Press Release
Oresa Ventures s.a. (publ)

Interim report january–june 2000

HIGHLIGHTS

• Net asset value at 30 June 2000 amounted to $77.7m (SEK 682.6m), equivalent to $6.61 (SEK 58.08) per share, compared with $6.72 (SEK 56.85) for the same period last year.

• Profit after tax was $1.17m (SEK 10.29m) for the second quarter and $0.75m (SEK 6.59m) for the six-month period, equivalent to $0.06 (SEK 0.56) per share, compared with $0.38 (SEK 3.22) per share for the same period a year earlier.

• 74% of net assets invested in Poland.

• Continued strong revenue growth for Medicover, with further margin improvements in key markets.

• A new commitment of $1.58m for 33% of Medinsite, an eHealth start-up targeting the European hospital supply market.

• Key management recruited for new joint venture with Ledstiernan AB targeting the Polish TIME sector. A further announcement will be made in coming weeks.

Oresa Ventures is pleased to report a positive result of $1.17m (SEK 10.29m) for the second quarter and $0.74m (SEK 6.54m) for the first six months of 2000. Net asset value amounted to $6.61 (SEK 58.08) per share.
The gains during the second quarter came from recouping a portion of the value of the Russian bonds which we had fully provided for in the third quarter of 1998. During the second quarter, we saw significant improvement in the value of
Russian debt. Applying a conservative valuation, we have
returned $2.6m to the balance sheet. This increase was partly offset by a reduction during the second quarter in the value of the remaining listed Russian shares we still hold.

Operating expenses were in line with budget at $1.98m, which includes a total of $0.43m further expensed on the eHealth project in Poland which we commented on in previous reports. We have focused on identifying and recruiting key individuals for our new joint venture with Ledstiernan within the TIME sector in Poland. We expect to release a separate announcement regarding this project in coming weeks. We have also made our first pure eHealth investment, in Medinsite.

MACROECONOMIC OUTLOOK

Poland

The first half of the year saw a breakdown in the coalition government in Poland after the small Freedom Union party walked out due to disagreement on a number of issues. The financial markets reacted calmly, however. The zloty has held its value against major western currencies. Of the region’s markets, Warsaw’s has most closely followed the Nasdaq due to its technology weighting. As a result, it fell substantially following the March correction. On a year-to-date basis, however, the Polish market is in positive territory expressed in USD. The main issue in the economy continues to be the current account deficit, which needs to be reduced.

Although the budget for next year proposed by the minority government has been criticized for not being austere enough, the overall economy continues to perform well and growth projections for the years ahead remain around the five-percent level.
Negotiations to join the European Union continue. Poland has faced criticism for lagging behind in the necessary legislative work. To ensure that the country catches up and shows a strong commitment to meeting the required deadlines, a special parliamentary committee was formed during the summer recess to work on EU related legislation. Expect-ations remain that Poland will join the Union sometime between 2003-2006.

Romania
The Romanian economy has bottomed out and started to grow in the first half of 2000 after three years of contraction caused by uncontrolled deficits, the Russian crisis and hesitant restructuring of loss-making industries.
GDP growth for the first half, estimated at 1.5%, exceeded the government’s forecast. Exports are the main growth driver. Most macroeconomic indicators, including the trade balance, exports, import coverage and inflation, have im-proved. International financial institutions, the IMF, WB and EU have all expressed their satisfaction at Romania’s economic accomplishments and committed their financial support. S&P has changed its outlook from negative to stable and is likely to increase its rating toward the end of the year.
It is generally expected that Romania’s economic policies and reforms, including its IMF program and EU accession efforts, will broadly remain on track ahead of and following the presidential election in November. This sets the stage for healthy, non-inflationary growth for the second half of the year and strong growth in 2001.

NEW DIRECT INVESTMENTS
After the conclusion of the reporting period, we made a commitment to invest in Medinsite AB, an eHealth start-up targeting the European hospital supply industry, together with IT Provider, a leading Swedish Internet investment firm. IT Provider and Oresa Ventures have both committed $1.58m (SEK 14.5m) for 33% stakes in Medinsite, with the balance controlled by the founders. Management has a long track record in the medical products industry across Europe.
Medinsite is active in Europe´s 15 bn euro market for medical products and supplies, which are mainly sold via tenders governed by EU directives and local laws. It intends to facilitate the tender process for buyers and suppliers throughout Europe, making it possible for healthcare providers to purchase medical products on a pan-European basis. Medinsite will thus implement the EU´s ideas in practice, facilitating lower business costs and reducing prices. An improved tender process will free up hospitals´ purchasing organizations, which often devote hundreds of hours to tenders, allowing them to concentrate on real value-added, such as customer contacts and information exchanges. Medinsite will expand throughout the European market from its initial focus on Germany and Sweden.
Medinsite is Oresa Ventures´ first pure eHealth investment and targets a segment of the healthcare industry that we consider very suitable for Internet-enabled efficiencies and cost savings.

