,55	0,82
online consulting		0,00	0,15	0,23
advertising revenues		0,15	0,23	0,30
sales commissions		0,00	0,08	0,15
TOTAL	0	0,26	1,01	1,51

II. EHEALTHTRONICS.COM: AN E-HEALTH PORTAL

1.1 PRESENTATION

The company plans to use its www.medcost.fr site, already a benchmark in the health Internet, to **create an e-consulting site dedicated exclusively to e-health**. The idea is to focus on electronic medical care and new health IT technology: news, market trends, regulatory background, etc. This will enable Medcost to extend its market, to advertise its services and monitor technological developments. New services will be added progressively (services and e-commerce). Like the portal for the pharmaceutical industry, this e-health portal will rapidly be expanded internationally. Medcost targets a broad market with this portal: health professionals, health equipment manufacturers, IT professionals, consultants, journalists, etc.).

1.2 BUSINESS MODEL

Access to this portal will be free, but certain services will generate occasional revenues:

- **Research reports:** Medcost's consulting business is renowned in the health sector. The company plans to transpose this business on the Internet and **will offer e-consulting services**. The reports offered by this medium will be smaller and priced at around €0.70 each.
- **Advertising:** the company will sell advertising space to players that target the portal's subscribers.

- **Affiliation and content supplying:** This includes the sale of specific content to other portals. Certain portals that lack in-house resources could wish to buy articles or report written by Medcost consultants or receive regular information on a given subject. The company can therefore sell them occasional or regular content.
- **Sales commissions:** this business will not start generating sales until 2002. Medcost plans to gradually set up an electronic marketplace for exchanging goods and services in new IT technologies. for example, Medcost could receive a commission on services provided by an IT services company to hospitals.

Sales estimates for the Ehealthtronics portal

€m	2000	2001	2002	2003
<i>Number of subscribers (free)</i>		50 000	200 000	1 000 000
Reports and other direct services		0	0,15	0,30
Advertising		0,30	0,61	0,91
Affiliation and content supplying		0,08	0,30	0,46
Sales commissions		0	0,15	0,30
TOTAL	0	0,38	1,22	1,98

III. MEDIACHATS.COM: E-PROCUREMENT PORTAL

1.1 PRESENTATION

Medcost plans to create an e-procurement platform for healthcare establishments. This will be a B2B portal aimed at assisting these establishments to manage purchases (equipment, drugs, etc.) electronically. Medcost's aim is to group the hospital sector around an e-commerce platform, with revenues generated mainly by advertising and a percentage commission on the transactions carried out via the portal. The company could eventually set up auctions or grouped purchases of medical equipment, as well as the sale of second-hand equipment.

This portal works in the same way as an extranet platform, i.e. a sort of electronic office that the purchaser can access to manage purchases. Medcost wants to be able to negotiate with suppliers but for the moment the model chosen by the company is not that of a distributor, i.e. the company does not provide logistics services or manage stocks but simply transmits the order electronically. The ultimate objective is to group purchases and make electronic calls for tender, in order to achieve critical mass and obtain the best prices possible by putting pressure on suppliers.

Medcost will not have much difficulty in attracting a large number of health professionals as it is already very strongly position in the hospitals and clinics sector and its customer base currently includes seventy such establishments.

1.2 BUSINESS MODEL

This portal will generate several types of revenues:

- **Customer and supplier subscription fees:** subscription fees will be FF1,200 a year for customers and FF9,600 for suppliers.

- **Sales commissions:** The company will charge a 1% commission on all transactions carried out through the site. The portal's target market represents about FF 46bn and is expected to grow by 4% a year. Medcost hopes to attract 0.5% of the market to its portal in 2001, 1% in 2002 and 3% in 2003.
- **Advertising revenues:** by selling advertising space to drug manufacturers, medical equipment suppliers and all the potential suppliers of healthcare establishments, (IT services companies, florists, etc.).

Sales estimates for the Mediachats portal

€m	2000	2001	2002	2003
Number of customer subscribers		100	300	600
Customer subscriptions (FF1,200 or €183 a year)	0	0,02	0,05	0,11
Number of supplier subscribers		10	100	200
Supplier subscriptions (FF9,600 or €1,464 a year)	0	0,01	0,15	0,29
Sales commissions	0	0,37	0,76	2,38
Advertising and co-branding	0	0,03	0,08	0,15
TOTAL	0	0,43	1,04	2,93

B. THIRD-PARTY SERVICES PROVIDER

This is the company's core business. **Growth in this business will come from higher turnover generated by existing clients and through the expansion of the client base.**

The market is gradually shifting away from first generation sites to second-generation sites. Setting up first-generation sites (brochure sites, internal communications) required a large amount of assistance in strategic orientation, Internet training, and convincing and influencing decision makers. **Second-generation sites generally are part of major corporate restructuring projects. These projects are often major changes** and require the integration of complex technologies for e-commerce and data management. Furthermore, unlike brochure sites, **these more complex sites are a source of recurrent revenues for the services providers.** For this reason Medcost has chosen to drop the implementation of low added-value sites progressively. During 2000, Medcost intends to pull out of associative sites (brochure sites) that cannot be integrated into an e-commerce strategy: the aim is **to focus resources in areas where it is possible to implement a lasting business model.**

The company offers a broad range of services ranging from **design, development and hosting to operating sites, i.e.** supplying content, notably written content. Turnover generated by Internet services have a strong repeat business component and are generally based on fixed-price contracts. **In 1999, the company generated €1.97m in this business** (i.e. 72% of total sales). By increasing turnover per client, Medcost hopes to increase average revenues per client tenfold from between €1.08 to €0.23m per large client to between €0.8 and €2.3m. **These forecasts rely mainly on the reinforcement of the sales force.**

Medcost's offer can be divided into four segments:

- **Consulting on Internet strategy** and project management: Medcost had six top-level consultants in 1999 and plans to bring the number up to 30 by 2003. This business is expected to grow by 25% annually until 2003.

