Highlights - Medicover January - June 2002

- Revenue for the second quarter amounted to EURO 8.8 million (EURO 7.6 million), a 16 percent increase from the same period 2001. First half year revenue was EURO 17.6 million, a 22 percent increase from the first half of 2001.

- Prepaid membership rose to 99,300 up 4,300 for the quarter and 18,000 or 22 percent versus the corresponding period last year.

- The operating loss (EBIT) amounted to EURO 0.5 million (-EURO 0.1 million) for the quarter and EURO 0.9 million (-EURO 0.4 million) for the six months.

- The operating profit before depreciation (EBITDA) amounted to EURO 0.2 million (EURO 0.4 million) for the quarter and to EURO 0.5 million (EURO 0.6 million) for the 6 months.

Approaching 100,000 members

Medicover maintained a satisfactory growth rate despite a continued weak economic environment in our main Polish market. Second quarter revenue increased by 16 percent from the same period in 2001 to EURO 8.8 million. Revenue for the first half was EURO 17.6 million, a 22 percent increase compared with first half 2001 revenue of EURO 14.4 million.

As expected, growth in our Polish operations slowed due to the more difficult local economic conditions. At the same time, Medicover’s other markets grew more rapidly. For the first 6 months of the year, growth for the markets outside Poland amounted to 58 percent, which made up more than 60% of overall growth.

Poland’s overall share of revenue for the first half of the year was reduced to 67 percent versus 74 percent a year earlier. Growth for our prepaid business for the first 6 months versus last year was 20 percent overall and 116 percent for the markets outside Poland.

The total number of prepaid members increased by 4,300 for the quarter to a total of 99,300. This is an increase of 18,000, or 22 percent, versus the same period last year. Of the year-on-year membership growth, 65 percent comes from outside Poland versus less than 25 percent for the same period last year. This illustrates the effect on our business of the slowdown in the Polish economy as well as the increased momentum in our markets outside Poland.

The operating loss for the quarter amounted to EURO 0.5 million (-0.1 million) and to EURO 0.9 million (-0.4 million) for the first 6 months. The increase in operating loss despite a 22 percent increase in revenue is mainly driven by higher depreciation and goodwill amortisation charges resulting from last year’s minority interest acquisition and the acquisition of the Czech operation, but also by additional spending on central sales support and information technology.

The operating profit before depreciation amounted to EURO 0.2 million (EURO 0.4 million) for the quarter and to EURO 0.5 million (EURO 0.6 million) for the first 6 months.

The pre-tax loss for the quarter amounted to Euro 0.9 million (-EURO 2.7 m) and for the six months to EURO 2.9 million (-EURO 2.9 m). Net investment income for the six months was a negative EURO 0.9 million and total financial expense was EURO 1.1 million.

It is a heavy burden for Medicover to continue to operate private equity activities in today's environment where it is very difficult to foresee the timing of exits and the value of our portfolio. As announced with our first quarter statement we have decided to sell the entire portfolio of investments and an Investment Memorandum has been approved by the board. We will now approach potential parties and hope to finalise this transaction within the next few months. It is vital that this transaction can be concluded and that our efforts and focus can be totally directed towards our Medicover operations and supported by a liquid balance sheet.

Medical costs amounted to EURO 5.3 million or 60.5 percent of revenue for the second quarter, compared with 59.8 percent for the first quarter and 57.2 percent for the second quarter 2001. Medical costs were EURO 10.6 million for the first 6 months (60.2 percent of revenue), compared with EURO 8.3 million (57.3 percent of revenue) for the first half 2001. Although the medical cost ratios are higher than the corresponding periods last year they are in line with expectations.

Distribution, selling and marketing costs amounted to EURO 1.2 million (1.1 million) for the second quarter and to EURO 2.3 million (2.0 million) for the first 6 months, representing 12.9 (13.7) percent of revenue.

Administrative costs fell for the second consecutive quarter to EURO 2.1 million, representing 23.6 (23.9) percent of revenue and EURO 4.3 million for the first half, or 24.2 (24.6) percent of revenue. We are currently restructuring several of our administrative functions to improve efficiencies and cost ratios. In the current quarter, we have expensed approximately EURO 0.1 million in one-off redundancy costs

Poland- Slowing growth but continued strong new sales

Polish revenue came in at EURO 5.9 million, a 1.3 percent decline from the first quarter and a modest 5 percent increase from the previous year. Revenue for the 6 months amounted to EURO 11.8 million, an increase of 10 percent versus a year earlier. Polish membership was static over the quarter at 74,500, balancing strong new sales performance with a continued weak performance within the existing portfolio.

