

MED LIFE S.A.

**INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED BY EUROPEAN UNION
(„IFRS“)**

(Together with Independent Auditor's Report and Administrators' Report)

CONTENTS:	PAGE:
INDEPENDENT AUDITOR'S REPORT	1 - 4
INDIVIDUAL STATEMENT OF FINANCIAL POSITION	5 - 6
INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME	7
INDIVIDUAL STATEMENT OF CASH FLOWS	8 - 9
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY	10 - 11
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS	12 - 47
ADMINISTRATORS' REPORT	1 - 23

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
MED LIFE S.A.

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of MED LIFE S.A. ("the Company"), with registered office in (address), identified by unique tax registration code 8422035, which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.
2. The financial statements as at December 31, 2018 are identified as follows:
 - Net assets/ Equity RON 151.998.607
 - Net profit for the financial year RON 4.110.439
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	How our audit addressed the key audit matter
Valuation of investments	
<p>Investments in other companies represent 29% of the total assets of the Company.</p> <p>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 investments at standalone level. 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 cost of investment relates.</p>	<p>We focused our testing of the impairment of cost of investments 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.

Other information- Administrator's Report

6. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report which includes the non-financial information declaration but does not include the consolidated and separate financial statements and our auditor's report thereon,

Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements for the year ended December 31, 2018, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the

audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) the information included in the administrators' report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;
- b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the standalone financial statements prepared as at December 31, 2018, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

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

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Order 2844/2016, with subsequent amendments, 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 financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the 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 financial statements.
11. 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. 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.
13. 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.
14. 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.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on April 28, 2018 to audit the financial statements of Med Life S.A. for the financial year ended December 31, 2018. The uninterrupted total duration of our commitment is 1 year, covering the financial years ended December 31, 2018.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537 / 2014 were provided.

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

Madeline Alexander, Audit Partner

For signature, please refer to the original Romanian version.

Registered with the Authority for the Public Oversight of the Statutory Audit Activity under number 36

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Authority for the Public Oversight of the Statutory Audit Activity under number 25

Sos. Nicolae Titulescu nr. 4- 8, America House, Intrarea de Est,
Etajul 2 - zona Deloitte și Etajul 3, sector 1,
Bucharest, Romania
March 21, 2019

MED LIFE S.A.
INDIVIDUAL STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

	<u>Notes</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
ASSETS			
LONG TERM			
Intangible assets	5	7,701,244	7,660,785
Tangible fixed assets	5	183,020,161	168,861,934
Financial fixed assets	4	147,899,593	132,815,223
TOTAL NON-CURRENT ASSETS		<u>338,620,998</u>	<u>309,337,942</u>
CURRENT ASSETS			
Inventories	6	6,533,910	6,668,022
Receivables	7	47,146,208	36,182,268
Loans receivable from group companies	21	74,915,161	31,440,718
Other receivables		3,944,995	1,351,116
Cash at bank and in hand	8	21,758,563	70,007,531
		<u>154,298,837</u>	<u>145,649,655</u>
PREPAYMENTS	9	<u>2,204,277</u>	<u>2,559,451</u>
TOTAL CURRENT ASSETS		<u>156,503,114</u>	<u>148,209,106</u>
TOTAL ASSETS		<u>495,124,112</u>	<u>457,547,048</u>
LIABILITIES & SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Trade accounts payable	10	75,848,191	62,556,608
Overdraft		9,327,799	-
Current portion of lease liability	12	2,252,331	515,738
Current portion of long term debt	13	14,669,616	25,782,427
Loans Payable to group companies	21	2,754,866	2,855,697
Current tax liabilities		312,992	337,304
Other liabilities	11	6,388,289	10,395,267
		<u>111,554,084</u>	<u>102,443,041</u>
LONG TERM DEBT			
Lease liability	12	15,161,217	6,045,842
Long term debt	13	205,624,681	184,328,369
TOTAL LONG-TERM LIABILITIES		<u>220,785,898</u>	<u>190,374,211</u>
Deferred tax liability	22	10,785,523	10,785,523
TOTAL LIABILITIES		<u>343,125,505</u>	<u>303,602,775</u>

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

MED LIFE S.A.
INDIVIDUAL STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

	<u>Notes</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
SHAREHOLDER'S EQUITY			
Issued capital	14	81,495,470	81,495,470
Treasury shares		(6,056,105)	-
Reserves	15	73,097,247	72,708,768
Retained earnings		3,461,995	(259,965)
Equity attributable to owners of the Company		<u>151,998,607</u>	<u>153,944,273</u>
TOTAL EQUITY		<u>151,998,607</u>	<u>153,944,273</u>
TOTAL LIABILITIES AND EQUITY		<u>495,124,112</u>	<u>457,547,048</u>

Approved by the Board of Directors on the date of March 21, 2019 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

MED LIFE S.A.
INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

	<u>Notes</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
SALES	16	419,850,605	379,664,698
Other operating revenues	17	2,479,012	4,418,145
OPERATING INCOME		422,329,617	384,082,843
OPERATING EXPENSES	18	(406,246,137)	(371,724,783)
OPERATING PROFIT		16,083,480	12,358,060
Finance cost		(11,238,160)	(9,933,607)
Other financial expenses / income		1,238,211	(4,139,341)
NET FINANCIAL RESULT	20	(9,999,949)	(14,072,948)
RESULT BEFORE TAX		6,083,531	(1,714,888)
Income tax expense	22	(1,973,092)	(805,134)
NET RESULT		4,110,439	(2,520,022)
Other comprehensive income items that will not be reclassified to profit or loss			
Gain / Loss on revaluation of properties	15	-	-
Deferred tax on other comprehensive income components	22	-	-
TOTAL OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		4,110,439	(2,520,022)

Approved by the Board of Directors on the date of March 21, 2019 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

MED LIFE S.A.
INDIVIDUAL STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

	<u>Note</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / Loss before tax		6,083,531	(1,714,888)
Adjustments for:			
Depreciation	5,18	29,102,249	26,485,263
Interest expense	20	11,238,160	9,933,607
Interest revenues	20	(1,900,485)	(523,468)
Allowance for doubtful debts and receivables written-off	7	-	-
Financial discounts	20	-	-
Allowance for other current assets		-	-
Unrealized exchange gain / loss	20	662,274	4,662,809
Other non-monetary gains	17	(2,240,604)	(2,750,697)
Net gain on disposal of property		-	-
Operating cash flow before working capital changes		42,945,125	36,092,626
Increase in accounts receivable		(13,557,819)	(7,372,412)
Decrease / (Increase) in inventories		134,112	(268,135)
Decrease / (Increase) in prepayments		355,174	164,607
(Decrease) / Increase in accounts payable		7,593,132	(2,604,786)
Cash generated from operations		37,469,724	26,011,900
Income tax paid		(1,997,404)	(1,648,801)
Interest paid		(11,804,040)	(9,409,989)
Interest received		1,900,485	523,468
Net cash flow from operating activities		25,568,765	15,476,578
Cash flow from investing activities			
Purchase of shares in other companies	4	(15,084,370)	(35,277,667)
Purchase of intangible assets	5	(1,575,793)	(1,111,249)
Purchase of property, plant and equipment	5	(24,702,025)	(24,691,753)
Proceeds from sale of fixed assets		-	-
Loans granted	21	(43,474,443)	(5,897,870)
Net cash used in investing activities		(84,836,631)	(66,978,539)

