



Conference Call Presentation for 9M2018 Results

SPITALUL DE PEDIATRIE  MedLife

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Therefore, the final results achieved may vary significantly from the forecasts, and the variations may be material.



TOPICS OF DISCUSSION

	PAGE
■ I. MAIN EVENTS OF 2018	4
■ II. KEY CHANGES 9M2018 vs 9M2017	6
■ III. MEDLIFE 9M2018 FINANCIAL SNAPSHOT	8
■ IV. KEY OPERATIONAL METRICS FOR 9M2018	11
■ V. Q&A SESSION	12

MAIN EVENTS OF 2018

ACQUISITIONS

- **100%** of the shares in **Polisano** (*approved by the Competition Council in April 2018*)
- **90%** of the shares in **Ghencea Medical Center** (*finalized in May 2018*)
- **80%** of the shares in **Solomed Group** (*finalized in May 2018*)
- **100%** of the shares in the medical platform **SfatulMedicului.ro** (*finalized in August 2018*)
- **100%** of the shares in **Transilvania Imagistica** (*finalized in September 2018*)

ORGANIC GROWTH

- **Oradea Hyperclinic**
- **Bacau Clinic** – under Sfanta Maria, the second brand of MedLife

EXPANSION PLANS

- **Grivita Hospital** (additional **32 beds** and **2 surgery rooms**) – to be completed by the end of the year
- **Obor Hospital** (additional **18 beds**) – possible by the end of next year; currently waiting for preliminary licenses
- **Humanitas Hospital** (additional **11 beds** and **1 surgery room**)-to be completed by the end of the year
- **Turnului Hospital** (additional **20 beds**)– to be completed by June 2019
- **New Head Office** – to be completed by the end of next year
- Additional investments in high margin imagistic services: 6 new **MRIs** that serve also under the contract with NHIH



MAIN EVENTS OF 2018 (*Cont.*)

CREDIT FACILITIES CONTRACTED BY THE GROUP

- MedLife **signed a new syndicated credit facility** with Banca Comercială Română, Raiffeisen Bank, BRD Groupe Société Générale and Banca Transilvania for refinancing its existing facilities, extending the maturity of the loans, rearranging the related terms and conditions and raising new funds up to a total amount of 66 million euros.
- The additional new funds of 10 million euros will be a term facility and will be used by MedLife, along with the Company's own cash, for potential new acquisition opportunities arising on the market in Romania and abroad.



OWN SHARE BUY-BACK AND EXCHANGE OF SHARES WITH PROGRAM RECIPIENTS

- MedLife aims **to provide own shares** to minority shareholders of subsidiaries (group companies, medical units) who also have the quality of current or former employees or current or former members of the management of these subsidiaries (called Program Recipients) in exchange for the shares held by the Program Recipients in subsidiaries - focus on group alignment and compliance with the acquisition strategy, which recognizes and encourages the contribution of the founders of the subsidiaries to the integrated activity of MedLife Group.
- The **share buy-back program** of the Company will be initiated in the current month and will run over a maximum period of 18 months. Thus, MedLife will buy-back a maximum of 868,000 own shares with a nominal value of RON 0.25 / share, not exceeding the 10% threshold of the share capital of the Company.