The development in the annualised value of the total Polish prepaid benefit plans followed a similar pattern to the last three quarters, with a strong new sales performance but with a lack of growth from our existing portfolio of clients due to continued corporate downsizing. The total value of the Polish prepaid portfolio expressed in Zloty increased by some 8 percent during the first 6 months of 2002, whereas the value in EURO decreased some 5 percent compared to end of 2001. As we have commented previously, our Polish business will not return to its historic growth rates until we start to see a pick-up in the growth within our existing portfolio of companies, a trend which will follow on the back of improving local economic conditions.

Our strategy in the weakening Polish market has been to protect our average premium levels and not to sacrifice margins for volume. This has been largely successful with average premiums being stable over the past 12 months expressed in EURO.

During the second quarter we launched a joint product promotion and marketing campaign with the ING-banking group in Poland as announced previously. This was our first large-scale initiative to address the individual market. The campaign received significant interest. We have received positive customer feedback and encouraging sales results from the new products launched earlier in the year and commented on in our first quarter report.

During the quarter we continued to develop our network of independent network providers. No new fixed medical capacity was taken on during the quarter.

The Polish Zloty depreciated by 3 percent versus the EURO during the second quarter. Polish inflation has continued to fall and was reported at an annual rate of 2 percent in July 2002. A new Polish Finance Minister was appointed during the quarter. Among many things, he has re-affirmed the importance of the independence of the Central Bank.

Romania- A further large prepaid contract for more than 2,000 people signed

Second quarter Romanian revenue amounted to EURO 1.6 million, a 23 percent increase versus last year. Revenue for the 6 months increased by 33 percent versus last year to EURO 3.3 million. Our prepaid business showed a growth of 40 percent for the first 6 months compared to last year.

Prepaid membership increased by 1,500 to a total of 11,600. The previously announced large contract with two leading companies in the textile industry became operational during the quarter and the Swedish Ambassador to Romania officially opened the facility in early June.

Volumes in our laboratory business dropped slightly versus the first quarter due to budgetary allocations within our contract with the public health insurance funds.

We are continuing the development of a strong sales and marketing team in Romania and we are actively building our brand though various media campaigns.

We are particularly happy to report that during the second quarter we signed another large contract for more than 2,000 employees at good premium levels with a leading oil refinery company located on the Black Sea coast. This contract builds on the concept developed for the textile industry, and is considered of primary importance since it shows that domestic Romanian companies recognise the value of providing quality healthcare to their employees. Construction is under way of a 600 square meter medical facility in the Constanza region of Romania. The contract will become operational during the third quarter.

The Romanian economy continues to pick-up, with slowing inflation rates. Romania's sovereign debt has been upgraded by the rating agencies on the back of continued evidence of reforms and sustainable improvements. The European Bank for Development and Reconstruction held its annual meeting in Bucharest in May and Medicover provided emergency health cover to delegates and staff of the EBRD attending the conference.

Significant attention is paid to the upcoming NATO Prague-summit in November, where a possible NATO membership for Romania and several other countries in the region will be decided.

Hungary-Continued pick up in prepaid business

Hungary continued to report strong growth with second quarter revenue up 47 percent versus last year at EURO 0.5 million. Revenue for the first half amount to EURO 1.0 million, also a 47 percent increase versus last year. The prepaid business grew strongly with a 97 percent increase for the first half compared to last year, whereas the fee-for-service business was static. We continue to experience good average premium levels on our new business sold.

Prepaid membership increased to 3,700 by mid-year.

Estonia- First larger prepaid contracts signed

Revenue in Estonia for the second quarter increased by 20 percent versus a year earlier to EURO 0.2 million, and for the 6 months to EURO 0.4 million, representing an 18 percent increase. During the second quarter, we saw the first larger prepaid contracts being sold in Estonia, and prepaid membership increased by 1,000 to 1,900. Although these contracts are at lower premium levels than in other countries, we still see this as an encouraging sign.

Czech Republic- Integration and focus on sales development

Revenue in the Czech Republic amounted to EURO 0.5 million for the second quarter and to EURO 0.9 million for the first 6 months. Prepaid membership increased by 1,600 to 7,600.

We have continued our work with integrating the Czech operation, which was acquired in November 2001, into Medicover. During the third quarter, we will re-brand the local operation under the Medicover brand which will be supported by a media campaign.

The sales and marketing team is under development, with a sales manager recently hired.

Investment activities

Our investment activities have seen a continued good performance on our remaining Russian listed investments with a return of Euro 0.4 million for the quarter. For the six months the return is a loss of Euro 0.5 million due to the write down of our unlisted investment Invacorp of Euro 1.5 million in the first quarter.

Investment management costs was in line with the previous quarter at Euro 0.2 million and Euro 0.4 million for the six months.

