

MED LIFE GROUP
FIRST SEMESTER OF 2017 REPORT

MED LIFE GROUP
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(all the amounts are expressed in RON, unless otherwise specified)

Name of the issuing company: Med Life S.A.

Registered Office: Bucharest, 365 Calea Grivitei, district 1, Romania

Fax no.: 0040 374 180 470

Unique Registration Code at the National Office of Trade Registry: 8422035

Order number on the Trade Registry: J40/3709/1996

Subscribed and paid-in share capital: RON 5,023,000

Regulated market on which the issued securities are traded: Bucharest Stock Exchange

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Note: The following financial statements are prepared in accordance with international financial reporting standards, as adopted by European Union ("IFRS").

Half year report concluded in compliance with: Law no. 24/2017 regarding the capital market and CNVM Regulation no. 1/2006 regarding the issuers and the securities operations

The following financial statement are unaudited.

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I. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2017
("CONSOLIDATED FS")

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ("CONSOLIDATED BS")

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>Variation 2017/2016</u>
ASSETS			
Long Term			
Goodwill	63,239,248	43,993,237	43.7%
Intangible assets	33,481,439	26,512,923	26.3%
Tangible assets	329,159,787	304,857,393	8.0%
Financial assets	1,260	1,160	8.6%
TOTAL NON-CURRENT ASSETS	<u>425,881,734</u>	<u>375,364,713</u>	<u>13.5%</u>
Current Assets			
Inventories	14,814,238	17,373,541	-14.7%
Receivables	55,064,202	43,203,974	27.5%
Other receivables	5,719,289	2,357,689	142.6%
Cash and cash equivalents	11,748,041	20,701,850	-43.3%
	<u>87,345,770</u>	<u>83,637,054</u>	<u>4.4%</u>
Assets classified as held for sale	381,665	381,665	0.0%
Prepayments	<u>9,932,503</u>	<u>6,736,028</u>	<u>47.5%</u>
TOTAL CURRENT ASSETS	<u>97,659,938</u>	<u>90,754,747</u>	<u>7.6%</u>
TOTAL ASSETS	<u>523,541,672</u>	<u>466,119,460</u>	<u>12.3%</u>
LIABILITIES & SHAREHOLDER'S EQUITY			
Current Liabilities			
Trade accounts payable	111,898,354	98,432,380	13.7%
Overdraft	2,551,682	1,267,442	101.3%
Current portion of lease liability	6,638,429	7,031,122	-5.6%
Current portion of long term debt	27,781,111	19,127,593	45.2%
Current tax liabilities	755,998	1,099,391	-31.2%
Other liabilities	21,545,864	17,713,204	21.6%
Liabilities directly associated with assets classified as held for sale	629,207	629,207	0.0%
TOTAL CURRENT LIABILITIES	<u>171,800,645</u>	<u>145,300,339</u>	<u>18.2%</u>
Long Term Debt			
Lease liability	15,199,493	10,382,639	46.4%
Long term debt	224,178,542	202,761,616	10.6%
TOTAL LONG-TERM LIABILITIES	<u>239,378,035</u>	<u>213,144,255</u>	<u>12.3%</u>
Deferred tax liability	15,178,504	14,655,982	3.6%
TOTAL LIABILITIES	<u>426,357,184</u>	<u>373,100,576</u>	<u>14.3%</u>
SHAREHOLDER'S EQUITY			
Issued capital	13,932,034	13,932,034	0.0%
Reserves	91,961,463	91,961,424	0.0%
Retained earnings	(21,937,530)	(24,346,985)	-9.9%
Equity attributable to owners of the Group	<u>83,955,967</u>	<u>81,546,473</u>	<u>3.0%</u>
Non-controlling interests	13,228,521	11,472,411	15.3%
TOTAL EQUITY	<u>97,184,488</u>	<u>93,018,884</u>	<u>4.5%</u>
TOTAL LIABILITIES AND EQUITY	<u>523,541,672</u>	<u>466,119,460</u>	<u>12.3%</u>


Mihail Marcu,
 CEO


Vera Firu,
 Accounting and Tax Manager

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UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME ("CONSOLIDATED PL")

	6 Month ended 30 June, 2017	2016	Variation 2017/2016
Sales	301,087,792	233,838,443	28.8%
Other operating revenues	9,324,821	431,793	2059.6%
	310,412,613	234,270,236	32.5%
Operating expenses	(292,544,346)	(223,212,372)	31.1%
Operating Profit	17,868,267	11,057,864	61.6%
Finance cost	(7,715,892)	(7,298,884)	5.7%
Other financial expenses	(730,982)	(671,607)	8.8%
Financial result	(8,446,874)	(7,970,491)	6.0%
Result Before Taxes	9,421,393	3,087,373	205.2%
Income tax expense	(3,020,245)	(1,165,394)	159.2%
Net Result	6,401,148	1,921,979	233.0%
Owners of the Group	3,865,494	923,506	318.6%
Non-controlling interests	2,535,654	998,472	154.0%
Other comprehensive income items that will not be reclassified to profit or loss			
Gain / Loss on revaluation of properties	-	-	-
Corrections related to prior years	-	-	-
Deferred tax on other comprehensive income components	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME	-	-	-
Total other comprehensive income attributable to:			
Owners of the Group	-	-	-
Non-controlling interests	-	-	-
TOTAL COMPREHENSIVE INCOME	6,401,148	1,921,979	233.0%
Total comprehensive income attributable to:			
Owners of the Group	3,865,494	923,506	318.6%
Non-controlling interests	2,535,654	998,472	154.0%

