First Quarter Report 2003

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Highlights January – March 2003

- Revenue for the first quarter amounted to € 8.9 million (€ 8.8. million)
- Prepaid membership increased to 105,100, an increase by 11 percent since last year
- The operating profit before depreciation increased to € 0.5 million versus € 0.3 million last year
- The operating loss (EBIT) decreased to € 0.2 million versus € 0.4 million last year
- Administrative cost reductions

Report for the first quarter 2003

Dear Shareholders,

During the first quarter we have experienced a continued tough environment for revenue growth, which has been further reinforced by the continued strengthening of the Euro versus our main trading currency the Polish Zloty, with an effective Zloty depreciation of 15 percent versus last year. Total revenue is flat versus last year at €8.9 million.

The prepaid membership base increased by a modest 1,100 members during the quarter. We had negative growth in the Czech Republic, where a larger contract could not be renewed on acceptable terms. We continue to experience the same pattern as in earlier quarters in Poland, with respectable new sales performance but continued weak performance within the existing client portfolio. Sales momentum continues to build up in Romania.

The operating profit before depreciation (EBITDA) increased to €0.5 million versus €0.3 million last year and the operating deficit (EBIT) decreased to €0.2 million versus €0.4 million last year.

Medical costs were managed at 60.9 percent versus 59.8 percent for the corresponding period last year. The medical costs are managed effectively and efficiently within our targets in our major markets of Poland and Romania and in the smaller developing markets we are concentrating on the service quality level and service availability, rather than efficiency, which leads to a higher cost ratio in the development phase.

Administrative costs decreased by 15 percent versus last year, going from € 2.2 million to €1.9 million or 21 percent of revenue.

Sales and marketing costs at € 1.1 million remain the same as last year at 12 percent of revenue.

Depreciation and goodwill amortisation amounted to € 0.7 million, which was same as last year.

Investment activities

The sale of the majority of the unlisted equity portfolio was finalised in the first quarter, after approval from shareholders. The remaining portfolio of listed shares, valued €1.6 million at the quarter end, is in the process of being liquidated and the Gazprom domestic share holding was sold in April 2003. The remaining unlisted funds, valued at €2.4 million will be liquidated over a longer period of 1 to 2 ½ years. Investment activities are shown as a discontinued activity, and showed a profit after tax of €0.1 million, against a loss of €1.1 million for the prior year quarter.

Liquidity

The proceeds from the sale of the unlisted portfolio were used to pay down debt, with €10.8 million of debt being repaid. This leaves net debt at €1.0 million at the 31 March 2003, compared to €12.7 million at the year-end 2003. The group has sufficient resources to fulfill its current investment program and development plan.

Financial costs

Finance cost after exchange costs were €0.5 million versus €0.9 million for the prior year period. Interest costs have been reduced with the reduction in debt levels, and the revised terms of the IFC loan agreement.

Operational review

Poland

Medicover Poland reported revenue of €5.7 million, which compare with €5.9 million last year. Revenue growth in local currency between the same periods amounted to 11 percent, which is below our stated growth target.

The previously reported pattern with good new sales activity but underperformance within the existing client portfolio continues. The overall value of the customer base, expressed through the annualised values of all active contracts in local currency, showed, however, a stronger performance than any of the preceding three quarter and the new sales activity was on a level last seen in 2000.

The prepaid membership base increased to 79,000 by end of the first quarter. We continue to be able to maintain or gradually increase the average premium levels in local currency through a better mix of products sold.

Medicover Poland continues to improve operating performance and contribution to Group results is up more than 50 percent versus first quarter last year.

Romania

Medicover Romania reported a 13 percent revenue increase to €1.9 million versus €1.7 million last year. The prepaid revenue increased 57 percent versus last year to €0.6 million and the laboratory revenue was flat at €1.1 million.

Prepaid membership increased to 12,500. We start to see a healthy inflow of regular local and international corporate customers, which is an important sign for the attractiveness of our product. We have also been able to significantly increase the average premium levels on new business sold.

Hungary

Revenue in Hungary showed a small increase of 2 percent at € 0.5 million. The revenue figure is composed differently from the 2002 comparative figure with a deliberate effort to reduce the size of the cash business and concentrate efforts on the prepaid business. The prepaid business increased by 23 percent whereas the cash paid business decreased by some 56 percent.

Prepaid membership increased by 200 to 4,300. We need to increase the member acquisition rate and one component of this is to continue to increase our Budapest sales team, also by consolidating our medical services at the West End clinic, we will be able to offer a wider service offering at one location.