- **Implementation:** This business covers setting up Internet, intranet and extranet sites, more often than not linked to databases. It includes developing new applications and integrating them into the client company's existing information systems (systems integration). Management's forecasts for growth in this business are conservative in comparison with the growth expected for the market. **They are for about 30% growth a year** underpinned by the recruitment of administrators and development technicians to strengthen the technical team in a first phase, and then extending the skill base to new profiles starting in 2001 (security engineers, quality engineers, WAP specialists, etc.).

- **Hosting:** Medcost hosted 42 medical sites in March 2000. The average price of the company's hosting solution is **€4,600** a year.

	2000	2001	2002	2003
Number of sites hosted	60	80	100	120
Sales (€m)	0,27	0,37	0,46	0,55

- **Supplying "XNET" bricks** to other portals: Medcost supplies an integrated solution (technology and content) to its clients in the form of software bricks. These applications are either completely self financed, or developed for a given client and then sold under licence to other customers. For instance, Medcost developed and implemented an e-pharmacy solution for Dépolabo, a wholesale drugs company, as well as ongoing training applications. These solutions, which were developed for a specific demand, can be extended to other customers and become a standardised solutions package.

The example of DEPOLABO: This company is a wholesale distributor that groups two-thirds of dispensaries (40% of the market in terms of volumes distributed). **Medcost developed an e-commerce site for this company:** pharmacists can access this site and order the drugs they need. Medcost was paid a fixed price for this project, which enables pharmaceutical companies to monitor drug sales in real time (Medcost passes the data on to the pharmaceutical laboratories). In the longer term, this system could be interfaced with SAP at manufacturers and would enable drugs to be manufactured on demand.

Here are two examples of applications developed in-house by the company that are suitable for a wider market:

- Hospiguide: like **healthgrade.com** in the US, Hospiguide is an application for ranking French hospitals. The ranking is established on the basis of PMSI figures and is aimed at the general public. It could well attract one or several sponsors such as insurance companies;
- Vivre 100 ans (Live to a hundred): This project, still being developed, concerns an online directory of retirement homes. This directory is aimed at families and people in long-term care. A number of companies could decide to include this application in their portal.

The health Internet market is not yet mature and potential clients still need specific solutions. However, this type of services is expected to grow at a rate of 30% a year up to 2002, and to really take off in 2003.

Sales estimates for the Internet / intranet services division

M€	1999	2000	% ch	2001	% ch	2002	% ch	2003	% ch
Consulting and project management		1,2		1,5	25%	1,9	25%	2,4	25%
Systems development and integration		1,2		1,6	30%	2,1	30%	2,7	30%
Internet hosting		0,3		0,4	33%	0,5	25%	0,5	20%
Supplying content and software bricks to third parties		0,5		0,6	30%	0,8	30%	1,3	70%
Total - Internet/intranet services:	2,0	3,2	61%	4,1	28%	5,2	28%	6,9	33%

C. ONLINE CLINICAL TRIALS / DATA MANAGEMENT

I. ONLINE CLINICAL TRIALS

Medcost offers pharmaceutical companies and CROs **an integrated solution for managing online clinical trials: the Webtrials solution**. Data capture is done directly at the investigating physician's surgery, requiring simply a browser and Internet access. The data is transmitted by secure means via the Internet to a central database. It is also accessible to the clinical research assistant (Assistant de Recherche Clinique - ARC) for validation and to the trial co-ordinator for real-time monitoring.

This offer comprises several levels of services:

- **design and implementation of the web site**, electronic CRF (i.e. clinical notebook) and the interface between the web site and the data base;
- **data management** (processing and analysing data);
- **training** for the project team, the ARCs and the researchers.

Forecasts for sales growth in this division are based on expected growth of 10% in the clinical trials market over the next three years. This market is estimated at €2.6bn in France for 2000. **About 40% of the market is outsourced**. Medcost focuses exclusively on **phases III and IV** of these trials, i.e. the phase that precedes the marketing of the product and studies carried out after the product has been launched on the market. These two phases represent about 50% of the market. **Medcost is counting on a very reasonable market share, i.e. 0.16%** in 2000 with a slight increase each year thereafter. In order to calculate total sales, it is necessary to subtract the fees paid to ARCs and investigating physicians, which represents about 50% of the budget.

(€m)	2000	2001	2002	2003
Clinical trials market	2 592	2 851	3 136	3 449
Growth (e)		+10%	+10%	+10%
Outsourced clinical trials (40% of total market)	1 037	1 143	1 250	1 387
o/w Phases III and IV (50% of total budgets)	518	564	625	686
Market share (e)	0,16%	0,46%	0,68%	0,89%
Estimated sales	0,83	2,59	4,25	6,11
Estimated sales after payment of fees to investigators and ARCs (50% of sales)	0,41	1,30	2,13	3,05

It should be stressed that management's forecasts for this market are relatively conservative. They are based exclusively on the French market whereas the company plans to position itself rapidly at European level.

Medcost has chosen to base its forecasts on conservative assumptions in terms of market share since the market for online clinical trials is seen as a global market where the company will have to **stand up to competition from European and US players**. Medcost has developed applications for clinical trials with a reduced range which have allowed its customer/partners, the pharmaceutical laboratories, to acquire basic skills in this area. The first trials proved long and difficult to manage and pharmaceutical companies are likely to wait a few years before they start carrying out online clinical trials on a wide scale. **The pharmaceutical companies have recognised that online trials are not simply a passing fashion but are moving cautiously in this field**. This attitude has been taken into account in Medcost's estimates, which explains why sales forecasts for clinical trials between 2000 and 2002 assume only small-scale trials, prototype trials, and trials at national level only..

