

MED LIFE S.A.

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED BY EUROPEAN UNION**

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Med Life S.A.

Opinion

1. We have audited the consolidated financial statements of Med Life S.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
2. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU.

Basis for Opinion

3. We conducted our audit in accordance with the Auditing Standards adopted by the Chamber of Auditors of Romania, which are International Standards on Auditing (ISAs). Our responsibilities under this law and regulation are further described in the Auditor's "*Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTER	How our audit addressed the key audit matter
Valuation of goodwill	
<p>Goodwill represents 9% of the total assets of the Group. Management conducts impairment tests on an annual basis or whenever there is an indication of impairment to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models.</p> <p>As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> >> Revenue growth >> Operating margins and >> The discount rates applied to the projected future cash flows. <p>Accordingly, the impairment test of these assets is considered to be a key audit matter.</p> <p>Management have engaged specialists to assist with the determination of the discount rates for the significant Cash Generating Units to which the goodwill relates.</p>	<p>We focused our testing of the impairment of goodwill on the key assumptions made by management.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> >> Engaging our internal specialists to assist with: <ul style="list-style-type: none"> -- Critically evaluating whether the model used by management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36 Impairment of Assets. -- Evaluating the appropriateness of the assumptions used to calculate the discount rates and recalculating these rates. >> We evaluated the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the Cash Generating Unit. >> We subjected the key assumptions to sensitivity analyses. >> We compared the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to evaluate reasonableness of management's projections. <p>We found that the assumptions used by management were comparable with historical performance and the expected future outlook and the discount rates used were appropriate in the circumstances.</p>

Reporting requirements concerning the administrators' consolidated report

5. The administrators are responsible for the preparation and presentation of the standalone administrators' report in accordance with the requirements of the Ministry of Public Finance Order 2844/2016 , article no.20 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, which does not contain material misstatements and for such internal control as management determines is necessary to enable the preparation of administrator's report that is free from material misstatement, whether due to fraud or error.

The consolidated administrators' report is presented from pages 1 to 9 and is not part of the consolidated financial statements.



Our opinion on the consolidated financial statements does not cover the administrators' report.

In connection with our audit of the consolidated financial statements, we have read the administrators' report accompanying the consolidated financial statements and presented from pages 1 to 9 and we report as follows:

- a) in the consolidated administrators' report, we have not identified information which is not consistent, in all material respects, with the information presented in the consolidated financial statements attached;
- b) the administrators' report identified above contains, in all material respects, the required information according to the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20 (accounting regulations regarding annual standalone financial statements and annual consolidated financial statements);
- c) based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2016, we have not identified information included in the consolidated administrators' report that contains a material misstatement of fact.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

6. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Order 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

8. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
9. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
10. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



11. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Khan.

Farrukh Khan, Audit Partner

For signature, please refer to the original Romanian version.

Registered with the Chamber of Financial Auditors of Romania under certificate no. 1533/25.11.2003

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors of Romania under certificate no. 25/25.06.2001

Bucharest, Romania
March 24, 2017

MED LIFE GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(all the amounts are expressed in RON, unless otherwise specified)

	Notes	December 31, 2016	December 31, 2015	December 31, 2014
ASSETS				
LONG TERM				
Goodwill	4,25	43,993,237	24,275,015	22,580,306
Intangible assets	5	26,512,923	13,811,734	12,396,599
Tangible fixed assets	5	304,857,393	280,210,741	255,817,347
Financial fixed assets		1,160	871	840
TOTAL NON-CURRENT ASSETS		375,364,713	318,298,361	290,795,092
Deferred tax asset			-	-
CURRENT ASSETS				
Inventories	6	17,373,541	13,969,838	10,553,737
Receivables	7	43,203,974	41,799,756	39,898,398
Other receivables		2,357,689	256,414	1,344,125
Cash at bank and in hand	8	20,701,850	5,881,496	7,583,358
		83,637,054	61,907,504	59,379,618
Assets classified as held for sale	9	381,665	381,665	381,665
PREPAYMENTS	10	6,736,028	4,145,435	3,666,828
TOTAL CURRENT ASSETS		90,754,747	66,434,604	63,428,111
TOTAL ASSETS		466,119,460	384,732,965	354,223,203
LIABILITIES & SHAREHOLDER'S EQUITY				
CURRENT LIABILITIES				
Trade accounts payable	11	98,432,380	73,170,998	64,808,736
Overdraft	14	1,267,442	15,513,594	15,582,209
Current portion of lease liability	13	7,031,122	7,032,056	1,255,341
Current portion of long term debt	14	19,127,593	17,907,388	13,918,290
Current tax liabilities		1,099,391	919,814	84,649
Other liabilities	12	17,713,204	11,673,569	9,262,150
Liabilities directly associated with assets classified as held for sale		629,207	690,640	745,267
Total Current Liabilities		145,300,339	126,908,059	105,656,642
LONG TERM DEBT				
Lease liability	13	10,382,639	12,294,667	1,666,461
Long term debt	14	202,761,616	143,524,638	155,022,740
TOTAL LONG-TERM LIABILITIES		213,144,255	155,819,305	156,689,201
Deferred tax liability	24	14,655,982	14,809,109	15,059,481
TOTAL LIABILITIES		373,100,576	297,536,473	277,405,324

The accompanying notes are an integral part of the consolidated financial statements.

MED LIFE GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(all the amounts are expressed in RON, unless otherwise specified)

	<u>Notes</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
SHAREHOLDER'S EQUITY				
Issued capital	15	13,932,034	13,932,034	13,932,034
Reserves	16	91,961,424	86,504,066	83,128,282
Retained earnings		<u>(24,346,985)</u>	<u>(19,139,252)</u>	<u>(24,014,725)</u>
Equity attributable to owners of the Group		<u>81,546,473</u>	<u>81,296,848</u>	<u>73,045,591</u>
Non-controlling interests	17	<u>11,472,411</u>	<u>5,899,644</u>	<u>3,772,288</u>
TOTAL EQUITY		<u>93,018,884</u>	<u>87,196,492</u>	<u>76,817,879</u>
TOTAL LIABILITIES AND EQUITY		<u>466,119,460</u>	<u>384,732,965</u>	<u>354,223,203</u>

Approved by the Board of Directors on the date of March 24, 2017 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

The accompanying notes are an integral part of the consolidated financial statements.

MED LIFE GROUP
CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(all the amounts are expressed in RON, unless otherwise specified)

	<u>Notes</u>	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
SALES	18	502,986,790	390,978,897
Other operating revenues	19	<u>5,468,590</u>	<u>4,591,826</u>
OPERATING INCOME		<u>508,455,380</u>	<u>395,570,723</u>
OPERATING EXPENSES	20	<u>(488,901,027)</u>	<u>(366,579,247)</u>
OPERATING PROFIT		<u>19,554,353</u>	<u>28,991,476</u>
Finance cost		(13,336,592)	(11,270,696)
Other financial expenses		(5,048,649)	(4,722,017)
FINANCIAL RESULT	22	<u>(18,385,241)</u>	<u>(15,992,713)</u>
RESULT BEFORE TAXES		<u>1,169,112</u>	<u>12,998,763</u>
Income tax expense	24	(2,411,102)	(3,093,994)
NET RESULT		<u>(1,241,990)</u>	<u>9,904,769</u>
Owners of the Group		(5,109,958)	8,580,871
Non-controlling interests		3,867,968	1,323,898
Other comprehensive income items that will not be reclassified to profit or loss			
Gain / Loss on revaluation of properties	16,17	3,398,211	-
Corrections related to prior years		-	(391,949)
Deferred tax on other comprehensive income components	24	<u>(543,714)</u>	<u>62,335</u>
TOTAL OTHER COMPREHENSIVE INCOME		<u>2,854,497</u>	<u>(329,614)</u>
Total other comprehensive income attributable to:			
Owners of the Group	16	5,439,256	(329,614)
Non-controlling interests	17	<u>(2,584,759)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>1,612,507</u>	<u>9,575,155</u>
Total comprehensive income attributable to:			
Owners of the Group		329,298	8,251,257
Non-controlling interests		1,283,209	1,323,898

Approved by the Board of Directors on the date of March 24, 2017 and signed on behalf of by:


Mihail Marcu,
Administrator


Vera Firu,
Director Economic

The accompanying notes are an integral part of the consolidated financial statements.

MED LIFE GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all the amounts are expressed in RON, unless otherwise specified)

	<u>Note</u>	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Cash flow from operating activities			
Profit / Loss before tax		<u>1,169,112</u>	<u>12,998,763</u>
Adjustments for:			
Depreciation	20,5	36,093,805	26,748,141
Disposal of subsidiaries		714,750	-
Interest expense	22	13,336,592	11,270,696
Interest revenues	22	(454,439)	(385,938)
Allowance for doubtful debts and receivables written-off	7	8,175,200	214,477
Write off and allowance of other current assets		109,041	
Financial discounts	22	3,052,445	2,804,052
Gain related to impairment of non-current assets	20	(970,918)	-
Unrealized exchange gain / loss	22	2,608,677	2,357,932
Other non-monetary gains	19	(3,300,000)	(3,300,000)
Net gain on disposal of property		-	(57,292)
Operating cash flow before working capital changes		<u>60,534,265</u>	<u>52,650,831</u>
Increase in accounts receivable		(11,152,764)	(3,242,399)
Increase in inventories		(2,974,751)	(3,390,778)
Increase in prepayments		(446,269)	(422,694)
Increase in accounts payable		12,787,223	9,447,452
Cash generated from operations		<u>58,747,704</u>	<u>55,042,412</u>
Income tax paid		(2,945,862)	(2,470,547)
Interest paid		(13,144,091)	(11,316,966)
Interest received		454,439	385,938
Net cash flow from operating activities		<u>43,112,190</u>	<u>41,640,837</u>
Cash flow from investing activities			
Investments in business combinations	25	(32,993,008)	(3,107,334)
Purchase of intangible assets	5	(4,038,544)	(1,831,817)
Purchase of property, plant and equipment	5	(28,035,141)	(23,194,914)
Proceeds from sale of business combinations		45,000	-
Proceeds from sale of fixed assets		-	57,292
Net cash used in investing activities		<u>(65,021,693)</u>	<u>(28,076,773)</u>
Cash flow from financing activities			
Share capital contribution (non-controlling interest)	17	137,030	-
Increase in loans		73,824,643	1,633,867
Payment of loans		(30,629,749)	(13,110,964)
Payments of financial leasing		(6,602,067)	(3,788,829)

The accompanying notes are an integral part of the consolidated financial statements.

MED LIFE GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all the amounts are expressed in RON, unless otherwise specified)

	<u>Note</u>	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Net cash generated by/ (used in) financing activity		<u>36,729,857</u>	<u>(15,265,926)</u>
Effect of changes in exchange rates over cash		-	-
Net increase/ (decrease) in cash and cash equivalents		<u>14,820,354</u>	<u>(1,701,862)</u>
Cash and cash equivalents opening balance	8	<u>5,881,496</u>	<u>7,583,358</u>
Cash and cash equivalents closing balance	8	<u>20,701,850</u>	<u>5,881,496</u>

Approved by the Board of Directors on the date of March 24, 2017 and signed on behalf of by:


Mihail Marcu,
 Administrator


Vera Firu,
 Director Economic

The accompanying notes are an integral part of the consolidated financial statements.

MED LIFE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all the amounts are expressed in RON, unless otherwise specified)

	Share Capital	Share premium	General reserves and other reserves	Revaluation Reserve*	Accumulated Results	Attributable to owners of the parent	Non-controlling interests	Total Equity
Balance as at January 1, 2016	5,023,000	8,909,034	9,681,481	76,822,585	(19,139,252)	81,296,848	5,899,644	87,196,492
Recognition of other reserves for fiscal purposes	-	-	18,102	-	(18,102)	-	-	-
Sale of subsidiaries	-	-	-	-	(79,673)	(79,673)	-	(79,673)
Share capital contribution	-	-	-	-	-	-	137,030	137,030
Additional non-controlling interest arising as of result of business combinations	-	-	-	-	-	-	4,152,528	4,152,528
Total comprehensive income	-	-	-	5,439,256	(5,109,958)	329,298	1,283,209	1,612,507
Gain/loss on revaluation of properties	-	-	-	6,475,305	-	6,475,305	(3,077,094)	3,398,211
Deferred tax related to revaluation reserve	-	-	-	(1,036,049)	-	(1,036,049)	492,335	(543,714)
Profit of the year (loss)	-	-	-	-	(5,109,958)	(5,109,958)	3,867,968	(1,241,990)
Balance as at December 31, 2016	5,023,000	8,909,034	9,699,583	82,261,841	(24,346,985)	81,546,473	11,472,411	93,018,884

Note*: The closing balance of the revaluation reserve as of December 31, 2016 in amount of RON 82,261,841 comprises revaluation reserve in amount of RON 97,438,877 and deferred tax computed on revaluation reserve in amount of RON (15,177,036). As of December 31, 2016, the Group performed the revaluation of land and buildings owned. As a result, the Group recorded a net gain from revaluation of RON 2,854,497.

Approved by the Board of Directors on the date of March 24, 2017 and signed on behalf of by:


Mihail Marcu,
Administrator


Vera Firu,
Director Economic

The accompanying notes are an integral part of the consolidated financial statements.