During the quarter we realised Euro 0.9 million through the sale of Russian listed equities.

After the end of the reporting period we have finalized the sale of our Romanian leasing company Motoractive for book value of Euro 0.9 million.

Liquidity

Current assets amounted to €8.6 million, including €2.0 million of listed shares. Payables, including accruals and deferred revenue amounted to €6.7 million. In addition the Group has unused loan facilities of €1.2 million. In total the group has €3.3 million in cash and undrawn loan facilities.

Financial costs

Financial costs for the quarter amounted to a net of €0.6 million (€0.1 million). Interest costs have risen in line with the increased level of debt, however the offset of the reduction in interest bearing bonds and interest earning assets have increased the net costs. Exchange losses have been incurred on receivables from trading subsidiaries where the currencies have weakened against the Euro. The strengthening of the Euro to the US dollar has offset this partly, however a large part of our US Dollar exposures are hedged.

Taxation

The tax charge of €0.1 million, (€0.2 million) relates to the release of deferred tax accruals in Poland, and irrecoverable withholding taxes.

Outlook

We reiterate our view that our short to mid term outlook in Poland is closely related to the speed of recovery in the Polish economy. Given the present adverse trading conditions in Poland we are encouraged by our new sales results and interpret this as a sign of the strength of the product and brand. We remain confident that our overall Polish growth will pick up in line with the domestic economic recovery. We believe that our present work with strengthening the product and investing in sales and marketing is wise given the state of the market and will pay off in the longer run. We will continue our work in streamlining administrative processes and making the company leaner on the back of improved information technology support.

We are encouraged by the developments in Romania, both in the economy and for our local operation. We believe we are in an excellent position versus future competitors to gain a strong market share in the evolving Romanian market place. Our developing local sales and marketing organisation is meeting a much more receptive market place today versus a year ago.

The Hungarian business continues to improve under new leadership since earlier this year. Several initiatives are being developed, such as the launch of a separate health-insurance fund which will significantly improve the tax situation for the corporations buying our services. We will be seeking to relocate the original clinic location in Budapest, replacing this with a modern and well located facility to complement the well received second facility launched late last year.

The Czech operation will continue its integration into the Medicover Group. During the third quarter we will be switching all branding and promotion activity over to the Medicover brand and this will happen in tandem with a marketing campaign. Our new products will be put in the market, supported by a strong sales and marketing team which is presently being assembled under a recently appointed responsible manager.

The early encouraging signs of prepaid business growth in Estonia will be further supported during the second half of the year with increased sales and marketing efforts. Estonia is also under new leadership since earlier this year.

For the region there are two events of historic importance coming to finalisation during the second half of the year. In November in Prague NATO will decide on further enlargement of the military alliance and final agreement on EU enlargement is scheduled to be reached during the next six month period.

Jonas af Jochnick
August 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

€'000	**Quarter ended 30 June 2002**	Quarter ended 30 June 2001	**6 months ended 30 June 2002**	6 months ended 30 June 2001
Revenue	**8,816**	7,599	**17,640**	14,442
Operating expenses				
Medical provision costs	**(5,334)**	(4,349)	**(10,613)**	(8,278)
Distribution, selling and marketing costs	**(1,190)**	(1,051)	**(2,268)**	(1,982)
Administrative costs	**(2,082)**	(1,816)	**(4,278)**	(3,553)
Depreciation & amortisation	**(706)**	(517)	**(1,398)**	(1,004)
Total operational costs	**(9,312)**	(7,733)	**(18,557)**	(14,817)
Operating (loss)	**(496)**	(134)	**(917)**	(375)
Investment income	**354**	(2,059)	**(502)**	(1,338)
Investment management costs	**(198)**	(391)	**(396)**	(838)
Net investment income	**156**	(2,450)	**(898)**	(2,176)
Interest received	**32**	116	**54**	238
Less interest paid	**(424)**	(301)	**(823)**	(579)
Foreign exchange loss	**(191)**	52	**(322)**	(35)
Total financial expenses	**(583)**	(133)	**(1,091)**	(376)
Loss before tax and minority interests	**(923)**	(2,717)	**(2,906)**	(2,927)
Income tax	**(112)**	(162)	**(143)**	(215)
Minority interests in result	**-**	12	**-**	28
Loss after taxation and minority interests	**(1,035)**	(2,867)	**(3,049)**	(3,114)
Per ordinary share information				
(Loss) per share	**€(0.09)**	€(0.24)	**€(0.25)**	€(0.26)
Diluted (loss)	**€(0.08)**	€(0.24)	**€(0.25)**	€(0.26)