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UNAUDITED CONSOLIDATED CONSOLIDATED STATEMENT OF CASH FLOW ("CONSOLIDATED CASH FLOW")

	June 30, 2017	June 30, 2016
Net income/(loss) before taxes	9,421,393	3,087,373
Adjustments for		
Depreciation	18,527,337	19,024,208
Disposal of subsidiaries	-	44,295
Interest revenue	(235,990)	(209,007)
Interest expense	7,715,892	7,298,884
Allowance for doubtful debts and receivables written-off	-	-
Written off and allowance of other current assets	-	-
Financial Discounts	-	1,456,624
Gain related to Impairment of non-current assets	-	-
Unrealized exchange gain / loss	1,014,261	(559,581)
Bargain gain	(729,165)	-
Net gain on disposal of property	-	-
Operating cash flow before working capital changes	35,713,728	30,142,796
Decrease / (increase) in accounts receivable	(9,264,455)	(11,311,036)
Decrease / (increase) in inventories	2,652,708	1,559,559
Decrease / (increase) in prepayments	(3,019,466)	(2,898,422)
Increase / (decrease) in accounts payable	1,129,958	13,281,787
Cash generated from WC changes	(8,501,255)	631,888
Cash generated from operations	27,212,473	30,774,684
Income Tax Paid	(2,841,117)	(2,277,457)
Interest Paid	(7,742,836)	(7,728,410)
Interest received	235,990	209,007
Net cash from / (used in) operating activities	16,864,510	20,977,824
Investment in business combination	(29,903,698)	(25,496,240)
Purchase of intangible assets	(724,405)	(1,462,119)
Purchase of property, plant and equipment	(15,429,679)	(11,664,864)
Proceed from sale business combination	-	-
Proceed from sale of fixed assets	-	-
Net cash used in investing activities	(46,057,782)	(38,623,223)
Cash flow from financing activities		
Share capital contribution (non-controlling interest)	-	137,030
Increase in Loans	26,351,307	42,075,911
Payment of loans	(1,435,515)	(15,572,657)
Net of Lease increase/(payments)	(4,451,366)	(2,813,209)
Dividends paid to NCI	(224,963)	-
Net cash from used in financing activities	20,239,463	23,827,075
Net change in cash and cash equivalents	(8,953,809)	6,181,676
Cash and cash equivalents beginning of the period	20,701,850	5,881,496
Cash and cash equivalents end of the period	11,748,041	12,063,172

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II. FINANCIAL ANALYSIS

ANALYSIS OF THE CONSOLIDATED PL

Sales for the 6 month period ended 30 June 2017 ("**H1 2017**") amounted to RON 301,087,792, higher by 28.8% compared to sales recorded in the first half of 2016 ("**H1 2016**"). This increase was mainly the result of significant growth in all of the Group's business lines, led on a percentage basis by Stomatology, Clinics and Hospitals as well as the impact of the acquisitions completed by the Group in 2016 and 2017.

Business Line	H1 2017 Sales	% of Total Sales	H1 2016 Sales	% of Total Sales	Variation 2017/2016
Clinics	80,825,178	27%	60,242,715	26%	34%
Stomatology	18,503,131	6%	1,755,333	1%	954%
Hospitals	59,697,348	20%	51,673,804	22%	16%
Laboratories	54,929,531	18%	46,526,941	20%	18%
Corporate	68,344,498	23%	61,587,522	26%	11%
Pharmacies	13,878,256	5%	11,425,228	5%	21%
Others	4,909,851	2%	626,900	0%	683%
SALES	301,087,792	100%	233,838,443	100%	29%

Other operating revenues recorded a significant increase in H1 2017 as compared to H1 2016, amounting to RON 9,324,821 as at 30 June 2017. The increase is linked to the sale and leaseback transaction recorded in relation to building located in Banu Manta street.

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide the Group's services. The Group recorded operating expenses of RON 292,544,346 in H1 2017, representing an increase of 31.1%, or RON 69,331,974 as compared to H1 2016. The increase is mainly linked to overall business increase and to Banu Manta sales and leaseback transaction. The Group's operating expenses as a percentage of total operating income reached 94.2% in H1 2017 compared to 95.3% in H1 2016.