MED LIFE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all the amounts are expressed in RON, unless otherwise specified)

	Share Capital	Share premium	General reserves and other reserves	Revaluation Reserve*	Accumulated Results	Attributable to owners of the parent	Non-controlling interests	Total Equity
Balance as at January 1, 2015	5,023,000	8,909,034	5,976,083	77,152,199	(24,014,725)	73,045,591	3,772,288	76,817,879
Recognition of other reserves for fiscal purposes	-	-	3,705,398	-	(3,705,398)	-	-	-
Additional non-controlling interest arising as of result of business combinations	-	-	-	-	-	-	803,458	803,458
Total comprehensive income	-	-	-	(329,614)	8,580,871	8,251,257	1,323,898	9,575,155
Deferred tax related to revaluation reserve	-	-	-	62,335	-	62,335	-	62,335
Correction of prior year errors	-	-	-	(391,949)	-	(391,949)	-	(391,949)
Profit of the year (loss)	-	-	-	-	8,580,871	8,580,871	1,323,898	9,904,769
Balance as at December 31, 2015	5,023,000	8,909,034	9,681,481	76,822,585	(19,139,252)	81,296,848	5,899,644	87,196,492

Note*: The closing balance of the revaluation reserve as of December 31, 2015 in amount of RON 76,822,585 comprises revaluation reserve in amount of RON 91,455,907 and deferred tax computed on revaluation reserve in amount of RON (14,633,322). During the year 2015, the Group identified as a result of a change in estimate that the value of properties before recorded revaluation should have been higher by RON 391,949. As a result, the Group decided to adjust current year other comprehensive income related to the revaluation reserve and to correct the deferred tax recorded.

Approved by the Board of Directors on the date of March 24, 2017 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic


The accompanying notes are an integral part of the consolidated financial statements.

MED LIFE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all the amounts are expressed in RON, unless otherwise specified)

	Share Capital	Share premium	General reserves and other reserves	Revaluation Reserve*	Accumulated Result	Attributable to owners of the parent	Non-controlling interests	Total Equity
Balance as at 1 January 2014	5,023,000	8,909,034	1,042,307	77,237,165	(25,627,588)	66,583,918	163,975	66,747,893
Recognition of other reserves for fiscal purposes	-	-	4,933,776	-	(4,933,776)	-	-	-
Additional non-controlling interest (Policlínica de Diagnostico Rapid)	-	-	-	-	-	-	2,499,000	2,499,000
Total comprehensive income	-	-	-	(84,966)	6,546,639	6,461,673	1,109,313	7,570,986
Deferred tax related to revaluation reserve	-	-	-	16,184	-	16,184	-	16,184
Revaluation of fixed assets	-	-	-	(101,150)	-	(101,150)	-	(101,150)
Profit of the year (loss)	-	-	-	-	6,546,639	6,546,639	1,109,313	7,655,952
Balance as at December 31, 2014	5,023,000	8,909,034	5,976,083	77,152,199	(24,014,725)	73,045,591	3,772,288	76,817,879

Note*: The closing balance of the revaluation reserve as of December 31, 2014 in amount of RON 77,152,199 comprises revaluation reserve in amount of RON 91,847,856 and deferred tax computed on revaluation reserve in amount of RON (14,695,657).

Approved by the Board of Directors on the date of March 24, 2017 and signed on behalf of by:


Mihail Marcu,
Administrator


Vera Firu,
Director Economic

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all the amounts are expressed in RON, unless otherwise specified)

1. DESCRIPTION OF THE BUSINESS

Med Life S.A. ("Med Life" or the "Parent Company" or the "Company") is a joint-stock company incorporated in 1996, in accordance with the laws and regulations of Romania. The Company's activity resides in the performance of healthcare services activities through medical centres located in Bucharest, Brasov, Cluj, Timisoara, Iasi, Galati and Constanta.

Med Life Group is offering a large range of medical service having opened 17 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Cluj and Constanta; 8 hospitals – located in Bucharest, Arad and Brasov, 19 Medical Centers and 24 Laboratories for analysis, as well as 3 maternity hospitals. The Group has also more than 140 private Clinic partners around Romania.

Med Life is one of the leading health care services providers in Romania, having a significant market share at a national level.

The registered office of Med Life is located in Bucharest, Calea Grivitei, no. 365.

Details of the Company's subsidiaries at December 31, 2016, December 31, 2015 and December 31, 2014 are as follows:

	Name of subsidiary	Principal Activity	Place of operation	Proportion of ownership interest and voting power held		
				December 31, 2016	December 31, 2015	December 31, 2014
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	80.01%	80.01%	80.01%
2	Medapt SRL	Medical Services	Brasov, Romania	80.01%	80.01%	80.01%
3	Histo SRL	Medical Services	Brasov, Romania	48.01%	48.01%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL	Medical Services	Sfantu Gheorge, Romania	64.01%	64.01%	64.01%
5	Bahtco Invest S.A.	Development of building projects	Bucharest, Romania	100%	100%	100%
6	Medsanrom SRL (Med Life Occupational SRL)	Medical Services	Bucharest, Romania	100%	100%	100%
7	Pharmalife Med SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%	100%
8	Asilife Insurance Broker SRL	Insurance broker	Bucharest, Romania	95%	95%	95%
9	Accapiens	Rental activities	Bucharest, Romania	55%	55%	55%
10	Genesys SRL	Medical services	Bucharest, Romania	55%	55%	55%
11	Biofarm Farmec SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	55%	55%	55%
12	RUR Medical Services	Medical services	Bucharest, Romania	100%	100%	100%
13	Biotest Med	Medical Services	Bucharest	100%	100%	100%
14	Vital Test	Medical Services	Bucharest	100%	100%	100%

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1. DESCRIPTION OF THE BUSINESS (continued)

During the year 2015, the Group also acquired control of the following companies:

	<u>Name of subsidiary</u>	<u>Principal Activity</u>	<u>Place of operation</u>	<u>Proportion of ownership interest and voting power held</u>		
				<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
15	Agis 2000 SRL	Other healthcare services	Arad, Romania	-	55%	-
16	Bactro SRL	Other healthcare services	Deva, Romania	55%	55%	-
17	Centrul Medical Sama S.A.	Medical Services	Craiova, Romania	55%	55%	-
18	Ultratest S.A.	Other healthcare services	Craiova, Romania	55%	55%	-

Agis 2000 SRL was disposed of in 2016.

During the year 2016, the Group also acquired control of the following companies:

	<u>Name of subsidiary</u>	<u>Principal Activity</u>	<u>Place of operation</u>	<u>Proportion of ownership interest and voting power held</u>	
				<u>December 31, 2016</u>	<u>December 31, 2015</u>
1	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	-
2	Prima Medical SRL	Medical Services	Craiova, Romania	100%	-
3	Stem Cells Bank SA	Medical Services	Timisoara, Romania	60%	-
4	Dent Estet Clinic SA	Dental healthcare activities	Bucharest, Romania	60%	-
5	Centrul Medical Panduri SA	Medical Services	Bucharest, Romania	90%	-

One of the companies acquired in 2016, Dent Estet Clinic SA also owns the following companies as described below:

<u>Name of subsidiary</u>	<u>Principal Activity</u>	<u>Place of operation</u>	<u>Proportion of ownership interest and voting power held by Dent Estet Clinic SA</u>
			<u>December 31, 2016</u>
Green Dental Clinic SRL	Dental healthcare activities	Bucharest, Romania	51%
Dentist 4 Kids SRL	Dental healthcare activities	Bucharest, Romania	52%
Dent A Porter SRL	Dental healthcare activities	Bucharest, Romania	51.61%
Dentestet Kids	Dental healthcare activities	Bucharest, Romania	52.94%
Aspen Laborator Dantar	Dental healthcare activities	Bucharest, Romania	75 %

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2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Initial application of new amendments to the existing standards and interpretation effective for the current reporting period

The following standards, amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** - Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements.

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2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

2.2 Amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these consolidated financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective date of IFRS 15"** - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

The Group has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Group anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Group in the period of initial application.

2.3 New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),

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2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

2.3 New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of Group in the period of initial application.

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the balance sheet date.

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3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated interim financial statements of the Group are set out below.

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Accounting Standards for Financial Reporting ("IFRSs") as adopted by the European Union ("EU").

Additionally, the consolidated financial statements have been prepared in accordance with Order 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU with subsequent amendments.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These consolidated financial statements have been prepared to serve the Group as statutory consolidated financial statements.

The Group maintains its accounting records in Romanian Lei ("RON") and maintains the accounting books in accordance with the Regulations on Accounting and Reporting issued by the Ministry of Finance in Romania. The accompanying consolidated financial statements are based on the statutory accounting records of the individual entities and have been adjusted to present the consolidated financial statements in accordance with IFRS.

3.3 Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the Group will be able to realize its assets and discharge its liabilities in the normal course of business. The Group will continue its activity according to the normal course of business in the foreseeable future without encountering the impossibility of continuing its activity or without the significant decrease of its activity.

3.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company (Med Life S.A.) and entities controlled by the Company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Basis of consolidation (continued)

The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

The interests of non-controlling shareholders are initially measured at the non-controlling interests' proportionate share of the fair value of the acquired company's identifiable net assets.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3.5 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method.

The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 3.5 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated [statement of comprehensive income/income statement]. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.7 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.8 Accounting estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities as of the date of the balance sheet and revenue and expenses for the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Foreign currency translation

Functional and presentation currency

These consolidated financial statements are presented in Romanian Leu ("RON"), which is the currency of the primary economic environment in which the Group operates (its "functional currency").

As at December 31, 2016 the exchange rate was of 4.3033 RON for 1 USD and of 4.5411 RON for 1 EUR. As at December 31, 2015 the exchange rate was of RON 4.1477 for 1 USD and of RON 4.5245 for 1 EUR.

The monetary assets and liabilities in foreign currency as of reporting date have been converted from EUR to RON at the closing exchange rate as announced by the National Bank of Romania.

The profit and loss incurred before the transaction date of the acquired businesses in 2016 and in 2015 was eliminated.

3.10 Comparative information

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3.11 Property, plant and equipment

Land and buildings held for use in the supply of services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The value of land and buildings owned presented in these consolidated financial statements is based on the valuation reports which were performed as of December 31, 2016 by independent valuers certified by ANEVAR. The revaluation is performed with sufficient regularity as to ensure that the Group presents land and buildings at fair value in the consolidated financial statements.

Repairs and maintenance are charged to the statement of income during the financial period in which they incur. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset. Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Property, plant and equipment (continued)

Depreciation is calculated on the amounts of property, plant and equipment on a straight-line basis down to the assets' estimated residual values. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3.12 Assets held under finance leases

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The following useful lives are used in the calculation of depreciation:

	<u>Years</u>
Buildings	10 – 50 years
Plant and equipment	3 – 15 years
Fixtures and fittings	3 – 15 years

3.13 Intangible assets

Intangible assets acquired are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Group's intangible assets are represented by software licenses which are amortized straight-line over a period of three years.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

De-recognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Intangible assets (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment of tangible and intangible assets other than goodwill

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.14 Investments in subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by another entity (known as the parent). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

A parent company, shall present consolidated financial statements in which it consolidates its investments in subsidiaries in accordance with this IAS 27 Consolidated and Separate Financial Statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3.16 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises of all the costs incurred in bringing the inventories to their present location and condition, being valued on a first in first out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The group applies FIFO as a costing method.

3.17 Trade receivables

Receivables are stated in the balance sheet at anticipated realizable value. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the collection terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is determined based on Management risk assessment of the trade receivables collectability.

3.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, cash held at call with banks with original maturities of three months or less.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognized at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction cost. Fair value is the amount for which a financial instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction.

3.20 Accounts payable

Liabilities for trade payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

3.21 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

3.22 Borrowing costs

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. The transaction costs incurred in issuing the liability are amortized over the life of the loan.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognized as interest expense over the period of the borrowings.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, in which case the tax is also recognized directly in equity.

3.24 Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Share premiums

Share premiums are own funds created as a result of the difference between the issue value of the shares and the nominal value of the shares. The Group recorded share premiums as a result of the issue of shares.

3.26 Revaluation reserve

The increases in the fair value of land and buildings are recorded against revaluation reserves. Any decreases in the fair value of land and buildings are first deducted from the revaluation reserves and then the difference is recorded through profit and loss accounts. The revaluation is performed with sufficient regularity as to ensure that the Group presents land and buildings at fair value in the consolidated financial statements.

3.27 Provisions for risks and charges

Provisions are recognized when the Group has a legal or constructive obligation, as a result of a past event and it is probable that there will be a future outflow of resources in order to extinguish this liability. Provisions for risks and charges are assessed at the end of each period and adjusted in order to present management's best estimate.

3.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. The Group does not operate any customer loyalty program.

The Group is rendering health care medical services to corporate and retail customers. Corporate customers revenues are recognized based on monthly prevention packages at the end of the month at the level of the agreed value for the each prevention package. Revenues for retail customers are recognized when the services are actually rendered.

Interest revenues

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.29 Employee benefits

Employee benefits

The Group, in the normal course of business, makes payments to the Romanian State on behalf of its employees for pensions, health care and unemployment cover. The cost of these payments is charged to the income statement in the same period as the related salary cost.

