









Preliminary Annual Report 2003

Highlights January – December 2003

-  Revenue for the year 2003 amounted to €36.6 million (€35.3 million), an increase of 4%. In constant currency the revenue increase was 13%.
-  Prepaid membership rose to 117,000 (104,000), at year end, an increase of 13,000 for the year (12,200) or 13 percent, with a pronounced pick up in growth during second half of the year.
-  The operating loss for the year amounted to €1.1 million (€1.5 million).
-  The operating profit before depreciation and amortization for the year amounted to €2.0 million (€1.3 million).
-  Operating cash flow before tax payments and working capital changes improved to €1.9 million (€0.1 million) for the year.
-  The loss after tax for the year was €1.8 million (€23.8 million). The loss per share was €0.145 (€1.97) per share for the year.

Report for 2003

Dear Shareholders,

2003 has continued to be a challenging year for Medicover. Revenue growth has fallen short of our stated target but with encouraging increases in the important member recruitment rate during the final two quarters of the year.

Revenue amounted to € 36.6 million for the full year, a modest 4 percent increase versus the last year. Negative currency effects from principally our largest market in Poland continue to reduce our reported revenue. Isolating currency effects, constant currency revenue growth amounted to 13 percent for the year.

Even though our reported revenue growth is below our expectations, we are encouraged by the improving member acquisition rate, which will feed through in improving revenue growth.

The prepaid membership increased with 13,000 for the year, with the final quarter of the year continuing the encouraging member growth rate reported for the third quarter. 80 percent of 2003 member growth has been realized during the second half of the year. The total member base by the end of the year amounted to 117,000 members, a 13 percent increase versus the previous year.

The operating profit before depreciation (EBITDA) increased to €2.0 million (€1.3 million) for the full year. The operating loss for the year reduced to € 1,1 million (€1.5 million), while operating cash flow before tax payments and working capital changes improved to €1.9 million for the year versus €0.1 million the previous year.

Medical costs amounted to €22.9 million or 62.7 percent (59.8 percent) of revenue for the year. The higher medical cost ratio versus previous year is partly due to the inclusion of the acquired Polish laboratory business Nova Medical, where most of the costs are accounted for as medical costs. Excluding Nova Medical, for comparison purposes, medical costs amounted to 61.9 percent for the year. Medical costs in our largest market in Poland is below the stated target of 60 percent of revenue both for the final quarter and for the year, and has reduced year on year. Medical costs in Romania are in line with last year and slightly above our stated target, with some negative effect from the increased sourcing costs for laboratory consumables due to the strengthening euro. Medical costs in Hungary have been significantly reduced in absolute terms and the medical cost ratio is approaching the stated target for the final quarter of the year. This is due to the concentration of services to one location and an increased member base. The Czech Republic has had significant increase in medical costs versus prior year as a result of opening the Brno facility mid year 2003. While we still work to fill this facility with members, the negative impact on our consolidated medical cost ratio for 2003 is material.

Distribution, selling and marketing costs amounted to €4.3 million for the full year, representing 11.6 percent of revenue. This is in line with the €4.3 million spent last year, representing 12.1 percent of revenue.

Administrative costs amounted to €7.4 million or 20.3 percent of revenue. This compares with €8.6 million or 24.4 percent of revenue for the previous year. Administrative costs decreased by €1.2 million versus last year, partly explained by currency effects but also a result of cost reduction efforts and increased administrative efficiencies.

Depreciation and amortization amounted to €3.0 million (€2.9 million) for the year.

Investment activities

The remaining part of the discontinued investment portfolio amounted to a value of €3.4 million at year end. This portfolio has performed well over 2003, with a total of €0.8m of cash received over the year from disposals. Further disposals are expected over the first half of 2004. The return for the year on investment activities was €0.8 million, an increase of 22% on the opening valuation.

Liquidity

Net debt amounted to €2.7 million, at year end down from €12.7 million at year end 2002 after discontinuing and disposal of the unlisted investment activities. €0.7 million of unlisted equity investments have been reclassified to current assets to reflect the likely cash proceeds from disposals of these investments in 2004.

Cash flow

Cash flow generated by operations before working capital changes and tax payments was positive €1.9 million for 2003, a healthy increase on the €0.1 million cash inflow for the year 2002. Working capital changes generated a €0.4 million cash outflow for the year versus a cash inflow of €0.3 million in 2002. €0.7 million of tax was paid in the year compared to €0.3 million in 2002. Net operating cash inflow for the year was €0.8 million, compared to €0.1 million in 2002. Capital expenditures for the year were €3.0 million, representing investments in the business infrastructure both physical and information systems and expansion of capacity. Cash balances have reduced €0.7 million over the year from €2.9 million at the end of 2002 to €2.2 million at the end of 2003.