Czech Republic

Revenue in the Czech Republic amounted to €0.5 million, an increase of 13 percent versus last year.

The prepaid membership base showed a negative growth of 1,000 members, as a large lost contract outweighed new sales during the quarter. The lost contract was with a firm in the mobile telephony industry, where we were unable and unwilling to renew the contract on historic premium terms. Even though any client loss is negative, we put emphasis on having profitable average premium levels.

Estonia

Revenue in Estonia increased 34 percent versus last year to € 0.3 million. The prepaid business increased threefold and made up 22 percent of Estonian revenue versus 8 percent last year. The dominating occupational health business, which makes up around 70 percent of the Estonian revenue, grew by 30 percent versus last year. The stated strategy, to continue to service our larger corporate client base with occupational health services across the country and gradually complement this with higher premium services remains unchanged.

Outlook

Four of the five countries where we operate are presently in the process, through local referendums, to approve the European Union accession. By this time next year, they will all most likely be part of the enlarged European Union. This will have a profoundly positive impact on our business opportunities. The main driver for our business development is the willingness of employers to invest in their main asset, their staff. As the local economies gain speed and foreign direct investment flows increase, largely to capitalise on a strong and skillful domestic labour force with a pronounced cost advantage, employers will increasingly focus on the health status and retention of their staff.

In addition, through the reform initiatives within the healthcare systems which have been pronounced by several governments in the region, seeking combinations of public and private participation, both on the funding and provision of healthcare, Medicover has a strong opportunity to play a leading role.

We will continue to focus on the development of customer friendly healthcare services of the best quality. We will continue to strengthen our product platforms as well as our medical infrastructure. We will strive to gain back momentum in our revenue growth while achieving operating profitability on all markets.

Fredrik Rågmark
May 2003

Consolidated Profit and Loss Account

Continuing Operations

Quarter to 31 March	**2003 €'000**	2002 €'000
Revenue	**8,907**	8,824
Operating expenses		
Medical provision costs	**(5,424)**	(5,279)
Distribution, selling and marketing costs	**(1,087)**	(1,078)
Administrative costs	**(1,873)**	(2,195)
Depreciation & amortisation	**(713)**	(692)
Total operational costs	**(9,097)**	(9,244)
Operating (loss)	**(190)**	(420)
Interest received	**20**	21
Less interest paid	**(195)**	(355)
Foreign exchange loss	**(95)**	(131)
Total financial expenses	**(270)**	(465)
Loss before tax	**(460)**	(885)
Income Tax	**(113)**	(27)
Loss after taxation	**(573)**	(912)
Per ordinary share information:	**2003**	2002
(Loss) per share	**€(0.047)**	€(0.075)
Diluted (loss)	**€(0.046)**	€(0.074)

Discontinuing Operations

Quarter to 31 March	**2003 €'000**	2002 €'000
Investment income	**276**	(856)
Investment management costs	**(28)**	(198)
Net investment income	**248**	(1,054)
Interest received	**-**	1
Less interest paid	**-**	(44)
Foreign exchange gain/(loss)	**(46)**	-
Total financial expenses	**(46)**	(43)
Loss before tax	**202**	(1,097)
Income tax	**(60)**	(5)
Loss after taxation	**142**	(1,102)
Per ordinary share information:		
(Loss) per share	**€0.012**	€(0.091)
Diluted (loss)	**€0.012**	€(0.089)

Total Consolidated Quarter to 31 March	**2003** **€'000**	2002 €'000
Revenue	**8,907**	8,824
Operating expenses		
Medical provision costs	**(5,424)**	(5,279)
Distribution, selling and marketing costs	**(1,087)**	(1,078)
Administrative costs	**(1,873)**	(2,195)
Depreciation & amortisation	**(713)**	(692)
Total operational costs	**(9,097)**	(9,244)
Operating (loss)	**(190)**	(420)
Investment income	276	(856)
Investment management costs	(28)	(198)
Net investment income	248	(1,054)
Interest received	**20**	22
Less interest paid	**(195)**	(399)
Foreign exchange gain/(loss)	**(141)**	(131)
Total financial expenses	**(316)**	(508)
Loss before tax	**(258)**	(1,982)
Income Tax	**(173)**	(32)
Loss after taxation	**(431)**	(2,014)
Per ordinary share information:	**2003**	2002
(Loss) per share	**€(0.036)**	€(0.166)
Diluted (loss)	**€(0.035)**	€(0.163)