All employees of the Group are members of the Romanian State pension plan. The Group does not operate any other pension scheme.

3.30 Related parties

The relationships between the entities and the company are special when one of the parties has the ability to directly control or significantly influence the other party, by using ownership, contractual rights, family relationships or any other means.

Related parties also include individuals which are principal owners, management or members of the Group's Board of Directors, as well as the members of their families.

These consolidated financial statements have been prepared based on the fact that the parties have entered into arm's length transactions with the entities within the group and according to objectively established prices.

3.31 Fair value

As described above, certain accounting policies of the Group and information presentation criteria require determination of the fair value both for the assets and the liabilities of the Group. In determining the fair value of assets and liabilities, the Group uses as much as possible observable market values. Fair values are classified on various levels based on inputs used in valuation techniques, as follows:

- Level 1: (unadjusted) quoted prices on active markets for identical assets and liabilities
- Level 2: inputs, other than the prices included in level 1, which are observable for assets and liabilities, either directly (e.g.: prices) or indirectly (e.g: derived from prices)
- Level 3: inputs for evaluation of assets and liabilities which are not based on observable market data.

The fair values were assessed for evaluation or presentation of information based on the methods and techniques described below.

Fair value was assessed for land and buildings owned as of December 31, 2016 based on independent evaluators reports. The fair value of land was established based on market value approach. The fair value for buildings was established based on cost of replacement approach.

3.32 Subsequent events

The effect of significant subsequent events, after the reporting period, which supplies additional information regarding the financial position of the Group and require adjustments are reflected in the balance sheet or profit and loss, if the case. The significant events that do not require adjustments are disclosed in the notes of the separate financial statements.

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4. GOODWILL

The Group records goodwill resulting from business combinations. Please see below the goodwill recorded as of December 31, 2016, December 31, 2015 and December 31, 2014.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Policlinica de Diagnostic Rapid Group	11,281,899	11,281,899	11,281,899
Pharmalife Med SRL	138,997	138,997	138,997
Accipiens Group	10,853,416	10,853,416	10,853,416
Biotest Med SRL	215,289	215,289	215,289
Vital Test SRL	90,706	90,706	90,706
Centrul Medical Sama SA	1,492,537	1,492,537	-
Ultratest Craiova SA	9,807	9,807	-
Bactro	68,393	68,393	-
Agis	-	123,971	-
Diamed Center SRL	2,646,208	-	-
Prima Medical SRL	1,422,493	-	-
Stem Cells Bank SA	1,217,669	-	-
Dent Estet Clinic SA	7,576,551	-	-
Centrul Medical Panduri SA	6,979,272	-	-
TOTAL	<u>43,993,237</u>	<u>24,275,015</u>	<u>22,580,306</u>

Movement in Goodwill

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Balance at the beginning of the year	24,275,015	22,580,306
Goodwill recognized during the year	19,842,193	1,694,709
Disposal of subsidiaries	(123,971)	-
TOTAL	<u>43,993,237</u>	<u>24,275,015</u>

During the year ended December 31, 2016, the Group obtained control over various companies and recorded a goodwill of RON 19,842,193. For further details on business combinations performed in the year ended December 31, 2016 and the year ended December 31, 2015, please see note 25.

Management conducts impairment tests on an annual basis or whenever there is an indication of impairment to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models.

There are a number of key sensitive judgements made in determining the inputs into these models which include:

- Revenue growth
- Operating margins and
- The discount rates applied to the projected future cash flows.

Management have engaged specialists to assist with the impairment analysis. No impairment of goodwill was identified as of December 31, 2016.

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5. TANGIBLE AND INTANGIBLES FIXED ASSETS

As of December 31, 2016 the Group's tangible and intangible assets' structure was the following:

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
January 1, 2016	28,730,788	28,628,917	215,767,462	146,761,943	7,880,094	427,769,204
Additions	7,339,081	-	51,490	25,697,241	13,447,401	46,535,213
Transfers	-	-	11,579,861	-	(11,579,861)	-
Disposals	(279,976)	-	-	(956,679)	-	(1,236,655)
Additions from business combinations	13,874,703	148,542	246,713	18,335,310	209,763	32,815,031
Disposals from business combinations	(1,891)	-	-	(1,912,315)	(17,600)	(1,931,806)
Revaluation	-	(1,663,323)	(7,390,511)	-	-	(9,053,834)
December 31, 2016	49,662,705	27,114,136	220,255,015	187,925,500	9,939,797	494,897,153

For details regarding additions from business combinations – please see further details in Note 25. During 2016, the Group disposed of the shares held regarding Agis 2000 SRL as disclosed in Note 4.

Depreciation

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
January 1, 2016	14,919,054	84,120	31,312,673	87,430,882	-	133,746,729
Charge of the Year	8,230,727	-	10,979,864	16,883,214	-	36,093,805
Disposals	(279,707)	-	-	(921,028)	-	(1,200,735)
Additions from business combinations	281,330	-	11,042	8,910,226	-	9,202,598
Disposals from business combinations	(1,622)	-	-	(890,975)	-	(892,597)
Revaluation	-	-	(12,452,045)	-	-	(12,452,045)
Impairment losses recognized in profit or loss	-	-	(970,918)	-	-	(970,918)
December 31, 2016	23,149,782	84,120	28,880,616	111,412,319	-	163,526,837
Net Book Values						
January 1, 2016	13,811,734	28,544,797	184,454,789	59,331,061	7,880,094	294,022,475
December 31, 2016	26,512,923	27,030,016	191,374,399	76,513,181	9,939,797	331,370,316

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5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

As of December 31, 2015 the Group's tangible and intangible assets' structure was the following:

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
January 1, 2015	23,574,905	28,076,286	199,239,735	114,999,865	7,665,356	373,556,147
Additions	5,157,652	-	198,239	27,487,226	15,166,608	48,009,725
Transfers	-	-	14,733,124	245,566	(14,978,690)	-
Disposals	(24,479)	-	(80,645)	(503,306)	(2,061)	(610,491)
Additions from business combinations	22,710	552,631	1,677,009	4,532,592	28,881	6,813,823
December 31, 2015	28,730,788	28,628,917	215,767,462	146,761,943	7,880,094	427,769,204

For details regarding additions from business combinations - please see further details in Note 25.

Depreciation

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
January 1, 2015	11,178,306	84,120	22,975,452	71,104,323	-	105,342,201
Charge of the year	3,732,125	-	8,071,134	14,944,882	-	26,748,141
Disposals	(13,600)	-	-	(466,822)	-	(480,422)
Additions from business combinations	22,223	-	266,087	1,848,499	-	2,136,809
Impairment losses recognized in profit or loss	-	-	-	-	-	-
December 31, 2015	14,919,054	84,120	31,312,673	87,430,882	-	133,746,729

Net Book Values

January 1, 2015	12,396,599	27,992,166	176,264,283	43,895,542	7,665,356	268,213,946
December 31, 2015	13,811,734	28,544,797	184,454,789	59,331,061	7,880,094	294,022,475

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5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

As of December 31, 2014 the Group's tangible and intangible assets' structure was the following:

	<u>Intangibles*</u>	<u>Land</u>	<u>Constructions</u>	<u>Vehicles and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
January 1, 2014	17,097,005	28,076,286	187,865,790	97,534,776	5,722,549	336,296,406
Additions	6,471,933	-	535,702	17,383,371	12,638,213	37,029,219
Transfers	-	-	10,752,571	-	(10,752,571)	-
Disposals	-	-	-	(421,162)	-	(421,162)
Additions from business combinations	5,967	-	85,672	502,880	57,165	651,684
December 31, 2014	23,574,905	28,076,286	199,239,735	114,999,865	7,665,356	373,556,147

Additions include additions from business combinations - please see further details in Note 25.

	<u>Intangibles*</u>	<u>Land</u>	<u>Constructions</u>	<u>Vehicles and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
January 1, 2014	6,892,011	84,120	14,809,534	58,001,718	-	79,787,383
Charge of the year	4,280,991	-	8,164,088	13,256,738	-	25,701,817
Disposals	-	-	-	(317,801)	-	(317,801)
Additions from business combinations	5,304	-	1,830	163,668	-	170,802
Revaluation	-	-	-	-	-	-
December 31, 2014	11,178,306	84,120	22,975,452	71,104,323	-	105,342,201
Net Book Values						
January 1, 2014	10,204,994	27,992,166	173,056,256	39,533,058	5,722,549	256,509,023
December 31, 2014	12,396,599	27,992,166	176,264,283	43,895,542	7,665,356	268,213,946

The net book value as of December 31, 2016 of fixed assets acquired through capital lease by Med Life was RON 17,691,057 (2015: RON 17,223,794; 2014: RON 1,792,840).

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5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.1. Land and buildings carried at fair value

The value of land and buildings related to Med Life, PDR, Accipiens, Rur Medical and Bahtco Invest presented in this consolidated financial information is based on the valuation reports which were performed as of December 31, 2016 by independent valutors certified by ANEVAR.

The plots of land subject to the revaluation reports were valued using the market comparison approach as well as the residual method. The value conclusion was based on the market comparison approach.

The buildings were valued by using both the cost approach and the income approach (capitalization of net rental income). The final value conclusion is the one derived from the application of the cost approach.

Information regarding the fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value as of December 31, 2016</u>
Land	-	-	27,030,016	27,030,016
Buildings	-	-	191,374,399	191,374,399
				<u>Fair value as of December 31, 2015</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Land	-	-	28,544,797	28,544,797
Buildings	-	-	184,454,789	184,454,789
				<u>Fair value as of December 31, 2014</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Land	-	-	27,992,166	27,992,166
Buildings	-	-	176,264,283	176,264,283

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been as presented below:

Carrying amount without revaluation	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Land	4,705,086	4,705,086	4,102,883
Buildings	122,520,203	110,221,566	107,505,584
TOTAL	127,225,289	114,926,652	111,608,467

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5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.2. Assets pledged as securities

Land and buildings (property on 365, Calea Grivitei) have been pledged to secure borrowings of the Group (see note 14). The land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Freehold land and buildings, namely apartments 9 and 10 situated in Brasov, Livada Vulturului 10, and construction in progress located in Brasov, Turnului Street 5A as well as medical equipment have been pledged to secure borrowings of the PDR subsidiary. The land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

The plot of land and buildings comprising the pediatrics hospital located in Bucharest, 7 Zagazului Street has been pledged in favor of IFC and the Finance Parties of the Club Loan (with subsequent ranking for Club Loan).

Genesys Clinic situated in Arad, was pledged in the favor of Banca Transilvania. For further details please see note 14.

Eva Clinic situated in Brasov, was pledged in the favor of IFC, as part of the amended agreement in 2011. For further details please see note 14.

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5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.3. Intangible assets

Carrying amount	December 31, 2016	December 31, 2015	December 31, 2014
Set-up and development costs	10,789	18,007	11,053
Customer lists	2,553,529	1,431,177	2,116,855
Contract advantage	1,435,896	183,038	267,277
Trademark	10,948,595	-	-
Concessions, patents, licenses, trademarks and similar rights and assets	2,061,316	1,480,722	2,095,991
Other intangible assets	9,502,798	10,698,790	7,905,423
TOTAL	26,512,923	13,811,734	12,396,599

During 2016, as a result of business combinations, the Group recorded additional intangible assets (carrying value) resulting from business combinations in amount of RON 13,593,373.

Cost	December 31, 2016	December 31, 2015	December 31, 2014
Set-up and development costs	39,118	37,458	35,694
Customer lists	4,245,339	2,977,094	2,977,094
Contract advantage	1,654,232	380,750	380,748
Trademark	10,948,595	-	-
Concessions, patents, licenses, trademarks and similar rights and assets	4,530,576	3,080,157	3,066,870
Other intangible assets	28,244,845	22,255,328	16,082,481
TOTAL	49,662,705	28,730,787	22,542,887

Accumulated amortization	December 31, 2016	December 31, 2015	December 31, 2014
Set-up and development costs	(28,329)	(19,451)	(24,640)
Customer lists	(1,691,810)	(1,545,917)	(860,240)
Contract advantage	(218,336)	(197,712)	(113,471)
Trademark	-	-	-
Concessions, patents, licenses, trademarks and similar rights and assets	(2,469,260)	(1,599,435)	(970,879)
Other intangible assets	(18,742,047)	(11,556,538)	(8,177,058)
TOTAL	(23,149,782)	(14,919,053)	(10,146,288)

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5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.4. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). The fair value of intangible assets was assessed by an independent appraiser at acquisition date.