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

MED LIFE S.A.
INDIVIDUAL STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

	<u>Note</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
Cash flow from financing activities			
Share capital contribution		-	67,563,436
Payments for acquisition of treasury shares		(6,056,105)	
Increase in bank loans		39,640,225	64,277,364
Payment of bank loans		(20,225,319)	(13,221,003)
Payments of financial leasing		(2,239,072)	(11,175,454)
Increase/(decrease) in loans from group companies	21	(100,831)	105,958
Net cash generated by/ (used in) financing activity		11,018,898	107,550,301
Net change in cash and cash equivalents		(48,248,968)	56,048,340
Cash and cash equivalents opening balance	8	70,007,531	13,959,191
Cash and cash equivalents closing balance	8	21,758,563	70,007,531

Approved by the Board of Directors on the date of March 21, 2019 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

MED LIFE S.A.
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

	Share Capital		Treasury Shares	Share premium	General reserves and other reserves	Revaluation Reserve	Accumulated Results	Total Equity
	Paid, registered	Paid, registered after year end						
Balance as at January 1, 2018	5,023,000	513,271	-	75,959,199	9,684,470	63,024,298	(259,965)	153,944,273
Share capital contribution	-	-	-	-	-	-	-	-
Acquisition of own shares	-	-	(6,056,105)	-	-	-	-	(6,056,105)
Legal reserve fund	-	-	-	-	388,479	-	(388,479)	-
Total comprehensive income	-	-	-	-	-	-	4,110,439	4,110,439
Gain or loss from revaluation	-	-	-	-	-	-	-	-
Deferred tax related to other comprehensive income	-	-	-	-	-	-	-	-
Profit of the year	-	-	-	-	-	-	4,110,439	4,110,439
Balance as at December 31, 2018	5,023,000	513,271	(6,056,105)	75,959,199	10,072,949	63,024,298	3,461,995	151,998,607

Approved by the Board of Directors on the date of March 21, 2019 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

MED LIFE S.A.
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

	<u>Share Capital</u>			<u>General reserves and other reserves</u>	<u>Revaluation Reserve*</u>	<u>Accumulated Results</u>	<u>Total Equity</u>
	<u>Paid, registered</u>	<u>Paid, registered after year end**</u>	<u>Share premium</u>				
Balance as at January 1, 2017	5,023,000	-	8,909,034	9,684,470	63,024,298	2,260,057	88,900,859
Share capital contribution	-	513,271	67,050,165	-	-	-	67,563,436
Total comprehensive income	-	-	-	-	-	(2,520,022)	(2,520,022)
Gain or loss from revaluation	-	-	-	-	-	-	-
Deferred tax related to revaluation reserve	-	-	-	-	-	-	-
Loss of the year	-	-	-	-	-	(2,520,022)	(2,520,022)
Balance as at December 31, 2017	5,023,000	513,271	75,959,199	9,684,470	63,024,298	(259,965)	153,944,273

Note*: The closing balance of the revaluation reserve as of December 31, 2017 in amount of RON 63,024,298 comprises revaluation reserve in amount of RON 75,068,354 and deferred tax computed on revaluation reserve in amount of RON (12,044,056).

Note:** In 2017, as a result of a Second Public Offering, Med Life S.A. issued 2,053,082 new shares with a nominal value of RON 0.25 per share, increasing the share capital from RON 5,023,000 to RON 5,536,271. The subscribers of the share increase will benefit from full rights related to the acquired shares starting from the date of the registration by the Central Depository. The shares were subscribed and paid in 2017. The Central Depository registered the newly subscribed shares on January 11, 2018.

Approved by the Board of Directors on the date of March 21, 2019 and signed on behalf of by:

Mihail Marcu,
 Administrator

Vera Firu,
 Director Economic

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

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

1. DESCRIPTION OF THE BUSINESS

Med Life S.A. ("Med Life" 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, Braila, Timisoara, Iasi, Galati and Constanta.

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 Med Life SA's subsidiaries at December 31, 2018 and January 1, 2018 are as follows:

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2018	January 1, 2018
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	80.01%	80.01%
2	Medapt SRL	Medical Services	Brasov, Romania	80.01%	80.01%
3	Histo SRL	Medical Services	Brasov, Romania	48.01%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL	Medical Services	Sfantu Gheorghe, Romania	64.01%	64.01%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100%	100%
6	Medsanrom SRL (Med Life Occupational SRL)	Medical Services	Bucharest, Romania	100%	100%
7	Pharmalife Med SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
8	Medlife Broker de Asigurare Reasigurare SRL	Insurance broker	Bucharest, Romania	99%	99%
9	Accipiens SA	Rental activities	Arad, Romania	58%	58%
10	Genesys Medical Clinic SRL	Medical services	Arad, Romania	58%	58%
11	Biofarm Farmec SRL	Distribution of Pharmaceutical Products in specialised stores	Arad, Romania	58%	58%
12	RUR Medical SA	Medical services	Brasov, Romania	100%	100%
13	Biotest Med SRL	Medical services	Constanta, Romania	100%	100%
14	Vital Test SRL	Medical services	Iasi, Romania	100%	100%
15	Bactro SRL (indirectly)	Other healthcare services	Deva, Romania	58%	58%
16	Centrul Medical Sama S.A.	Medical Services	Craiova, Romania	55%	55%
17	Ultratest S.A.	Other healthcare services	Craiova, Romania	55%	55%
18	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
19	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%
20	Stem Cells Bank SA	Medical Services	Timisoara, Romania	100%	100%
21	Dent Estet Clinic SA	Dental healthcare activities	Bucharest, Romania	60%	60%
22	Centrul Medical Panduri	Medical Services	Bucharest, Romania	90%	90%
23	Almina Trading SA	Medical services	Targoviste, Romania	80%	80%
24	Anima Specialty Medical Services SRL	Medical services	Bucharest, Romania	100%	100%
25	ANIMA Promovare si Vanzari SRL	Medical services	Bucharest, Romania	100%	100%
26	Valdi Medica SRL	Medical services	Cluj, Romania	55%	55%
27	Clinica Polisano SRL	Medical services	Sibiu, Romania	100%	0%
28	Solomed Clinic SA	Medical services	Pitesti, Romania	80%	0%
29	Ghencea Medical Center SA	Medical services	Bucharest, Romania	90%	0%
30	Sfatul medicului	Medical platform	Bucharest, Romania	100%	0%

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

1. DESCRIPTION OF THE BUSINESS (continued)

Dent Estet Clinic SA, Solomed Clinic SA and Genesys SRL also own the following companies as described below:

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2018	January 1, 2018
1	Green Dental Clinic SRL	Dental healthcare activities	Bucharest, Romania	51%	51%
2	Dentist 4 Kids SRL	Dental healthcare activities	Bucharest, Romania	52%	52%
3	Dent A Porter SRL	Dental healthcare activities	Bucharest, Romania	51.61%	51.61%
4	Dentestet Kids	Dental healthcare activities	Bucharest, Romania	52.94%	52.94%
5	Aspen Laborator Dentar	Dental healthcare activities	Bucharest, Romania	75%	75%
6	Solomed Plus SRL (owned by Solomed Clinic SA)	Medical services	Pitesti, Romania	100%	0%
7	Transilvania Imagistica SA (owned by Genesys SRL)	Medical services	Oradea, Romania	100%	0%

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:

- **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),
- **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 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018)
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to "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 – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018),

The Company expects that the adoption of these new standards and amendments to existing standards will not have a material impact on the Group's financial statements during the initial period of application.