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Operating expenses evolution

Description	6 Month ended 30 June,		Variation
	2017	2016	2017/2016
Consumable materials and repair materials	48,788,758	39,504,120	23.5%
Commodities	11,136,690	9,040,752	23.2%
Utilities	3,149,021	2,297,929	37.0%
Repairs maintenance	2,852,920	2,191,949	30.2%
Rent	19,615,967	12,443,334	57.6%
Insurance premiums	993,989	925,767	7.4%
Promotion expense	5,184,694	4,010,243	29.3%
Communications	1,569,352	1,791,336	-12.4%
Third party expenses (including doctor's agreements)	79,605,050	61,788,797	28.8%
Salary and related expenses	71,927,946	51,311,561	40.2%
Social contributions	16,136,570	11,618,926	38.9%
Depreciation	18,527,337	19,024,208	-2.6%
Impairment of fixed assets	-	-	-
Other administration and operating expenses	13,056,052	7,263,450	79.8%
Total	292,544,346	223,212,372	31.1%

Operating profit recorded a 61.6% increase in H1 2017 as compared to H1 2016, from RON 11,057,864 in H1 2016 to RON 17,868,267 in H1 2017.

Financial result (loss) increased in H1 2017 by RON 476,383 from a loss of RON 7,970,491 in H1 2016 to a loss of RON 8,446,874 in H1 2017, mainly due to net foreign exchange losses recorded in H1 2017 in amount of RON 1,172,021 compared to net foreign exchange gains of RON 679,757 recorded in H1 2016.

The net result for the 6 month period ended 30 June 2017 increased by RON 4,479,169, or 233%, as compared to the corresponding period of 2016, from RON 1,921,979 in H1 2016 to RON 6,401,148 in H1 2017. The increase was mainly due to the translation of the Operating Profit increase in the net result.

On a pro-forma basis, sales for H1 2017 amount to RON 313,880,499 and Adjusted EBITDA to RON 38,339,186. Please refer to *chapter VI – UNAUDITED CONSOLIDATED PRO-FORMA FINANCIAL INFORMATION* for more information regarding pro-forma financial information.

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ANALYSIS OF THE CONSOLIDATED BS

Non-current assets amount to RON 425,881,734 as of 30 June 2017, recording an increase of RON 50,517,021 or 13.5% as compared to 31 December 2016. The increase is mainly linked to Almina Trading and Anima acquisitions.

Current assets increased by 3,708,716 RON or 4.4% from RON 83,637,054 in as at 31 December 2016 to RON 87,345,770 as of 30 June 2017.

Prepayments recorded as at 30 June 2017 amount to RON 9,932,503. As compared to 31 December 2016, an increase of 3,196,475 RON was recorded. The increase is linked to accrued expenses and prepaid local tax liabilities.

Current liabilities (excluding interest bearing debt items) increased by RON 16,955,241, or 14.4%, from RON 117,874,182 as at 31 December 2016, to RON 134,829,423 as at 30 June 2017.

Interest bearing debt increased by RON 35,778,845, from RON 240,570,412 as of 31 December 2016 to RON 276,349,257 as of 30 June 2017. The increase is mainly due to financing of the Banu Manta building, Almina Trading and Anima acquisitions.

III. IMPORTANT EVENTS H1 2017

➤ **Banu Manta building acquisition**

The Group purchased a building located in Banu Manta street from Telekom and performed a sale and leaseback transaction through a financial leasing.

➤ **Companies' Acquisitions**

The Group signed the Sales Purchase Agreement for the acquisition of shares in the following companies:

- 80% of share capital of Almina Trading SA
- 100% of share capital in Anima Specialty Medical Services SRL and Anima Promovare si Vanzari SRL

Almina Trading ("Almina") has an activity of 20 years on the local market and it is the largest healthcare operator in Dambovită County. The company has eight medical centers – five in Targoviste, two in Pucioasa and one in Buftea – and two laboratories (Targoviste and Buftea), providing its patients with integrated outpatient, imaging and laboratory analysis services. The eight units are fitted with high-performing medical equipment and they are staffed with a medical team of over 125 specialists.

Almina Trading transaction concluded on the 29th of March 2017.

Anima Specialty Medical Services and **Anima Promovare si Vanzari ("Anima")** consists of 6 clinics and a laboratory, has over 200 employees, medical specialists and support staff and is the first private healthcare provider with its own family medicine network in Romania. At the same time, Anima is one of the largest private outpatient healthcare services provider which has agreements with the Bucharest Health Insurance Fund (CASMB), covering over 15 medical specialties, including family medicine, ob-gyn, ENT, endocrinology, ophthalmology, dermatovenerology, cardiology, psychiatry, rheumatology, gastroenterology, allergology and clinical immunology. According to the company's representatives, Anima currently has some

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75,000 corporate subscribers, mostly focusing on subscriptions covering occupational health services.

