

**ADMINISTRATORS' REPORT
MED LIFE S.A.**

YEAR ENDED DECEMBER 31, 2018

1. Presentation of the Company

Med Life S.A. ("MedLife" or the "Company") is a joint-stock company incorporated in 1996, in accordance with the laws and regulations of Romania. The Company's activity resides in the performance of healthcare services activities through medical centres located in all the major cities of the country - cities with over 200,000 inhabitants.

Med Life Group is offering a large range of medical service having opened 20 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Braila, Cluj and Constanta and recently opened in Oradea, 47 Clinics, 10 hospitals – located in Bucharest, Arad, Brasov, Cluj and Sibiu, 33 Laboratories, 10 Pharmacies and 9 Dental Clinics. The Group has also more than 140 private Clinic partners around Romania.

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

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

Details of Med Life SA's subsidiaries at December 31, 2018 and December 31, 2017 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 Gheorge, 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	Med Life Broker de Asigurare si Reasigurare SRL	Insurance broker	Bucharest, Romania	99%	99%
9	Accipiens	Rental activities	Bucharest, Romania	58%	58%
10	Genesys SRL	Medical services	Bucharest, Romania	58%	58%
11	Biofarm Farmec SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	58%	58%
12	RUR Medical Services	Medical services	Bucharest, Romania	100%	100%
13	Biotest Med	Medical services	Bucharest, Romania	100%	100%
14	Vital Test	Medical services	Bucharest, 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%
30	Ghencea Medical Center SA	Medical services	Bucharest, Romania	90%	0%
31	Sfatul medicului	Medical platform	Bucharest, Romania	100%	0%
32	Transilvania Imagistica SA	Medical services	Oradea, Romania	58%	0%

Dent Estet Clinic SA also owns the following companies as described below:

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2017	December 31, 2016
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%

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

The Company divides its operations into four business lines:

- **Corporate:** The Corporate business line offers HPP to corporate clients as part of their employee benefit packages. These programmes, which focus on prevention through regular check-ups and access to diagnostic services, complement the legally required occupational health services that corporate clients also contract from MedLife under the HPP offering.
- **Clinics:** The Clinics business line includes the Company's ambulatory clinics and diagnostic imaging services. Clinics offer general practitioner and specialist consultations and include the Company's 140 outpatient diagnostic imaging services. Certain of its clinics also undertake day hospitalisation services.
- **Laboratories:** The Laboratories business line provides biochemistry, haematology, coagulation, immunology, microbiology, anatomy, pathology, cytology, molecular biology and toxicology laboratories tests.
- **Hospitals:** The Hospitals business line covers the Company's inpatient activities, which consist of a wide range of medical and surgical specializations.

2. Developments in 2018

2.1. Acquisitions completed in 2018

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

- 80% of share capital of Solomed Clinic SA

- 90% of share capital of Ghencea Medical Center SA
- 100% of share capital in Clinica Polisano SRL
- 100% of share capital in Sfatul medicului
- 100% of share capital in Centrul de Imagistica Transilvania Oradea through Genesys Medical Clinic SRL

Polisano acquisition

MedLife announced in October 2017 the acquisition of the entire stake of Polisano medical services division, one of the largest private medical operators in Romania. Founded in the 1990s, Polisano 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 - the European Polisano Hospital in Sibiu - recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization center and the largest private maternity in Transylvania. The transaction was completed in April 2018, after the validation by the Competition Council and the fulfillment of the conditions precedent.

Solomed acquisition

In March 2018, MedLife 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 has been finalized in May 2018 following the fulfillment of the conditions precedent.

Ghencea Medical Center acquisition

In February 2018, MedLife 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 has been finalized in May 2018 following the fulfillment of the conditions precedent.

SfatulMedicului.ro medical platform acquisition

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 completed on 14 August once the suspensive conditions were met.

Transilvania Imagistica Oradea acquisition

Medlife announced the full takeover of Transylvania Imaging Center Oradea, a provider of medical diagnostic, imaging and radiology medical services, one of the most important players in the northwest

part of the country on this segment. The center is equipped with high-performance medical equipment, while investigations are carried out by a team of specialists.