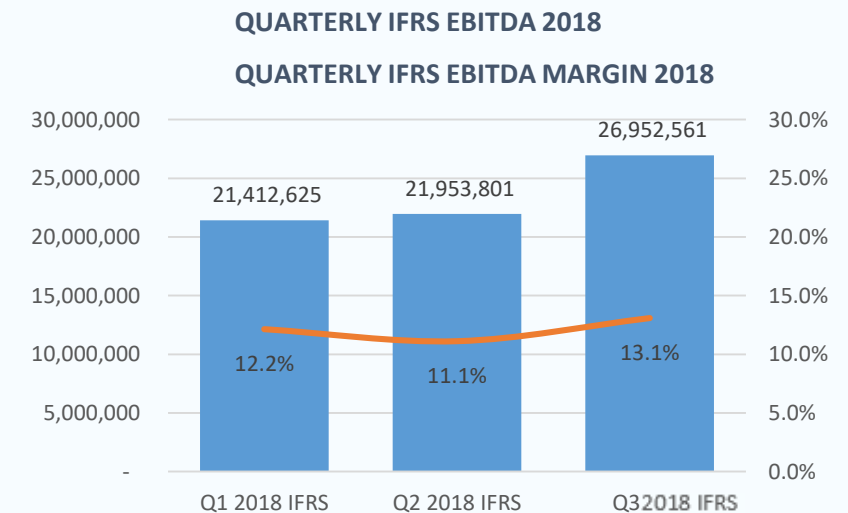
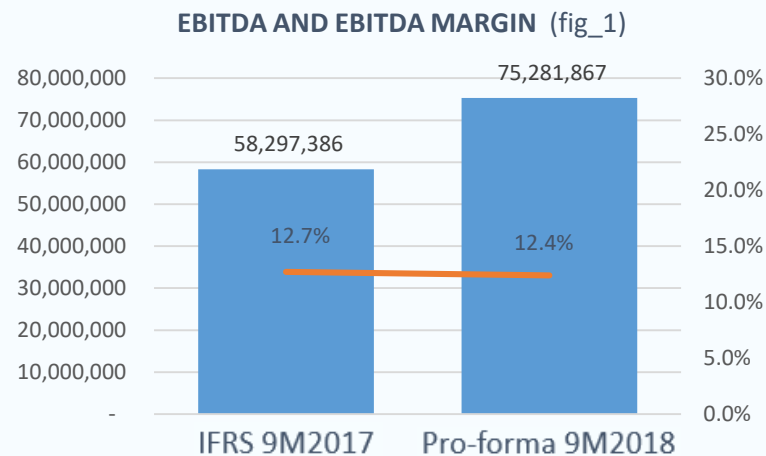
KEY CHANGES 9M2018 vs 9M2017

SALES

Sales increased by : + 32.0% Pro-forma 9M2018 vs. IFRS 9M2017
 + 26.2% IFRS 9M2018 vs. IFRS 9M2017 vs. market increase by approx. 10%
 + 12.8% like2like

EBITDA

- Stable **margin**: 12.4% Pro-forma 9M2018 vs. 12.7% IFRS 9M2017 (fig_1 below)
- Absolute value of EBITDA **increased** by 29.1% Pro-forma 9M2018 vs. IFRS 9M2017 despite 1.3 p.p. loss of margin triggered by the increase in salaries (fig_1 below)
- Cost synergies along with ongoing integration of all acquisitions made in the past few years continued positive impact on margins and Group's results: EBITDA margin **improved** from 12.0% in H1 2018 to 12.4% in 9M 2018 on a Pro-forma basis and from 11.6% in H1 2018 to 12.1% in 9M 2018 on IFRS figures.

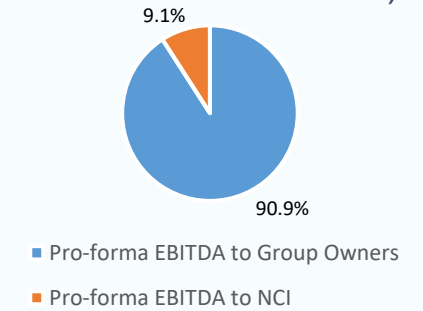


KEY CHANGES 9M2018 vs 9M2017 (Cont.)

EBITDA

■ IFRS EBITDA is **consistent** with CF before WC and other monetary changes, as IFRS EBITDA was 70.3m RON, while CF before WC and other monetary changes was 70m RON.

- Split of Pro-forma EBITDA between Owners of the Group / NCI for 9M2018:
 - **90.9%** to Group Owners
 - **9.1%** to NCI



NET RESULT

■ Net result **increased** by 33.6% in 9M2018 as compared to 9M2017, from 9.5mRON to 12.7mRON, on IFRS figures. Part of the increase was also due to a 3.5m RON haircut from acquisitions.

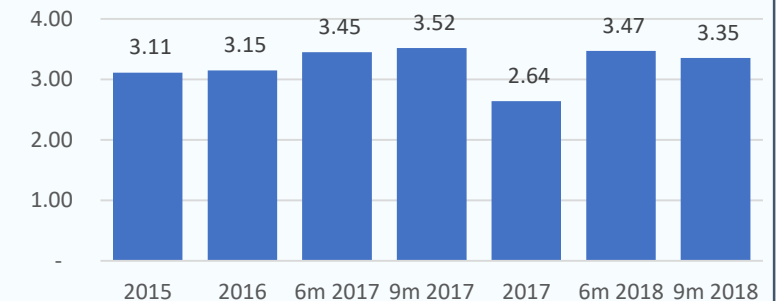
■ Split of IFRS Net result between Owners of the Group/ NCI has **improved** from **60%** to Group Owners and **40%** to NCI in 9M2017 to **76%** to Group Owners and **24%** to NCI in 9M2018

NET DEBT to Pro-forma EBITDA Ratio

■ **Consistency** in Net Debt to Pro-forma EBITDA Ratio

■ Renegotiated terms and conditions under the new syndicated credit facility **include revised financial covenants**; the new ratios were projected to reflect the changes that will be brought by IFRS 16.