Anima transaction concluded on the 26th of May 2017.

➤ **Stake increase Stem Cells Bank and Genesys Medical Clinic**

The Group acquired in June, a new stake of 40% in Stem Cells Bank in Timișoara, one of the most modern and well-equipped stem cells bank in south-eastern Europe. In addition, also in June, MedLife also took over another 3% in Genesys Medical Clinic group in Arad, one of the largest private healthcare operators in the western Romania, with the Group currently owning a stake of 58%.

IV. MAIN FINANCIAL RATIOS AS AT 30 JUNE 2017

CURRENT RATIO

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{97,659,938}{171,800,645} = 0.57$$

DEBT TO EQUITY RATIO

$$\frac{\text{Long Term Debt}}{\text{Equity}} = \frac{239,378,035}{97,184,488} = 246\%$$

$$\frac{\text{Long Term Debt}}{\text{Capital Assets}} = \frac{239,378,035}{336,562,523} = 71\%$$

TRADE RECEIVABLES TURNOVER (DAYS)

$$\frac{\text{Average receivables}}{\text{Sales}} = \frac{49,134,088}{301,087,792} = 29.37$$

FIXED ASSETS TURNOVER

$$\frac{\text{Sales}}{\text{Net Fixed Assets}} = \frac{301,087,792}{425,881,734} = 0.71$$

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V. OPERATIONAL KEY PERFORMANCE INDICATORS

Business line	Info	12 Month ended 31 December, 2016	6 month ended 30 June, 2017
Clinics	Revenue	130,109,363	80,825,178
Clinics	Visits	909,132	555,616
Clinics	Avg fee	143.1	145.5
Stomatology	Revenue	18,504,217	18,503,131
Stomatology	Visits	69,111	52,049
Stomatology	Avg fee	267.7	355.5
Hospitals	Revenue	104,977,229	59,697,348
Hospitals	Patients	56,283	30,854
Hospitals	Avg fee	1,865.2	1,934.9
Laboratories	Revenue*	93,161,917	54,929,531
Laboratories	Analyses	4,223,840	2,558,139
Laboratories	Avg fee	22.1	21.5
Corporate	Revenue	127,988,835	68,344,498
Corporate	Subscriptions	420,933	560,094
Corporate	Avg fee	304.1	122.0
Pharmacies	Revenue	23,597,580	13,878,256
Pharmacies	Clients	264,604	136,218
Pharmacies	Sales per client	89.2	101.9
Others	Revenue*	4,647,649	4,909,850

* Sales obtained for stem cells bank services are classified for the six month period ended 30 June 2017 on Other Sales business line. Stem cells bank services sales were previously classified in Laboratories business line. In order to ensure comparison between periods, we have reclassified stem cell banks services sales for the twelve month period ended 31 December 2016 from Laboratories business line to Other Sales business line.

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VI. UNAUDITED CONSOLIDATED PRO-FORMA FINANCIAL INFORMATION FOR THE 6 MONTH PERIOD ENDED JUNE 30, 2017 ("CONSOLIDATED PRO FORMA PL")

Introduction

The following Consolidated Pro Forma PL of the Consolidated PL is based on the Group's Consolidated FS for the 6 month period ended on 30 June 2017, adjusted with the historical financial results of the company acquired by the Group during the period from 1 January 2017 up to 30 June 2017 (the "**Acquired Company**"). Details of the Acquired Company are set out below.

The Consolidated Pro Forma PL for the 6 month ended 30 June 2017 transpose (i) the acquisition of the Acquired Company as if the acquisition had occurred on 1 January 2017 by combining the financial results for the period of the Acquired Company with those of the Group and (ii) the elimination of certain expenses included in the Consolidated PL of the Group which the Group considers to be non-operational and/or non-recurring in nature.

The Consolidated Pro Forma PL provide a hypothetical illustration of the impact of the transactions on the Company's earnings. The Consolidated Pro Forma PL has been prepared for the Group as at and for the 6 month period ended 30 June 2017. The Consolidated Pro Forma PL should be read in conjunction with the Consolidated FS for the 6 month period ended 30 June 2017.

Purpose of the Consolidated Pro Forma PL

The Consolidated Pro Forma PL set out below has been prepared to (i) illustrate the effect on the Group of the acquisition completed in H1 2017 and (ii) provide an estimate of the Group's recurring EBITDA.

The Group's unaudited consolidated pro forma Adjusted EBITDA is also useful when analyzing the Group's current debt compared to its earnings capacity. Although the Consolidated BS in the Consolidated FS include the full amount of debt incurred to finance the acquisition completed as of 30 June 2017, the Consolidated PL includes no portion of the annual earnings of the Acquired Company. Using the unaudited consolidated pro forma Adjusted EBITDA for such comparison allows inclusion of a measure of the full period earnings that will contribute to the servicing of the debt incurred in relation to the acquisition.