Nonetheless, in addition to its experience in this sector, Medcost will have **a considerable advantage** when web trials begin on a large scale: **its commercial and joint-development partnership with Phoenix, the worlds third-largest CRO**.

II. DATA MANAGEMENT

This business, which consists of **gathering, processing, analysing and exploiting epidemiological and medico-economic data**, is Medcost's historic activity. The company is widely reputed for its specialist skills in the field of health economics.

This market is estimated at about €46m in 2000 and is expected to grow by 10% a year over the next three years, thanks to growing demand for information from health professionals. Pharmaceutical companies have no other way of obtaining information about their end clients, the patients. But it is above all the paying organisations (health insurers), public authorities, and health professional bodies (such as URML) that need this data in order to better organise their annual negotiations.

(€m)	2000	2001	2002	2003
Data management market	46	50	55	61
Growth (e)		+10%	+10%	+10%
Market share (e)	1,2%	1,5%	2,0%	3,0%
Estimated sales	0,55	0,75	1,11	1,83

This business generated 1999 sales of €0.5m. Forecasts for the division as a whole are as follows:

(€m)	1999	2000	2001	2002	2003
TOTAL Clinical trials and data management	0,49	0,96	2,05	3,23	4,88
Growth (e)		96%	114%	57%	51%

D. GROUPED MANAGEMENT AND HEALTHCARE NETWORKS

This division operates in three businesses:

I. DESIGNING INFORMATION SYSTEMS FOR HEALTHCARE NETWORKS

These networks provide a new way of organising healthcare. They help to rationalise the health system and improve the quality of healthcare.

The French health system is increasingly moving towards medical specialisation, which will require greater co-ordination and improved communications. Healthcare networks can provide this by linking all the different players working on a given disease or sector of the population. Such networks are beginning to appear in France, in the wake of the HMOs in the US. **These networks allow more precise management of medical records, more widely-diffused information about the disease, better communication between health professionals and, lastly, medico-economic analysis of the data captured through this channel.** This market has enormous potential in the longer term. But companies such as Medcost must be prepared to continue investing jointly with their customers for another two years. The stake at play is market share rather than short-term profitability. The group that manages healthcare networks will control a core portion of the market and reap all the benefits of such a position. Medcost's long-term objective is to become a healthcare network operator, i.e. be entrusted with a global budget for a given disease and take charge of all aspects. Within the next five years, Medcost hopes to be a delegated supplier of healthcare, in charge of public health projects (delegated risk management, etc.).

Setting in place an information system is a legal requirement for creating a healthcare network. Medcost has a global offer in this field, covering the entire process from design and implementation through to managing information systems, supplying content and evaluation.

Example: For insurance companies, Medcost has developed a programme for managing asthmatic patients. This project was entirely financed by the company and comprises two phases: 1/ **the epidemiological phase** (gathering data, reports, etc.), 2/ **setting up a healthcare network** (managing relations between health professionals and groups of patients: forums open to patients, information, etc.)

The average annual revenue generated by healthcare networks is €30,500. But this can vary enormously. During the development and implementation stages, revenues average around **€76,200** a year since consulting and development services are supplied. After this phase, the network generates average revenues of about **€15,200** yearly in hosting and maintenance fees.

(€m)	1999	2000	2001	2002	2003
Number of networks managed	5,0	20,0	50,0	70,0	120
Estimated sales		0,6	1,5	2,1	3,7

II. ELECTRONIC MEDICAL RECORDS

The end objective of healthcare networks is to create medical records that are shared by all the members of any given healthcare team. Starting this year, Medcost will therefore integrate a platform for managing medical records into its healthcare networks. This free service will initially be offered only to patients suffering from severe or chronic illnesses. However, a project for "generalist" records will be launched in the second half of 2000 and will be free to web surfers.

Electronic medical records will nevertheless generate revenues, since the company counts on pharmaceutical companies and insurance companies being willing to pay for management of these records. It is in their interest that such practices should develop. In this way, pharmaceutical companies will obtain data concerning patients (anonymous) while health insurers will be able, at relatively little cost, to improve their brand image and gather data that will help improve risk control.

The average annual fee will be €18.3 for each EMR managed. Management forecasts for this business are given below:

(€m)	2000	2001	2002	2003
Number of EMR managed	2 000	150 000	400 000	800 000
Estimated sales	0,04	2,74	7,32	14,64

III. CONSULTING AND NETWORK AUDITS

An audit is compulsory for networks set up under the "Soubie" system. This audit is used as the basis for calculating possible State financial aid. There are now some 1,200 healthcare networks in France and the number is expected to grow considerably (more than 30% a year) in coming years. These networks are customers for Medcost's consulting and audit services.

The forecasts given below are based on the following assumptions:

- This business will not start up until at least **2001** since a network can only be evaluated after a certain length of time in operation;
- **Less than 10% of total networks** will use consulting and auditing services;
- The average fee per project is estimated at about **€7,600**;
- **In 2001 Medcost will have 10% market share**, and this is expected to double by 2003 in view of the accumulated skills it will have acquired.