2.2. Organic growth

Hyperclinica Oradea

MedLife inaugurated in 2018 the first hyperclinic in Oradea, which provides integrated services of ambulatory, imaging and laboratory analyzes all under the same roof. The MedLife Hyperclinic in Oradea is the result of an investment of 1.2 million euros, it covers an area of 1.100 square meters and is disposed on 3 levels. The unit includes a harvesting point, five investigation rooms, a post-anesthetic salon and 12 cabinets for clinical and paraclinical consultations. The team consists of over 60 doctors, nurses and support staff.

Bacau Clinic

In 2018, the first medical clinic was inaugurated under the brand of Sfanta Maria in Bacau, part of the MedLife group. St. Mary's medical brand has been launched in Romania for two years and operates on the medical services market with over 60 medical units at national level.

The new clinic provides ambulatory services and laboratory analyzes to patients, and they benefit from investigations and treatments for 20 medical specialties. The medical unit covers an area of 770 square meters and includes 17 cabinets and one laboratory. The medical team consists of 25 physicians and nurses plus support staff.

2.3. Expansion Plans of Existing Medical Units

Expansion plans for existing medical units aim to increase the number of beds and surgery rooms available in the Group's hospitals. Thus, in 2018, LMH Hospital in Bucharest expanded with 57 beds and 2 surgery rooms, and the Humanitas Hospital in Cluj expanded with 21 beds and a surgery room.

2.4. Initiation of share repurchase program

By the AGEA decision of October 8, 2018, it was approved the redemption of a maximum 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 redeem up to 868,000 shares with a nominal value of 0.25 lei / share, not exceeding the 10% threshold of the Company's share capital. 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 / shares held by them in the respective subsidiaries of the Company.

Medlife has announced, by decision of the Board of Directors adopted on 18 October 2018, the launch of the share repurchase program starting on 9 November 2018. By December 31, 2018, MedLife has redeemed a total of 224,046 to a total of 6,056,105 RON.

3. Credit facilities contracted by the Company

Loan contracts	31 decembrie 2018	1 ianuarie 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

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

In August 2014, the Group signed a refinancing agreement with BCR for the total amount of EUR 30,398,901 representing EUR 28,298,901 of the Amended and Restated Loan Agreement with IFC and an additional EUR 2,100,000 representing the amount of the initial B loan available as of the dated of this agreement. As of December 31, 2018 the outstanding balance is RON 11,104,050 the equivalent of EUR

2,380,953.

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 clinic Diagnostic Rapid SA. Bahtco Invest SA and accipiens SA) signed with the Romanian Commercial Bank, Raiffeisen Bank, BRD Groupe Societe Generale and Banca Transilvania refinancing of the existing facilities, extension of financing, rearranging terms and conditions, and extend the limit with additional credit of 10 million euro witch 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

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.

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.

4. Financial Analysis

	12 Month ended December 31,		Variation 2018 / 2017
	2018	2017	
SALES	419,850,605	379,664,698	10.6%
Other operating revenues	2,479,012	4,418,145	-43.9%
OPERATING INCOME	422,329,617	384,082,843	10.0%
OPERATING EXPENSES	(406,246,137)	(371,724,783)	9.3%
OPERATING PROFIT	16,083,480	12,358,060	30.1%
Finance cost	(11,238,160)	(9,933,607)	13.1%
Other financial income (expenses)	1,238,211	(4,139,341)	-129.9%
FINANCIAL RESULT	(9,999,949)	(14,072,948)	-28.9%
RESULT BEFORE TAXES	6,083,531	(1,714,888)	-454.7%
Income tax expense	(1,973,092)	(805,134)	145.1%
NET RESULT	4,110,439	(2,520,022)	-263.1%
Other comprehensive income items that will not be reclassified to profit or loss			
Gain / Loss on revaluation of properties	-	-	-
Deferred tax on other comprehensive income components	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME	-	-	-
TOTAL COMPREHENSIVE INCOME	4,110,439	(2,520,022)	-263.1%

Analysis of the standalone profit and loss statement

Sales for the 12 month period ended 31 December 2018 ("**12 months 2018**") amounted to RON 419,850,605, higher by 10.6% compared to sales recorded in the 12 months of 2017 ("**12 months 2017**"). This increase was mainly the result of a growth in all of the business lines determined by a mixture of increase in prices and volume.