In H1 2017, the Company made the following acquisition in pursuit of a consolidation strategy aimed at complementing the Group's service offering, expanding its national footprint and consolidating its market position:

- 80% of the shares in Almira Trading SA, completed in March 2017.
- 100% of the shares in Anima Specialty Medical Services SRL and Anima Promovare si Vanzari SRL ("**Anima**"), completed in May 2017.

The Consolidated Pro Forma PL has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore, does not represent the Group's actual financial results. The Consolidated Pro Forma PL do not necessarily reflect what the combined Group's financial condition or results of operations would have been, had the acquisition occurred on the dates indicated in the pro-forma calculations. They also may not be useful in predicting the future financial condition and results of operations of the Group with the acquired companies. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

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Consolidated Pro Forma PL

	6 Month ended 30 June 2017			
	Consolidated PL	Normalisation	One off	Consolidated Pro forma PL
SALES	301,087,792	12,792,707	-	313,880,499
Other operating revenues	9,324,821	133,974	-	9,458,795
OPERATING INCOME	310,412,613	12,926,681	-	323,339,294
OPERATING EXPENSES	(292,544,346)	(13,006,529)	632,261	(304,918,614)
OPERATING PROFIT	17,868,267	(79,848)	632,261	18,420,680
Net finance cost	(7,715,892)	(175,611)	-	(7,891,503)
Other financial expenses	(730,982)	17,650	-	(713,332)
FINANCIAL RESULT	(8,446,874)	(157,961)	-	(8,604,835)
RESULT BEFORE TAXES	9,421,393	(237,809)	632,261	9,815,845
Income tax expense	(3,020,245)	(68,393)	(101,162)	(3,189,800)
NET RESULT	6,401,148	(306,202)	531,099	6,626,045

Net Income to Adjusted EBITDA

	6 Month ended 30 June 2017			
	Consolidated PL	Normalisation	One off	Consolidated Pro forma PL
Net income/(loss) for the period	6,401,148	(306,202)	531,099	6,626,045
Add back:				
Taxes on income	3,020,245	68,393	101,162	3,189,800
<i>Out of which:</i>				
Base tax expense	3,020,245	68,393	-	3,088,638
One off impact	-	-	101,162	101,162
Net financial result	8,446,874	157,961	-	8,604,835
Depreciation, amortisation and impairment, including write-ups	18,527,337	1,391,169	-	19,918,506
Adjusted EBITDA	36,395,604	1,311,321	632,261	38,339,186

Sales split by Business Line

	6 Month ended 30 June 2017			
	Consolidated PL	Normalisation	One off	Consolidated Pro forma PL
Clinics	80,825,178	6,188,147	-	87,013,325
Stomatology	18,503,131	-	-	18,503,131
Laboratories	54,929,531	3,141,301	-	58,070,832
Corporate	68,344,498	3,013,672	-	71,358,170
Hospitals	59,697,348	-	-	59,697,348
Pharmacies	13,878,256	-	-	13,878,256
Other	4,909,850	449,587	-	5,359,437
Total Sales	301,087,792	12,792,707	-	313,880,499

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Basis for the Consolidated Pro Forma PL

The Consolidated Pro Forma PL for the 6 month period ended 30 June 2017 have been prepared starting from the Consolidated PL of the Group as of 30 June 2017. The Consolidated Pro Forma PL was prepared in a manner consistent with the accounting policies adopted by the Group in the Consolidated FS as of 30 June 2017.

The Consolidated Pro Forma PL for the 6 months ended 30 June 2017 give effect to the acquisition of the Acquired Company as if the acquisition had occurred on 1 January 2017. Also, certain expense items incurred by the Group in the relevant period but considered to be non-operational and non-recurring in nature, as detailed in the notes to the tables, are reflected in the Consolidated Pro Forma PL as one off adjustments, based on management judgment for the Group, without taking into account the Acquired Company.

Consolidated Pro Forma PL adjustments

Normalization adjustment

Normalization adjustments are made to include the financial results of the Acquired Company in the Group results for the relevant period. The adjustment represents the unaudited Income Statement items for the portion of the relevant period prior to and including the month of acquisition of the company.

The company that was normalized and the months included in the normalization are presented below:

Entity	Date of obtaining control	Months included in Normalization (inclusive) 1 January - 30 June 2017
Almina Trading SA	March 2017	January - March 2017
Anima	May 2017	January - May 2017

One off adjustments

The one off adjustments represent expenses which have been included in the Group's Consolidated PL but which, in the Group's opinion, represent non-recurring and/or non-operational expenses. These expenses relate to costs incurred in relation to the acquisition of the Acquired Company which were expensed rather than capitalized as part of the acquisition cost of the company, including the costs of aborted or continuing acquisition processes.

The One off expenses are presented below. The amounts calculated for each of the expenses is gross of the applicable income tax.