(€m)	2000	2001	2002	2003
Number of healthcare networks using consulting and audit services		100	130	169
Healthcare network consulting and audit market		0,8	1,0	1,3
<i>Market share</i>		10%	15%	20%
Estimated sales		0,08	0,15	0,26

In conclusion, total sales forecast for the healthcare networks and electronic medical records division breaks down as follows:

<i>(€m)</i>	1999	2000	2001	2002	2003
Creation and management of healthcare networks		0,61	1,52	2,13	3,66
Electronic medical records		0,04	2,74	7,32	14,64
Healthcare network consulting and audit services			0,08	0,15	0,26
TOTAL	0,27	0,65	4,34	9,60	18,55

IV. FINANCIAL ANALYSIS

A. A TRACK RECORD OF PROFIT GROWTH

From 1995 to 1998, Medcost recorded strong business growth combined with high profitability. The company was set up in 1995 and generated turnover of €0.43m with 6 employees that same year. Growth averaged 84% a year between 1996 and 1998. Medcost cleared an average operating margin of more than 14% during its first four years in operation. This high level of profitability can be partially attributed to the consulting business, which enjoys high margins.

MEDCOST (€'000)	1995	% Sales	1996	% Sales	1997	% Sales	1998	% Sales
Sales	429,1		645,6		1 557,0		2 522,8	
	<i>% change</i>		50%		141%		62%	
Operating profit	66,9	15,6%	91,2	14,1%	198,6	12,8%	359,9	14,3%
Net attributable profit	43,9	10,2%	59,0	9,1%	135,9	8,7%	228,7	9,1%

1999 was a transition year for Medcost, with sales of €2.7m, up by only 8%.

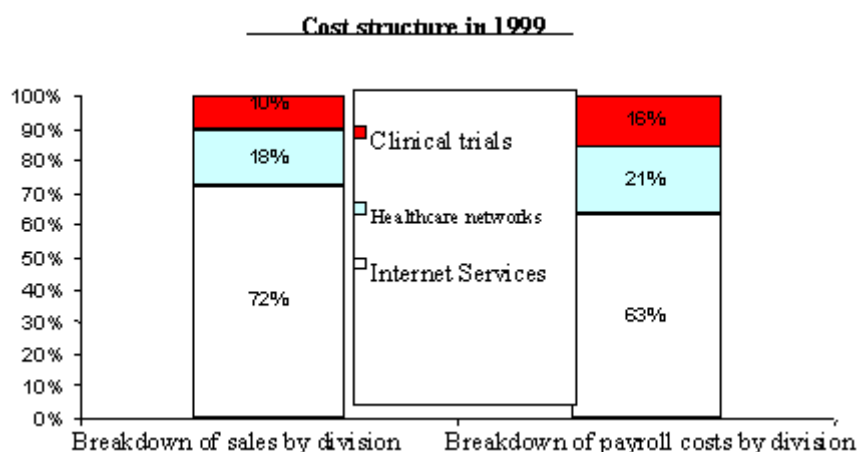
€m	1998	1999	% change
Clinical trials and Data Management	0,6	0,5	-22%
Healthcare networks	0,1	0,3	117%
Internet/intranet services and consulting	1,8	2,0	11%
e-commerce	0	0	
TOTAL	2,5	2,7	8%

Slow business growth in 1999 was due to several factors:

- **The company encountered problems recruiting new employees, notably sales staff.** Medcost is looking for candidates with a particular profile, combining technical skills and sector-specific know-how. It has taken advantage of the lull in recruitment to stabilise existing teams and train them. For example, in 1999, the company still lacked the marketing capacity necessary to achieve real success in the area of clinical trials, which partly explains this division's decline in sales last year.
- In 1998, Medcost's hosting capacities were inadequate and of only average quality. At the same time, the competition had become more professional, more competitive and had made significant investments (e.g. Integra). **In 1999, Medcost invested in its hosting platform to ensure high levels of security and increased capacity.** These investments will begin to pay off starting 2000. The company currently has an access availability rate of 99.9%, which is very important, given that the sites hosted are highly "sensitive" and require top quality hosting services.
- In Internet/intranet services, Medcost has **withdrawn progressively from the "brochure" web site market, which offers little added value,** but which was the fastest growing segment in 1999.

- **The consulting market flagged slightly in 1999.** The arrival of large numbers of new entrants offering free consulting services in order to gain clients negatively affected the market. In some cases, Medcost was forced to follow suit.
- **The wave of mergers among pharmaceutical companies** led to projects being delayed or even frozen (e.g. Rhône Poulenc / Hoechst, and Sanofi / Synthelabo).
- Lastly, Medcost **invested massively in R&D** during the year in order to create a complete new product line (electronic medical records, etc.) and resources allocated to R&D do not generate turnover.

The operating margin nonetheless reached 13.8% in 1999, against 14.3% in 1998. Performance varied at the three divisions. Healthcare networks broke even while clinical trials generated an operating loss. These figures were to a largely offset by the performance of the Internet/intranet services division whose operating margin soared above the group average.

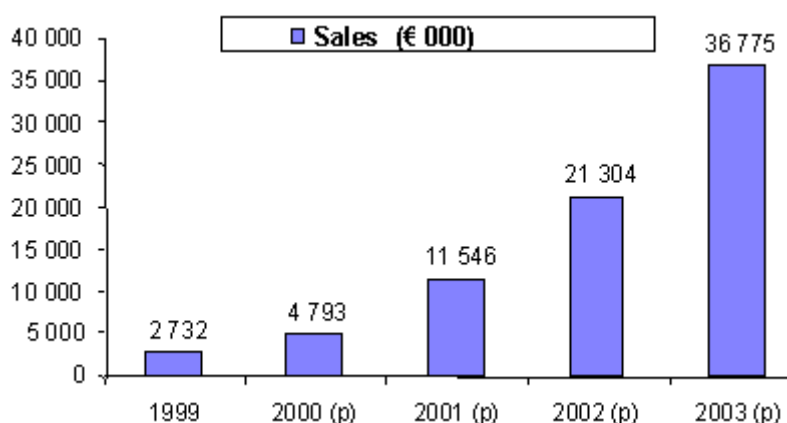


Graph

Net profit reached €0.34m in 1999, up 49% over the previous year. This increase in net margin came mainly from a lower effective tax rate, down to 8.9% compared with 26.8% in 1998, resulting from tax credits on research. Excluding this exceptional item, net profit would show a 20% rise.