Other operating revenues recorded a decrease during 12 months 2018 as compared to 12 months 2017, amounting to RON 2,479,012 as at 31 December 2018.

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide services. Med Life SA recorded operating expenses of RON 406,246,137 during 12 months 2018, representing an increase of 9.3%, or RON 34,521,354, as compared to 12 months 2017. The increase is mainly linked to overall business increase.

Operating profit recorded a 30.1% increase in 12 months 2018 as compared to 12 months 2017, from RON 12,358,060 in 12 months 2017 to RON 16,083,480 in 12 months 2018.

Financial loss decreased in 12 months 2018 by RON 4,072,999 from a loss of RON 14,072,948 in 12 months 2017 to a loss of RON 9,999,949 in 12 months 2018.

Net result increased in 12 months 2018 by RON 6,630,461 from a loss of RON 2,520,022 in 12 months 2017 to a profit of RON 4,110,439 in 12 months 2018.

	December 31, 2018	December 31, 2017	Variation 2018/201 7
ASSETS			
Non-current assets	338,620,998	309,337,942	9.5%
Current assets	156,503,114	148,209,106	5.6%
TOTAL ASSETS	495,124,112	457,547,048	8.2%
LIABILITIES & SHAREHOLDER'S EQUITY			
Current Liabilities (excluding interest-bearing debts)	85,304,338	76,144,876	12.0%
Long term debt	247,035,644	216,672,376	14.0%
Deferred tax liability	10,785,523	10,785,523	0.0%
TOTAL LIABILITIES	343,125,505	303,602,775	13.0%
TOTAL EQUITY	151,998,607	153,944,273	-1.3%
TOTAL LIABILITIES AND EQUITY	495,124,112	457,547,048	8.2%

Non-current assets reached RON 338,620,998 as at 31 December 2018, recording an increase of 9.5% as compared to December 31, 2017. The increase is also due to the variation of RON 14,158,227 on tangible assets, mainly due to the acquisition of 4 equipment's of MRI.

Current assets increased by RON 8,294,008 or 5.6% from RON 148,209,106 as at 31 December 2017 to EUR 156,503,144 at December 31, 2018.

Current liabilities (excluding interest-bearing debts) increased by RON 9,159,462, or 12.0%, from RON 76,144,876 in December 31, 2017 to RON 85,304,338 at December 31, 2018.

Interest-bearing debt increased by RON 30,363,268, from RON 216,672,376 in December 31, 2017 to RON 247,035,644 at December 31, 2018. The increase is due to the financing of the company's current activity.

5.
31, 2018

Main financial ratios period ended at december

1 *Current ratio* **Period ended at
December 31, 2018**

Current assets	156,503,114	=	
Current liabilities	111,554,084		1.40

2 *Debt to equity ratio* **Period ended at
December 31, 2018**

Long Term Debt	220,785,898	=	
Equity	151,998,607		145%
Long Term Debt	220,785,989	=	59%
Capital Assets	372,784,505		

3 *Trade receivables turnover (days)* **Period ended at
December 31, 2018**

Average receivables	41,664,238	=	
Sales	419,850,605		35.72

4 *Fixed assets turnover* **Period ended at
December 31, 2018**

Sales	419,850,605	=	
Net Fixed Assets	338,620,998		1.24

6. Non-financial information

Overview

The MedLife Group dedicates all its resources to ensure every client's professional medical services at the highest standards, based on state-of-the-art technological support, in impeccable safety and comfort conditions. The group has been constantly developing based on the desire to meet the most demanding and complex medical services. The goal of the group medical units is to improve the quality of life of every patient that use the group medical services. The access to the MedLife Group services is facilitated by the integrated system in place consisting in: hospital, outpatient, analytical laboratory, pharmacy, imaging and corporate subscriptions. As a result, MedLife has become the largest private healthcare provider nationwide in terms of turnover, and is making every effort to further address the needs of patients and to ensure their quality and safety.