CONSOLIDATED BALANCE SHEET

As at	**30 June 2002 €'000**	31 December 2001 €'000
Non-current assets		
Purchased goodwill	**2,288**	2,402
Intangible fixed assets	**1,073**	996
Tangible fixed assets	**8,201**	8,811
Total fixed assets	**11,562**	12,209
Loan investments	**2,455**	1,893
Unlisted equity investments	**32,169**	33,314
Total unlisted investments	**34,624**	35,207
Deferred tax asset	**905**	1,043
Total non-current assets	**47,091**	48,459
Current assets		
Listed equity shares available for sale	**2,022**	3,496
Inventories	**151**	202
Receivables	**4,295**	3,527
Cash and cash equivalents	**2,121**	3,441
Total current assets	**8,589**	10,666
Total assets	**55,680**	59,125
Share capital and reserves		
Share capital	**66,366**	66,366
Treasury shares	**(1,961)**	(1,961)
Additional paid in capital	**27,107**	27,107
Translation reserve	**(787)**	(423)
Accumulated losses	**(57,743)**	(54,694)
Total shareholders' equity	**32,982**	36,395
Non current liabilities		
Loans payable	**5,166**	5,892
Deferred tax liability	**395**	395
Total non current liabilities	**5,561**	6,287
Current liabilities		
Loans payable	**10,407**	9,586
Trade and other payables	**6,730**	6,857
Total current liabilities	**17,137**	16,443
Total liabilities	**22,698**	22,730
Total shareholders' equity, liabilities and minority interest	**55,680**	59,125

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€'000	Share Capital	Reserve for own shares	Additional Paid in Capital	Retained Earnings	Translation Reserve	Total
Opening balance as at 1 January 2001	62,368	-	27,221	(44,363)	(633)	44,593
Share capital increase	3,998	(2,015)	-	-	-	1,983
Purchase of minority interest	-	-	-	90	-	90
Loss for the period	-	-	-	(3,114)	-	(3,114)
Effect of exchange rate differences on translation of profit and loss	-	-	-	-	462	462
Closing balance as at 30 June 2001	**66,366**	**(2,015)**	**27,221**	**(44,387)**	**(171)**	**44,014**
Opening balance as at 1 January 2002	66,366	(1,961)	27,107	(54,694)	(423)	36,395
Loss for the period	-	-	-	(3,049)	-	(3,049)
Effect of exchange rate differences on translation of profit and loss	-	-	-	-	(364)	(364)
Closing balance as at 30 June 2002	**66,366**	**(1,961)**	**27,107**	**(57,743)**	**(787)**	**32,982**

CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June	**2002**	2001
	€'000	€'000
Loss before tax and minority interest	**(2,906)**	(2,927)
Adjustments for:		
Depreciation	**1,272**	1,004
Amortisation	**126**	-
Loss on disposal of tangible fixed assets	**13**	-
Portfolio loss / (profit)	**622**	1,338
Dividends received	**(37)**	(5)
Interest expense	**823**	579
Interest income	**(54)**	(238)
Unrealised foreign exchange loss	**34**	(74)
Changes in operational assets and liabilities:		
Decrease / (Increase) in Receivables	**(1,026)**	(263)
(Decrease) / Increase in Payables	**(274)**	(1,284)
Cash utilised by operating activities	**(1,407)**	(1,870)
Income tax paid	**(24)**	-
Net cash flow from operating activities	**(1,431)**	(1,870)
Investing Activities		
Loans investments repaid / (advanced)	**(562)**	(24)
Acquisition of unlisted securities	**(355)**	(1,418)
Acquisition of tangible fixed assets	**(1,309)**	(1,214)
Proceeds from sales of listed equity shares	**2,085**	-
Acquisition of subsidiaries, net of cash acquired	**(12)**	(2,092)
Dividends received	**38**	5
Net cash flow from investing activities	**(115)**	(4,743)
Financing activities		
Proceeds from the issue of share capital	**-**	1,983
Loans received / (repaid)	**749**	5,017
Interest received	**54**	238
Interest paid	**(394)**	(391)
Net cash flow from financing activities	**409**	6,847
Net effects of exchange gain/(loss) on cash balances	**(183)**	136
(Decrease) / Increase in cash and cash equivalents	**(1,320)**	370
Cash and cash equivalents		
Total cash balance as at 1 January	**3,441**	807
Total cash balance as at 30 June	**2,121**	1,177
(Decrease) / Increase in cash and cash equivalents	**(1,320)**	370

DEPRECIATION & AMORTISATION

Six months ended 30 June	**2002** **€'000**	2001 €'000
Depreciation	**(1,272)**	(1,004)
Amortisation of goodwill	**(126)**	-
Depreciation & Amortisation	**(1,398)**	(1,004)

Basis of preparation

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

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