Financial costs

Finance costs after foreign exchange costs were €0.8 million for the year down from €1.2 million in 2002. The revision of the terms with the IFC debt have reduced the costs for 2003. In addition the refinancing of a part of this debt in October 2003, with lower cost and longer maturity debt has further enabled a reduction in the costs. The largest part of the foreign exchange loss relates to dollar denominated investments in the discontinued investment activities.

Operational Review

Poland

Medicover Poland reported revenue of €22.4 million for the year, which was below full year 2002 revenue of €23.1 million. Constant currency revenue growth in our Polish operation was 11 percent versus last year.

The prepaid membership base increased by 8,400 (5,200) for the full year, to a year end total of 86,000 (77,600), representing an 11 percent increase versus last year. 60 percent of the member growth has been realized during the second half of the year.

The portfolio value of our Polish client base, e.g. the value of all active contracts, expressed in local currency increased in line with member growth at 11 percent versus last year, illustrating our efforts to maintain average premium levels.

The financial performance has been maintained in Poland with contribution to the group result increasing strongly versus last year, despite the adverse foreign exchange impact.

Romania

As announced last quarter, with the formation of our Laboratory Division, we report the Romanian activities now split between the regular prepaid business and the laboratory business

Medicover Romania, excluding the laboratory activities, reported revenue of €3.5 million (€ 2.9 million) for the year 2003, representing a 22 percent increase on the comparative revenue for the prior year.

Prepaid membership increased by 3,000 (2,200) for the full year to 15,000. We continue to experience a good sales momentum in Romania.

Hungary

Revenue in Hungary amounted to €2.3 million (€2.0 million) for the full year, representing a 14 percent increase. The revenue composition has continued to be actively changed during the year with a 28 percent growth in the prepaid segment and the fee-for-service segment being reduced by half.

Prepaid membership increased to 4,900 compared to the prior year level of 4,100. We have continued to sell adequate amounts of new business during the final quarter of the year.

Czech Republic

Revenue in the Czech Republic was € 1.9 million which was flat versus last year's €1.8 million.

The pre paid membership level increased by 1,000 members during the final quarter to a year end total of 7,300 versus 8,000 end of last year.

Estonia

Revenue in Estonia amounted to €1.1 million for the year, which is an increase by 30 percent versus last year €0.9 million. The Estonian business is still largely dependent on the cash paid occupational health business but the prepaid business increased 72 percent versus last year and now represents 24 percent of revenue versus 18 percent last year.

Prepaid members increased during the final quarter by a strong 1,100 to a total of 3,800.

Laboratory

During the third quarter we announced the formation of a new laboratory division, comprising the Romanian laboratory activities and the recently acquired Nova Medical laboratory business in Poland.

The laboratory markets in the countries where Medicover operates are all highly fragmented. We believe there are significant opportunities in exploiting the competence developed within the Medicover Romania laboratory organization through expanding the activities across the region. The laboratory business has significant economies of scale and by further developing scale in this field of activity we expect to see good contribution to group results.

Laboratory revenue for the year amounted to €5.1 million, a 29 percent increase versus last year €4.0 million.

The Romanian laboratory volume increased 6 percent versus last year to €4.2 million. The customers in the Romanian lab operations are split roughly half public payers and half private payers. During 2003 we continued to see pressure both on the overall funding available within the public system as well as the price compensation for currency depreciation. The private segment on the other hand grew by 6 percent.

We are happy to be able to announce that after the end of the reporting period we have won a public tender for a total of three hospital laboratories in the northern part of Romania. We expect these to be operational by late second quarter and will add more than 25 percent to the Romanian test volume on an annualized basis.

Laboratory revenue in Poland for the second half of the year, since we took over the operation, amounted to €0.9 million. We continue the integration work with the Nova Medical acquisition.

Outlook

The 1st of May 2004 will mark a historic date, when ten of the countries in Central and Eastern Europe will join the European Union. Four out of the five countries where we operate belong to this group. The fifth, Romania, expects together with Bulgaria to qualify for full membership within five years. We expect the accession to the European Union to have a profoundly positive impact on the economic environment in the region. The skilled and cost competitive labor base together with growing domestic consumer markets will continue to drive inward foreign investments.

We expect to see continued improvement in economic growth, particularly in our largest market in Poland, where the second half of 2003 marked a visible recovery.

Several countries in the region, most notably Romania, have or are enacting new legislation which will stimulate increased private funding of healthcare.

We expect the improving member growth rate as well as new innovative products to drive stronger revenue growth for 2004. Our new generation of information technology support will significantly enhance several aspects of how we manage our business. We expect a continued improvement in operating result, as we put on more revenue with controlled medical cost ratio and conservative increases in non medical costs.