MedLife offers its services through the largest team of doctors and nurses working in the private sector in Romania, with about 2,500 doctors and 1,800 nurses. The Group employs full-time specialists for the vast majority of specialties offered, but also on a limited-time basis for specialties or specific functions, or works with collaborating medical staff. In addition, given its commitment to provide quality medical services, the Group has consistently invested in medical equipment, which has helped sustain its market leadership in diagnostic imaging technology.

The group enjoys a high level of satisfaction among patients, achieving a high score for the reputation of its brands among clients and an increasing number of patients is recommending the group services. The company latest study reveals that MedLife is perceived as a brand that differentiates itself in particular through its openness and respect offered to its customers. The respect offered to the customer, and, at the same time, the efficacy and seriousness proved through the services makes MedLife perceived as a trustworthy partner that offers a sense of security.

MedLife received the title of "Most Trusted Brand" by Reader's Digest in the Private Clinics category in Romania for six consecutive years, 2009-2015, four Superbrand Awards including 2017, the distinction Qudal in 2016 and 2017, and is ranked first against Group competitors in the survey conducted by the Exact Research and Consulting Group in 2017 to evaluate spontaneous brand awareness.

Moreover, MedLife received the ICERTIAS certification for "Superior Excellence" in 2018. The group makes weekly patient surveys to get their opinion on the healthcare provided, and the Mystery Shopper is organized biannually at the group level.

Business Model

Med Life's concept of Hyperclinics, large scale ambulatory clinics, as well as the integration of various segments (in the Group) provides substantial potential for revenue capture. For example, an HPP client visiting a Group clinic for a preventative check-up may be advised to undertake further tests or seek further consultations not covered by the HPP. These additional services or consultations are often available within the same Hyperclinic, facilitating the client to choose the Company's services. The Company's ability to accompany the patients in many cases from prevention to diagnosis through treatment provides a continuity of treatment for the patient as well as the capture of FFS revenue for the Group. The Group's Pharmacies business line is another example of revenue capture. When a prescription is given in one of the Group's consulting rooms, patients will often use the most convenient location to fill it: a pharmacy that is within the same building where the prescription was given. The Group's expansion into the Stomatology business line adds a further leg to this strategy. Preventative dental check-ups can be included in some Health Prevention Packages, ("HPP") which may lead patients to choose the Group for any follow-up treatment as a FFS client.

Sales largely from cash-pay and HPP with low dependency on National Health Houses ("NHIH") funding

Many private healthcare providers in Romania remain dependent for a significant portion of their sales on contracts awarded by the NHIH to service State insured patients. This increases their exposure to changes in the NHIH healthcare priorities, pricings and allocation systems. With only 19% of its sales during 2018 deriving from the treatment of NHIH insured patients, MedLife can independently determine its policies and priorities.

The largest number of HPP clients in Romania

With over 650,000 HPP subscribers as at 31 December 2018, the Group has access to a significant potential client base for its FFS activities. This base is further expanded when the HPP subscribers bring family members and provide referrals to others for the Group's FFS offering. The HPP client base also provides opportunities for up-selling as many of the HPP clients begin with basic medical services packages and gradually move to more comprehensive services.

The Company's continuous investments in new medical facilities set the basis for potential new HPP clients, as the Company's ability to service HPP subscribers in its own medical facilities is often key to the clients' purchasing decision. The market outside Bucharest remains, in the Group's view, underdeveloped for HPP and as such represents an opportunity for further growth by acquiring and integrating local and regional providers, thus expanding its footprint on a regional level and increasing its appeal to HPP clients.

Experienced management able to generate and manage activity development both by organic growth and acquisitions

The Company's track record of organic and acquisition growth is largely due to the Company's strong management team. The Company has developed systems for screening potential acquisitions, completing detailed analysis and decision making in a timely manner, and implementing, post transaction, a fast and efficient integration process. The Company has a reputation in the market as a "friendly acquirer", mainly

because the targets' founder/owners are often given the opportunity to stay in the business as minority shareholders, and managers of the subsidiary.

Through this approach, MedLife retains their accumulated experience and market knowledge while being able to fully integrate the acquisition into its own systems and revenue capture opportunities. Since the founding of the company in 1996 the Group has opened and acquired 129 facilities providing the Group with valuable knowledge and experience to find the best path for continued and successful expansion.