DIRECT INVESTMENT REVIEW
In line with our policy, we report more extensively on our existing holdings, as shown in the table below, in our six- and 12-month reports. We now hold investments in the following unlisted companies:

Country[1]	Company	Owner-ship, %	Cost $m	Valuation $m	% of NAV

Poland						
	Medicover	95.0	27.2	40.5	52.1	
	Office Depot	7.4	5.5	6.4	8.2	
	Bev. H. Video		20.9	4.5	4.5	5.8
	UEC	37.0	5.0	5.0	6.4	
	Intersource	15.0	0.5	0.5	0.6	
	Subtotal		30.9	44.2	68.9	
Czech Rep.						
	Droxi	12.2	3.4	3.4	4.4	
Baltics						
	Airo	23.0	1.5	1.5	1.9	
Romania						
	Flanco	46.0	1.9	2.1	2.7	
	Churchill	29.0	1.1	1.1	1.4	
	BHL	[2]	2.9	4.3	5.5	
	Motoractive	47.5	1.3	1.3	1.7	
	Subtotal		7.2	8.8		
Russia						
	Invacorp	3.9	2.0	1.4	1.8	
	RIG	4.7	2.6	1.4	1.8	
	Subtotal		4.6	2.8		
Funds						
	Fulcrum	2.8	2.3	2.7	3.5	
	Ukraine	2.1	0.4	0.3	0.4	
	Danube	2.2	0.5	0.5	0.6	
	EMESCO	–	0.7	0.7	0.9	
	Subtotal		3.9	4.2		
	Total		63.3	77.6		

[1] The geographical analysis in this table is based on the primary location of the business and therefore may not agree with the geographical analysis given elsewhere, which is based on location of assets.
[2] Not disclosed.

MEDICOVER

Oresa Ventures' largest health care operation, Medicover, performed very well in the first six months of 2000. Total revenue was ahead of target at $9.48m, compared with $6.1m for the corresponding period of 1999, maintaining an organic growth rate of more than 50%. EBITDA of $0.20m for the period was also higher than forecast.

Medicover's main lines of business
• private health insurance
• fee-based private medical care
• diagnostic and laboratory medicine
• occupational medicine.

All four product lines have performed well and showed substantial year-to-year revenue growth. In its core insured and occupational medicine product lines, Medicover had more than 60,000 customers under active management by mid-year.

Expenses were kept under control and efforts to introduce operating efficiencies helped the organization on a consolidated basis to reinforce its EBITDA growth from the first quarter. We anticipate these positive trends to continue in the second half of the year. The key Polish market and Romania both showed strong EBITDA development, although this was partly offset by weaker than expected performance in Hungary.

POLAND

In Poland, Medicover's largest and most important market, six-month revenue was up 64% year-to-year, at $7.11m. Thanks to tight cost controls, the operation reported an improved EBITDA margin above 11%, or $0.78m, more than 70% above budget. A new Medical Center in Warsaw is scheduled to open in August.

HUNGARY

The small Hungarian operation continues to incur difficulties. Revenue amounted to $0.42m, which is more than last year but below target. Membership in the prepaid operation is growing, but below projected levels. Fee-for-service volume has remained on target. The revenue shortfall was the cause of a widened EBITDA loss to $0.31m.

Estonia

The Estonian operation is showing steady progress in capturing occupational medicine volume. Six-month revenue was $0.22m. A full-service health center opened several months ago and prepaid managed care volume is being developed to supplement Medicover's dominant position in occupational medicine. EBITDA for the period was negative at $0.16m, but with improving performance during the second quarter.

ROMANIA

Romania succeeded well in the year's first six months. Total revenue of $1.70m was about 20% higher than budgeted and more than double the previous year. Revenue growth was primarily achieved on the strength of laboratory services. This is the result of Medicover's leading position in laboratory diagnostics, where it has the only ISO 9000 certified laboratory in Romania, and a number of contracts it has for lab services with the newly formed Health Insurance House. Prepaid Medicover services were modestly behind target. An EBITDA margin approaching 25%, or $0.42m, was almost 100% higher than budgeted. We anticipate this trend will continue for the remainder of the year.

A second, larger Health Center and an expanded laboratory are scheduled to open in Bucharest in August.