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 financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019)
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

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 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **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 IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of materiality (applicable for annual periods beginning on or after January 1, 2020);
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to the References to the Conceptual Framework of IFRS** (applicable for annual periods beginning on or after January 1, 2020).

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

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

According to the Company'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.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these individual financial statements of the Company are set out below.

3.1 Statement of compliance

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

The accounting policies applied in these financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2017, except for the adoption of new standards effective as of January 1st 2018.

Starting with January 1st 2018, the Company has applied for the first time two new standards, IFRS 9 „Financial instruments" and IFRS 15 „Revenues from contracts with customers".

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

3.3 Going concern

These financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company 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 Accounting estimates and judgments

The preparation of the 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.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.5 Foreign currency translation

Functional and presentation currency

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

As at December 31, 2018 the exchange rate was of 4.0736 RON for 1 USD and of 4.6639 RON for 1 EUR. As at December 31, 2017 the exchange rate was of RON 3.8915 for 1 USD and of RON 4.6597 for 1 EUR. The average exchange rate for the period ended 31 December 2018 was of 3.9416 RON for 1 USD (12 months period ended 31 December 2017 : 4.0525 for 1 USD) and 4.6535 RON for 1 EUR (12 months period ended 31 December 2017 : 4.5681 RON 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.

3.6 Comparative information

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

3.7 Investments in other companies

Med Life has significant investments in other companies. The investments are presented at cost less impairment. Management conducts annual testing or whenever there is an indication of impairment to assess whether any impairment losses should be recognized.

3.8 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 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 Company presents land and buildings at fair value in the financial statements. The Company performed the revaluation of the main buildings as of December 31, 2018. As the fair value of the assets is not significant compared to the carrying value as of December 31, 2018, the revaluation was not extended to all assets and no revaluation adjustment was recorded as of December 31, 2018.

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 Company. 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.

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.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.9 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.

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

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.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company 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 Company 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 that are not yet available for use are tested for impairment at least annually and whenever there are indications 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.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Intangible assets (continued)

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.

3.11 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 Company applies FIFO as a costing method.

3.12 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 Company 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.

3.13 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.

3.14 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.

3.15 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 Company.

3.16 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.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Leasing (continued)

Assets held under finance leases are initially recognized as assets of the Company 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.

3.18 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.

3.19 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 Company'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 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.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Taxation (continued)

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 Company 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 Company 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.

3.21 Share capital

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

3.22 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 Company recorded share premiums as a result of the issue of shares.

3.23 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 Company presents land and buildings at fair value in the financial statements.

3.24 Provisions for risks and charges

Provisions are recognized when the Company 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.

3.25 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 Company does not operate any customer loyalty program.

The Company 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.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 Revenue recognition (continued)

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.

3.27 Employee benefits

The Company, 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 Company are members of the Romanian State pension plan. The Company does not operate any other pension scheme.

3.28 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 Company's Board of Directors, as well as the members of their families.

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

3.29 Fair value

As described above, certain accounting policies of the Company and information presentation criteria require determination of the fair value both for the assets and the liabilities of the Company. In determining the fair value of assets and liabilities, the Company 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 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.

3.30 IAS 29

Med Life SA was created in 1996. The development of the Company was continuous throughout the years. The significant additions to non-current assets and the material share capital subscriptions and the share premiums were recorded after Romania stopped being considered a hyperinflationary economy. As such, no inflation adjustments have been applied to equity and the Company did not have to apply IAS 29 requirements.

3.31 IFRS 8

IFRS 8 disclosures are meant to enable users of financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. An operating segment is a component of an entity:

- (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (c) for which discrete financial information is available.

Med Life considers that all the business activities from which it earns revenues are intertwined and that the main business activity represents one segment- the rendering of medical services.

3.32 IFRS 9 „Financial instruments“

Starting with January 1st 2018, the Company has applied for the first time the new standard IFRS 9 „Financial instruments“. IFRS 9 introduces changes regarding the recognition and measurement of financial assets and results in an earlier recognition of bad debt allowances for receivables.

Being permitted by the standard, the Company adopted IFRS 9 starting with January 1st 2018 using the modified retrospective method, with cumulated adjustments from the initial application recognised in equity as of January 1st 2018 and without restating the figures of the comparative period.

For the Company's trade receivables, there are no significant differences between the initial evaluation method according to IAS 39 and the new evaluation criteria under IFRS 9.

3.33 IFRS 15 „Revenues from contracts with customers“

IFRS 15 „Revenues from contracts with customers“ introduces a comprehensive model for revenue recognition and measurement. The standard replaces the existing criteria for revenue recognition, replacing the standards IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programs”. Under the new standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Company is expected to be entitled to receive in exchange of those goods or services.

Being permitted by the standard, the Company adopted IFRS 15 starting with January 1st 2018 using the modified retrospective method, with cumulated adjustments from the initial application recognised in equity as of January 1st 2018 and without restating the figures of the comparative periods. The initial application has no impact on the Company's Retained Earnings.

In respect to the timing of the revenue recognition, all of the Company's services provided are transferred to the customer when the services are rendered. Based on internal assessment of the possible impact resulting from the application of IFRS 15 not significant effect was identified on these financial statements. Also, a number of other amendments and interpretations have been effective starting with January 1st 2018, but do not have a significant effect on these financial statements.

3.34 IFRS 16 „Leases“

Starting with January 1st 2019, the Company will adopt the new standard IFRS 16 „Leases“. IFRS 16 is effective for annual periods beginning on or after January, 1st 2019. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Company is currently performing a detailed assessment of the impact resulting from the application of IFRS 16. Recognition of a right to use as an asset and a lease liability for existing contracts as of December 31, 2018 will result in an increase in the value of tangible assets and debts of approximately 70 million Ron on 1 January 2019. On the income side, will report depreciation expense and interest expense instead of rental expenses. This will lead to an increase in operating result that will be offset by higher interest expense ”.