Strategy

The MedLife strategy focuses on maintaining leadership. The Group strives to expand its portfolio of units and services, ensuring profitable national coverage to meet the needs of existing and new Group customers. At the same time, the Group remains committed to ensure safe and quality medical treatment for clients, ensuring a balance between the Group's health risks and opportunities and business objectives. As a result, the MedLife Medical Unit Network comprised at the end of 2016 of 18 hyperclinics, 21 clinics, 8 hospitals, 26 laboratories, 8 dental clinics and 9 pharmacies, and at the end of 2018 MedLife network consists of 20 hyperclinics, 47 clinics, 10 hospitals, 33 laboratories, 9 dental clinics and 10 pharmacies, MedLife being the only medical attendant with large clinics in all cities with over 200,000 inhabitants.

The Group is pursuing opportunities to capture additional revenues and achieve synergies within its current networks and services. The Group aims to achieve this goal through organic growth and the acquisition of smaller providers of medical services on the market. As a result of this strategy, over the past two years, the MedLife Group has been characterized by significant increases in turnover from one reporting period to the next, as follows: a 24% increase in 2017 compared to 2016, reaching a turnover of 623,219,949 RON, respectively increase of 27.5% in 2018 compared to 2017, reaching a turnover of 794,562,861 RON.

The increase in turnover was accompanied by an increase in EBITDA in absolute value and also the EBITDA margin: 43% increase in absolute value in 2017 compared to 2016, reaching RON 77,937,407 EBITDA and an EBITDA margin of 12.5 % (up from 10.9% EBITDA margin in 2016) and a 22.4% increase in absolute value in 2018 compared to 2017, reaching EBITDA 95,375,554 and an EBITDA margin of 12%.

Organic growth

During the period 2014 – December 2018, the Company opened a number of new clinics and other facilities, particularly sampling points for its Laboratories business line. Many of these facilities are believed to still have the capacity to service greater numbers of patients, which should allow for the increase in their revenue and profit contribution, as they reach fuller utilization. Further, the Company and the Group continue to optimize the range of services offered at its other facilities to the specific local market conditions, seeking to improve the revenue and margins of each location. As a result, the constant and accelerated ramp-up of these facilities is expected to improve margins as well as deliver further sales growth.

People and resources

The Company services patients through the largest private pool of doctors and nurses in Romania. As of December 31, 2018, the Group, on an overall level, was collaborating with a number of approximately 2,500 physicians and 1,800 qualified nurses across its business lines, including both employees working exclusively for the Group and collaborators, providing services as independent professionals. In addition, more than 1,500 full time employees were working in support and administrative functions as of December 31, 2018.

The Company's objective is that its medical staff be formed exclusively of full-time employees, even if certain specialties and functions either do not justify full-time engagements or such personnel are not available. In these circumstances, the Company enters into part-time employment or collaboration arrangements with the respective staff. The type of contractual arrangement between the Group and its medical staff depends on various criteria, such as the professional context or the time that the medical staff can allocate to services provided to the Company. Medical staff under services agreements are seen by the Group as commercial partners, providing services to the Company as independent contractors, in compliance with the applicable legislation.

The Company seeks to provide adequate compensation and incentives to physicians and other medical staff in exchange for quality medical care and commitments to promote the MedLife business model. The usual compensation package offered by the Company to its employees includes fixed remuneration, to which a variable remuneration is added, determined based on a revenue sharing mechanism connected to appointment and consulting activity. Collaborators are compensated based on their appointment and consulting activity.

Collaborators are rewarded according to their number of appointments and consultations. The Group does not operate retirement plans or long-term benefit plans.

The group invests in human resources programs such as the Life Academy, Good Practice School Initial Assistants, the Medlife National Conference (2018 with the theme "Treatment Etiology and Prevention of Medical Errors"). These training programs are designed to ensure the professional continuation of its employees, both those in support and administrative staff, as well as those in the medical setting.

As for the relationship with colleagues, the Group provides a safe working environment in which employees are treated fairly and with respect, and the differences between employees are accepted. The Group is committed to providing colleagues with the opportunity to excel and reach their full potential and reward them on a merit basis.