B. VERY STRONG ORGANIC GROWTH IS EXPECTED OVER THE NEXT FOUR YEARS

Medcost is expected to record sales of €4.8m this year, corresponding to organic growth of 75% on 1999. Turnover is expected to grow by an average of 100% yearly in subsequent years to reach €36.8m in 2003. Growth will accelerate as of 2001 when the portal business starts up.



Growth forecasts for each business are as follows (see section III):

(€m)	1999	2000	2001	2002	2003	Average growth 1999 - 2003
Clinical trials and Data Management	0,5	1,0	2,1	3,2	4,9	+79%
Healthcare networks	0,3	0,6	4,3	9,6	18,6	+231%
Internet/Intranet services and consulting	2,0	3,2	4,1	5,2	6,9	+38%
Portals			1,1	3,3	6,4	+152%

Organic growth will to a large extent be underpinned by recruitment:

	Reminder 1999	2000	2001	2002	2003
Average growth in work force		6,5	40	80	130
Average Medcost workforce	43,5	50	90	170	300
% change		15%	80%	89%	76%

Management plans to reinforce its sales team starting in 2000, and aims to have 21 employees in 2003 compared with only 2 in 1999. With regard to the consulting division, which currently comprises six consultants who operate across the four divisions, Medcost plans to recruit more consultants to bring the total up to 30 by 2003. Management also intends to strengthen the editorial team (2 persons in 1999) dedicated to Internet sites and portals by recruiting an editor in 2000, 5 more editorial staff in 2001, 12 in 2002 and 20 in 2003.

Moreover, growth in portals will require massive integration of web site content starting in 2001, **which explains the increase in staff in the integration and graphics segments** (up from 4 in 1999 to 41 in 2003).

Lastly, **the technical team will be strengthened** by the addition of administration and development skills and, starting in 2001, development managers, security engineers, quality engineers, WAP specialists, etc..

Management counts on the company's increased reputation following the IPO to make recruitment easier than it was in 1999.

C. EARNINGS ARE EXPECTED TO REBOUND AFTER DIPPING IN 2000 AND 2001 AS A RESULT OF DEVELOPING NEW BUSINESSES

Estimated profit and loss accounts 2000-2003

MEDCOST (€'000)	1999	% Sales	2000 (e)	% Sales	2001 (e)	% Sales	2002 (e)	% Sales	2003 (e)	% Sales
Sales	2 732,5	100,0%	4 793,0	100,0%	11 545,9	100,0%	21 304,0	100,0%	36 775,4	100,0%
<i>% change</i>	<i>8%</i>		<i>75%</i>		<i>141%</i>		<i>85%</i>		<i>73%</i>	
Other purchases and external charges	581,3	21,3%	1 105,6	23,1%	2 643,1	22,9%	3 009,6	14,1%	4 600,2	12,5%
Payroll costs	1 960,5	71,7%	2 621,7	54,7%	5 190,3	45,0%	10 724,2	50,3%	20 604,3	56,0%
EBITDA	483,6	17,7%	973,7	20,3%	3 517,7	30,5%	7 196,3	33,8%	10 931,7	29,7%
Depreciation and provisions	125,0	4,6%	681,8	14,2%	2 547,4	22,1%	4 637,4	21,8%	5 068,4	13,8%
Operating profit	376,4	13,8%	291,9	6,1%	970,3	8,4%	2 558,9	12,0%	5 863,3	15,9%
Financial revenues/charges	-4,7	-0,2%	289,7	6,0%	426,9	3,7%	304,9	1,4%	292,7	0,8%
Underlying profit before tax	371,7	13,6%	581,6	12,1%	1 397,2	12,1%	2 863,8	13,4%	6 156,0	16,7%
Exceptional items	2,9	0,1%	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%
Employee profit sharing	0,0	0,0%	0,0	0,0%	0,0	0,0%	176,6	0,8%	644,7	1,8%
Tax	33,5	8,9%	232,6	40,0%	558,9	40,0%	1 145,5	40,0%	2 391,8	38,9%
Consolidated profit (100%)	341,2	12,5%	348,9	7,3%	838,3	7,3%	1 541,7	7,2%	3 119,5	8,5%
Net attr. profit	341,2	12,5%	348,9	7,3%	838,3	7,3%	1 541,7	7,2%	3 119,5	8,5%

IV. CAPITAL EXPENDITURE WILL WEIGH ON MARGINS IN 2000 AND 2001

Operating profit is expected to hit a low point at 6.1% in 2000 and remain low in 2001 (estimated at 8,4%). This is primarily due to the investments needed to set up the company's new businesses (portals. etc.). Amortisation charges, which formerly represented on average 4% of sales, will rise to 14% in 2000 and 22% in 2001. The investments will be mainly in IT: reinforcing hosting facilities to cope with increased business, computer hardware, etc.

	1995	1996	1997	1998	1999	2000 (e)	2001 (e)
Depreciation and provisions (€'000)	25	18	56	96	125	682	2 547
<i>as a % of sales</i>	<i>5,7%</i>	<i>2,7%</i>	<i>3,6%</i>	<i>3,8%</i>	<i>4,6%</i>	<i>14%</i>	<i>22%</i>
Investments (€m)						4,0	7,2

The item "Other purchases and external charges" will remain high in relation to sales in 2000 and 2001 (23%) owing to the following factors:

- Advertising expenses will rise sharply as the result of the IPO scheduled in 2000, and of advertising and marketing campaigns for the special-interest portals.
- Property-related costs will increase following the move to new premises in July 2000 and the opening of 2 offices abroad in January 2001.
- Content purchases and subcontracting (editorial content, freelancers, graphic design, etc) will increase in line with business growth.