3.35 Subsequent events

The effect of significant subsequent events, after the reporting period, which supplies additional information regarding the financial position of the Company 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.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

4. FINANCIAL ASSETS

The Company holds significant investments in other companies.

Carrying amount	December 31, 2018	January 1, 2018
Cost of investments in other companies	135,043,779	120,447,736
Long-term loans granted to group companies	11,191,914	11,158,313
Other financial assets	1,663,900	1,209,174
TOTAL	147,899,593	132,815,223

Investments in other companies

Investments in other companies represent 27% of the total assets of the Company.

Movement in cost of investments

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	120,447,736	85,613,408
Acquisition of social parts in other companies	14,596,043	34,834,328
Disposal of subsidiaries	-	-
Balance at year end	135,043,779	120,447,736

In 2017 and 2018, the Company signed the Sales Purchase Agreement for the acquisition of shares in the following companies:

- 100% of share capital of Clinica Polissano SRL
- 80% of share capital in Solomed Clinic and Solomed Plus
- 90% of share capital in Ghencea Medical Center
- 100% of share capital in Sfatul medicului
- 100% of share capital in Transilvania Imagistica SA, through Genesys Medical Clinic SRL.

Acquisition Polissano

Med Life announced in October 2017 the acquisition of the 100% stake in Polissano medical services, one of the largest private medical operators in Romania. Founded in the 90's, Polissano is the first fully integrated medical group in Romania.

It includes a series of four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital – Polissano European Hospital in Sibiu – recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization center and the biggest private maternity in Transylvania. The transaction was completed on 4 April 2018, after the validation by the Competition Council and approval of the condition precedents.

Acquisition Ghencea Medical Center

In February 2018, Med Life announced the acquisition of the 90.00% majority stake in Ghencea Medical Center in Bucharest. The medical services provider has two clinics in Bucharest and Magurele with 135 employees, medical staff and support employees, offering to its patients a wide range of investigations for laboratory and imaging areas, specialized treatment for medical recovery and alternative medicine. The transaction was completed on 24 May 2018, after the conditions precedent were met.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

4. FINANCIAL ASSETS (continued)

Acquisition Solomed

In March 2018, Med Life announced the acquisition of the 80.00% majority stake in Solomed, a group of medical clinics present on Pitesti, Costesti and Curtea de Arges markets. The Solomed Group was founded in 1997 and is one of the leading local medical operators in the region. The group consists of five clinics - three in Pitesti, the other two in Costesti and Curtea de Arges - and a laboratory (Pitesti), offering to its patients a wide range of investigations from multidisciplinary consultations for a range of over 15 medical specialties and laboratory services, CT investigations, ultrasounds, medical recovery services and small laser interventions. All medical units are equipped with state-of-the-art medical equipment and have a medical team with over 90 specialists. The transaction was finalized on 14 May 2018, after the fulfilment of the conditions precedent.

Sfatul medicului Med Life acquired 100% majority stake in sfatulmedicului.ro platform, the largest medical information hub in Romania. Established 15 years ago, sfatulmedicului.ro is among the top sites dedicated to the Romanian health segment. The platform has a monthly average of more than 3.2 million unique users and over 12 million views. In addition to the information service, users access the medical self-evaluation service and online analysis of the analyzes on this platform. As a result of this transaction, Sfatulmedicului.ro will retain the team that has carried out the project all these years, and in order to preserve its independence and impartiality towards the market, the management will be completely independent from Med Life and the current directors. The transaction was finalized on 14 August 2018 once the suspensive conditions were met.

Centrul Transilvania Imagistica Oradea Medlife has taken over Centrul Transilvania Imagistica Oradea, a provider of medical diagnostic, imaging and radiology services, one of the most important players in the northwest of the country on this segment. The center is equipped with high-performance medical equipment and investigations are carried out by a team of specialists.

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 investments at individual level. 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 determination of the discount rates for the significant Cash Generating Units to which the cost of investment relates.

Long-term loans granted to other companies

As of December 31, 2018, the Company presents long-term loans granted to Bahtco Invest SA and Medlife Ocupational SRL of RON 11,191,914 (January 1, 2018: RON 11,167,730).

Other financial assets

Other financial assets represent mainly rent deposits with a maturity longer than one year.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

5. TANGIBLE AND INTANGIBLES FIXED ASSETS

As of December 31, 2018 the Company'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>
Cost						
January 1, 2018	27,377,950	13,429,395	146,599,753	119,984,785	7,796,971	315,188,854
Additions	3,816,397	-	-	32,574,677	6,992,404	43,383,478
Transfers	-	-	6,479,221	-	(6,479,221)	-
Disposals	-	-	-	(106,317)	-	(106,317)
Revaluation	-	-	-	-	-	-
December 31, 2018	31,194,347	13,429,395	153,078,974	152,453,145	8,310,154	358,466,015
Depreciation						
January 1, 2018	19,717,165	-	37,248,302	81,700,668	-	138,666,135
Charge of the year	3,775,938	-	10,187,074	15,139,237	-	29,102,249
Disposals	-	-	-	(23,774)	-	(23,774)
Revaluation	-	-	-	-	-	-
December 31, 2018	23,493,103	-	47,435,376	96,816,131	-	167,744,610
Net Book Values						
January 1, 2018	7,660,785	13,429,395	109,351,451	38,284,117	7,796,971	176,522,719
December 31, 2018	7,701,244	13,429,395	105,643,598	55,637,014	8,310,154	190,721,405

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

As of December 31, 2017 the Company'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>
Cost						
January 1, 2017	23,516,004	13,429,395	131,971,309	103,416,011	7,352,540	279,685,259
Additions	3,861,946	-	7,553,304	17,002,843	7,535,436	35,953,529
Transfers	-	-	7,091,005	-	(7,091,005)	-
Disposals	-	-	(15,865)	(434,069)	-	(449,934)
Revaluation	-	-	-	-	-	-
December 31, 2017	27,377,950	13,429,395	146,599,753	119,984,785	7,796,971	315,188,854
Depreciation						
January 1, 2017	16,308,817	-	25,792,716	70,203,027	-	112,304,560
Charge of the year	3,408,348	-	11,471,451	11,605,464	-	26,485,263
Disposals	-	-	(15,865)	(107,823)	-	(123,688)
Revaluation	-	-	-	-	-	-
December 31, 2017	19,717,165	-	37,248,302	81,700,668	-	138,666,135
Net Book Values						
January 1, 2017	7,207,187	13,429,395	106,178,593	33,212,984	7,352,540	167,380,699
December 31, 2017	7,660,785	13,429,395	109,351,451	38,284,117	7,796,971	176,522,719

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

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, presented in these financial statements is based on the valuation reports which were performed as of December 31, 2016 by an independent valuator 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.

The Company performed the revaluation of its main buildings as of December 31, 2018. As the fair value of the assets is not significantly different as compared to the carrying value as of December 31, 2018, the revaluation was not extended to all assets and no revaluation adjustment was recorded as of December 31, 2018.