The group does not tolerate any discrimination, intimidation or harassment of colleagues or between them. The group encourages clear and open communication with and between colleagues. They can and must promptly express any concerns about any unethical or illegal behaviour by presenting these concerns to the human resources department within the Group. The Group undertakes to investigate such concerns brought to good faith, maintaining the confidentiality of these steps.

Quality Standards

MedLife has implemented the following standards for Quality, Environment and Occupational Health & Safety management systems:

- ISO 9001:2015 (Quality Assessment) through which the organization demonstrates that it has identified the risks and acts to eliminate or limit their effects, which may have a negative impact on the quality management system's ability to achieve the desired results, and a negative impact on customer satisfaction.
- ISO 14001:2015 (Environmental Management System) Implementation of this standard ensures management of the company and its employees as well as external stakeholders (shareholders, investors, institutions, authorities) that the organization's environmental impact is measured and constantly improved.
- OHSAS 18001:2007 (Occupational health & safety management system) represents a working model for the organizations that intend to have a better control over the professional risks.

All of the Company's laboratory facilities are accredited by the Romanian Accreditation Association with ISO 15189 for Quality management.

Health, Safety, Security and Environment

The Company is subjected, and complies with Romanian laws and regulations related to health, safety, security and environment matters. These laws and regulations refer, among other things, to management and disposal of hazardous substances and medical waste, exposure to hazardous materials and protection of health and safety of employees. The Company is required to obtain environmental permits, licenses and authorizations and provide notification to local authorities prior to opening new administrative and medical units.

As of December 31, 2018, the Company is in various stages of procedures for obtaining or updating its fire prevention authorizations for certain of its medical units and other premises. The completion of these procedures is subject to various requirements, such as the performance of certain works and upgrades to the Company's facilities. The Company regards the amounts of the required investments as being immaterial; however, the completion of the necessary works and upgrades is subject to, in certain cases, additional authorizations and clearances, or other procedures in which the Group has engaged. As at December 31, 2018, the Company does not have all fire prevention authorizations in place.

Equipment and Technology

The Group purchases medical equipment to ensure professionally qualified to the highest standards medical services to every client. These devices include, but are not limited to: optical coherence tomography systems, magnetic resonance imaging equipment, computerized tomography equipment, bone density measuring instruments, imaging and identification systems used in dermatoscopy, measurement equipment hepatic rigidity, laser, vacuum systems to reduce fat deposits by cryolysis (LipoCryo), video capsule endoscopy systems.

Medlife laboratories also feature state-of-the-art equipment such as the Abbot Accelerator A3600 automatic line placed in MedLife Grivita laboratory, the first in Romania and in Eastern Europe. Significantly contributes to increasing the accuracy of analyses, reducing execution time, and better traceability and tracking of each patient's samples.

With the help of these equipment and technologies used by MedLife doctors, several surgical interventions have been successfully completed, becoming even a medical premiere in Romania.

Information Technology

The Company relies on international providers for its IT hardware infrastructure. With regards to communication between the Company's various locations, the Company uses a virtual private network, which ensures effectiveness, security and privacy of communications.

The Company has also implemented a robust IT infrastructure within all its hospitals, which covers admission and surgery appointments, medical procedures, patient check-in and check-out, medical supplies and consumables management, billing on a per-customer basis and generating general management reports.

The Laboratories business line has been equipped with software to manage the lab test processes including the management of samples, patient records, barcode labelling and automated procedures for final results.

Respecting the human rights principles

The group is committed to properly treat patients, competitors and providers. All colleagues must always act with integrity and honesty, continuously protecting the Group's reputation when dealing with patients, competitors and suppliers.

The group seeks to create and maintain mutually beneficial relationships with its patients by promoting a climate of trust and transparency doubled by innovation and good medical practice. The Group ensures that all suppliers are selected and contracted based on merit and objective business standards so as to avoid real or perceived favouritism.

The group is adept of a free and fair competition and has no dealings with its competitors. The Group respects all laws and regulations in its field of activity, along with industry standards and internationally accepted practice.