We will seek to grow the laboratory business, both through organic growth in the present two markets and through acquisition opportunities.

I would like to take this opportunity to thank all our devoted and dedicated staff for their efforts and contributions to develop Medicover into the leading private healthcare company in our region.

Fredrik Rågmark
February 2004

Reporting dates 2004:

1st quarter results:	13 May
6month results:	25 August
9 month results:	18 November
Preliminary report 2004:	24 February 2005

Consolidated Profit and Loss Account

Continuing Operations

€'000	Quarter ended 31 Dec 2003	Quarter ended 31 Dec 2002	12 month ended 31 Dec 2003	12 month ended 31 Dec 2002
Revenue	9,437	9,208	36,542	35,264
Operating expenses				
Medical provision costs	(6,042)	(5,464)	(22,900)	(21,085)
Distribution, selling and marketing costs	(1,057)	(1,115)	(4,251)	(4,258)
Administrative costs	(1,801)	(2,255)	(7,433)	(8,590)
Depreciation & amortisation	(754)	(763)	(3,040)	(2,856)
Total operational costs	(9,654)	(9,597)	(37,624)	(36,789)
Operating loss	(217)	(389)	(1,082)	(1,525)
Interest received	12	15	72	95
Less interest paid	13	157	(506)	(710)
Foreign exchange gain/(loss)	(103)	65	(208)	(250)
Total financial expenses	(78)	236	(642)	(865)
Profit/(Loss) before tax	(295)	(153)	(1,724)	(2,390)
Income Tax	(66)	(249)	(642)	(381)
Profit/(Loss) after taxation	(361)	(402)	(2,366)	(2,771)

Per ordinary share information:

Profit/(Loss) per share	€(0.030)	€(0.033)	€(0.195)	€(0.229)
Diluted profit/ (loss) per share	€(0.029)	€(0.033)	€(0.193)	€(0.225)

Discontinuing Operations

€'000	Quarter ended 31 Dec 2003	Quarter ended 31 Dec 2002	12 month ended 31 Dec 2003	12 month ended 31 Dec 2002
Investment income/(loss)	97	557	921	(19,850)
Investment management costs	(26)	(274)	(100)	(868)
Net investment income/(loss)	71	283	821	(20,718)
Interest received	-	1	-	6
Less interest paid	-	(102)	-	(377)
Foreign exchange gain/(loss)	(45)	-	(161)	-
Total financial expenses	(45)	(101)	(161)	(371)
Profit/(Loss) before tax	26	182	660	(21,089)
Income tax	-	9	(58)	3
Profit/(Loss) after taxation	26	191	602	(21,086)
<i>Per ordinary share information:</i>				
Profit/(Loss) per share	€0.002	€(0.016)	€0.050	€(1.740)
Diluted profit/(loss) per share	€0.002	€(0.016)	€0.049	€(1.712)

Total Consolidated

€'000	Quarter ended 31 Dec 2003	Quarter ended 31 Dec 2002	12 month ended 31 Dec 2003	12 month ended 31 Dec 2002
Revenue	9,437	9,208	36,542	35,264
Operating expenses				
Medical provision costs	(6,042)	(5,464)	(22,900)	(21,085)
Distribution, selling and marketing costs	(1,057)	(1,115)	(4,251)	(4,258)
Administrative costs	(1,801)	(2,255)	(7,433)	(8,590)
Depreciation & amortisation	(754)	(763)	(3,040)	(2,856)
Total operational costs	(9,654)	(9,597)	(37,624)	(36,789)
Operating (loss)	(217)	(389)	(1,082)	(1,525)
Investment income/(loss)	97	557	921	(19,850)
Investment management costs	(26)	(274)	(100)	(868)
Net investment income/(loss)	71	283	821	(20,718)
Interest received	12	15	72	101
Less interest paid	13	54	(506)	(1,087)
Foreign exchange gain/(loss)	(148)	65	(369)	(250)
Total financial expenses	(123)	134	(803)	(1,236)
Profit/(Loss) before tax	(269)	28	(1,064)	(23,479)
Income Tax	(66)	(240)	(700)	(378)
Profit/(Loss) after taxation	(335)	(212)	(1,764)	(23,857)
<i>Per ordinary share information:</i>				
Profit/(Loss) per share	€(0.028)	€(0.017)	€(0.145)	€(1.969)
Diluted profit/ (loss) per share	€(0.027)	€(0.017)	€(0.144)	€(1.937)