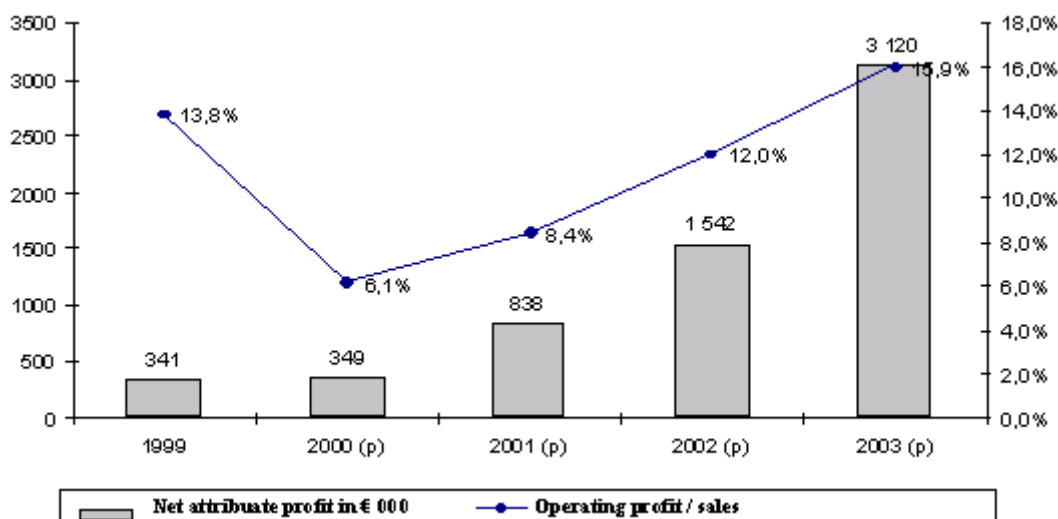
Staff costs will rise in 2000 and 2001 but more slowly than sales. The above estimates factor in recruitment (11 new staff in 2000 and 40 in 2001), an increase in the average salary owing to a more highly qualified workforce (roughly 4% a year) and the implementation of the 35-hour working week starting in the second half of 2000.

Finally, **net profit is expected to reach €0.35m in 2000, stable compared with 1999.** Net margin is expected to drop from 12.5% to 7.3% owing to the fall in operating margin and a return to normal tax rates (estimated at 40%). **For 2001, net profit is expected to grow in line with turnover (141%) and rise to €0.84m** (with a net margin of 7.3%).

V. A RETURN TO STRONG PROFITABILITY EXPECTED IN 2002

We are looking for operating margins to bounce back strongly to 12% in 2002 as the leverage provided by business growth in relation to overheads comes into full play, i.e. overheads will decline significantly as a percentage of sales. Consequently, the weight of non-productive staff costs (administrative, management) will diminish as a proportion of total payroll costs. This trend will continue through 2003 when we expect the operating margin to climb to 15.9%.

All in all, net profit is expected to grow by 88% in 2002 and 98% in 2003.



D. A HEALTHY BALANCE SHEET, BUT THE GROUP'S CASH REQUIREMENTS ARE HIGH

At 31 December 1999, Medcost had net debt of €0.18m for shareholders equity of €0.85m, corresponding to a very reasonable gearing of 21%. Management's business plan is ambitious and the company will need to raise €16.8m (after IPO-related costs) to finance the following investments:

Description of investment programme

(€m)	2000	2001	2002	2003
Hosting platform	0,91	3,05	2,29	1,52
Server licences	0,30	0,46	0,46	0,46
Local network	0,21	0,30	0,30	0,30
Computer hardware	0,06	0,16	0,31	0,53
Clean room	0,15	0,08	0,08	0,08
Office furnishings	0,03	0,09	0,18	0,30
Other fixed assets (shared files and vertical portals)	2,29	3,05	2,29	1,52
TOTAL	3,96	7,19	5,91	4,71

Working capital requirements will remain high until 2003 in view of the shift from service provider to operator. Our estimates are based on a WCR/Sales ratio of 17% on average from 2000 to 2003.

Statement of source and application of funds 2000e-2003e



Statement of source	2000	2001	2002	2003
<i>Resources</i>				
Cash flow	1 031	3 386	6 179	8 188
Capital increase	16 769			
Total	17 800	3 386	6 179	8 188
<i>Applications</i>				
Dividend pay out	0	0	0	0
Capital expenditure	3 961	7 188	5 907	4 711
Financial investments	0	0	0	0
Change in WCR	278	1 080	1 561	2 475
Balance	4 239	8 268	7 469	7 186
Change in net cash positions	13 561	-4 883	-1 290	1 002
Cash in hand	13 561	8 679	7 389	8 391
Net debt	-13 383	-8 501	-7 211	-8 213

Estimated balance sheet 2000-2003

(€m)	1999	2000 (e)	2001 (e)	2002 (e)	2003 (e)
Shareholders equity	854	17 973	18 811	20 353	23 472
Provisions	7	7	7	7	7
Long-term financial debt	13	0	0	0	0
Capital	874	17 979	18 818	20 359	23 479
- Fixed assets	442	3 721	8 361	9 631	9 273
= Working capital	433	14 259	10 457	10 728	14 206
WCR	597	876	1 956	3 517	5 993
Short-term bank loans	165	178	178	178	178
Cash + securities	0	13 561	8 679	7 389	8 391
Net cash	-165	13 383	8 501	7 211	8 213
Net debt	178	-13 383	-8 501	-7 211	-8 213

The funds raised by the IPO will enable the company to finance organic growth and make acquisitions. Medcost could possibly acquire small companies positioned in the same markets. Such deals would enable Medcost to expand abroad, acquire technologies and develop its skills base. However, as a precautionary measure no acquisitions are incorporated into the business plan.