Subsidiary	Customer List	Contract Advantage	Trademark	Total
Policlinica de Diagnostic Rapid (2010)	2,335,446	282,163	-	2,617,609
Med Life Occupational (2010)	10,427	64,546	-	74,973
Genesys Clinic (2011)	631,221	-	-	631,221
Vital Test (2014)	-	8,462	-	8,462
Biotest (2014)	-	25,579	-	25,579
Diamed (2016)	-	839,438	605,153	1,444,591
Prima Medical (2016)	-	115,865	688,850	804,715
Stem Cells Bank (2016)	338,056	-	-	338,056
Dent Estet Clinic (2016)	930,189	-	9,654,592	10,584,781
Centrul Medical Panduri (2016)	-	318,179	-	318,179
Total	4,245,339	1,654,232	10,948,595	16,848,166

6. INVENTORIES

	December 31, 2016	December 31, 2015	December 31, 2014
Consumables	11,149,639	8,063,708	5,591,030
Materials in the form of inventory items	222,067	373,116	367,668
Commodities	6,000,816	5,531,383	4,593,004
Inventory in transit	1,019	1,631	2,035
TOTAL	17,373,541	13,969,838	10,553,737

7. ACCOUNTS RECEIVABLE

	December 31, 2016	December 31, 2015	December 31, 2014
Customers	57,352,607	48,476,389	46,124,498
Advances to suppliers	2,522,169	1,888,959	2,339,492
Bad debt provisions	(16,670,802)	(8,565,592)	(8,565,592)
TOTAL	43,203,974	41,799,756	39,898,398

Trade receivables as of December 31, 2015 and as of December 31, 2014 include a receivable of RON 7,365,835 representing amounts to be collected from the National Health House of Bucharest not yet invoiced. The Group started legal actions against the National Health House of Bucharest. The management is confident that the receivable may be eventually recovered, but given the adverse court decisions in similar cases, the Group decided to record a 100% allowance during 2016.

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7. ACCOUNTS RECEIVABLE (continued)

Trade receivables disclosed above are classified as receivables and are therefore measured at amortized cost.

The average credit period on collection for services rendered is 90 days. No interest is charged on trade receivables for the first 90 days from the date of the invoice.

As of December 31, 2016, the Management of the Group performed an assessment regarding the collectability of receivables- a total allowance of RON 16,670,802 (which includes the amount of RON 7,365,835 in relation to the National Health House described above) represents management's best estimate regarding the receivables which are not to be collected. The assessment takes into consideration the collection pattern of the receivables over the last two years. The Group monitors the credit quality of its customers on an ongoing basis. Credit risk is spread over a large customer base and the Group is not dependent on the collection of receivables from a limited number of customers.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of past due but not impaired

	December 31, 2016	December 31, 2015	December 31, 2014
90 - 180 days	1,252,714	145,431	1,207,962
180 days - 270 days	952,544	630,195	786,505
270 - 365 days	1,185,080	678,670	961,370
Over 365 days	3,158,676	1,121,592	2,352,479
TOTAL	6,549,014	2,575,888	5,308,316
Average age (days)	90	90	90

The corporate receivables are spread over a large pool of clients. The main state budget customers are: The National Health Insurance House (6% of the total receivable balance).

Movement in the allowance for doubtful debts	December 31, 2016	December 31, 2015	December 31, 2014
Balance at the beginning of the year	8,565,592	8,565,592	8,665,839
Impairment losses and reversals recognized on receivables	8,105,210	-	(100,247)
TOTAL	16,670,802	8,565,592	8,565,592

During 2016, the Group has written off advances to suppliers in amount of RON 305,600.

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7. ACCOUNTS RECEIVABLE (continued)

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. The Group is not dependent on the collection of receivables from a limited number of customers.

Ageing of impaired trade receivables

	December 31, 2016	December 31, 2015	December 31, 2014
270-365 days	988,647	-	346,165
Over 365 days	8,316,320	8,565,592	8,219,427
TOTAL GENERAL	9,304,967	8,565,592	8,565,592
Other allowance (described above)	7,365,835	-	-
TOTAL	16,670,802	8,565,592	8,565,592

8. CASH AND BANKS

	December 31, 2016	December 31, 2015	December 31, 2014
Cash in bank	18,022,894	4,892,954	6,676,734
Cash in hand	1,810,985	773,611	759,672
Cash equivalents	867,971	214,931	146,952
TOTAL	20,701,850	5,881,496	7,583,358

9. ASSETS CLASSIFIED AS HELD FOR SALE

	December 31, 2016	December 31, 2015	December 31, 2014
Apartment owned by Med Life Occupational	381,665	381,665	381,665
TOTAL	381,665	381,665	381,665

The Group intends to dispose of the above assets within a twelve month period. The disposal of the apartment held by Med Life Occupational is directly linked to advance payment made by the former shareholders, recorded as a liability as of December 31, 2016, December 31, 2015 and December 31, 2014 in Med Life Group's consolidated financial statements and to a loan from Bancpost, contracted to buy this apartment.

The amount of liabilities directly linked to assets held for sale as of December 31, 2016 is RON 629,207 (December 31, 2015: RON 690,640; December 31, 2014: RON 745,267).

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10. PREPAYMENTS

As of December 31, 2016 the Group has prepayments in amount of RON 6,736,028 (RON 4,145,435 as of December 31, 2015 and RON 3,666,828 as of December 31, 2014). The prepayments balance as of December 31, 2016 consists mainly of deferred commissions for financing related to the Club loan and the IFC loan obtained in 2016 and amounts related to rent paid in advance for rented properties and other amounts such as insurance policies for professionals and tangible assets.

11. ACCOUNTS PAYABLE

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Suppliers	80,920,609	64,242,355	55,603,280
Fixed assets suppliers	16,429,728	7,699,865	8,299,864
Advances paid by customers	<u>1,082,043</u>	<u>1,228,778</u>	<u>905,592</u>
TOTAL	<u>98,432,380</u>	<u>73,170,998</u>	<u>64,808,736</u>

12. OTHER SHORT TERM LIABILITIES

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Salary and related liabilities (including social contributions)	11,346,075	7,178,136	6,537,888
Other liabilities	<u>6,367,129</u>	<u>4,495,433</u>	<u>2,724,262</u>
TOTAL	<u>17,713,204</u>	<u>11,673,569</u>	<u>9,262,150</u>

13. LEASING LIABILITIES

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Non-current portion – Leasing	10,382,639	12,294,667	1,666,461
Current portion – Leasing	<u>7,031,122</u>	<u>7,032,056</u>	<u>1,255,341</u>
TOTAL	<u>17,413,761</u>	<u>19,326,723</u>	<u>2,921,802</u>

Leasing facilities refer to medical equipment and vehicles acquired.

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13. LEASING LIABILITIES (continued)

Obligations under finance lease	December 31, 2016	December 31, 2015	December 31, 2014
Minimum Lease Payments			
Short-term (less than one year)	9,502,879	8,791,239	1,394,921
Long-term (between 2 and 5 years)	15,551,753	15,696,504	1,803,509
Total	25,054,632	24,487,743	3,198,430
Less: future finance charges	(7,640,871)	(5,161,020)	(276,628)
Present value of lease obligations			
Analyzed as follows:			
Maturing within one year	7,031,122	7,032,056	1,255,341
Maturing after more than one year but not later than five year	10,382,639	12,294,667	1,666,461
TOTAL	17,413,761	19,326,723	2,921,802

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

14. FINANCIAL DEBT

Loan agreements

	December 31, 2016	December 31, 2015	December 31, 2014
Non-current portion IFC loan (a) and (b)	28,544,058	11,272,579	16,032,127
Current portion IFC loan (a) and (b)	2,594,913	4,911,209	6,452,256
Current portion Transilvania loan granted to Genesys (c)	995,200	991,562	752,992
Non-current portion Transilvania loan granted to Genesys (c)	10,615,461	11,568,219	12,446,792
Current portion BCR loan granted to Med Life (f)	-	11,536,493	6,800,305
Non-current portion BCR loan granted to Med Life (f)	-	119,384,887	126,456,558
Current portion Club loan (f)	14,880,254	-	-
Non-current portion Club loan (f)	162,508,582	-	-
Non-current portion of other loans (g)	1,093,515	1,298,957	-
Current portion of other loans (g)	657,226	468,120	-
TOTAL	221,889,209	161,432,026	168,941,030

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14. FINANCIAL DEBT (continued)

Overdraft

	December 31, 2016	December 31, 2015	December 31, 2014
Short term loan BCR (d)	-	15,220,002	15,582,209
Short term loan Transilvania Bank (e)	1,267,442	293,592	-
TOTAL	1,267,442	15,513,594	15,582,209

- (a) As of December 31, 2015, the Group had two loans outstanding from International Finance Corporation ("IFC"), member of World Bank Group. The first agreement was signed in 2006 for a total amount of EUR 5,000,000. The interest rate was sum of the relevant spread and six-month EURIBOR.

In May 2016, the last installment was paid and the outstanding amount as of December 31, 2016 regarding this specific loan is nil.

The outstanding balance of the loan received from IFC as at December 31, 2015 is in amount of RON 1,640,753, the equivalent of EUR 362,638 (December 31, 2014: RON 4,876,131, the equivalent of EUR 1,087,912).

- (b) In 2010, the Med Life SA concluded a second loan agreement with IFC with a total value of EUR 10,000,000 (Loan A) and then, in 2011 Med Life and co-borrowers (Accipiens SA, Bahtco Invest SA and Policlinica de Diagnostic Rapid SA) signed an Amended and Restated Loan Agreement with IFC and Erste and additional funding of EUR 40,000,000 (Loan B) was obtained.

In August 2014, the Group signed a refinancing agreement with BCR for the total amount of EUR 30,398,901 representing EUR 28,298,901 of the Amended and Restated Loan Agreement with IFC and an additional EUR 2,100,000 representing the amount of the initial B loan available as of the dated of this agreement.

As of December 31, 2015, the outstanding balance related to this loan is RON 14,543,034, equivalent of EUR 3,214,285 (December 31, 2014: RON 17,608,249, the equivalent of EUR 3,928,572). As of December 31, 2016, the outstanding balance is RON 12,974,571, the equivalent of EUR 2,857,143.

On September 30, 2016, Med Life (together with the co-borrowers- Policlinica de Diagnostic Rapid SA, Bahtco Invest SA and Accipiens SA) signed a new loan agreement with IFC in amount of EUR 10,000,000. The purpose of the facility is to refinance part of the club loan agreement mentioned above related to the financing of acquisitions of shares in new companies. As well, through signing this new agreement with IFC, the Group refinanced the existing contract with IFC described above in (b).

As of December 31, 2016, the outstanding balance related to the new facility obtained from IFC is RON 18,164,400, the equivalent of EUR 4,000,000.

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14. FINANCIAL DEBT (continued)

According to the new loan agreement, the outstanding balance as of December 31, 2016 will be repaid through 12 consecutive installments of EUR 238,095 starting November 15, 2017.

According to the new loan agreement, the repayment of EUR 10,000,000 will be performed through 12 consecutive installments of EUR 833,333 starting November 15, 2017.

The set of indicators that have to be maintained by the Group were modified and will be calculated semi-annually on basis of Adjusted Equity, Adjusted Prospective Debt Service Coverage Ratio and adjusted EBITDA.

The interest to be charged will be charged based on EURIBOR plus relevant spread.

The IFC loan is secured through the following guarantees:

- immovable mortgage on land and buildings situated on 365 Calea Grivitei
- immovable mortgage on land and buildings owned by Bahtco Invest SA (Pediatrics Hospital)
- immovable mortgage on land and buildings owned by Policlinica de Diagnostic Rapid SA (PDR Clinic and Hospital)
- immovable mortgage on land and buildings owned by RUR Medical SA
- a first ranking mortgage on Med Life's shares held by the Sponsors (Mr. Mihail Marcu, Ms. Mihaela Gabriela Cristescu and Mr. Nicolae Marcu) from time to time in favour of IFC securing IFC Equity, as amended from time to time
- a second ranking on all the Borrower's shares held by the Sponsors from time to time in favour of IFC securing the obligations of the Borrower under the agreement
- a mortgage on Med Life's cash accounts opened with BCR, as amended from time to time
- a mortgage on each of the Co-Borrower's cash accounts opened with BCR
- mortgage on shares owned by the Borrower in the share capital of each the Co-Borrowers, Centrul Medical Sama SA, RUR Medical SA, Ultratest SA, Prima Medical SRL, Diamed Center SRL, Stem Cells Bank SA, Centrul Medical Panduri SA, Dent Estet Clinic SA and any other material company or accession borrower
- movable mortgage agreement: certain movable assets: medical equipment (including future medical equipment), insurances related to tangible assets mortgaged in relation to the transaction documents, bank and treasury accounts, commercial receivables of Borrower
- movable mortgage agreement: certain movable assets: medical equipment (including future medical), insurances related to tangible assets mortgaged in relation to the transaction documents, bank and treasury accounts of Bahtco Invest SA, Policlinica de Diagnostic Rapid SA, Accipiens SA
- movable mortgage of Target Shares owned by the Borrower in favor of IFC.
- movable mortgage agreement over certain commercial receivables of Med Life (including receivables against the National Health House of Romania, the Health Insurance House of the Defense, Public Order, National Safety and Judicial Authority in Romania or any similar entity and receivables arising under large commercial contracts).

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14. FINANCIAL DEBT (continued)

(c) In 2010, Accipiens SA (one of the subsidiaries of the Group) signed a loan agreement with Transilvania Bank. The purpose of the loan was the construction of a medical institution. The loan is to be repaid by August 15, 2028. In 2012, the loan payable was transferred to another fully owned subsidiary by Accipiens SA - Genesys Medical Clinic SRL. As of December 31, 2014, the outstanding balance is RON 13,199,785 equivalent of EUR 2,775,949. As of December 31, 2015, the outstanding balance is RON 12,559,781 equivalent of EUR 2,945,000. As of December 31, 2016, the outstanding loan balance is RON 11,610,661, the equivalent of EUR 2,556,795.

The applied interest is EURIBOR at 6 months plus relevant spread per annum until June 15, 2016, recomputed each semester starting August 6, 2010 on a 360 days basis.

According to the agreement, there is a pledge on the present and future collections in Transilvania Bank accounts for Accipiens SA and Genesys SRL. There is a pledge on the shares of Accipiens and on part of the subsidiary's fixed assets. All fixed assets under pledge shall be insured with an agreed insurance company.

During 2016, Genesys Medical Clinic SRL took over the two loans from Agis 2000 SRL. The loans were obtained for purchasing medical equipment. The loans were obtained in 2013 (payable in 2017) and in 2014 (payable in 2021). The interest charged for both loans is between 6% and 10%. The total amount payable as of December 31, 2015 is EUR 90,986, the equivalent of RON 411,666. The total amount payable for these two loans as of December 31, 2016 is RON 306,911.

(d) Med Life SA concluded in 2011 another contract for a multi-product facility with BCR with as maximum amount of EUR 5,000,000. At the date of the consolidated financial statements, the Shareholders have approved only the maximum amount of EUR 4,000,000. The outstanding balance as of December 31, 2014 is EUR 3,476,542 (RON 15,582,209). The outstanding balance as of December 31, 2015 is EUR 3,363,908 (RON 15,220,000). In 2016, as part of the Club Loan Agreement, Med Life refinanced this facility with facility B of the Club Loan agreement.

e) Genesys SRL obtained an overdraft facility from Transilvania Bank. The interest to be applied is between 7% and 10% per annum. The outstanding balance as of December 31, 2014 is nil. The outstanding balance as of December 31, 2015 is EUR 64,890 (RON 293,595). The outstanding balance as of December 31, 2016 is RON 86,152.

The subsidiary granted as guarantees:

- Second class mortgage on the building and land CF no. 301842 Arad - Accipiens Clinic;
- Real mobile guarantee on the present and future collections and balance of the current accounts opened at Transilvania Bank by Accipiens SA;
- Real mobile guarantee on the present and future collections and balance of the current accounts opened at Transilvania Bank by Genesys Medical Clinic;
- Real mobile guarantee on the present and future collections and balance of the current accounts opened at Transilvania Bank by Genesys Medical Clinic related to the contract signed with the National Health House Arad.

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14. FINANCIAL DEBT (continued)

Additionally, the newly acquired companies in 2016 have overdraft facilities as described below:

	<u>Bank</u>	<u>Maturity of the facility</u>	<u>Maximum limit</u>
Prima	Unicredit Tiriac Bank	September, 2017	RON 800,000
Diamed	Raiffeisen Bank	May, 2017	RON 200,000
Dent Estet	Piraeus Bank	March, 2017	EUR 100,000

(f) On August 28, 2014, the Group signed a refinancing agreement with BCR related to the A and B loan obtained from IFC and Erste Bank (parties to a participation agreement dated 11 August 2011 according to which Erste Group Bank AG has purchased all the participations in the initial loan B).

The outstanding balance as of December 31, 2015 is EUR 28,936,099, equivalent of RON 130,921,380 (December 31, 2014: EUR 29,730,899, equivalent of RON 133,256,863).

According to the agreement with IFC, the Group shall maintain a set of financial indicators. The indicators are to be computed based on the IFRS consolidated financial statements. As of December 31, 2015, the management of the Group computed these indicators according to the loan agreement. The creditor waived the right to recall the loan as a result of the breach of certain covenants.

In 2016, the Group signed a club loan agreement with four banks (the Finance Parties- Banca Comerciala Romana SA, BRD- Groupe Societe Generale SA, ING Bank N.V. Amsterdam-Bucharest Branch and Raiffeisen Bank SA) for the total amount of EUR 48,764,590 and RON 27,000,000, through which the Group refinanced the entire long-term loan from BCR (described above) and the short-term credit facility from BCR, in order to continue the investing activities.

The Club loan granted to the Group three facilities. As of December 31, 2016, the outstanding amounts for each facility are presented below:

Facility	Amount in EUR	Amount in RON
Facility A	26,386,295	119,822,804
Facility B	-	27,000,000
Facility C	6,517,723	29,597,633
Total	32,904,018	176,420,437

The Group shall repay Facility A and Facility C pro rata with the amount made available in semi-annual installments according to the agreed schedule.

The Group shall repay each Facility B loan drawn on the last day of its Interest Period. Without prejudice on the Group's obligation, one or more Facility B loans are to be made available to the Group on the same day that a maturing Facility B loan is due to be repaid by the Group, in whole or in part for the purpose of refinancing the maturing Facility B loan.

The rate of interest on each loan for each interest period is the percentage rate per annum which is the aggregate of the applicable margin and in relation to any loan in EUR, EURIBOR or, in relation to any loan in RON, ROBOR.

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14. FINANCIAL DEBT (continued)

The following security was requested:

- immovable mortgage over (i) a plot of land located at 365 Calea Grivitei sector 1, Bucharest Romania (cadastral number 13183/1) and the buildings related
 - immovable mortgage over a plot of land and the buildings thereon comprising Pediatrics Hospital located in Bucharest, 7 Zagazului street - land book 218010
 - immovable mortgage over a plot of land and the buildings thereon comprising PDR Clinic and Hospital located in Brasov 5, Turnului Street - land book no 127854
 - moveable mortgage over certain moveable assets (large medical equipment) owned by each of Med Life, Bahtco Invest SA and Policlinica de Diagnostic Rapid SA
 - moveable mortgage over future medical equipment to be acquired by each original borrower created in favor of Finance Parties and securing as regards Med Life and Bahtco Invest SA, the obligations of Med Life and Bahtco Invest SA under the Finance documents and as regards other original borrower, its obligations under Finance Documents.
 - moveable mortgage over the insurances of each borrower related to tangible assets mortgaged in favor of the Finance Parties
 - movable mortgage over the shares owned by the Company in the share capital of the other original borrowers and Centrul Medical Sama SA, Ultratest SA, Rur Medical SA and any other material company or accession borrower if case, respectively created by the Company in favor of the Finance Parties and securing the obligations of the Company and Bahtco under finance agreements.
 - moveable mortgage over the bank and treasury accounts of each original borrowers
 - moveable mortgage over certain commercial receivables of the Company (including receivables against the National Health House of Romania, the Health Insurance House of the Defense, Public Order, National Safety and Judicial Authority in Romanian or any similar entity and receivables arising under commercial contracts created in the favor of the Finance Parties)
 - moveable mortgage over the shares of the sponsors in the borrower to be created under a moveable mortgage agreement over shares to be entered into between the sponsors, the lender and IFC
- (g)** Centrul Medical Sama SA obtained six long-term loans from Transilvania Bank for purchasing medical equipment and for construction of the clinic. The total amount payable as of December 31, 2015 is EUR 288,492, equivalent of RON 1,305,282. The total amount payable as of December 31, 2016 is RON 1,397,598.

The charged interest is between 4% and 9%.

	<u>Year of granting</u>	<u>Year of repayment</u>	<u>Total amount</u>
Loan 1	2013	2018	EUR 105,000
Loan 2	2015	2020	EUR 90,164
Loan 3	2013	2018	RON 151,960
Loan 4	2013	2021	EUR 150,000
Loan 5	2011	2021	EUR 150,000
Loan 6	2016	2021	RON 532,306

The building and the land are pledged according to the loan contracts above, as well as the acquired equipment and the future collections in the bank's current accounts.

Biotest Med SRL obtained a loan from Libra Bank. The outstanding amount as of December 31, 2016 is RON 44,444.

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15. ISSUED CAPITAL

As of December 31, 2016, December 31, 2015 and December 31, 2014, the total issued capital of Med Life was RON 13,932,034 divided in share capital of RON 5,023,000 and share premium of RON 8,909,034.

As of December 31, 2015 and December 31, 2014 the shareholders' structure is as presented below:

	<u>No. of shares</u>	<u>%</u>	<u>Value</u>
Marcu Mihail	105,483	21.00%	1,054,830
Marcu Nicolae	75,345	15.00%	753,450
Cristescu Mihaela Gabriela	75,345	15.00%	753,450
IFC	64,043	12.75%	640,433
SGAM Eastern Europe Holding V. Limited/ Value 4 Capital	<u>182,084</u>	<u>36.25%</u>	<u>1,820,838</u>
TOTAL	<u>502,300</u>	<u>100%</u>	<u>5,023,000</u>

In December 2016, Med Life SA, the parent company of Med Life Group was listed on the Bucharest Stock Exchange. The shareholders' structure as of December 31, 2016 is presented below:

	<u>No. of shares</u>	<u>%</u>	<u>Value</u>
Marcu Mihail	4,219,320	21.00%	1,054,830
Marcu Nicolae	3,013,800	15.00%	753,450
Cristescu Mihaela Gabriela	3,013,800	15.00%	753,450
Other shareholders	<u>9,845,080</u>	<u>49.00%</u>	<u>2,461,270</u>
TOTAL	<u>20,092,000</u>	<u>100%</u>	<u>5,023,000</u>

16. RESERVES

The structure of the Group's reserves is presented below:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
General reserves	1,028,142	1,010,040	1,009,800
Other reserves	8,671,441	8,671,441	4,966,283
Revaluation reserves	<u>82,261,841</u>	<u>76,822,585</u>	<u>77,152,199</u>
TOTAL	<u>91,961,424</u>	<u>86,504,066</u>	<u>83,128,282</u>

As of December 31, 2014, Med Life SA used a fiscal facility available starting 2014 for re-invested profit and increased its reserves according to the fiscal rules by RON 4,933,776 based on the profit obtained in 2014. As of December 31, 2015, Med Life SA used the fiscal facility of re-invested profit and increased its reserves by RON 3,705,398. This reserve will be taxed when it will be used under any form.

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16. RESERVES (continued)

General reserves and other reserves

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Balance at beginning of the year	9,681,481	5,976,083	1,042,307
Movements	18,102	3,705,398	4,933,776
Balance at the end of the year	9,699,583	9,681,481	5,976,083

Revaluation reserves	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Balance at beginning of the year	76,822,585	77,152,199	77,237,165
Decrease arising revaluation correction	-	(391,949)	(101,150)
Increase due to revaluation	6,475,305	-	-
Deferred tax related to revaluation	(1,036,049)	62,335	16,184
Balance at the end of the year	82,261,841	76,822,585	77,152,199

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and that is effectively realized, is transferred directly to general reserves.

The effects of taxes on income, if any, resulting from the revaluation of property, plant and equipment are recognized and disclosed in accordance with IAS 12 Income Taxes (please see note 25).

17. NON-CONTROLLING INTEREST

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Balance at beginning of year	5,899,644	3,772,288	163,975
Additional non-controlling interest arising from the increase in share capital of Policlinica de Diagnostic Rapid	-	-	2,499,000
Share of profit for the year	3,867,968	1,323,898	1,109,313
Share of other comprehensive income	(2,584,759)	-	-
Share capital contribution	137,030	-	-
Non-controlling interests arising on the acquisition of subsidiaries	4,152,528	803,458	-
TOTAL	11,472,411	5,899,644	3,772,288

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18. SALES

Sales consist of medical services, net of VAT, including revenues from prevention packages of corporate customers and fees for services rendered within Med Life's clinics and various hospitals within Romania. Please see breakdown below.

	December 31, 2016	December 31, 2015
Sales from medical services rendered	479,278,749	370,437,646
Sales from selling commodities	23,517,185	20,235,474
Sales from broker commission	164,439	176,779
Other sales	26,417	128,998
TOTAL	502,986,790	390,978,897

	December 31, 2016	December 31, 2015
Clinics	130,109,363	101,014,108
Stomatology	18,504,217	1,973,307
Laboratories	96,725,937	76,187,985
Corporate	127,988,835	111,190,772
Hospitals	104,977,229	80,483,227
Pharmacies	23,597,580	19,573,149
Other revenues	1,083,629	556,349
TOTAL	502,986,790	390,978,897

19. OTHER OPERATING REVENUES

Other operating revenues caption comprises:

	December 31, 2016	December 31, 2015
Other operating income	2,168,590	1,291,826
Capitalized costs of intangible assets	3,300,000	3,300,000
TOTAL	5,468,590	4,591,826

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20. OPERATING EXPENSES

	December 31, 2016	December 31, 2015
Consumable materials & repair materials	83,701,521	67,341,375
Commodities expenses	18,908,567	16,567,264
Utilities	5,074,199	4,548,024
Repairs maintenance	5,133,520	3,717,021
Rent	28,055,943	18,015,043
Insurance premiums	1,868,261	1,557,943
Promotion expense	10,371,665	7,220,996
Communications	3,249,114	3,307,332
Third party expenses (including doctor's agreements)	133,552,240	105,249,949
Salary and related expenses	113,810,954	82,369,499
Social contributions	25,748,024	18,574,414
Depreciation	36,093,805	26,748,141
Impairment gains recognized in profit and loss	(970,918)	-
Other administration & operating exp.	24,304,132	11,362,246
TOTAL	488,901,027	366,579,247

21. KEY MANAGEMENT PERSONNEL EXPENSES

The structure of Med Life personnel is described below:

	December 31, 2016	December 31, 2015
Management	77	(Restated) 53
Staff	3,351	2,613
Total	3,428	2,666

The short-term benefits (salary expenses) paid by the Group, by type of personnel are described below:

	December 31, 2016	December 31, 2015
Management	16,664,561	(Restated) 8,246,279
Staff	97,146,393	74,123,220
Total	113,810,954	82,369,499

As of December 31, 2016, the Group performed the analysis of management salaries and determined a new method of defining key personnel, which is more relevant from Group perspective. As a result, the group restated the disclosure for the year ended December 31, 2015 for salaries expenses for key management to present comparative figures.

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22. FINANCIAL NET RESULT

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other financial expenses	(3,052,445)	(2,804,052)
Net foreign exchange rate impact	(2,608,878)	(2,371,662)
Net finance cost – interest expense	(13,336,592)	(11,270,696)
Other income	158,235	67,759
Interest income	454,439	385,938
FINANCIAL NET RESULT-LOSS	<u>(18,385,241)</u>	<u>(15,992,713)</u>

23. RELATED PARTIES

The related parties identified are: Nautic Life SRL and Marcu Nicolae (shareholder).

Closing balances	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Payables			
MARCU NICOLAE	-	5,084	5,084
NAUTIC LIFE	140,440	-	55,030
Receivables			
NAUTIC LIFE	-	-	-
MARCU NICOLAE	-	-	-
Transactions during the year	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Expenses			
NAUTIC LIFE	-	-	-
MARCU NICOLAE	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Acquisition of fixed assets			
NAUTIC LIFE	4,237,180	3,511,265	4,403,469

24. TAXATION

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current income tax expense	3,107,943	3,268,300	2,536,641
Deferred tax expense	(696,841)	(174,306)	(228,112)
Total income tax	<u>2,411,102</u>	<u>3,093,994</u>	<u>2,308,529</u>

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24. TAXATION (continued)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Profit / (loss) before tax	1,169,112	12,998,763	9,964,481
Income tax expense calculated at 16%	187,058	2,079,802	1,594,317
Effect of expenses that are not deductible in determining taxable profit	2,920,885	1,188,498	942,324
Effect of temporary differences	(696,841)	(174,306)	(228,112)
Income tax expense recognized in profit or loss	2,411,102	3,093,994	2,308,529

Med Life accrues income taxes at the rate of 16% on profits computed in accordance with the Romanian tax legislation.

The components of deferred tax as of December 31, 2016 are presented below:

Components of deferred tax	<u>December 31, 2016</u>	<u>Change in deferred tax</u>	<u>January 1, 2016</u>
Deferred tax assets			-
Non-current assets	-	(371,104)	371,104
Trade receivables	1,332,184	1,332,184	-
Total deferred tax asset	1,332,184	961,080	371,104
	December 31, 2016	Change in deferred tax	January 1, 2016
Deferred tax liability			
Receivables	-	(13,546)	13,546
Non-current assets new acquisitions	277,785	277,785	-
Revaluation reserve	15,710,381	543,714	15,166,667
Total deferred tax liability	15,988,166	807,953	15,180,213
Net deferred income tax liability / (assets)	14,655,982		14,809,109

The net effect of the change on deferred tax balances recognized as at December 31, 2016, except for the deferred tax related to the revaluation reserve which is recognized in equity, is reflected in the statement of comprehensive income for the year then ended.

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24. TAXATION (continued)

The components of deferred tax as of December 31, 2015 are presented below:

Components of deferred tax	December 31, 2015	Change in deferred tax	January 1, 2015
Deferred tax assets	-	-	-
Non-current assets	371,104	174,306	196,798
Trade payables	-	-	-
Total deferred tax asset	371,104	174,306	196,798
	December 31, 2015	Change in deferred tax	January 1, 2015
Deferred tax liability			
Receivables	13,546	-	13,546
Non-current assets	-	-	-
Revaluation reserve	15,166,667	(62,335)	15,229,002
Total deferred tax liability	15,180,213	(62,335)	15,242,548
Net deferred income tax liability / (assets)	14,809,109		15,059,481

The net effect of the change on deferred tax balances recognized as at December 31, 2015, except for the deferred tax related to the revaluation reserve which is recognized in equity, is reflected in the statement of comprehensive income for the year then ended.

The components of deferred tax as of December 31, 2014 are presented below:

Components of deferred tax	December 31, 2014	Change in deferred tax	January 1, 2014
Deferred tax assets			
Non-current assets	196,798	196,798	-
Trade payables	-	-	-
Total deferred tax asset	196,798	196,798	-
	December 31, 2014	Change in deferred tax	January 1, 2014
Deferred tax liability			
Receivables	13,546	2	13,544
Non-current assets	-	(58,534)	58,534
Revaluation reserve	15,229,002	(16,184)	15,245,186
Total deferred tax liability	15,242,548	(74,716)	15,317,264
Net deferred income tax liability / (assets)	15,059,481	(271,514)	15,317,264

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25. BUSINESS COMBINATIONS

25.1. Subsidiaries acquired and consideration transferred

Subsidiaries acquired in 2014

<u>Name of subsidiary</u>	<u>Principal Activity</u>	<u>Date of acquisition</u>	<u>Proportion of voting equity interests acquired</u>
BIOTEST MED SRL	Other activities related to human health	February 21, 2014	100%
VITAL TEST SRL	Specialized Medical Assistance	April 3, 2014	100%

Total

BIOTEST MED SRL acquisition

On February 21, 2014, the Group acquired 100% share of BIOTEST MED SRL. 75% of shares are held directly by Med Life SA and the rest of 25% is held indirectly through Bahtco Invest SA (wholly owned subsidiary of Med Life Group).

VITAL TEST SRL acquisition

On April 3, 2014, the Group acquired 100% share of VITAL TEST SRL. 60% of shares are held directly by Med Life SA and the rest of 40% is held indirectly through Bahtco Invest SA (wholly owned subsidiary of Med Life Group).

Subsidiaries acquired in 2015

<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Date of acquisition</u>	<u>Proportion of voting equity interests acquired</u>
Agis 2000 SRL	Other healthcare services	November 30, 2015	55%
Bactro SRL	Other healthcare services	November 30, 2015	55%
Centrul Medical Sama S.A.	Medical Services	February 28, 2015	55%
Ultratest S.A.	Other healthcare services	February 28, 2015	55%

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25. BUSINESS COMBINATIONS (continued)

25.1. Subsidiaries acquired and consideration transferred (continued)

CENTRUL MEDICAL SAMA SA acquisition

On February 28, 2015, the Group acquired 55% shares of Centrul Medical Sama SA.

ULTRATEST SA acquisition

On February 28, 2015, the Group acquired 55% shares of Ultratest SA.

AGIS 2000 SRL acquisition

On November 30, 2015, the Group acquired 100% shares of Agis 2000 SRL. The shares are held 100% directly by Genesys Medical SRL, which is a subsidiary of Med Life Group. The acquisition was sold in June 2016.

BACTRO SRL acquisition

On November 30, 2015, the Group acquired 100% shares of Bactro SRL. The shares are held 100% directly by Genesys Medical SRL, which is a subsidiary of Med Life Group.

Subsidiaries acquired in 2016

Name of subsidiary	Principal Activity	Date of acquisition	Proportion of voting equity interests acquired
Diamed Center SRL	Other healthcare services	March 30, 2016	100%
Prima Medical SRL	Other healthcare services	March 12, 2016	100%
Stem Cells Bank SA	Medical Services	March 30, 2016	60%
Dent Estet Clinic SA	Dental healthcare activities	July 11, 2016	60%
Centrul Medical Panduri SA	Medical Services	October 4, 2016	90%

Diamed Center SRL acquisition

On March 30, 2016, Med Life Group obtained control over Diamed Center SRL purchasing all the shares of the company. Diamed Center SRL was created in 2002 and operates 5 laboratories, two medical clinics, one medical recovery center and eight sampling points in Bucharest, Braila, Tecuci and Focsani.

Prima Medical SRL acquisition

On March 12, 2016, the Group obtained control over Prima Medical SRL by purchasing all the shares of the company. Prima Medical SRL was created in 2004. Its main activities relate to the rendering of radiology services and medical imaging services.

MED LIFE GROUP
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25. BUSINESS COMBINATIONS (continued)

25.1. Subsidiaries acquired and consideration transferred (continued)

Stem Cells Bank SA acquisition

On March 30, 2016, the Group obtained control over Stem Cells Bank SA by purchasing 60% of the share capital of the company. Stem Cells Bank SA renders services related to the processing and storing of stem cells.

Dent Estet Clinic acquisition

On July 11, 2016, the Group obtained control over Dent Estet Clinic SA. The company was created in 1999 and it is one of the main players on the dental services market.

Centrul Medical Panduri acquisition

On October 4, 2016, the Group obtained control over Centrul Medical Panduri SA. The company was created in 2007 and currently has two clinics and a laboratory in Bucharest.

25.2. Assets acquired and liabilities recognized at the date of acquisition

Assets acquired and liabilities recognized at the date of acquisition

	<u>2016</u>	<u>2015</u>
Non-current assets	23,613,873	4,731,014
Current assets	8,748,200	1,073,606
Current liabilities	11,629,782	1,586,011
Non-current liabilities	-	1,565,194
Net assets	<u>20,732,291</u>	<u>2,653,415</u>

25.3. Goodwill arising on acquisition

	<u>2016</u>	<u>2015</u>
Consideration transferred	36,421,956	3,498,857
Less: fair value of identifiable net assets acquired	(20,732,291)	(2,607,606)
Plus non-controlling interest	4,152,528	803,458
Goodwill arising on acquisition	<u>19,842,193</u>	<u>1,694,709</u>

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25. BUSINESS COMBINATIONS (continued)

25.4. Net cash outflow on acquisition of subsidiaries

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Consideration paid in cash	36,421,956	3,498,857	315,646
Less: cash and cash equivalent balances acquired at acquisition date	<u>(3,428,948)</u>	<u>(391,523)</u>	<u>(127,733)</u>
	<u>32,993,008</u>	<u>3,107,334</u>	<u>187,913</u>

26. FINANCIAL INSTRUMENTS (IFRS 7)

(a) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents disclosed in note 8 and equity, comprising issued capital, reserves and retained earnings as disclosed in note 15 and note 16.

The Group's risk management reviews the capital structure regularly. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

(c) Financial risk management objectives

The Group's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

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26. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (g) below).

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(e) Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(g) Fair value of financial instruments

Financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short-term and long-term loans and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts. The carrying amounts represent the Group's maximum exposure to credit risk for existing receivables.

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26. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

2016	1 EUR = RON 4.5411 RON	EUR	Total
ASSETS			
Cash and cash equivalents	13,021,363	7,680,487	20,701,850
Trade receivables	43,203,974	-	43,203,974
LIABILITIES			
Trade payables	98,432,380	-	98,432,380
Liabilities held for sale	-	629,207	629,207
Overdraft	-	1,267,442	1,267,442
Short-Term and Long-Term portions of loans	27,999,797	193,889,412	221,889,209
Short-Term and Long-Term portions of financial leasing	1,948,983	15,464,778	17,413,761
2015	1 EUR = RON 4.5245 RON	EUR	Total
ASSETS			
Cash and cash equivalents	5,707,887	173,609	5,881,496
Trade receivables	41,799,756	-	41,799,756
LIABILITIES			
Trade payables	73,170,998	-	73,170,998
Liabilities held for sale	-	690,640	690,640
Overdraft	15,513,594	-	15,513,594
Short-Term and Long-Term portions of loans	-	161,432,026	161,432,026
Short-Term and Long-Term portions of financial leasing	1,711,216	17,615,507	19,326,723

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26. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

2014	1 EUR = RON 4.4821		
	RON	EUR	Total
ASSETS			
Cash and cash equivalents	7,234,934	348,424	7,583,358
Trade receivables	35,316,243	-	35,316,243
LIABILITIES			
Trade payables	64,808,736	-	64,808,736
Liabilities held for sale	-	745,267	745,267
Overdraft	15,582,209	-	15,582,209
Short-Term and Long-Term portions of loans	-	168,941,030	168,941,030
Short-Term and Long-Term portions financial leasing	-	2,921,802	2,921,802

The Group is mainly exposed in respect of the exchange rate of the RON versus EUR. The above table details the Group's sensitivity to a 10% increase and decrease in RON against EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A negative number below indicates a decrease in profit where EUR is weakening 10% against RON. For a 10% strengthening of EUR against the RON there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive. Change is mainly attributable to the exposure outstanding on RON cash and cash equivalents at year end in the Group.