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

Carrying amount without revaluation	December 31, 2018	January 1, 2018
Land	1,346,998	1,346,998
Buildings	42,036,881	42,036,881
TOTAL	43,383,879	43,383,879

5.2. Assets pledged as securities

Land and buildings (property on 365, Calea Grivitei) have been pledged to secure borrowings of the Company (see note 13). The land and buildings have been pledged as security for bank loans under a mortgage. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

6. INVENTORIES

	December 31, 2018	January 1, 2018
Consumables	6,513,579	6,649,179
Materials in the form of inventory items	18,892	17,461
Inventory in transit	1,439	1,382
TOTAL	6,533,910	6,668,022

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

7. ACCOUNTS RECEIVABLE

	December 31, 2018	January 1, 2018
Customers	60,587,456	50,861,132
Advances to suppliers	2,755,402	1,517,786
Bad debt provisions	<u>(16,196,650)</u>	<u>(16,196,650)</u>
TOTAL	<u>47,146,208</u>	<u>36,182,268</u>

Trade receivables as of December 31, 2018 and as of December 31, 2017 include a receivable of RON 7,365,835 representing amounts to be collected from the National Health House of Bucharest not yet invoiced. The Company 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 Company decided to record a 100% allowance during 2016.

As of December 31, 2018 and December 31, 2017, the Management of the Company performed an assessment regarding the collectability of receivables- a total allowance of RON 16,196,650 (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 three years, analysed according to the criteria established by IFRS 9. The Company monitors the credit quality of its customers on an ongoing basis. Credit risk is spread over a large customer base and the Company is not dependent on the collection of receivables from a limited number of customers.

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.

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 Company 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 Company 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 Company to the counterparty.

Ageing of past due but not impaired	December 31, 2018	January 1, 2018
90 - 180 days	104.517	414,641
180 days - 270 days	279.460	792,228
270 - 365 days	268.931	510,414
Over 365 days	<u>2.411.302</u>	<u>3,437,046</u>
TOTAL	<u>3.064.209</u>	<u>5,154,329</u>
Average age (days)	90	95

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

7. ACCOUNTS RECEIVABLE (continued)

The corporate receivables are spread over a large pool of clients. The main state budget customer is: The National Health Insurance House.

Movement in the allowance for doubtful debts	December 31, 2018	December 31, 2017
Balance at the beginning of the year	16,196,650	16,196,650
Impairment losses and reversals recognized on receivables	-	-
TOTAL	16,196,650	16,196,650

In determining the recoverability of trade receivables, the Company 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 Company is not dependent on the collection of receivables from a limited number of customers.

Ageing of impaired trade receivables	December 31, 2018	January 1, 2018
0 zile	79,813	-
0-30 zile	49,848	-
31-90 zile	71,304	-
91-180 zile	162,552	-
181-270 zile	143,224	-
270-365 days	171,899	-
Over 365 days	7,652,176	8,330,815
TOTAL GENERAL	8,830,815	8,830,815
Other allowance (described above)	7,365,835	7,365,835
TOTAL	16,196,650	16,196,650

8. CASH AND BANKS

	December 31, 2018	January 1, 2018
Cash in bank	19,397,886	68,696,261
Cash in hand	1,032,328	865,344
Cash equivalents	1,328,349	445,926
TOTAL	21,758,563	70,007,531

9. PREPAYMENTS

As of December 31, 2018 the Company has prepayments in amount of RON 2,204,277 (RON 2,559,451 as of January 1, 2018). The prepayments balance as of December 31, 2018 consists mainly of deferred commissions for financing related to the Club loan and amounts related to rent paid in advance for rented properties and other amounts such as insurance policies for professionals and tangible assets.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

10. ACCOUNTS PAYABLE

	December 31, 2018	January 1, 2018
Suppliers	66,821,334	55,432,020
Fixed assets suppliers	7,810,360	6,118,887
Advances paid by customers	1,216,497	1,005,701
TOTAL	75,848,191	62,556,608

The balance of the suppliers account consists of debts for the acquisition of reagents, laboratory equipment, office equipment, stationery, cleaning products and food.

11. OTHER SHORT TERM LIABILITIES

	December 31, 2018	January 1, 2018
Salary and related liabilities (incl. contributions)	5,937,202	8,834,260
Other liabilities	451,087	1,561,007
TOTAL	6,388,289	10,395,267

12. LEASING LIABILITIES

	December 31, 2018	January 1, 2018
Current portion – Leasing	2,252,331	515,738
Non-current portion – Leasing	15,161,217	6,045,842
TOTAL	17,413,548	6,561,580

Obligations under finance lease

	December 31, 2018	January 1, 2018
Minimum Lease Payments		
Short-term (less than one year)	3,038,731	574,919
Long-term (between 2 and 5 years)	17,793,501	8,590,997
Total	20,832,232	9,165,916
Less: future finance charges	(3,418,684)	(2,604,336)
Present value of lease obligations		
Analysed as follows:		
Maturing within one year	2,252,331	515,738
Maturing after more than one year but not later than five year	15,161,217	6,045,842
TOTAL	17,413,548	6,561,580

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

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

13. FINANCIAL DEBT

Loan agreements

	December 31, 2018	January 1, 2018
Current-portion of long-term loans	14,669,616	25,782,427
Non-current portion of long-term loans	205,624,681	184,328,369
TOTAL	220,294,297	210,110,796

(a) In 2010, 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.

On December 31, 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.

In October 31, 2018 Med Life (with co-borrowers Policlinica de Diagnostic Rapid SA, Bahtco Invest SA and Accipiens SA) signed with the Romanian Commercial Bank, Raiffeisen Bank, BRD Groupe Societe Generale and Banca Transilvania a refinancing agreement of the existing facilities, extension of financing, rearranging terms and conditions, and extend the limit with additional credit of 10 million euro which will be in form of a term credit facility and will be used by Medlife, together with other own liquidity of the Company, for any new opportunities of acquisition. At December 31, 2018, the balance of these facilities is 219,651,491 RON;

The set of financial ratios to be maintained by the Group has changed and will be calculated on a half-year basis based on Adjusted Capital. Future Debt Coverage Rate Adjusted and adjusted EBITDA. The interest that will be paid will be based on EURIBOR plus the applicable margin.

The syndicated credit agreement granted four facilities to the Group. On December 31, 2018, the payment amounts for each facility are listed below:

Facility	Amounts in EUR	Amounts in RON
Facility A	51,502,497	240,202,494
Facility B	-	10,000,000
Facility C	3,276,225	15,279,986
Total	54,778,722	265,482,480

On December 31, 2018, the payment amounts for each facility by Medlife SA are listed below:

Facility	Amounts in EUR	Amounts in RON
Facility A	41.675.745	194.371.505
Facility B	-	10.000.000
Facility C	3.276.225	15.279.986
Total	44.951.970	219.651.490

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

14. FINANCIAL DEBT (continued)

The Group will reimburse facility A and facility C pro rata with the amount available in half-yearly rates according to the agreed maturity.