V. STRENGTHS AND RISKS

	
<ul style="list-style-type: none"> • Positioning on strong-growth markets that are about to take off • No direct competitors of a similar size owing to the diversity of the company's service offer • Reputation and contacts built up by Dr. Laurent Alexandre in the health sector • Strong brand image throughout the health sector: Medcost is considered a visionary and pioneer in the field of the health Internet • The quality of the consulting team, and customer recognition of the company's technical skills • High level of repeat business • Flexibility, responsiveness and the ability to adapt to customer demand • Expertise in security, confidentiality and encryption • A significant competitive advantage thanks to the company's in-depth knowledge of the health sector 	<ul style="list-style-type: none"> • The appearance of specialised competitors (communications agencies, IT services companies, etc) as soon as demand is clearly defined in each market segment • A very young market, undergoing rapid change and sensitive to regulatory amendments • No experience in acquisitions • High staff turn-over (15% in 1999), but the turnover rate is virtually nil at management level • Presence limited to the home market • Scarcity of qualified labour • The company still relies too heavily on a single person, Dr. Laurent Alexandre

VI. PRICING

E. MARKET COMPARAISON

The diversity of the company's activities leads us to use two distinct peer groups. In each case we have taken the average estimated figures for 2000 et 2001 as a reference.

The first list is comprised of French stocks with comparable activities to those of Medcost. We have chosen the following companies :

Stocks	Price in € on 12/05/00	EV/Sales 2000	EV/Sales 2001
Himalaya	27.50	9.7	3.5
Fi System	66.00	14.2	7.4
Valtech	19.00	15.4	9.3
Integra	25.50	15.2	8.6
Cegedim	108.60	3.8	3.3
MOYENNE		11.7	6.4

It we apply these ratios to Medcost we reach a value of 65 M€

The second list of companies includes Americian stocks in the e-health sector.

	Price on 12/05 in \$	Sales 00	Sales 01	Cap/Sales 00	Cap/Sales 01
Careinsite Inc	20.6	14	114	ns	14.3
Drkoop.Com Inc	2.5	49	90	1.5	0.8
Healtheon/Webmd Corp	16.1	304	455	9.0	5.8
Mediconsult Com Inc	2.2	19	62	3.8	1.2
Allscripts Inc	35.9	50	94	17.2	9.2
Medscape Inc	3.4	31	73	5.0	2.1
Ventro Corp	23.6	145	445	7.3	2.3
Trizetto Group	23.7	60	93	6.3	3.9
Onhealth Network Company	2.8	19	35	3.2	1.7
Healtcentral	4.0	20	51	17.2	6.8
Neoforma	8.7	9	25	56.3	21.6
Sciquest	11.8	68	265	4.6	1.2
Moyenne				11.9	5.9

On the basis of the average of these ratios, Medcost would be valued at 62,7 M€

The average of these two lists brings us to a value of 63,9 M€

F. CASH FLOW

The explicit free cash flow **period is of 8 years**.

We have taken into account the business plan figures until 2003. We then estimate sales growth to continue at an average of +40% p.a. from 2004 to 2007, thanks to the company's extremely bouyant markets. As for EBITDA, we have estimated a decrease of 1% per year as from 2004, thus reaching 27% in 2007. Investments are particularly high until 2003 due to contruction of offers and the need to gain market share. These should reach a normal level of around 3% of sales in 2007.

We have applied a 3% infinite free cash flow growth rate

Lastly, we applied a 15% discount rate, corresponding to the sum of a 5.58% OAT 10year rate and the 6.99% Detroyat risk premium, multiplied by a 1.35% specific risk factor linked to the company. This high discount rate takes into account the high risk linked to the company's activites (Internet ...) and the moderate size of the company.

Free Cash Flow

€ 000	2000	2001	2002	2003	2004	2005	2006	2007
Sales	4 793	11 546	21 304	36 775	55 163	79 987	111 981	151 175
Growth (%)		140.9%	84.5%	72.6%	50.0%	45.0%	40.0%	35.0%
EBITDA	974	3 518	7 196	10 932	16 549	23 196	31 355	40 817
Margin (%)	20.3%	30.5%	33.8%	29.7%	30.0%	29.0%	28.0%	27.0%
Tax	370	1 337	2 735	4 154	6 289	8 815	11 915	15 511
Tax rate (%)	38%	38%	38%	38%	38%	38%	38%	38%
OperatingCash flow	604	2 181	4 462	6 778	10 260	14 382	19 440	25 307
Investment	2 436	5 663	5 907	4 711	2 758	3 199	3 359	4 535
% of sales	50.8%	49.1%	27.7%	12.8%	5.0%	4.0%	3.0%	3.0%
Change in CFR	278	1 080	1 561	2 475	1 839	2 482	3 199	3 919
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	-2 111	-4 563	-3 007	-408	5 663	8 700	12 881	16 852
Actualisation rate	1.000	0.869	0.756	0.657	0.571	0.497	0.432	0.376
Discounted Free cash flow	-2 111	-3 967	-2 273	-268	3 236	4 322	5 564	6 329

The discounted cash-flow method leads to a value of 64,9 M€ for medcost

G. PRICING

The average of the two pricing methods leads us to a **pricing of 64.4M€**, taking into account the 9M€ capital increase.