Consolidated Balance Sheet

As at	31 December 2003 €'000	31 December 2002 €'000
Non-current assets		
Purchased goodwill	2,421	2,236
Intangible fixed assets	1,411	1,209
Tangible fixed assets	7,527	8,031
Total fixed assets	11,359	11,476
Unlisted equity investments	1,490	2,372
Total unlisted investments	1,490	2,372
Deferred tax asset	475	793
Total non-current assets	13,324	14,641
Current assets		
Listed equity shares available for sale	1,240	1,271
Loan investments	-	1,376
Unlisted equity investments	688	10,910
Inventories	362	246
Receivables	3,403	3,217
Cash and cash equivalents	2,186	2,882
Total current assets	7,879	19,902
Total assets	21,203	34,543
Share capital and reserves	9,937	12,183
Non current liabilities		
Loans payable	4,530	3,865
Deferred tax liability	313	425
Total non current liabilities	4,843	4,290
Current liabilities		
Loans payable	317	11,749
Trade and other payables	6,106	6,321
Total current liabilities	6,423	18,070
Total liabilities	11,266	22,360
Total shareholders' equity and liabilities	21,203	34,543

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 1 January 2002	66,366	(1,961)	27,107	(54,694)	(423)	36,395
Movement on reserve for own shares	-	47	(39)	-	-	8
Loss for the period	-	-	-	(23,857)	-	(23,857)
Effect of exchange rate differences on translation	-	-	-	-	(363)	(363)
Closing Balance 31 December 2002	66,366	(1,914)	27,068	(78,551)	(786)	12,183
Opening Balance 1 January 2003	66,366	(1,914)	27,068	(78,551)	(786)	12,183
Movement on reserve for own shares	-	299	(253)	-	-	46
Loss for the period	-	-	-	(1,764)	-	(1,764)
Effect of exchange rate differences on Translation	-	-	-	-	(528)	(528)

Consolidated Cash Flow Statement

Twelve months ended 31 December

2003
€'000

2002
€'000

Loss before tax	(1,064)	(23,479)
Adjustments for:		
Depreciation	2,752	2,594
Amortisation	288	262
(Profit)/Loss on disposal of tangible fixed assets	(68)	20
Portfolio (profit)/loss	(743)	20,016
Dividends received	(6)	(48)
Interest expense	506	1,087
Interest income	(72)	(101)
Unrealised foreign exchange loss	353	(209)
Changes in operational assets and liabilities:		
Decrease / (Increase) in Receivables	(793)	(37)
(Decrease) / Increase in Payables	354	322
Cash generated/(utilised) by operating activities	1,507	427
Income tax paid	(660)	(326)
Net cash flow from operating activities	847	101
Investing activities		
Loan investments repaid/(advanced)	286	(376)
Acquisition of unlisted securities	-	(712)
Proceeds from sale of unlisted securities	193	884
Acquisition of tangible fixed assets	(3,011)	(2,521)
Proceeds from sale of tangible fixed assets	209	-
Proceeds from sale of listed equity shares	613	2,602
Proceeds from sale of bonds	-	-
Acquisition of subsidiaries, net of cash acquired	23	(77)
Acquisition of minority interest in subsidiaries	(100)	-
Disposal of subsidiaries, net of cash sold	12,000	-
Interest received	72	101
Dividends received	6	48
Net cash flow from investing activities	10,291	(51)
Financing activities		
Proceeds from sale of own shares	46	8
Loans received/(repaid)	(10,941)	1,049
Interest paid	(548)	(1,492)
Net cash flow from financing activities	(11,443)	(435)
Net effects of exchange gain / (loss) on cash balances	(391)	(174)
(Decrease)/Increase in cash and cash equivalents	(696)	(559)
Cash and cash equivalents		
Total cash balance as at 1 January	2,882	3,441
Total cash balance as at end of the period	2,186	2,882
(Decrease)/Increase in cash and cash equivalents	(696)	(559)

Depreciation and Amortisation

€000	Quarter ended 31 Dec 2003	Quarter ended 31 Dec 2002	12 month ended 31 Dec 2003	12 month ended 31 Dec 2002
Depreciation	677	689	2,752	2,594
Amortisation of goodwill	77	74	288	262
Depreciation & amortisation charge	754	763	3,040	2,856

Discontinuing Operations

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:

€'000	31 Dec 2003	31 Dec 2002
Loan Investments	-	1,376
Unlisted Equity Investments	2,178	13,281
Listed Equity Investments	1,240	1,271
Total assets	3,418	15,928

The following cashflows were related to the discontinuing activities

	12 month ended 31 Dec 2003	12 month ended 31 Dec 2002
Cash flows Operating Activities	(94)	(735)
Cash flows Investment Activities	13,098	(156)
Total Cash flows	13,004	(891)

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".

Notes to the accounts

SHARE CAPITAL

At December 31, 2003 12,179,441 (12,125,987 in December 2002) shares have been issued and fully paid, while the weighted average of shares for the 12 months amounts to 12,150,962 (12,117,996 in December 2002).

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