	December 31, 2016	December 31, 2015	December 31, 2014
Profit or loss	20,357,035	15,081,758	14,469,639

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26. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Group's remaining contractual maturity for financial liabilities as of December 31, 2016. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
Non-interest bearing instruments					
Trade payables		98,432,380	98,432,380	-	-
Interest bearing instruments					
IFC loans	EURIBOR 6M + relevant spread %	31,138,971	2,594,913	20,759,305	7,784,753
Liabilities directly linked to assets held for sale		629,207	629,207	-	-
Transilvania Loans	EURIBOR 6M + relevant spread %	13,361,402	1,652,426	11,708,976	-
Club Loan	EURIBOR 6M + relevant spread %	177,388,836	14,880,254	112,051,957	50,456,625
Transilvania overdraft and others		1,267,442	1,267,442	-	-
Lease contracts		17,413,761	7,031,122	10,382,639	-
Total		339,631,999	126,487,744	154,902,877	58,241,378

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26. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Group's remaining contractual maturity for financial liabilities as of December 31, 2015. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
Non-interest bearing instruments					
Trade payables		73,170,998	73,170,998	-	-
Interest bearing instruments					
IFC loans	EURIBOR 6M + relevant spread %	16,183,788	4,911,209	11,272,579	-
Liabilities directly linked to assets held for sale		690,640	690,640	-	-
Transilvania Loans	EURIBOR 6M + relevant spread %	14,326,858	1,459,682	12,867,176	-
BCR Loan	EURIBOR 6M + relevant spread %	130,921,380	11,536,493	77,959,538	41,425,349
BCR Overdraft	Relevant spread	15,220,002	15,220,002	-	-
Transilvania overdraft		293,595	293,595	-	-
Lease contracts		19,326,723	7,032,056	12,294,667	-
Total		270,133,982	114,314,675	114,393,960	41,425,349

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26. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Group's remaining contractual maturity for financial liabilities as of December 31, 2014. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	<u>Weighted average effective interest rate</u>	<u>Carrying amount</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
Non-interest bearing instruments					
Trade payables	-	64,808,737	64,808,737	-	-
Interest bearing instruments					
IFC loan	EURIBOR (6 month) + relevant spread % p.a.	22,484,383	16,032,127	6,452,256	-
Transilvania Loan	EURIBOR 6M + relevant spread % p.a.	13,199,784	752,992	12,446,792	-
BCR Loans	EURIBOR 6 month + relevant spread p.a.	133,256,863	6,800,305	66,203,616	60,252,942
BCR Overdraft	EURIBOR 1 month + relevant spread	15,582,209	15,582,209	-	-
Lease contracts		<u>2,921,802</u>	<u>1,255,341</u>	<u>1,666,461</u>	-
Total		<u>252,253,778</u>	<u>105,231,711</u>	<u>86,769,125</u>	<u>60,252,942</u>

27. COMMITMENTS AND CONTINGENCIES

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

IFC related commitments

In accordance with Share retention agreement concluded with IFC - the Shareholders should not sell or in any manner dispose of, pledge or encumber, or permit any encumbrance to exist over, all or any portion of the shares in the capital of the Company which they own at the moment of the agreement as long as any part of the principal of or interest or any other amounts owned by Med Life to IFC under the Loan Agreement remain outstanding and unpaid.

The shareholders of the Group agreed to pledge to IFC as security all shares, security, rights, money or property either accruing or acquired including any proceeds from disposal of shares until all obligations are paid or discharged. Med Life may be obliged to buy back all or part of these shares hold by IFC as it may deem and in a commercially reasonable manner, if either the company or the other shareholder fails to meet certain covenants specified in the agreement or the provisions of the Share Retention agreement.

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27. COMMITMENTS AND CONTINGENCIES (continued)

Club loan related commitments

In accordance with the Club loan facilities agreement, the Group shall ensure that it shall not incur any additional Capital Expenditure except for any acquisition financed from Facility C and capital expenditures up to the aggregate amounts agreed in the contract for the years 2016-2023.

Med Life SA shall not enter into any agreement which will amend, novate, modify or vary the provisions of Med Life's Shareholders' Agreement without the prior written consent of the lenders.

Other commitments

As at December 31, 2016 and December 31, 2015, the Group holds insurance policies to cover possible liabilities towards doctors for malpractice as well as insurance contracts related to buildings and medical equipment.

In conformity with the concluded agreement with the National House of Health Insurance, the Group has to provide primary medical services to National House's insured citizens.

BCR issued letters of warranties in the favor of Med Life S.A. in amount of RON 2,972,900 , equivalent of EUR 654,665 as of December 31, 2016 (December 31, 2015:RON 2,468,400,equivalent of EUR 545,463; December 31, 2014: RON 2,023,834, equivalent of EUR 451,537).

Fiscal environment

The taxation system in Romania is still developing and is subject to various interpretations and constant changes, which may sometimes be retroactive. Although the actual tax due for a transaction may be minimum, delay interests may be significant, as they can be calculated at the value of the transaction and at a rate of 0.03% per day (interest) and 0.02% (penalties) per day in 2015. Starting with January 2016, the level of interest charged was reduced to 0.02% per day and the level of penalties charged was reduced 0.01% per day.

In Romania the statute of limitation for tax controls (audits) is of 5 years. Management believes that the tax obligations included in these financial statements are adequate.

Transfer pricing

The fiscal legislation from Romania includes the "market value" principle, according to which the transactions between related parties have to be performed at the market value. The local tax payers, who carry transactions with related parties, have to prepare and make available to the tax authorities from Romania, at their written request, the transfer pricing documentation file. If the companies do not prepare the documentation or they present an incomplete transfer pricing file may attract penalties for non-conformity, and additionally to the information presented in the transfer pricing file, the fiscal authorities may have a different interpretation of the transactions and the circumstances compared to the management's assessment and, as a result, they may impose additional fiscal obligations as a result of adjusting transfer prices. The management of the Group is confident that, if required, they will submit the necessary information in due time to the fiscal authorities. The transactions with related parties and group companies are performed based on the market value principle.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27. COMMITMENTS AND CONTINGENCIES (continued)

Litigation

The Group is involved in various litigations as part of normal course of business. Management has assessed the legal status together with the Group's legal advisors and all necessary adjustments have been recorded in the consolidated financial statements.

28. AUDITORS 'FEES

The auditor of the Group is Deloitte Audit SRL.

The fee for the audit of the consolidated financial statements as of December 31, 2016 of the Group prepared in accordance with IFRS as adopted by EU and the standalone financial statements as of December 31, 2016 prepared in accordance with IFRS as adopted by EU of Med Life SA was EUR 78,100, excluding VAT and out of pocket expenses.

The fee for the review of the interim consolidated financial statements as of September 30, 2016 of the Group prepared in accordance with IFRS as adopted by EU was EUR 25,000 excluding VAT and out of pocket expenses.

The fee for the IPO related assurance services has been according to the engagement letter agreed between the parties.

The total fees for fiscal consulting services were:

Supplier	Description	Amount in RON
TAX HOUSE	Fiscal consulting services	82,777
PWC ADVISORS	Fiscal opinion	240,745
DELOITTE TAX SRL	Fiscal consulting services	351,795

29. EVENTS AFTER THE BALANCE SHEET DATE

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

Med Life SA signed the Sales Purchase Agreement for the acquisition of social parts of the share capital of the following companies:

- 80% of share capital of Almina Trading SRL
- 100% of share capital in Anima Speciality Medical Services SRL.

Neither transaction has been closed by the approval of the consolidated financial statements.

There were no other significant subsequent events after December 31, 2016.

Approved by the Board of Directors on the date of March 24, 2017 and signed on behalf of by:



Mihail Marcu,
Administrator



Vera Firu,
Director Economic

**ADMINISTRATORS' REPORT
MED LIFE GROUP**

YEAR ENDED DECEMBER 31, 2016

1. Presentation of the Group

Med Life S.A. ("MedLife" or the "Company") is a joint-stock company incorporated in 1996, in accordance with the laws and regulations of Romania. The Company's activity resides in the performance of healthcare services activities through medical centres located in Bucharest, Brasov, Cluj, Timisoara, Iasi, Galati and Constanta.

Med Life Group is offering a large range of medical service having opened 17 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Cluj and Constanta; 8 hospitals – located in Bucharest, Arad and Brasov, 19 Medical Centers and 24 Laboratories for analysis, as well as 3 maternity hospitals. The Group has also more than 140 private Clinic partners around Romania.

MedLife is one of the leading health care services providers in Romania, having a significant market share at a national level.

The registered office of MedLife is located in Bucharest, Calea Grivitei, no. 365.

Details of the Company's subsidiaries at December 31, 2016, December 31, 2015 and December 31, 2014 are as follows:

	Name of subsidiary	Principal Activity	Place of operation	Proportion of ownership interest and voting power held		
				December 31, 2016	December 31, 2015	December 31, 2014
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	80.01%	80.01%	80.01%
2	Medapt SRL	Medical Services	Brasov, Romania	80.01%	80.01%	80.01%
3	Histo SRL	Medical Services	Brasov, Romania	48.01%	48.01%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL	Medical Services	Sfantu Gheorge, Romania	64.01%	64.01%	64.01%
5	Bahtco Invest S.A.	Development of building projects	Bucharest, Romania	100%	100%	100%
6	Medsanrom SRL (Med Life Ocupational SRL)	Medical Services	Bucharest, Romania	100%	100%	100%
7	Pharmalife Med SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%	100%
8	Asilife Insurance Broker SRL	Insurance broker	Bucharest, Romania	95%	95%	95%
9	Accipiens	Rental activities	Bucharest, Romania	55%	55%	55%
10	Genesys SRL	Medical services	Bucharest, Romania	55%	55%	55%
11	Biofarm Farmec SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	55%	55%	55%
12	RUR Medical Services	Medical services	Bucharest, Romania	100%	100%	100%
13	Biotest Med	Medical Services	Bucharest	100%	100%	100%
14	Vital Test	Medical Services	Bucharest	100%	100%	100%

During the year 2015, the Group also acquired control of the following companies:

<u>Name of subsidiary</u>	<u>Principal Activity</u>	<u>Place of operation</u>	<u>Proportion of ownership interest and voting power held</u>		
			<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
15 Agis 2000 SRL	Other healthcare services	Arad, Romania	-	55%	-
16 Bactro SRL	Other healthcare services	Deva, Romania	55%	55%	-
17 Centrui Medical Sama S.A.	Medical Services	Craiova, Romania	55%	55%	-
18 Ultratest S.A.	Other healthcare services	Craiova, Romania	55%	55%	-

Agis 2000 SRL was disposed of in 2016.

During the year 2016, the Group also acquired control of the following companies:

<u>Name of subsidiary</u>	<u>Principal Activity</u>	<u>Place of operation</u>	<u>Proportion of ownership interest and voting power held</u>	
			<u>December 31, 2016</u>	<u>December 31, 2015</u>
1 Diamed Center SRL	Medical Services	Bucharest, Romania	100%	-
2 Prima Medical SRL	Medical Services	Craiova, Romania	100%	-
3 Stem Cells Bank SA	Medical Services	Timisoara, Romania	60%	-
4 Dent Estet Clinic SA	Dental healthcare activities	Bucharest, Romania	60%	-
5 Centrui Medical Panduri	Medical Services	Bucharest, Romania	90%	-

One of the companies acquired in 2016, Dent Estet Clinic SA also owns the following companies as described below:

<u>Name of subsidiary</u>	<u>Principal Activity</u>	<u>Place of operation</u>	<u>Proportion of ownership interest and voting power held by Dent Estet Clinic SA</u>
			<u>December 31, 2016</u>
Green Dental Clinic SRL	Dental healthcare activities	Bucharest, Romania	51%
Dentist 4 Kids SRL	Dental healthcare activities	Bucharest, Romania	52%
Dent A Porter SRL	Dental healthcare activities	Bucharest, Romania	51.61%
Dentestet Kids	Dental healthcare activities	Bucharest, Romania	52.94%
Aspen Laborator Dentar	Dental healthcare activities	Bucharest, Romania	75 %

MedLife's business model focuses on servicing corporations and private clients. The Company seeks to capture the private healthcare spending of these clients throughout all stages of a medical condition: prevention, diagnosis and treatment, by offering a wide range of medical services delivered in modern, high quality facilities by professional teams of doctors, nurses and support personnel. The Company puts considerable emphasis on client service, operating an IT infrastructure and customer service and sales operation that has served over 5 million unique patients, representing over 1 in 4 Romanians.

The Group divides its operations into six business lines:

- **Corporate:** The Corporate business line offers HPP to corporate clients as part of their employee benefit packages. These programmes, which focus on prevention through regular check-ups and access to diagnostic services, complement the legally required occupational health services that corporate clients also contract from MedLife under the HPP offering.
- **Clinics:** The Clinics business line includes the Group's ambulatory clinics and diagnostic imaging services. Clinics offer general practitioner and specialist consultations and include the Group's 140 outpatient diagnostic imaging services. Certain of its clinics also undertake day hospitalisation services.
- **Laboratories:** The Laboratories business line provides biochemistry, haematology, coagulation, immunology, microbiology, anatomy, pathology, cytology, molecular biology and toxicology laboratories tests.
- **Hospitals:** The Hospitals business line covers the Group's inpatient activities, which consist of a wide range of medical and surgical specializations. The Group holds 5 inpatient hospital licenses, which encompass the business line's activities. One of the licences was issued for one hospital unit and 3 other external sections, accounting for the Group's 8 hospital locations. In addition to these, the Group was granted licenses for three additional 1-day inpatient units, which operate within Clinic locations and provide only 1-day inpatient services (i.e. Iași, Craiova and Timișoara). The financial results from these three 1-day hospital services are accounted for in the Clinics division. The Group regards these units as functional parts of the hyperclinics located in Iași, Craiova and Timișoara.
- **Pharmacies:** The Pharmacies business line offers prescription, over the counter and other related medical products in 9 pharmacies opened within the Group's clinics.
- **Stomatology:** The Stomatology business line provides a wide range of dental services from simple check-ups to complicated surgery.