Type of Expense	Amount for H1 2017	Note
Cost of Acquisitions	632,261	Note A
Total	632,261	

Note A

Cost of Acquisitions includes the expenses incurred in respect of external due diligence reports on targets covering financial, taxation and legal due diligence as well as the cost of legal advisory services in relation to the signing and closing of the transactions signed or concluded in the period. The external costs of aborted acquisitions are also included.

These expenses are classified as one-offs as they do not relate to the on-going operational business of the Group.

MED LIFE GROUP
First Semester of 2017 Report

(all the amounts are expressed in RON, unless otherwise specified)

VII. EBITDA EVOLUTION

	6 Month ended 30 June,		Variation 2017/2016
	2017	2016	
	Pro Forma	IFRS	
Sales	313,880,499	233,838,443	34.2%
Other operating revenues	9,458,795	431,793	2090.6%
Operating Income	323,339,294	234,270,236	38.0%
Operating expenses	(304,918,614)	(223,212,372)	36.6%
Operating Profit	18,420,680	11,057,864	66.6%
EBITDA	38,339,186	30,082,072	27.4%
Finance cost	(7,891,503)	(7,298,884)	8.1%
Other financial expenses	(713,332)	(671,607)	6.2%
Financial result	(8,604,835)	(7,970,491)	8.0%
Result Before Taxes	9,815,845	3,087,373	217.9%
Income tax expense	(3,189,800)	(1,165,394)	173.7%
Net Result	6,626,045	1,921,979	244.8%

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

MED LIFE S.A.
FIRST SEMESTER REPORT 2017

MED LIFE SA
First Semester Report 2017

(all the amounts are expressed in RON, unless otherwise specified)

Name of the issuing company: Med Life S.A.

Registered Office: Bucharest, 365 Calea Griviței, district 1, Romania

Fax no.: 0040 374 180 470

Unique Registration Code at the National Office of Trade Registry: 8422035

Order number on the Trade Registry: J40/3709/1996

Subscribed and paid-in share capital: RON 5,023,000

Regulated market on which the issued securities are traded: Bucharest Stock Exchange

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Note: The following financial statements are prepared in accordance with international financial reporting standards, as adopted by European Union ("IFRS").

Semesterly report concluded in compliance with: Law no. 24/2017 regarding the capital market and CNVM Regulation no. 1/2006 regarding the issuers and the securities operations

The following financial statement are unaudited

MED LIFE SA
First Semester Report 2017

(all the amounts are expressed in RON, unless otherwise specified)

**I. UNAUDITED STANDALONE FINANCIAL STATEMENTS AS AT JUNE 30, 2017
("STANDALONE FS")**

UNAUDITED STANDALONE STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED
JUNE 30, 2017 ("STANDALONE BS")

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>Variation 2017/2016</u>
ASSETS			
Long Term			
Intangible assets	7,797,195	7,207,187	8.2%
Tangible assets	172,765,494	160,173,512	7.9%
Financial assets	127,334,322	97,537,556	30.5%
TOTAL NON-CURRENT ASSETS	307,897,011	264,918,255	16.2%
Current Assets			
Inventories	4,891,192	6,399,887	-23.6%
Receivables	32,625,774	29,344,895	11.2%
Receivables with group companies	26,074,420	25,542,850	2.1%
Other receivables	2,578,002	816,077	215.9%
Cash and cash equivalents	2,685,797	13,959,191	-80.8%
	68,855,185	76,062,900	-9.5%
Prepayments	4,674,098	2,724,058	71.6%
TOTAL CURRENT ASSETS	73,529,283	78,786,958	-6.7%
TOTAL ASSETS	381,426,294	343,705,213	11.0%
LIABILITIES & SHAREHOLDER'S EQUITY			
Current Liabilities			
Trade accounts payable	71,134,322	65,327,621	8.9%
Current portion of lease liability	3,914,310	4,374,976	-10.5%
Current portion of long term debt	18,244,367	11,214,325	62.7%
Intercompany payables	1,096,341	2,749,739	-60.1%
Current tax liabilities	234,190	1,180,971	-80.2%
Other liabilities	10,526,983	10,750,318	-2.1%
TOTAL CURRENT LIABILITIES	105,150,513	95,597,950	10.0%
Long Term Debt			
Lease liability	10,544,949	5,767,198	82.8%
Long term debt	164,216,967	142,653,683	15.1%
TOTAL LONG-TERM LIABILITIES	174,761,916	148,420,881	17.7%
Deferred tax liability	10,785,523	10,785,523	0.0%
TOTAL LIABILITIES	290,697,952	254,804,354	14.1%
SHAREHOLDER'S EQUITY			
Issued capital	13,932,034	13,932,034	0.0%
Reserves	72,708,768	72,708,768	0.0%
Retained earnings	4,087,540	2,260,057	80.9%
TOTAL EQUITY	90,728,342	88,900,859	2.1%
TOTAL LIABILITIES AND EQUITY	381,426,294	343,705,213	11.0%