Consolidated Balance Sheet

As at	31 March 2003 €'000	31 December 2002 €'000
Non-current assets		
Purchased goodwill	**2,268**	2,236
Intangible fixed assets	**1,177**	1,209
Tangible fixed assets	**7,390**	8,031
Total fixed assets	**10,835**	11,476
Loan investments	**-**	-
Unlisted equity investments	**2,379**	2,372
Total unlisted investments	**2,379**	2,372
Deferred tax asset	**712**	793
Total non-current assets	**13,926**	14,641
Current assets		
Listed equity shares available for sale	**1,567**	1,271
Loan investments	**-**	1,376
Unlisted equity investments	**-**	10,910
Inventories	**245**	246
Receivables	**3,103**	3,217
Cash and cash equivalents	**4,168**	2,882
Total current assets	**9,083**	19,902
Total assets	**23,009**	34,543
Share capital and reserves	**11,518**	12,183
Non current liabilities		
Loans payable	**3,906**	3,865
Deferred tax liability	**485**	425
Total non current liabilities	**4,391**	4,290
Current liabilities		
Loans payable	**1,234**	11,749
Trade and other payables	**5,866**	6,321
Total current liabilities	**7,100**	18,070
Total liabilities	**11,491**	22,360
Total shareholders' equity, liabilities	**23,009**	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**
Loss for the period	-	-	-	(2,014)	-	(2,014)
Effect of exchange rate differences on translation of profit and loss	-	-	-	-	(91)	(91)
Closing Balance 31 March 2002	**66,366**	**(1,961)**	**27,107**	**(56,708)**	**(514)**	**34,290**
Opening Balance 1 January 2003	**66,366**	**(1,914)**	**27,068**	**(78,551)**	**(786)**	**12,183**
Movement on reserve for own shares	-	172	(143)	-	-	29
Loss for the period	-	-	-	(431)	-	(431)
Effect of exchange rate differences on Translation of profit and loss	-	-	-	-	(263)	(263)
Closing Balance 31 March 2003	**66,366**	**(1,742)**	**26,925**	**(78,982)**	**(1,049)**	**11,518**

Consolidated Cash Flow Statement

Quarter to 31 March	2003 €'000	2002 €'000
Loss before tax	(258)	(1,982)
Adjustments for:		
Depreciation	645	629
Amortisation	68	63
Loss on disposal of tangible fixed assets	(1)	-
Portfolio loss / (profit)	(342)	894
Dividends received	-	(38)
Interest expense	195	399
Interest income	(20)	(22)
Unrealised foreign exchange loss	81	142
Changes in operational assets and liabilities:		
Decrease / (Increase) in Receivables	(101)	(970)
(Decrease) / Increase in Payables	(97)	(527)
Cash generated / (utilised) by operating activities	170	(1,412)
Income tax paid	(212)	(24)
Net cash flow from operating activities	(42)	(1,436)
Investing activities		
Loan investments repaid/(advanced)	286	(198)
Acquisition of tangible fixed assets	(402)	(601)
Proceeds from sale of tangible fixed assets	7	-
Proceeds from sale of listed equity shares	-	1,000
Acquisition of minority interest in subsidiaries	(100)	(12)
Disposal of subsidiaries, net of cash sold	12,000	-
Interest received	20	22
Dividends received	-	38
Net cash flow from investing activities	11,811	249
Financing activities		
Proceeds from sale of own shares	29	-
Loans received/(repaid)	(10,280)	20
Interest paid	(80)	8
Net cash flow from financing activities	(10,331)	28
Net effects of exchange gain / (loss) on cash balances	(152)	(44)
(Decrease) / Increase in cash and cash equivalents	1,286	(1,203)
Cash and cash equivalents		
Total cash balance as at 1 January	2,882	3,441
Total cash balance as at end of the period	4,168	2,238
(Decrease) / Increase in cash and cash equivalents	1,286	(1,203)

Depreciation and Amortisation

Quarter to 31 March	2003 €'000	2002 €'000
Depreciation	**(645)**	(629)
Amortisation of goodwill	**(68)**	(63)
Depreciation & Amortisation	**(713)**	(692)

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 revaluated:

€'000	**31 Mar 2003**	31 Dec 2002
Loan Investments	**-**	1,376
Unlisted Equity Investments	**2,379**	13,281
Listed Equity Investments	**1,567**	1,271
Total assets	**3,946**	15,928

The following cash flows were related to the discontinuing activities

	3 months ended 31 Mar 2003	12 months ended 31 Dec 2002
Cash outflows Operating Activities	**(139)**	(735)
Cash outflows Investment Activities	**12,286**	(156)
Total Cash outflows	**12,147**	(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".