■ A global study conducted by PwC to assess the impact of IFRS 16 on reported debt and EBITDA for a sample of more than 3,000 listed entities reporting under IFRS across a range of industries and countries showed that for companies at the **size of MedLife & belonging to Healthcare industry**, the median increase in debt is expected to be **36%**, while the median increase in EBITDA is expected to be **24%**



MEDLIFE GROUP 9M2018 FINANCIAL SNAPSHOT

Consolidated Statement of Financial Position

Description	September 30, 2018 IFRS	January 1, 2018 IFRS	%VAR
Non-current assets	585,606,256	432,342,667	35.4%
Current assets	154,303,333	171,002,820	-9.8%
TOTAL ASSETS	739,909,589	603,345,487	22.6%
Current liabilities	261,194,948	167,577,743	55.9%
Long term liabilities	281,392,059	252,909,151	11.3%
Deferred tax liability	16,396,067	15,196,634	7.9%
TOTAL LIABILITIES	558,983,074	435,683,528	28.3%
Equity attributable to owners of the Group	161,791,453	152,036,571	6.4%
Non-controlling interests	19,135,062	15,625,388	22.5%
EQUITY	180,926,515	167,661,959	7.9%



Consolidated Statement of Profit and Loss

Description	9 months 2018	9 months 2017	%VAR	9 months 2018	9 months 2017	%VAR
	IFRS	IFRS	2018/2017	Pro-Forma	IFRS	2018/2017
Sales	579,340,082	459,182,988	26.2%	606,169,650	459,182,988	32.0%
Other operating income	4,444,375	4,454,435	-0.2%	5,939,574	4,454,435	33.3%
OPERATING INCOME	583,784,457	463,637,423	25.9%	612,109,224	463,637,423	32.0%
OPERATING EXPENSES	(555,979,055)	(434,536,793)	27.9%	(582,146,774)	(434,536,793)	34.0%
OPERATING PROFIT	27,805,402	29,100,630	-4.5%	29,962,450	29,100,630	3.0%
EBITDA	70,318,988	58,297,386	20.6%	75,281,867	58,297,386	29.1%
FINANCIAL RESULT	(9,079,064)	(14,537,952)	-37.5%	(10,006,508)	(14,537,952)	-31.2%
RESULT BEFORE TAXES	18,726,338	14,562,678	28.6 %	19,955,942	14,562,678	37.0 %
Income tax expense	(5,952,514)	(5,002,865)	19.0 %	(6,233,941)	(5,002,865)	24.6 %
NET RESULT	12,773,824	9,559,813	33.6%	13,722,001	9,559,813	43.5%

MEDLIFE GROUP 9M2018 FINANCIAL SNAPSHOT

Consolidated Statement of Cash Flow

Description	September 30, 2018	September 30, 2017
Net income before taxes	18,726,341	14,562,678
Adjustments for non-monetary items	51,301,706	40,902,410
Operating cash flow before working capital and other monetary changes	70,028,047	55,465,088
Cash generated from working capital changes	(17,930,354)	(16,407,405)
Other monetary changes (income tax and net interest paid)	(14,012,888)	(11,993,772)
Net cash from operating activities	38,084,805	27,063,911
Net cash used in investing activities	(54,953,424)	(68,669,095)
Net cash from/ (used in) financing activities	(30,737,443)	43,277,505
Net change in cash and cash equivalents	(47,606,062)	1,672,321
Cash and cash equivalents beginning of the period	79,227,766	20,701,850
Cash and cash equivalents end of the period	31,621,704	22,374,171