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

MED LIFE SA
First Semester Report 2017


(all the amounts are expressed in RON, unless otherwise specified)

UNAUDITED STANDALONE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2017 ("STANDALONE PL")

	6 Month ended 30 June,		Variation
	2017	2016	2017/2016
Sales	189,017,051	167,216,192	13.0%
Other operating revenues	8,404,645	305,522	2650.9%
Operating Income	197,421,696	167,521,714	17.8%
Operating expenses	(188,786,582)	(160,564,632)	17.6%
Operating Profit	8,635,114	6,957,082	24.1%
Finance cost	(5,745,446)	(5,376,268)	6.9%
Other financial expenses	(360,166)	(718,980)	-49.9%
Financial result	(6,105,612)	(6,095,248)	0.2%
Result Before Taxes	2,529,502	861,834	193.5%
Income tax expense	(702,020)	(767,444)	-8.5%
Net Result	1,827,482	94,390	1836.1%



Mihail Marcu,
CEO



Vera Firu,
Accounting and Tax Manager

MED LIFE SA
First Semester Report 2017

(all the amounts are expressed in RON, unless otherwise specified)

UNAUDITED STANDALONE STATEMENT OF CASH FLOW FOR THE PERIOD ENDED JUNE 30, 2017 ("STANDALONE CF")

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Net income/(loss) before taxes	2,529,502	861,834
Adjustments for		
Depreciation	10,921,665	14,269,503
Interest expense	5,745,446	5,376,268
Financial discounts	-	1,456,624
Unrealised exchange gain / loss on interest bearing obligations	566,125	(559,234)
Interest revenue	(205,959)	(178,410)
Operating cash flow before working capital changes	19,556,779	21,226,585
Decrease / (increase) in accounts receivable	(5,574,374)	(14,398,275)
Decrease / (increase) in inventories	1,508,695	986,470
Decrease / (increase) in prepayments	(1,950,040)	(2,437,776)
Increase / (decrease) in accounts payable	(5,782,181)	13,544,883
Cash generated from WC changes	(11,797,900)	(2,304,698)
Cash generated from operations	7,758,880	18,921,887
Income tax paid	(1,648,800)	(1,885,700)
Interest received	205,959	178,410
Interest paid	(5,733,817)	(5,257,436)
Net cash from / (used in) operating activities	582,221	11,957,161
Purchase of investments	(29,796,766)	(26,953,113)
Purchase of intangible assets	(590,008)	(743,684)
Purchase of property, plant and equipment	(6,290,098)	(7,584,702)
Net cash used in investing activities	(36,676,872)	(35,281,499)
Cash flow from financing activities		
Payment of loans	(1,435,515)	(15,220,000)
(Payments)/Increase of financial leasing	(3,194,315)	(2,085,504)
Increase in loans	29,451,087	44,177,442
Net cash from/ (used in) financing activities	24,821,257	26,871,938
Net change in cash and cash equivalents	(11,273,394)	3,547,600
Cash and cash equivalents beginning of the period	13,959,191	1,337,365
Cash and cash equivalents end of the period	2,685,797	4,884,965

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

MED LIFE SA
First Semester Report 2017

(all the amounts are expressed in RON, unless otherwise specified)

II. FINANCIAL ANALYSIS

ANALYSIS OF THE STANDALONE PL

Sales for the 6 month period ended 30 June 2017 ("**H1 2017**") amounted to RON 189,017,051, higher by 13 % compared to sales recorded in the first semester of 2016 ("**H1 2016**"). This increase was mainly the result of a growth in all of the business lines determined by a mixture of increase in prices and volume.

Other operating revenues recorded a significant increase in H1 2017 as compared to H1 2016, amounting to RON 8,404,645 as at 30 June 2017. The increase is linked to the sale and leaseback transaction recorded in relation to building located in Banu Manta street.

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide services. Medlife SA recorded operating expenses of RON 188,786,582 in H1 2017, representing an increase of 17.6%, or RON 28,221,950, as compared to H1 2016. The increase is mainly linked to overall business increase and to Banu Manta sales and leaseback transaction.

Operating profit recorded a 24.1% increase in H1 2017 as compared to H1 2016, from RON 6,957,082 in H1 2016 to RON 8,635,114 in H1 2017.

Financial loss increased in H1 2017 by RON 10,364 from a loss of RON 6,095,248 in H1 2016 to a loss of RON 6,105,612 in H1 2017, mainly due to net foreign exchange losses recorded in H1 2017 in amount of RON 726,273 compared to net foreign exchange gains of RON 679,956 recorded in H1 2016.

ANALYSIS OF THE STANALONE BS

Non-current assets amount to RON 307,897,011 as of 30 June 2017, recording an increase of 16.2% as compared to 31 December 2016. The increase is mainly linked to financial assets recorded as at 30 June 2017 in relation to Almira Trading and Anima acquisitions.

Current assets decreased by RON 7,207,715 or 9.5% from RON 76,062,900 in 31 December 2016 to RON 68,855,185 in 30 June 2017.

Prepayments recorded as at 30 June 2017 amount to RON 4,674,098. As compared to 31 December 2016, an increase of RON 1,950,040 was recorded. The increase is linked to accrued expenses and prepaid local tax liabilities.

Current liabilities (excluding interest bearing debt items), decreased by RON 2,983,187, or 3.7%, from RON 80,008,647 as at 31 December 2016, to RON 82,991,836 as at 30 June 2017.

Interest bearing debt increased by RON 32,910,411, from RON 164,010,182 as of 31 December 2016 to RON 196,920,593 as of 30 June 2017. The increase is mainly due to financing of the Banu Manta building, Almira Trading and Anima acquisitions.

MED LIFE SA
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(all the amounts are expressed in RON, unless otherwise specified)

III. IMPORTANT EVENTS H1 2017

➤ **Banu Manta building acquisition**

Med Life SA purchased a building located in Banu Manta street from Telekom and performed a sale and leaseback through financial leasing.

➤ **Companies' Acquisitions**

Med Life SA signed the Sales Purchase Agreement for the acquisition of shares in the following companies:

- 80% of share capital of Almina Trading SA
- 100% of share capital in Anima Speciality Medical Services SRL and Anima Promovare si Vanzari SRL

Almina Trading ("Almina") has an activity of 20 years on the local market and it is the largest healthcare operator in Dambovita County. The company has eight medical centers – five in Targoviste, two in Pucioasa and one in Buftea – and two laboratories (Targoviste and Buftea), providing its patients with integrated outpatient, imaging and laboratory analysis services. The eight units are fitted with high-performing medical equipment and they are staffed with a medical team of over 125 specialists.

Almina Trading transaction concluded on the 29th of March 2017.

Anima Specialty Medical Services and Anima Promovare si Vanzari ("Anima") consists of 6 clinics and a laboratory, has over 200 employees, medical specialists and support staff and is the first private healthcare provider with its own family medicine network in Romania. At the same time, Anima is one of the largest private outpatient healthcare services provider which has agreements with the Bucharest Health Insurance Fund (CASMB), covering over 15 medical specialties, including family medicine, ob-gyn, ENT, endocrinology, ophthalmology, dermatovenerology, cardiology, psychiatry, rheumatology, gastroenterology, allergology and clinical immunology. According to the company's representatives, Anima currently has some 75,000 corporate subscribers, mostly focusing on subscriptions covering occupational health services.

Anima transaction transaction concluded on the 26th of May 2017.

➤ **Stake increase Stem Cells Bank and Genesys Medical Clinic**

The Group acquired in June, a new stake of 40% in Stem Cells Bank in Timișoara, one of the most modern and well-equipped stem cells bank in south-eastern Europe. In addition, also in June, MedLife also took over another 3% in Genesys Medical Clinic group in Arad, one of the largest private healthcare operators in the western Romania, with the Group currently owning a stake of 58%.

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First Semester Report 2017

(all the amounts are expressed in RON, unless otherwise specified)

IV. MAIN FINANCIAL RATIOS PERIOD ENDED AT JUNE 30, 2017

Current ratio

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{73,529,283}{105,150,513} = 0.70$$

Debt to equity ratio

$$\frac{\text{Long Term Debt}}{\text{Equity}} = \frac{174,761,916}{90,728,342} = 193\%$$

$$\frac{\text{Long Term Debt}}{\text{Capital Assets}} = \frac{174,761,916}{265,490,258} = 66\%$$

Trade receivables turnover (days)

$$\frac{\text{Average receivables}}{\text{Sales}} = \frac{30,985,335}{189,017,051} = 29.51$$

Fixed assets turnover

$$\frac{\text{Sales}}{\text{Net Fixed Assets}} = \frac{189,017,051}{307,897,011} = 0.61$$

MED LIFE SA
First Semester Report 2017

(all the amounts are expressed in RON, unless otherwise specified)

V. EBITDA EVOLUTION

	6 Month ended 30 June,		Variation
	2017	2016	2017/2016
Sales	189,017,051	167,216,192	13.0%
Other operating revenues	8,404,645	305,522	2650.9%
Operating Income	197,421,696	167,521,714	17.8%
Operating expenses	(188,786,582)	(160,564,632)	17.6%
Operating Profit	8,635,114	6,957,082	24.1%
EBITDA	19,556,779	21,226,585	-7.9%
Finance cost	(5,745,446)	(5,376,268)	6.9%
Other financial expenses	(360,166)	(718,980)	-49.9%
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Income tax expense	(702,020)	(767,444)	-8.5%
Net Result	1,827,482	94,390	1836.1%



Mihail Marcu,
Director general



Vera Firu,
Director Economic