The Group will reimburse each amount used from Facility B on the last day of the Interest Period. Without prejudice to the Group's obligation; one or more B-facility loans will be available to the Group on the same day as the due amount; in whole or in part to refinance B.

The interest to be charged will be charged based on EURIBOR plus relevant spread for loans in EUR and ROBOR for amounts in RON.

The loan is secured through the following guarantees:

- mortgage on the land located in Calea Grivitei nr 365 sector 1 Bucharest Romania (cadastral number 13183/1) and related constructions
- mortgage on the land and buildings that make up the Pediatric Hospital in Bucharest. str. Zagazului nr. 7 - CF 218010
- mortgage on the land and buildings that make up the Clinic and PDR Hospital located in Brasov str. 5 - CF 127854
- The mortgage on certain movable assets (massive medical equipment) owned by each company - Med Life, Bahtco Invest SA and Rapid Diagnostic Polyclinic SA
- a mortgage on future medical equipment to be purchased by the debtor and co-debtors in favor of the Funding Parties in respect of Med Life and Bahtco Invest SA. the obligations of Med Life and Bahtco Invest SA regarding the financing documents
- the mortgage on the insurances of each debtor on the tangible assets mortgaged in favor of the Financing Parties
- the mortgage on the shares held by the Company in the share capital of the initial debtors and the companies Sama Medical Center SA, Ultratest SA, Rur Medical SA and any other significant company or any future debtor, if any
- mortgage on the debtors' original bank accounts
- the mortgage on certain Med Life business receivables (including claims related to the National Health Insurance House, the Health Insurance House, the Public Order, the National Security and the Judicial Authority or any other similar entities and the receivables resulting from significant commercial contracts)
- a mortgage on the shares of the debtor's sponsors that will be created on the basis of a mortgage agreement on the shares to be concluded between sponsors and creditors.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

15. ISSUED CAPITAL

As of December 31, 2018 the shareholders' structure of Med Life SA, the parent company of Med Life Group, is as presented below:

	<u>No. of shares</u>	<u>%</u>
Marcu Mihail	4,119,320	18.6015%
Marcu Nicolae	2,913,800	13.1578%
Cristescu Mihaela Gabriela	3,110,115	14.0443%
Others	12,001,847	54.1964%
TOTAL	<u>22,145,082</u>	<u>100%</u>

In 2017, as a result of a Second Public Offering, Med Life S.A. issued 2,053,082 new shares with a nominal value of RON 0.25 per share, increasing the share capital from RON 5,023,000 to RON 5,536,271. The subscribers of the share increase will benefit from full rights related to the acquired shares starting from the date of the registration by the Central Depository. The shares were subscribed in 2017. The Central Depository registered the newly subscribed shares on January 11, 2018.

As of December 31, 2017 the shareholders' structure of Med Life SA, the parent company of Med Life Group, is as presented below:

	<u>No. of shares</u>	<u>%</u>
Marcu Mihail	4,219,320	21.00%
Marcu Nicolae	3,013,800	15.00%
Cristescu Mihaela Gabriela	3,028,892	15.08%
Others	9,829,988	48.92%
TOTAL	<u>20,092,000</u>	<u>100%</u>

The shareholders' structure of Med Life SA in place following the share capital increase process, as presented in the Central Depository notification, dated January 11, 2018, is as presented below:

	<u>No. of shares</u>	<u>%</u>
Marcu Mihail	4,219,320	19.05%
Marcu Nicolae	3,013,800	13.61%
Cristescu Mihaela Gabriela	3,243,892	14.65%
Others	11,668,070	52.69%
TOTAL	<u>22,145,082</u>	<u>100%</u>

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

16. RESERVES

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

	December 31, 2018	January 1, 2018
General reserves	1,004,600	1,004,600
Other reserves	9,068,350	8,679,871
Revaluation reserves	63,024,297	63,024,298
TOTAL	73,097,247	72,708,768

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.

General reserves and other reserves	December 31, 2018	January 1, 2018
Balance at beginning of the year	9,684,470	9,684,470
Movements	388.379	-
Balance at the end of the year	10,072,949	9,684,470

Revaluation reserves

	December 31, 2018	January 1, 2018
Balance at beginning of the year	63,024,298	63,024,298
Decrease arising revaluation correction	-	-
Increase due to revaluation	-	-
Deferred tax related to revaluation	-	-
Balance at the end of the year	63,024,298	63,024,298

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 22).

17. SALES

Turnover for the year ended December 31, 2018 is of RON 419,850,605 (for the year ended December 31, 2017 - RON 379,664,697) consisting of medical services, including revenues from health packages of corporate customers and fees for services rendered within Med Life's clinics and various hospitals within Romania.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

18. OTHER OPERATING REVENUES

Other operating revenues caption comprises:

	December 31, 2018	December 31, 2017
Other operating income	238,408	1,667,448
Capitalized costs of intangible assets	2,240,604	2,750,697
TOTAL	2,479,012	4,418,145

19. OPERATING EXPENSES

	December 31, 2018	December 31, 2017
Consumable materials & repair materials	59,946,982	58,161,825
Commodities expenses	-	-
Utilities	3,983,523	3,678,013
Repairs maintenance	4,498,745	3,763,115
Rent	27,032,741	29,378,167
Insurance premiums	1,659,470	1,610,809
Promotion expense	11,067,790	8,162,091
Communications	2,250,779	2,284,860
Third party expenses (including doctor's agreements)	125,700,488	112,726,980
Salary and related expenses	129,176,575	96,227,329
Social contributions	4,525,621	22,167,473
Depreciation	29,102,249	26,485,263
Impairment losses recognized in profit and loss	-	-
Other administration & operating exp.	7,301,174	7,078,858
TOTAL	406,246,137	371,724,783

20. KEY MANAGEMENT PERSONNEL EXPENSES

The structure of Med Life personnel is described below:

	December 31, 2018	December 31, 2017
Management	66	43
Staff	2,127	2,067
Total	2,193	2,110

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

	December 31, 2018	December 31, 2017
Management	18,748,535	15,288,448
Staff	110,428,040	80,938,881
Total	129,176,575	96,227,329

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

21. NET FINANCIAL RESULT

	December 31, 2018	December 31, 2017
Other financial expenses	-	-
Net foreign exchange rate impact	(662,274)	(4,662,809)
Net finance cost – interest expense	(11,238,160)	(9,933,607)
Interest income	1,900,485	523,468
NET FINANCIAL RESULT - LOSS	(9,999,949)	(14,072,948)

22. RELATED PARTIES

The related parties identified are all the companies in Med Life Group, Nautic Life SRL, DR. CRISTESCU I. MIHAELA-GABRIELA and Marcu Nicolae (shareholder).