Pricing (M€)	
Market Comparaison	63.9
Cash Flows	64.9
Average	64.4

After a 30% discount, the price is established at 44,8 M€ (i.e. EV/Sales ratios of 8,0x 2000e and 3,7 x 2001e).

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MEDCOST (€' 000)	1995	1996	1997	1998	1999	2000 (p)	2001 (p)	2002 (p)	2003 (p)
Sales	429.1	645.6	1 557.0	2 522.8	2 732.5	4 793.0	11 545.9	21 304.0	36 775.4
<i>% change</i>		50%	141%	62%	8%	75%	141%	85%	73%
Production in stock or capitalised	0.0	15.2	-8.4	24.0	245.0	0.0	0.0	0.0	0.0
Production	429.1	660.9	1 548.6	2 546.8	2 977.5	4 793.0	11 545.9	21 304.0	36 775.4
Purchases and stock variations	0.0	0.0	0.0	0.0	8.1	0.0	0.0	0.0	0.0
Gross margin	429.1	660.9	1 548.6	2 546.8	2 969.4	4 793.0	11 545.9	21 304.0	36 775.4
Other purchases and external charges	100.8	209.3	387.5	488.1	581.3	1 105.6	2 643.1	3 009.6	4 600.2
Added Value	328.4	451.6	1 161.1	2 058.7	2 388.1	3 687.4	8 902.8	18 294.4	32 175.3
Payroll costs	232.6	359.9	894.1	1 595.7	1 960.5	2 621.7	5 190.3	10 724.2	20 604.3
EBITDA	91.5	87.5	255.1	450.1	483.6	973.7	3 517.7	7 196.3	10 931.7
Depreciation and provisions	24.5	-3.7	56.3	90.4	113.6	427.7	1 785.1	3 624.2	4 973.6
Operating Profit	66.9	91.2	198.6	359.9	376.4	546.0	1 732.6	3 572.2	5 958.1
Financial Revenues/charges	2.7	2.1	-3.0	-10.8	-4.7	255.7	101.2	22.7	48.0
Pre-tax Profit	69.7	93.3	195.6	349.1	371.7	801.6	1 833.8	3 594.9	6 006.1
Exceptional items	0.0	-0.5	-9.4	-36.7	2.9	0.0	0.0	0.0	0.0
Employee profit sharings	0.0	0.0	0.0	0.0	0.0	0.0	124.4	340.9	691.2
Tax	25.8	33.8	50.3	83.7	33.5	320.7	733.5	1 388.2	2 266.1
Equity Affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consolidated profit (100%)	43.9	59.0	135.9	228.7	341.2	481.0	975.9	1 865.8	3 048.8
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net attributable profit	43.9	59.0	135.9	228.7	341.2	481.0	975.9	1 865.8	3 048.8
Restated Net attributable profit (before goodwill)	43.9	59.0	135.9	228.7	341.2	481.0	975.9	1 865.8	3 048.8
FINANCIAL SITUATION (€' 000)									
Shareholders' equity before allocation	90	148	284	513	854	9 720	10 696	12 562	15 610
Provisions	0	0	2	13	7	7	7	7	7
Long term debt	0	0	71	13	13	0	0	0	0
Capital	90	149	358	539	874	9 727	10 703	12 569	15 617
- fixed assets	13	51	103	230	442	2 450	6 329	8 612	8 349
= working capital	76	98	255	310	433	7 277	4 374	3 957	7 269
WCR	-27	19	255	197	597	876	1 956	3 517	5 993
Short-term bank debt	0	0	0	14	165	178	178	178	178
Cash + securities	104	79	0	127	0	6 579	2 596	617	1 454
Net cash	104	79	0	113	-165	6 401	2 418	439	1 276
Net debt	-104	-79	71	-99	178	-6 401	-2 418	-439	-1 276
CAPITAL EXPENDITURE/FINANCING (€' 000)									
Cash flow	68.4	55.3	192.2	319.1	454.8	908.7	2 761.0	5 490.0	8 022.4
Capital expenditure	0.0	0.0	0.0	212.9	344.2	2 436.1	5 663.5	5 907.4	4 710.7
Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
dividends (year n-1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RATIOS (%)									
Operating profit/sales	15.6%	14.1%	12.8%	14.3%	13.8%	11.4%	15.0%	16.8%	16.2%
Restated net profit (100%)/ sales	10.2%	9.1%	8.7%	9.1%	12.5%	10.0%	8.5%	8.8%	8.3%
Restated net profit (100%)/Equity	49.0%	39.7%	47.8%	44.6%	39.9%	4.9%	9.1%	14.9%	19.5%
Net debt/Equity	-115.5%	-53.0%	24.9%	-19.3%	20.8%	-65.9%	-22.6%	-3.5%	-8.2%
ROCE	-381.7%	104.5%	44.4%	67.4%	29.0%	13.1%	16.7%	23.6%	33.2%
Cash Flow/Capex				149.9%	132.1%	37.3%	48.8%	92.9%	170.3%
Pay out	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PER SHARE DATE (€)									
Cash flow per share (diluted)	0.02	0.01	0.05	0.08	0.11	0.23	0.69	1.37	2.01
Restated EPS (before GW, stock in treasury, diluted for convertible bonds and share warrants)	0.01	0.01	0.03	0.06	0.09	0.12	0.24	0.47	0.76
Net dividend per share (year n)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of share listed	3 998	3 998	3 998	3 998	3 998	3 998	3 998	3 998	3 998
	371	371	371	371	371	371	371	371	371
Potential number of shares	3 998	3 998	3 998	3 998	3 998	3 998	3 998	3 998	3 998
	371	371	371	371	371	371	371	371	371