Central overheads incurred an EBITDA loss of $0.56m, which was some 15% better than budgeted.

FLANCO

After very tough trading conditions in Romania last year, Flanco's performance has improved dramatically so far in 2000. Net sales for the first six months were well ahead of budget for the year and 72% higher than the first half of 1999. The company is gaining market share, as smaller retailers lack the financial strength to keep up with a rapidly changing retail environment.

A consumer credit scheme has been further strengthened through a recently signed agreement with one of the country's leading private banks, BCIT. Flanco has signed an exclusive agreement with a leading supplier of brown goods to cover the value segment.

Having completed a capital increase during 1999, the company has the financial strength to continue to take advantage of the growing market and changing retail environment. The company is actively pursuing new larger stores in Bucharest and other large cities.

OFFICE DEPOT (RIC)

The integration of the Office Center stores acquired from DIVACO last year is now complete. After the closure of one store, the Office Depot chain in Poland and Hungary consists of 19 stores. Corporate customers in both countries are now able to order on-line through the company's web sites (officedepot.com.pl and officedepot.hu). Although the pick-up has been relatively modest so far, e-commerce has a significant potential in office supplies, which Office Depot plans to take advantage of.
First-half numbers came in under budget due to increasing competition and the reorganization of the business services division (BSD). After the restructuring of a number of stores and a significant improvement in delivery efficiency, the focus is now on BSD's increasing customer base.

UNITED ENTERTAINMENT CO.
The company now has three family entertainment centers operating under the brand name Atomic Entertainment. All three are proving that the concept is right for Poland, that there is a significant demand for family entertainment with bowling as the key attraction and that there are still few viable alternatives. A fourth center will open in Warsaw in September, and a number of locations are being analyzed in Poland and neighboring countries.

BEVERLY HILLS VIDEO
The company reported strong performance during the first half of the year, with same-store sales growth of 30% and net sales up 50%. A revenue sharing program with a number of distributors is now in place, making it possible to offer customers larger copy depth while tying up less cash in inventory. A number of locations are now being refitted, and the company expects to operate approximately 33 stores by year-end.
Brewery Holdings Ltd.
Brewery Holdings Ltd. (BHL) has further cemented its market-leading position, with volumes ahead of budget. The positioning of the two main brands, Ciuc and Gambrinus, has proven very successful.

DROXI
Droxi continues to show strong same-store sales growth, with a 6% gain during first half of 2000. With 85 stores in the Czech Republic and Slovakia, the roll-out program is somewhat behind schedule, but will accelerate during the second half of this year following a loan facility concluded with BNP Dresdner in July.
The in-store pharmacy concept is well under way, with the first pharmacy to open in August followed by 3-4 more later in the year. It is anticipated that this will add significantly to customer traffic. An 8,000-sqm central warehouse under construction in the Czech Republic is expected to become operational during the fourth quarter.

RUSSIAN BONDS
Following the expropriation of assets by the Russian government in the second half of 1998, we provided fully against all of these assets until it became evident that they could be realized or their value became clear and marketable. This occurred in the second quarter, as Russia rehabilitated itself in the eyes of the international community. Although some restrictions still exist, we expect them to be lifted or eased considerably in the second half of 2000.
Accordingly, we have now valued these assets and included them on our balance sheet. This has resulted in an increase in the balance sheet of $2.6m and a corresponding increase in profit for the period. At current prices, these assets are yielding over 30% annually in local currency. We expect to hold these assets until yields decline further and restrictions are lifted.

LIQUIDITY
Our liquid balance as of 30 June was $10.71m, including committed credit facilities and the remaining portfolio of listed Russian shares and bonds.

RESULTS AND OUTLOOK

We are pleased with our results for the first half of 2000. Net asset value has increased from $6.55 (SEK 55.70) to $6.61 (SEK 58.08) per share since year-end 1999. Our largest and most important investment, Medicover, is developing very well, a trend we expect to continue for the remainder of the year.

During the first half of the year, we focused on preparing the launch of the new joint venture in Poland with Sweden's Ledstiernan. We recruited key management and will be making a separate announcement regarding this project in coming weeks.

We have made our first eHealth investment, in a company targeting the large market for hospital disposables, which we consider well-suited for efficiency gains and cost savings through Internet-based solutions. We have also continued to work on our Polish eHealth project and expect to be able to describe this in more detail during the coming period.

Looking ahead to the second half of the year, we see continued strong development in our key unlisted investments and anticipate exiting at least one investment. The joint venture with Ledstiernan will continue to be a strong focus during the remainder of the year.

Jonas af Jochnick

Chairman of the Board
August 2000