Closing balances	December 31, 2018	January 1, 2018
Payables		
Almina Trading SRL	166,066	264,693
ANIMA SPECIALITY MEDICAL SERVICES SRL	759,830	342,767
NAUTIC LIFE	-	-
DR. CRISTESCU I. MIHAELA-GABRIELA	49,804	52,400
Pharmalife Med SRL	13,885	2,560
Policlinica de Diagnostic Rapid SA	2,366,809	1,133,266
Policlinica de Diagnostic Rapid Medis SRL	738,728	562,724
BAHTCO INVEST SA	654,154	944,176
Medapt SRL	832,033	832,033
RUR Medical SA	1,008,445	833,890
Genesys Medical Clinic SRL	2,486,199	2,197,980
Histo SRL	148,030	93,578
Biofarm Farmec SRL	8,887	8,887
Bactro	59,555	4,081
BIOTEST MED SRL	3,251,049	1,549,830
VITAL TEST SRL	2,484,147	1,538,551
Centrul Medical Sama	1,552,326	1,552,948
Ultratest Craiova SA	5,106	5,106
Prima Medical SRL	137,423	52,638
Diamed Center SRL	56,371	61,414
Dent Estet Clinic SA	7,220	16,616
Aspen Laborator Dentar SRL	2,295	19,044
Centrul Medical Panduri SA	148,296	-
Clinica Polisano SRL	284,482	-
Solomed Clinic SA	169,375	-
Solomed Plus SRL	59,965	-
TOTAL	17,450,480	12,069,182

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

22. RELATED PARTIES (continued)

	December 31, 2018	January 1, 2018
Receivables		
Centrul Medical Panduri SA	119,109	18,521
Almina Trading SRL	33,779	17,416
ANIMA SPECIALITY MEDICAL SERVICES SRL	531,464	8,750
Pharmalife Med SRL	1	1
Policlinica de Diagnostic Rapid SA	1,469,234	255,432
Histo SRL	70	70
Genesys Medical SRL	2,491,443	1,012,753
Policlinica de Diagnostic Rapid Medis SRL	66,953	125,834
Accipiens SA	6,692	6,692
BIOTEST MED SRL	-	403,665
VITAL TEST SRL,	-	387,100
Centrul Medical Sama SA	1,874,035	457,365
Ultratest Craiova SA	18,139	18,139
RUR Medical SA	130,889	130,889
Diamed Center SRL	971,623	329,593
Stem Cells Bank SA	178,062	62,089
Dent Estet Clinic SA	13,884	4,500
Medlife Occupational SRL	24,830	-
Solomed Clinic SA	44,391	-
TOTAL	7,974,598	3,238,809
	December 31, 2018	December 31, 2017
Transactions during the year		
Expenses		
NAUTIC LIFE	-	-
MARCU NICOLAE	-	-
DR. CRISTESCU I. MIHAELA-GABRIELA	642,400	466,835
Policlinica de Diagnostic Rapid SA	2,085,252	2,094,342
Policlinica de Diagnostic Rapid Medis SRL	176,005	174,656
BAHTCO INVEST SA	2,658,803	2,195,100
Histo SRL	54,452	34,250
RUR Medical SA	174,556	185,434
Genesys Medical Clinic SRL	1,581,780	1,696,947
Bactro SRL	55,474	4,081
BIOTEST MED SRL	3,446,719	2,445,175
VITAL TEST SRL	2,809,287	2,126,747
Centrul Medical Sama SA	2,002,409	1,927,889
Ultratest Craiova SA	-	2,747
Prima Medical SRL	89,983	35,593
Diamed Center SRL	455,896	318,203
ASPEN LABORATOR DENTAR SRL	8,592	116,451
ALMINA TRADING S.A.	512,650	335,831
Centrul Medical Panduri	148,296	-
Dentestet Clinic	54,160	-
GIE	2,698,127	-
Polisano	284,482	-
Solomed Clinic	169,375	-
Solomed Plus	64,065	-
ANIMA SPECIALITY MEDICAL SERVICES SRL	1,098,852	442,767
Total	21,271,615	14,603,048

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

22. RELATED PARTIES (continued)

	December 31, 2018	December 31, 2017
Acquisition of fixed assets		
NAUTIC LIFE	-	-
	December 31, 2018	December 31, 2017
Acquisition of inventories		
Pharmalife Med SRL	9,662	53,977
BAHTCO INVEST SA	8,882,651	8,195,900
Biofarm Farmec SRL	-	39
Total	8,892,313	8,249,916
	December 31, 2018	December 31, 2017
Sales		
Centrul Medical Panduri SA	280,134	158,358
Almina Trading SA	477,689	68,150
ANIMA SPECIALITY MEDICAL SERVICES SRL	572,503	8,560
Policlinica de Diagnostic Rapid SA	1,762,302	951,308
Policlinica de Diagnostic Rapid Medis SRL	101,119	104,512
Genesys Medical Clinic SRL	1,478,690	799,781
BIOTEST MED SRL	27,550	592
VITAL TEST SRL	37,600	8,451
Centrul Medical Sama SA	1,516,670	207,272
Ultratest Craiova SA	-	7,188
Diamed Center SRL	639,730	239,740
Stem Cells Bank SA	115,973	117,758
Dentestet 4 Kids	11,346	-
Dentestet Clinic	47,356	-
Green Dental	1,708	-
Medlife Ocupational	50,912	-
Solomed Clinic	44,391	-
Valdi Medica	69,095	-
Total	7,183,856	2,671,670

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

22. RELATED PARTIES (continued)

Loans granted	December 31, 2018	January 1, 2018
VITAL TEST SRL	937,518	-
PDR SA	10,591	-
BAHTCO INVEST SA	43,442,423	23,398,167
MedLife Ocupational SRL	2,095,722	2,417,380
Vital Test SRL	269	269
Stem Cells Bank SA	3,156,334	2,092,576
Polisano	29,923,416	-
Diamed Center SRL	6,540,800	3,532,326
Total	86,107,073	31,440,718

Loans obtained	December 31, 2018	January 1, 2018
Pharmalife Med SRL	1,226,934	1,224,083
PDR SA	395,632	386,455
Policlinica de Diagnostic Medis SRL	657,308	453,517
Medlife Broker de Asigurare Reasigurare SRL	184,449	180,636
Prima Medical SRL	288,585	611,006
	2,752,908	2,855,697

23. TAXATION

	December 31, 2018	December 31, 2017
Current income tax expense	(1,973,092)	(805,134)
Deferred tax expense	-	-
Total tax income	(1,973,092)	(805,134)
Loss before tax	6,083,531	(1,714,888)
Income tax expense calculated at 16%	-	-
Effect of expenses that are not deductible in determining taxable profit	(1,973,092)	(805,134)
Effect of temporary differences	-	-
Income tax expense recognized in profit or loss	(1,973,092)	(805,134)

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

23. TAXATION (continued)

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, 2018 are presented below:

Components of deferred tax	December 31, 2018	Change in deferred tax	January 1, 2018
Deferred tax assets			
Non-current assets	-	-	-
Trade receivables	1,258,534	-	1,258,534
Total deferred tax asset	1,258,534	-	1,258,534
Deferred tax liability			
Receivables	-	-	-
Non-current assets	-	-	-
Revaluation reserve	12,044,056	-	12,044,056
Total deferred tax liability	12,044,056	-	12,044,056
Net deferred tax liability	10,785,523	-	10,785,523