2. Developments in 2016

Organic growth

During 2016, the Med Life SA opened in Ploiesti the 17th Hyperclinic from MedLife portfolio. The new unit offers patients investigation and treatment for 22 medical specialties, including pediatrics, ENT, gastroenterology, orthopedics, dermatology, general surgery and neurosurgery. The new facility covers an area of 700 square meters, is located on two levels and includes 14 medical offices for consultations, clinical and laboratory investigations. The medical team consists of more than 50 doctors and support staff.

Acquisitions completed in 2016

During 2016, the Med Life SA completed the purchase of:

- Dent Estet, which has provided to MedLife Group ("the Group") a strong platform for the further development of a standalone Stomatology business line, following the opening of the Group's first standalone stomatology clinic in May 2015. The acquisition makes the Group the leader in this highly fragmented segment. The Group has already identified and is assessing further potential acquisitions in the Stomatology business line.
- Diamed Center, a laboratory operator, which is being used as a launching base for the "Sfânta Maria" laboratories brand.
- Prima Medical, an imagistic center located in Craiova, which complements the Group's existing footprint in the region.
- Stem Cells Bank, a complementary activity to the Group's maternity services. The Group had previously outsourced this activity and the addition of Stem Cells Bank allows the Group to capture additional revenue and profit.
- Centrul Medical Panduri S.A., a medical company operating two clinics and one laboratory in Bucharest, which further expands the Group's position in Bucharest.

Sales evolution in 2016

Sales recorded for the year ended December 31, 2016 are presented below:

	<u>December 31, 2016</u>	<u>Proportion in total sales</u>	<u>December 31, 2015</u>	<u>Proportion in total sales</u>
Clinics	130,109,363	25.87%	101,014,108	25.84%
Stomatology	18,504,217	3.68%	1,973,307	0.50%
Laboratories	96,725,937	19.23%	76,187,985	19.49%
Corporate	127,988,835	25.45%	111,190,772	28.44%
Hospitals	104,977,229	20.87%	80,483,227	20.59%
Pharmacies	23,597,580	4.69%	19,573,149	5.01%
Other revenues	1,083,629	0.22%	556,349	0.14%
TOTAL	502,986,790	100.00%	390,978,897	100.00%

Credit facilities contracted by the Company

1. Club Loan

Med Life SA, together with Bahtco Invest SA, Accipiens SA and Policlinica de Diagnostic Rapid SA ("PDR") (as borrowers) concluded on March 2, 2016 a Club Loan, a credit facility agreement with a club of credit institutions composed of the Banca Comercială Română S.A., BRD – Groupe Société Générale S.A., ING Bank N.V. Amsterdam – Bucharest Branch and Raiffeisen Bank S.A.. The financing parties have provided to borrowers three credit facilities with maximum limits of EUR 48,764,589.89 and RON 27,000,000, as follows:

(a) Term facility in EUR, amounting to 28,764,589.98, allocated as follows:

- Up to EUR 15,711,008.29 to the Company,
- Up to EUR 972,937.81 to Accipiens,
- Up to EUR 6,486,252.13 to Bahtco Invest,
- Up to EUR 5,594,391.75 to PDR,

intended for the total refinancing of the sums owed by each of the above entities under a credit facility agreement concluded with BCR on August 28, 2014.

(b) Revolving type facility in RON, amounting to RON 27,000,000, granted to the Company in order to refinance in full the amounts owed by it under a credit facility agreement concluded with BCR on August 28, 2014 and financing current needs of the Company;

(c) A term facility in euro, amounting to EUR 20,000,000, granted to the Company for the acquisition of shareholdings in companies with similar or complementary activities to those of borrowers ("**Target companies covered by the Club Loan**"), respectively, within EUR 3,000,000 to the Companies Targeted by the Club Loan that will join as borrowers to the credit facility agreement to refinance their financial debts.

2. Loans from International Finance Corporation, a member of World Bank Group

The Company (as borrower) together with Accipiens SA, Bahtco Invest SA and PDR (as co-debtors) concluded the term loan agreement dated September 30, 2016, in the maximum amount of EUR 10,000,000 intended to finance the investment plan of the Company and of co-borrowers to expand their operations, both organically and through acquisitions of holdings in companies with activities similar or complementary to those of the borrowers.

3. Listing and Trading

Starting from 21th of December 2016, the shares issued by Med Life SA are traded on the stock market managed by the Bucharest Stock Exchange, Premium Category, with the "M" trading symbol.

The listing was made through the initial public offering initiated by V4C Eastern Europe Holding V Limited and International Finance Corporation, member of the World Bank Group through the sale of 8,840,480 ordinary shares owned by the selling shareholders, as follows: a number of 7,283,360 Shares owned by V4C Eastern Europe Holdings V Limited and a number of up to 1,557,120 Shares owned by International Finance Corporation.

4. Corporate governance

The corporate governance statement

During 11 months of 2016, the shares were not admitted to trading on a regulated market. Thus, the Company was required to comply with corporate governance regime established mainly by the Companies Law.

The Company and its board members comply with the corporate governance regime established by the Companies Law with the following exceptions:

- The Company has not entered into management contracts with current members of the Board of Directors and mandate contracts with executive managers. Some executive managers have concluded labour contracts. According to the Companies Law, labour contracts concluded by members of the Board of Directors or executive managers are suspended during the period in which such persons hold this position;
- Because some members of the Board of Directors and some executive managers hold various positions in the administration, management or control bodies in the subsidiaries of the Company, any lending by the Company to such subsidiaries can be considered a loan by the Company to its directors which is prohibited under the Companies Law;
- Because some members of the Board of Directors and some executive managers hold various positions in the administration, management or control bodies in the subsidiaries of the Company and other positions within the Company (e.g. executive managers, legal advisors, employees) there is the possibility of occurrence of conflicts of interests.

As of 4 January 2016, a new corporate governance code issued by the Bucharest Stock Exchange entered into force and is applicable to all issuers of securities traded on the spot regulated market operated by the Bucharest Stock Exchange. The new Corporate Governance Code is applicable to the Company after the admission of its shares to trading on the spot regulated market managed by the Bucharest Stock Exchange.

The Company intends to take measures to ensure that within a 12-month period as of the admission of shares on the spot regulated market operated by the Bucharest Stock Exchange, at least two independent members will be appointed in the Board of Directors.

1. Shareholding structure

The shareholders' structure as of December 31, 2016 is presented below:

	<u>No. of shares</u>	<u>%</u>	<u>Value</u>
Marcu Mihail	4,219,320	21.00%	1,054,830
Marcu Nicolae	3,013,800	15.00%	753,450
Cristescu Mihaela Gabriela	3,013,800	15.00%	753,450
Other shareholders	<u>9,845,080</u>	<u>49.00%</u>	<u>2,461,270</u>
TOTAL	<u>20,092,000</u>	<u>100%</u>	<u>5,023,000</u>

Information regarding shareholders' rights is public and can be found in the published Prospectus of the Company.

2. Company Management

The Company is managed in one tier system by the Board of Directors that delegated management of the Company to the managers. The Board of Directors consists of seven (7) members appointed by the Ordinary General Meeting of Shareholders for a term of 4 years, with the possibility of re-election for subsequent 4 years terms of office. The Chairman and Vice-Chairman of the Board of Directors are elected by the Board of Directors among its members. The Board of Directors is responsible for all useful and necessary acts to fulfil the object of activity of the Company, except for the duties that are allocated by law to the shareholders' meetings.

Board of Directors

As at the date of December 31, 2016, the Board of Directors consists of the following members:

Name	Date of Birth	Title
Mihail Marcu	30.09.1970	Member and Chairman of the Board of Directors
Mihaela-Gabriela Cristescu	28.02.1942	Member of the Board of Directors
Ion Nicolae Scorei	22.12.1974	Member of the Board of Directors
Dimitrie Pelinescu-Onciul	11.08.1947	Member of the Board of Directors
Dorin Preda	03.04.1976	Member of the Board of Directors
Marius-Leonard Gherghina	21.02.1964	Member of the Board of Directors
Nicolae Marcu	26.10.1968	Member of the Board of Directors

The venue where the members of the Board of Directors carry out their duties is the registered office of the Company.

Executives

The individuals holding positions of executive manager in the Company as at December 31, 2016 or the persons to whom management of the Company has been delegated pursuant to the Articles of Association, are presented in the table below. As at December 31, 2016, all these persons fulfil these functions based on labor contracts of indefinite duration, although, according to the applicable law, while holding the position of executive manager, labor contracts are suspended, and the Company is obliged to conclude with the executive managers mandate contracts. The executive managers carry out their duties at the registered office of the Company.

Name	Title
Mihail Marcu	Chief Executive Officer (CEO)
Nicolae Marcu	Chief Healthcare and Operations Officer
Dorin Preda	Chief Finance and Treasury
Adrian Lungu	Chief Financial Officer
Adrian Stanese	Human Resource Manager
Geanina Durigu	Laboratory Manager
Mariana Brates	Purchasing Manager
Mihai-Stelian Vârciu	Medical Manager
Vera Firu	Accounting and Tax Manager
Mirela Dogaru	Corporate Manager

3. Internal Control

MedLife established a system of internal control throughout the group. Internal control is an activity of objective and independent evaluation with consultative purpose performed in order to increase value added and improving the activity of the Group.

Internal control supports the Group to reach the objectives agreed upon through systematic and disciplined approach of evaluation and improvement of risk management efficiency, internal controls systems efficiency and general management efficiency.

The objectives of the internal control are:

- Assessment and evaluation of the accuracy of realized tasks
- Evaluation of conformity with internal procedures
- Detection of inefficiency, waste, abuse and other irregularities
- Presentation to the Board of Directors of objective information from areas covered by internal control and of recommendations in order to eliminate identified issues and follow-up
- Rendering of services in terms of assessments, evaluations, recommendations for the Board of Directors

The Group's internal control checked: compliance with the laws in force; application of the decisions made by the management; good operation of the internal activity; efficient use of resources; prevention and control of the risk of failing to reach the goals set; ensuring an accounting management and financial monitoring of the Company's activities.

Internal control is applicable:

- prior to conducting the operations, upon the preparation of the budget, which would allow subsequently to conducting the operations, the budget control;
- during the operations and after their completion, a case where it is analysed the profitability of the operations and it is ascertained the existence of the conformity or possible irregularities, which need to be adjusted.

5. Risk exposures

Capital risk

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings from bank and IFC and also financial leasing, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

The Group's risk management reviews the capital structure regularly. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Financial risk management objectives

The Group's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Foreign exchange risk

The Group conducts its business and makes transactions expressed in various currencies. As at December 31, 2016 the exchange rate was of 4.3033 RON for 1 USD and of 4.5411 RON for 1 EUR. As at December 31, 2015 the exchange rate was of RON 4.1477 for 1 USD and of RON 4.5245 for 1 EUR.

Management analyzes the exposure to currency risks.

Credit risk

The financial assets that might expose the Group to a credit risk concentration mainly consist of receivables (trade receivables and similar receivables). Given the large number of clients of the Group, credit risk is rather limited.

Liquidity risk

The Group's policy is to maintain sufficient liquidities to pay for its obligations when such become due.

Fiscal environment

The taxation system in Romania is still developing and is subject to various interpretations and constant changes, which may sometimes be retroactive. Although the actual tax due for a transaction may be minimum, delay interests may be significant, as they can be calculated at the value of the transaction and at a rate of 0.03% per day (interest) and 0.02% (penalties) per day in 2015. Starting with January 2016, the level of interest charged was reduced to 0.02% per day and the level of penalties charged was reduced 0.01% per day.

In Romania the statute of limitation for tax controls (audits) is of 5 years. Management believes that the tax obligations included in these financial statements are adequate.

Transfer pricing

The fiscal legislation from Romania includes the "market value" principle, according to which the transactions between related parties have to be performed at the market value. The local tax payers, who carry transactions with related parties, have to prepare and make available to the tax authorities from Romania, at their written request, the transfer pricing documentation file. If the companies do not prepare the documentation or they present an incomplete transfer pricing file may attract penalties for non-conformity, and additionally to the information presented in the transfer pricing file, the fiscal authorities may have a different interpretation of the transactions and the circumstances compared to the management's assessment and, as a result, they may impose additional fiscal obligations as a result of adjusting transfer prices. The management of the Group is confident that, if required, they will submit the necessary information in due time to the fiscal authorities. The transactions with related parties and group companies are performed based on the market value principle.

Litigation

The Group is involved in various litigations as part of normal course of business. Management has assessed the legal status together with the Group's legal advisors and all necessary adjustments have been recorded in the consolidated financial statements.

6. Subsequent events

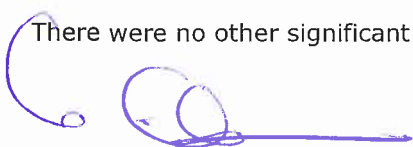
Med Life SA purchased a building located in Banu Manta Street from Telekom and performed a sale and leaseback through financial leasing.

Med Life SA signed the Sales Purchase Agreement for the acquisition of shares/social parts of the share capital of the following companies:

- 80% of share capital of Almira Trading SRL
- 100% of share capital in Anima Speciality Medical Services SRL.

Neither transaction has been closed by the approval of the consolidated financial statements.

There were no other significant subsequent events after December 31, 2016.



Mihail Marcu,
Administrator