MEDLIFE GROUP 9M2018 FINANCIAL SNAPSHOT

OPEX EVOLUTION

Description				% of OPERATING EXPENSES			% of SALES			
	9 months 2018	9 months 2017	% VAR	9 months	9 months	Change	9 months	9 months	Change	Note
	IFRS	IFRS	2018/2017	2018	2017		2018	2017		
Consumable materials and repair materials	90,236,590	73,407,079	22.9%	16.2%	16.9%	-0.7 p.p	15.6%	16.0%	-0.4 p.p	A
Commodities	21,569,010	17,199,602	25.4%	3.9%	4.0%	-0.1 p.p	3.7%	3.7%	0 p.p	
Utilities	6,493,754	4,607,136	40.9%	1.2%	1.1%	0.1 p.p	1.1%	1.0%	0.1 p.p	
Repairs maintenance	6,364,687	4,671,966	36.2%	1.1%	1.1%	0.1 p.p	1.1%	1.0%	0.1 p.p	
Rent	31,396,835	28,697,973	9.4%	5.6%	6.6%	-1 p.p	5.4%	6.2%	-0.8 p.p	B
Insurance premiums	1,860,170	1,527,901	21.7%	0.3%	0.4%	0 p.p	0.3%	0.3%	0 p.p	
Promotion expense	10,870,020	7,347,015	48.0%	2.0%	1.7%	0.3 p.p	1.9%	1.6%	0.3 p.p	
Communications	2,778,084	2,432,293	14.2%	0.5%	0.6%	-0.1 p.p	0.5%	0.5%	-0.1 p.p	
Third party expenses & Salaries expenses, <i>out of which:</i>	332,447,131	257,640,214	29.0%	59.8%	59.3%	0.5 p.p	57.4%	56.1%	1.3 p.p	C
<i>Third party expenses (including doctor's agreements)</i>	<i>149,855,235</i>	<i>120,705,606</i>	<i>24.1%</i>	<i>27.0%</i>	<i>27.8%</i>	<i>-0.8 p.p</i>	<i>25.9%</i>	<i>26.3%</i>	<i>-0.4 p.p</i>	
<i>Salary and related expenses (including social contributions)</i>	<i>182,591,896</i>	<i>136,934,608</i>	<i>33.3%</i>	<i>32.8%</i>	<i>31.5%</i>	<i>1.3 p.p</i>	<i>31.5%</i>	<i>29.8%</i>	<i>1.7 p.p</i>	
Depreciation	42,513,586	29,196,756	45.6%	7.6%	6.7%	0.9 p.p	7.3%	6.4%	1 p.p	D
Other administration and operating expenses	9,449,188	7,808,858	21.0%	1.7%	1.8%	-0.1 p.p	1.6%	1.7%	-0.1 p.p	
OPERATING EXPENSES	555,979,055	434,536,793	27.9%	100%	100%	0 p.p	96.0%	94.6%	1.3 p.p	

Note:

The Group recorded a 1.3 p.p. increase of operating expenses as % of sales in 9M2018 as compared to 9M2017.

- A. 0.4 p.p. decrease of "Consumable materials and repair materials" as % of Sales, generated by increased cost synergies and volume discounts obtained from main suppliers;
- B. 0.8 p.p. decrease of "Rent" as % of Sales;
- C. 1.3 p.p. increase of "Third parties and salaries expenses" as % of Sales as an effect of increased competition on work force from the public medical sector; and
- D. 2 p.p. increase of "Depreciation" as % of Sales, proving stability behavior compared to FY 2017.

KEY OPERATIONAL METRICS FOR 9M2018

Business line	Info	9 months 2018 IFRS	9 months 2017 IFRS
Clinics	Revenue	169,246,952	123,033,421
Clinics	Visits	1,089,141	853,854
Clinics	Avg fee	155.4	144.0
Stomatology	Revenue	33,092,445	28,062,823
Stomatology	Visits	77,677	76,259
Stomatology	Avg fee	426.0	368.0
Hospitals	Revenue	118,168,968	88,249,720
Hospitals	Patients	53,594	45,273
Hospitals	Avg fee	2,204.9	1,949.0
Laboratories	Revenue	101,190,985	85,912,393
Laboratories	Analyses	4,299,054	3,976,394
Laboratories	Avg fee	23.5	22.0
Corporate	Revenue	125,158,490	105,590,728
Corporate	Subscriptions	635,420	570,226
Corporate	Avg fee	197.0	185.0
Pharmacies	Revenue	26,177,756	21,176,009
Pharmacies	Clients	200,324	200,080
Pharmacies	Sales per client	130.7	106.0
Others	Revenue	6,304,486	7,157,894





IV. Q&A SESSION

THANK YOU!