The components of deferred tax as of December 31, 2017 are presented below:

Components of deferred tax	December 31, 2017	Change in deferred tax	January 1, 2017
Deferred tax assets			
Non-current assets	-	-	-
Trade receivables	1,258,534	-	1,258,534
Total deferred tax asset	1,258,534	-	1,258,534
Deferred tax liability			
Receivables	-	-	-
Non-current assets	-	-	-
Revaluation reserve	12,044,056	-	12,044,056
Total deferred tax liability	12,044,056	-	12,044,056
Net deferred tax liability	10,785,523	-	10,785,523

The net effect of the change on deferred tax balances recognized as at December 31, 2018, 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.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

24. FINANCIAL INSTRUMENTS (IFRS 7)

(a) Capital risk management

The Company 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 Company consists of debt, which includes the borrowings disclosed in note 13, cash and cash equivalents disclosed in note 8 and equity, comprising issued capital, reserves and retained earnings as disclosed in notes 14 and 15.

The Company'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 Company 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 financial statements.

(c) Financial risk management objectives

The Company'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 Company 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.

(d) Market risk

The Company'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 Company'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 Company's short, medium and long-term funding and liquidity management requirements. The Company 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.

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 Company's maximum exposure to credit risk for existing receivables.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

24. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments

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

2018	1 EUR = RON 4.6639	EUR	Total
ASSETS			
Cash and cash equivalents	21,758,563	-	21,758,563
Trade receivables	47,146,208	-	47,146,208
Receivables from group companies	65,123,808	9,791,353	74,915,161
Long-term loans to group companies	188,931	11,002,982	11,191,914
LIABILITIES			
Trade payables	75,848,191	-	75,848,191
Overdraft	-	9,327,799	9,327,799
Short-Term and Long-Term portions of loans	10,000,000	210,294,297	220,294,297
Short-Term and Long-Term portions of financial leasing	-	17,413,548	17,413,548
Payables to group companies	2,754,866	-	2,754,866
2017	1 EUR = RON 4.6597	EUR	Total
ASSETS			
Cash and cash equivalents	65,199,832	4,807,699	70,007,531
Trade receivables	36,182,268	-	36,182,268
Receivables from group companies	21,954,037	9,486,681	31,440,718
Long-term loans to group companies	-	11,158,313	11,158,313
LIABILITIES			
Trade payables	62,556,608	-	62,556,608
Short-Term and Long-Term portions of loans	27,000,000	183,110,796	210,110,796
Short-Term and Long-Term portions of financial leasing	-	6,561,580	6,561,580
Payables to group companies	2,855,697	-	2,855,697

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

24. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The Company is mainly exposed in respect of the exchange rate of the RON versus EUR. The above table details the Company'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 Company.

	December 31, 2018	December 31, 2017
Profit or loss	21,624,131	16,421,968

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

24. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Company's remaining contractual maturity for financial liabilities as of December 31, 2018. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company 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		75,848,191	75,848,191	-	-
Interest bearing instruments					
Overdraft		9,327,799	9,327,799	-	-
Club Loan	EURIBOR / ROBOR + relevant spread %	220,294,297	14,026,810	206,267,487	-
Lease contracts		17,413,548	2,252,331	15,161,217	-
Total		322,883,835	101,455,131	221,428,704	-

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

24. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Company's remaining contractual maturity for financial liabilities as of January 1, 2018. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company 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		62,556,608	62,556,608	-	-
Interest bearing instruments					
IFC loans	EURIBOR 6M + relevant spread %	54,917,894	9,985,069	39,940,276	4,992,549
Club Loan	EURIBOR 6M + relevant spread %	153,984,218	14,588,672	95,796,278	43,599,268
Lease contracts		6,561,580	515,738	6,045,842	-
Total		278,020,300	87,646,087	141,782,397	48,591,816

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

25. COMMITMENTS AND CONTINGENCIES

Contingent liabilities are not recognized in the 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 financial statements but disclosed when an inflow of economic benefits is probable.

Club loan related commitments

In accordance with the Club loan facilities agreement, the Med Life SA 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, 2018 and December 31, 2017, the Med Life SA 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 Med Life 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 2,138,270, out of which in EUR 332,046 as of December 31, 2018 (December 31, 2017 : RON 1,710,563, out of which EUR 323,559.

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 0.02% per day (interest) and 0.01% (penalties) per day in 2018.

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

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all the amounts are expressed in RON, unless otherwise specified)

26. 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, 2018 of the Group prepared in accordance with IFRS as adopted by EU and the individual financial statements as of December 31, 2018 of the Group prepared in accordance with IFRS as adopted by EU of Med Life SA was EUR 76,600, excluding VAT and out of pocket expenses.

The fee for other audit related services performed in 2018 (in accordance with ISAE 3000 and ISAE 3240) was EUR 8,000, excluding VAT.

27. EVENTS AFTER THE BALANCE SHEET DATE

Initiation of Share buy-back Program

Medlife announced, by decision of the Board of Directors adopted on 18 October 2018, the initiation of the share buy-back program starting on 9 November 2018. By the EGSM decision of October 8, 2018, it was approved the buy-back of a maximum number of 868,000 own shares for a maximum period of 18 months from the date of publication of the decision in the Official Gazette of Romania. Thus, Medlife will buy-back up to 868,000 own shares with a nominal value of 0.25 lei / share, not exceeding the 10% threshold of the share capital of the Company. The own shares acquired under the Program will be offered to former or current members of the management or former or current employees of some of the Company's subsidiaries in exchange for the shares held by them in the respective subsidiaries of the Company.

Increase participation in Group Sama Craiova and Group PDR Brasov

Medlife has announced the acquisition of a 35% stake in Group Sama Craiova, which is why Medlife has become the shareholder with 90% shares (from 55% of the initial package). Medlife also has acquired another 3 percent of the Group PDR Brasov (Policlinica de Diagnostic Rapid), the company currently owning 83% of the package (from 80% initial package). Additional shares of Sama and PDR groups were acquired by Medlife as a result of an exchange with Medlife's shares, a decision taken by the Board of Directors of the Company, empowered by the Extraordinary General Meeting of Shareholders on October 8, 2018. This operation aims at alignment at the group level, but is also in line with the acquisition strategy, which recognizes and encourages the contribution of the founders of the subsidiaries to the integrated activity of the Medlife Group.

Acquisition of Rozsakert Medical Center Hungary

Medlife announced the first international transaction: the purchase of 51% of the majority package of Rozsakert Medical Center in Hungary. Rozsakert Medical Center is among the top 10 private health care providers in Hungary. The company is comprised of a multidisciplinary clinic that includes a compartment equipped with a small surgery room and a dental center. Over 40,000 patients access a diverse range of outpatient clinical and paraclinical services and investigations, as well as a comprehensive range of interventions.

There were no other significant events after December 31, 2018.

Approved by the Board of Directors on the date of March 21, 2019 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic