Medicover Group

Highlights

- Revenue for the third quarter amounted to € 8.4 million (€7.3 million), a 15 percent increase from the same period 2001. Nine month revenue was € 26.0 million (€21.7 million), a 20 percent increase from the nine months of 2001.

- Prepaid membership rose to 103,300 up 4,000 for the quarter and 19,500 or 23 percent versus the corresponding period last year.

- The operating loss amounted to € 0.2 million (-€ 0.4 million) for the quarter and € 1.1 million (-€ 0.7 million) for the nine months.

- The operating profit before depreciation and amortisation (EBITDA) amounted to € 0.5 million (€ 0.2 million) for the quarter and to € 1.0 million (€ 0.8 million) for the 9 months.

- A provision of € 19.6 million against our portfolio of unlisted investments, reducing the carrying value to € 14.4 m. The size of the provision has been determined by assessing the market value of the entire portfolio of unlisted investments based on the reactions and feedback received from potential acquirers.

- In case no binding third party offer has been received by 1st December 2002, the Chairman of the Board, Mr af Jochnick has made an irrevocable commitment to make an offer for the portfolio of unlisted investments, including loan investments but excluding the three fund investments, of € 12 m.

Investment Portfolio

As discussed in previous announcements, the Board considers it of significant importance to the successful development of Medicover, that the company can divest itself of the investment portfolio and achieve a more liquid balance sheet, allowing more focus and transparency to Medicover, reducing central management and financing costs and providing the required funding to support an ambitious development plan over the coming two years.

As communicated in our 6-month report, we developed an Investment Memorandum and over the past 3 months worked with soliciting offers for our investment portfolio. Approximately 20 institutional investors active in the region were approached and considered the opportunity. No binding offer has yet been received.

In the third quarter we have consequently made a provision of € 19.6 million against our portfolio of unlisted investments, reducing the carrying value to € 14.4 million.

The size of the provision has been determined by assessing the market value of the entire portfolio of unlisted investments based on the reactions and feedback received from potential acquirers, and considering the expected value to be realised from a transaction as described below.

In case no binding third party offer has been received by 1st December 2002, the Chairman of the Board, Mr af Jochnick, who directly controls or has an interest in 40.1 % of Medicover has made an irrevocable commitment to make an offer for the portfolio of unlisted investments, including loan investments but excluding the three fund investments, of € 12 m. Would any offer on better terms be received, Mr af Jochnick will not bid higher.

We have reduced the carrying value of the three fund investments that will remain on our balance sheet from € 3.6 million to € 2.4 million, reflecting the increased uncertainty on underlying asset values and exit timing.

Should the offer from Mr af Jochnick be submitted, the rules regarding related party transactions will be activated. These rules require, among other things, the Board to receive an independent valuation of the market value of the assets, to thereby assess the fairness of the related party offer. Based on this, a recommendation will be made by the Board to the shareholders at an Extraordinary General Meeting, whether or not to accept the offer.

As a consequence of the Board's decision to proceed with the sales of the entire portfolio of unlisted investments, the results from the investment activities are reported as discontinuing operations according to International Accounting Standards. The cash received from the sale will be at least € 12 million, and is likely to be received in the early part of the new year, subject to the approval of the shareholders.

The sale of our Romanian leasing company Motoractive for carrying value of € 0.9 million has been completed and the funds will be received shortly.

Operations

Medicover continued to grow its underlying business, despite adverse exchange rate movements showing an reduction in revenues as reported in Euro. Third quarter revenue increased by 15 percent from the same period in 2001 to € 8.4 million. Revenue for the nine months was € 26.0 million, a 20 percent increase compared with nine months 2001 revenue of € 21.7 million

Sales - Over 100,000 members

The total number of prepaid members increased by 4,000 for the quarter to a total of 103,300. This is an increase of 19,500, or 23 percent, versus the same period last year. Of the year-on-year membership growth, 75.4 percent comes from outside Poland, of which 36.7 percent was organic and 38.7 was due to the Czech acquisition. For the same period last year, 25 percent of growth was outside Poland.

Growth in the Polish operations has continued, albeit at a slower rate due to the economy, with a 3 percent increase in revenue reported in local currency over the previous quarter. Poland's overall share of revenue for the nine months of the year was reduced to 66 percent versus 74 percent a year earlier. Growth for our prepaid business for the nine months versus last year was 18 percent overall and 122 percent for the markets outside Poland of which 72 percent was organic and 50 percent for the Czech acquisition

Growth in Medicover's other markets continued, with the best growth in Romania, which increased revenues by 7 percent over the preceding quarter. For the nine months growth for the markets outside Poland amounted to 58 percent, which made up more than 70 percent of overall growth.

Earnings

The operating loss for the quarter amounted to € 0.2 million (-€ 0.4 million) and to € 1.1 million (-€ 0.7 million) for the nine months.
The operating profit before depreciation amounted to € 0.5 million (€ 0.2 million) for the quarter and to € 1.0 million (€ 0.8 million) for the nine months.

The pre-tax loss for the quarter amounted to € 0.4 million (-€ 0.7 million) for the continuing operations and to €20.2 million (-€0.8 million) for the discontinuing operations. For the nine months the pre tax loss for the continuing operations amounted to € 2.2 million (-€1.4 million) and to € 21.3 million (-3.2 million) for the discontinuing operations. Total financial expense was € 1.4 million. The large write down of € 19.6 million to the unlisted portfolio reflects the likely proceeds from the disposal.

Costs

Medical costs amounted to € 5.0 million or 59.5 percent of revenue for the third quarter, compared with 60.5 percent for the second quarter and 59.7 percent for the third quarter 2001. Medical costs were € 15.6 million for the nine months (60.0 percent of revenue), compared with € 12.6 million (58.1 percent of revenue) for the first nine months 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 € 0.9 million (€ 1.0 million) for the third quarter and to € 3.1 million (€ 3.0 million) for the nine months, representing 12.1 (13.6) percent of revenue.

Administrative costs were at the same level as in the second quarter at € 2.1 million, representing 24.4 (24.3) percent of revenue and € 6.3 million for the nine months, or 24.3 (24.5) percent of revenue.

Poland - Continuing sluggish economy

Polish revenue amounted to € 5.5 million, a 6 percent decline from the second quarter and a 2 percent increase from the previous year. Revenue for the 9 months amounted to € 17.3 million, an increase of 7.2 percent versus a year earlier. Polish membership increased by 1,100 over the quarter to 75,600, with growth easing slightly, but helped by a slight improvement in performance from the existing portfolio.

The development in the annualised value of the total Polish prepaid benefit plans has followed a similar pattern for the year with good new sales performance but with a lack of growth from our existing portfolio of clients due to continued corporate downsizing.

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 Polish Zloty.

One of the factors behind the change in Euro revenue is a large depreciation in the exchange rate for the Polish Zloty against the Euro of 9.7 percent for the third quarter compared to the second quarter. As a result of this the total value of the Polish prepaid portfolio expressed in Zloty increased by some 10.4 percent during the nine months of 2002, whereas the value in Euro showed a small decrease compared to end of 2001.

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 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 the overall Polish growth will pick up in line with the domestic economic recovery, however we do not see this recovery having any strength in the short term. 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.

Romania - A further large prepaid contract for more than 2,000 people signed
Third quarter revenue amounted to € 1.7 million, a 29 percent increase versus last year. Revenue for the nine months increased by 31 percent versus last year to € 5.0 million. Our prepaid business showed a growth of 58 percent for the nine months compared to last year. Prepaid membership increased by 2,600 to a total of 14,200. The continued good increase in Romania is based on a contract similar to the one started in the second quarter, delivering services to the petrochemical industry.

Volumes in our laboratory business were similar to the second quarter levels. The Romanian economy continues to pick-up, with slowing inflation rates. Romania’s sovereign debt has seen another unexpected upgrade by the rating agencies on the back of continued evidence of reforms and sustainable improvements.

We are encouraged by the developments in Romania, both in the economy and for our local operation. We believe that Medicover is in an excellent position versus future competitors to gain a strong market share in the evolving Romanian market place.

Hungary - Continued pick up in prepaid business
Revenue for the quarter was € 0.5 million, an increase of 43 percent on the comparative quarter in 2001. Revenue for the nine months amounted to € 1.4 million, a 46 percent increase versus last year. We continue to experience good average premium levels on our new business sold. Prepaid membership increased to 3,950, an increase of 25 over the quarter. Hungary continued to grow the prepaid business, however the rate has reduced over the summer period.

Our Hungarian business is still at an early stage of development and we are under way to establish a new clinic to replace the original clinic acquired in 1998. Recent statements from the new Hungarian government indicate strong reform initiatives where private funding and provision of healthcare will play central roles.

Czech Republic - Integration and focus on sales development
Revenue amounted to € 0.5 million for the third quarter and to € 1.3 million for the nine months. Prepaid membership remained static at 7,600. We have continued our work with integrating the Czech operation, which was acquired in November 2001, into Medicover. The re-branding of the local operation under the Medicover brand is underway. We are expanding our services both in Prague and in Brno, the second city in the Czech republic, where we expect services to commence early in the new year.

The recently appointed Sales and Marketing Director is developing his sales team and several larger important contracts were signed during the quarter with commencement over the coming months .

Estonia – Broad base of occupational health customers
Estonian revenue amounted to € 0.2 million for the quarter and to € 0.6 million for the nine months. The third quarter is historically slower for the cash paid services, but the impact on our still small but growing prepaid business is visible versus last year.

Our business in Estonia will continue to build on its broad base of occupational health customers for wider service offerings.

Liquidity

Current assets amounted to € 9.0 million, including € 1.1 million of listed shares and a € 0.9 million receivable in respect of the sale of Motoractive. Payables, including accruals and deferred revenue amounted to € 7.3 million. Total debt amounts to € 15.9 million, and debt net of cash amounts to € 12.8 million.

Financial costs

Financial costs for the quarter amounted to a net of € 0.3 million (€ 0.4 million).

Outlook

The Irish referendum paved the way for enlarging the European Union with ten new member states from Central and Eastern Europe and we look forward to the Copenhagen summit to decide on this historical event, which will over the years to come have a very strongly positive effect on the business opportunities within the markets where Medicover operates.

By divesting ourselves of the investment portfolio, we achieve full management focus on Medicover's core business, allow better transparency of the company and secure the funding required for pursuing an ambitious development agenda over the coming years, all of which will positively impact Medicover's opportunity to develop a successful business.

Fredrik Ragmark
November 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Total consolidated

€'000	**Quarter ended 30 September 2002**	Quarter ended 30 September 2001	**9 months ended 30 September 2002**	9 months ended 30 September 2001
Revenue	**8,416**	7,310	**26,056**	21,752
Operating expenses				
Medical provision costs	**(5,008)**	(4,366)	**(15,621)**	(12,644)
Distribution, selling and marketing costs	**(875)**	(969)	**(3,143)**	(2,951)
Administrative costs	**(2,057)**	(1,774)	**(6,335)**	(5,327)
Depreciation & amortisation	**(695)**	(567)	**(2,093)**	(1,571)
Total operational costs	**(8,635)**	(7,676)	**(27,192)**	(22,493)
Operating (loss)	**(219)**	(366)	**(1,136)**	(741)
Investment income	**(19,905)**	(410)	**(20,407)**	(1,994)
Investment management costs	**(198)**	(311)	**(594)**	(1,149)
Net investment income	**(20,103)**	(721)	**(21,001)**	(3,143)
Interest received	**31**	46	**85**	284
Less interest paid	**(318)**	(356)	**(1,141)**	(934)
Foreign exchange gain / (loss)	**6**	(89)	**(315)**	122
Total financial expenses	**(281)**	(399)	**(1,371)**	(528)
Loss before tax and minority interests	**(20,603)**	(1,486)	**(23,508)**	(4,412)
Income tax	**5**	(139)	**(139)**	(354)
Minority interests in result	**-**	-	**-**	28
Loss after taxation and minority interests	**(20,598)**	(1,625)	**(23,647)**	(4,738)
Per ordinary share information				
(Loss) per share	**€(1.700)**	€(0.13)	**€(1.951)**	€(0.40)
Diluted (loss)	**€(1.671)**	€(0.13)	**€(1.918)**	€(0.40)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Continuing Operations

€'000	**Quarter ended 30 September 2002**	Quarter ended 30 September 2001	**9 months ended 30 September 2002**	9 months ended 30 September 2001
Revenue	**8,416**	7,310	**26,056**	21,752
Operating expenses				
Medical provision costs	**(5,008)**	(4,366)	**(15,621)**	(12,644)
Distribution, selling and marketing costs	**(875)**	(969)	**(3,143)**	(2,951)
Administrative costs	**(2,057)**	(1,774)	**(6,335)**	(5,327)
Depreciation & amortisation	**(695)**	(567)	**(2,093)**	(1,571)
Total operational costs	**(8,635)**	(7,676)	**(27,192)**	(22,493)
Operating (loss)	**(219)**	(366)	**(1,136)**	(741)
Investment income	**-**	-	**-**	-
Investment management costs	**-**	-	**-**	-
Net investment income	**-**	-	**-**	-
Interest received	**28**	46	**80**	128
Less interest paid	**(198)**	(314)	**(866)**	(847)
Foreign exchange gain / (loss)	**6**	(89)	**(315)**	122
Total financial expenses	**(164)**	(357)	**(1,101)**	(597)
Loss before tax and minority interests	**(383)**	(723)	**(2,237)**	(1,338)
Income tax	**7**	(139)	**(133)**	(224)
Minority interests in result	**-**	-	**-**	28
Loss after taxation and minority interests	**(376)**	(862)	**(2,370)**	(1,535)
Per ordinary share information				
(Loss) per share	**€(0.031)**	€(0.071)	**€(0.196)**	€(0.129)
Diluted (loss)	**€(0.030)**	€(0.071)	**€(0.192)**	€(0.129)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Discontinuing Operation

€'000	**Quarter ended 30 September 2002**	Quarter ended 30 September 2001	**9 months ended 30 September 2002**	9 months ended 30 September 2001
Investment income	**(19,905)**	(410)	**(20,407)**	(1,994)
Investment management costs	**(198)**	(311)	**(594)**	(1,149)
Net investment income	**(20,103)**	(721)	**(21,001)**	(3,143)
Interest received	**3**	-	**5**	156
Less interest paid	**(120)**	(42)	**(275)**	(87)
Foreign exchange gain / (loss)	**-**	-	**-**	-
Total financial expenses	**(117)**	(42)	**(270)**	69
Loss before tax and minority interests	**(20,220)**	(763)	**(21,271)**	(3,074)
Income tax	**(2)**	-	**(6)**	(130)
Minority interests in result	**-**	-	**-**	-
Loss after taxation and minority interests	**(20,222)**	(763)	**(21,277)**	(3,203)

CONSOLIDATED BALANCE SHEET

As at	**30 September 2002 €'000**	31 December 2001 €'000
Non-current assets		
Purchased goodwill	**2,295**	2,402
Intangible fixed assets	**1,134**	996
Tangible fixed assets	**8,099**	8,811
Total fixed assets	**11,528**	12,209
Loan investments	**1,409**	1,893
Unlisted equity investments	**12,963**	33,314
Total unlisted investments	**14,372**	35,207
Deferred tax asset	**944**	1,043
Total non-current assets	**26,844**	48,459
Current assets		
Listed equity shares available for sale	**1,163**	3,496
Inventories	**258**	202
Receivables	**4,505**	3,527
Cash and cash equivalents	**3,119**	3,441
Total current assets	**9,045**	10,666
Total assets	**35,889**	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	**(806)**	(423)
Accumulated losses	**(78,341)**	(54,694)
Total shareholders' equity	**12,365**	36,395
Non current liabilities		
Loans payable	**4,510**	5,892
Deferred tax liability	**395**	395
Total non current liabilities	**4,905**	6,287
Current liabilities		
Loans payable	**11,344**	9,586
Trade and other payables	**7,275**	6,857
Total current liabilities	**18,619**	16,443
Total liabilities	**23,524**	22,730
Total shareholders' equity, liabilities and minority interest	**35,889**	59,125

CONSOLIDATED CASH FLOW STATEMENT

Nine months ended 30 September	**2002** **€'000**	2001 €'000
Loss before tax and minority interest	**(23,508)**	(4,412)
Adjustments for:		
Depreciation	**1,904**	1,519
Amortisation	**189**	52
Loss on disposal of tangible fixed assets	**16**	-
Portfolio loss / (profit)	**20,537**	1,062
Dividends received	**(48)**	(16)
Interest expense	**1,141**	934
Interest income	**(85)**	(284)
Unrealised foreign exchange loss	**66**	499
Changes in operational assets and liabilities:		
Decrease / (Increase) in Receivables	**(496)**	1,097
(Decrease) / Increase in Payables	**253**	(1,261)
Cash utilised by operating activities	**(31)**	(810)
Income tax paid	**(151)**	(18)
Net cash flow from operating activities	**(182)**	(828)
Investing Activities		
Loans investments repaid / (advanced)	**(376)**	(24)
Acquisition of unlisted securities	**(712)**	(1,484)
Acquisition of tangible fixed assets	**(1,922)**	(1,763)
Proceeds from sales of listed equity shares	**2,602**	-
Acquisition of subsidiaries, net of cash acquired	**(82)**	(2,092)
Dividends received	**48**	16
Net cash flow from investing activities	**(442)**	(5,347)
Financing activities		
Proceeds from the issue of share capital	**-**	3,955
Treasury shares issued	**-**	(2,055)
Loans received / (repaid)	**997**	5,612
Interest received	**85**	284
Interest paid	**(581)**	(704)
Net cash flow from financing activities	**501**	7,092
Net effects of exchange gain/(loss) on cash balances	**(199)**	(2)
(Decrease) / Increase in cash and cash equivalents	**(322)**	915
Cash and cash equivalents		
Total cash balance as at 1 January	**3,441**	807
Total cash balance as at 30 September	**3,119**	1,722
(Decrease) / Increase in cash and cash equivalents	**(322)**	915

DEPRECIATION & AMORTISATION

As at 30 September	**Qtr 3 2002 €'000**	Qtr 3 2001 €'000	**YTD 2002 €'000**	YTD 2001 €'000
Depreciation	**(632)**	(515)	**(1,904)**	(1,519)
Amortisation of goodwill	**(63)**	(52)	**(189)**	(52)
Depreciation & Amortisation	**(695)**	(567)	**(2,093)**	(1,571)

DISCONTINUING OPERATION

In April 2002 the Board of Directors announced the intention to discontinue the Group's investment portfolio and to sell the assets.

The following assets represent the discontinuing activities, as revalued:

€'000s	**30 Sep 2002**	31 Dec 2001
Loan Investments	**1,409**	1,893
Unlisted Equity Investments	**12,963**	33,314
Listed Equity Investments	**1,163**	3,496
Total assets	**15,535**	38,703

The following cashflows were related to the discontinuing activities:

	9 months ended 30 Sep 2002	12 months ended 31 Dec 2001
Cash outflows Operating Activities	**(1,003)**	(1,832)
Cash outflows Investment Activities	**(1,040)**	(1,925)
Total Cash outflows	**(2,043)**	(3,757)

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".

CONSOLIDATED STATEMENT OF 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	(2,055)	-	-	-	1,943
Cost related to share capital increase			(43)			(43)
Purchase of minority interest	-	-	-	88	-	88
Loss for the period	-	-	-	(4,738)	-	(4,738)
Effect of exchange rate differences on translation of profit and loss	-	-	-	-	134	134
Closing balance as at 30 September 2001	**66,366**	**(2,055)**	**27,178**	**(49,013)**	**(499)**	**41,977**
Opening balance as at 1 January 2002	66,366	(1,961)	27,107	(54,694)	(423)	36,395
Loss for the period	-	-	-	(23,647)	-	(23,647)
Effect of exchange rate differences on translation of profit and loss	-	-	-	-	(383)	(383)
Closing balance as at 30 September 2002	**66,366**	**(1,961)**	**27,107**	**(78,341)**	**(806)**	**12,365**