Anti-Bribery and Anti-Corruption principles

In accordance with the Articles of Incorporation, all payments made by MedLife to public authorities, in the jurisdictions in which MedLife is operating, are in comply with all applicable legal provisions and are made exclusively for the purpose of ensuring the execution of routine governmental action.

The group has a zero tolerance policy regarding bribery and corruption. Group Policy prohibits promising, offering or paying bribes, as well as requesting, accepting or receiving bribes.

The group also forbids colleagues to accept gifts, hospitality, or gifts that are intended to influence business decisions.

Corporate Social Responsibility

Medlife values include:

- Responsibility: The Medlife Group guides its actions according to what is important to people's lives and health;

- Professionalism: The Medlife Group reunites for 2,500 doctors, professors, lecturers, doctors in medicine who work day by day with dedication and professionalism;
- Innovation: The Medlife Group has a constant concern about methods, technology and organization that will result in better and more effective medical solutions;
- Care and respect: Every patient is important and respected, and everyone's needs are treated with care and attention.

More technological advances have allowed medicine to evolve to minimally invasive techniques that expose patients to low risks and allow for a faster recovery period. In developed countries, it is common practice for many years: patients to be able to go home without requiring over night hospitalization. In 2005, MedLife was the first to introduce this concept to the Romanian market. MedLife has created space in hospitals and hyperclinics, where patients can benefit from minimally invasive techniques. The MedLife concept "We Make Romania Well" started with the desire to bring good in Romania in as many forms, not just in health and in the medical system. Thus, the Medlife Group has developed and supported a number of projects, events and ideas for the well-being of employees or healthcare professionals at the beginning. The company also organized or participated in medical events where doctors from the country or from abroad had the opportunity to share new knowledge, technologies or procedures.

InfoLine magazine

The InfoLine magazine, already at its 90th edition, supports the Medlife Group's patients with information and articles about common illnesses, new technologies implemented in the Group's units, new perspectives and interviews with medical staff.

Blood donation campaign

MedLife has launched a national blood donation program to support blood transfusion centers and promote this behavior in Romanian society.

Started five years ago, the program runs in the largest cities in the country.

Pro-bono cases

Medlife's commitment remains to treat and help patients in need of interventions, regardless of the environment they come from or their financial situation. Whether it's light or serious, MedLife doctors handle cases brought by humanitarian foundations or identified cases by the group's employees.

The MedLive platform

In order to reduce the phenomenon of self-diagnosis and auto-medication and to encourage correct information, directly from the doctor, MedLife launched the MedLive.ro online platform. The MedLive platform is an education platform for MedLife patients as well as for doctors or medical students. In the eight years since the platform was launched, users were able not only to keep up-to-date with the latest news about prevention or maintenance of a healthy lifestyle, but also to interact directly with MedLife doctors.

Good for the Environment - The Green Project for Romania

The Green project, together with every action taken by MedLife, is the essence of the brand. And this time, besides respecting the promise of a quality medical act and excellence proven to every patient, the campaign is MedLife's desire to get even more involved in the future of new generations.

Therefore, the project requires that for each child born in MedLife's maternity clinics, the company plans to plant a tree in a deforested area of the Fagaras Mountains through the FCC (Conservation Carpathia Foundation). Results 2017-2018 include three stages of afforestation, dozens of Medlife employees and volunteers involved, 40,000 seedlings planted.

Also, for the environment, the Medlife Group has created a set of good rules that all Medlife employees such as: reducing electricity consumption; selective collection - paper, plastic, electronic, waste; reducing water consumption

7. Corporate governance

The corporate governance statement

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

- Because some members of the Board of Directors and some executive managers hold various positions in the administration, management or control bodies in the subsidiaries of the Company, any lending by the Company to such subsidiaries can be considered a loan by the Company to its directors which is prohibited under the Companies Law;
- Because some members of the Board of Directors and some executive managers hold various positions in the administration, management or control bodies in the subsidiaries of the Company and other positions within the Company (e.g. executive managers, legal advisors, employees) there is the possibility of occurrence of conflicts of interests.

Starting with January 4, 2016, a new corporate governance code issued by the Bucharest Stock Exchange has entered into force and is applicable to all issuers of securities traded on the regulated spot market of the Bucharest Stock Exchange.

MedLife SA has adhered to the Corporate Governance Code of the Bucharest Stock Exchange considering the quality of the issuer on the capital market. The Corporate Governance Code of the BVB can be found on the official website of the BSE (www.bvb.ro). See in this respect the Declaration on Compliance with the Corporate Governance Code that reflects the MedLife compliance status on 31 December 2018.

The Med Life SA website also includes the following policies and procedures: Organization and Deployment Policy for General Shareholders' Meetings, Code of Ethics and Conduct, Social Responsibility Code, Forecasting Policy and Corporate Governance Statute.

7.1. Shareholding structure

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

	No. of shares	%
Marcu Mihail	4,119,320	18.60%
Marcu Nicolae	2,913,800	13.16%
Cristescu Mihaela Gabriela	3,110,115	13.16%
Others	12,001,847	54.20%
TOTAL	22,145,082	100%

Information on shareholder rights is public and can be found in the published Prospectuses of the Company.

7.2. Company Management

The Company is managed in one tier system by the Board of Directors that delegated management of the Company to the managers. The Board of Directors consists of seven (7) members appointed by the Ordinary General Meeting of Shareholders for a term of 4 years, with the possibility of re-election. From the 7 members of the Medlife Board of Directors, 2 members are independent members.

The Board of Directors is responsible for MedLife's management, to act in the interest of society and to protect the interests of its shareholders by ensuring a sustainable development of the company. According to the Articles of Incorporation, the Board of Directors is responsible for all useful and necessary acts to fulfil the object of activity of the Company, except for the duties that are allocated by law to the shareholders' meetings.

During the year 2018 there were 4 meetings of the Board of Directors to which all 7 members were present personally.

Component of the MedLife Board of Directors

As at the date of December 31, 2018, the Board of Directors consists of the following members:

Name	Date of Birth	Title
Mihail Marcu	30.09.1970	Member and Chairman of the Board of Directors
Ana Maria Mihaescu	29.07.1955	Member of the Board of Directors – independent member
Ion Nicolae Scorei	22.12.1974	Member of the Board of Directors
Dimitrie Pelinescu-Onciul	11.08.1947	Member of the Board of Directors
Dorin Preda	03.04.1976	Member of the Board of Directors
Marius-Leonard Gherghina	21.02.1964	Member of the Board of Directors – independent member
Nicolae Marcu	26.10.1968	Member of the Board of Directors

Mihail Marcu has been the Chairman of the Board of Directors of MedLife since August 2006. Mihail Marcu is a graduate of Bucharest University, the Mathematics and Computer Science Faculty in 1995, and has further graduated other post-graduate and advanced training courses delivered by the Romanian Banking Institute, the Open University, DC Gardner training or Codecs, both in Romania, and abroad. Prior to his position as a director of MedLife, Mihail Marcu used to be the chief executive officer of MedLife between January 2004 and August 2006; before that, he held the office of Vice-Chairman of RoBank S.A. (currently, OTP Bank Romania S.A.), being authorised in this capacity by the National Bank of Romania. Earlier, Mihail Marcu held various positions in Credit Bank Romania S.A. and RoBank S.A., including credit inspector, head of credit unit, manager of the credit department, and manager of the corporate department.

Mihail Marcu is also an independent member of the Board of Directors of SC Prutul SA.

Ana Maria Mihăescu is a member of the MedLife Board of Directors starting from 2017. In the last 20 years, Ana Maria Mihăescu has led the mission of the International Finance Corporation of Romania, a World Bank's Division and the largest private sector financier in emerging countries. Between 2011 and 2016, Ana Maria Mihăescu had a decision-making role regarding the IFC projects in several European countries, including Romania. Previously, she held top management positions in the banking sector. Since 2016, she has been a member of the Raiffeisen Bank's Supervisory Board, serving as an independent member for a four-year term. He is also an independent member of the Board of Directors of Black Sea Oil and Gaz and ICME ECAB SA.

Ion Nicolae Scorei has been a member of the Board of Directors of MedLife since 2006. He is also an attorney-at-law, member of the Bucharest Bar, and coordinating partner of Scorei și Asociații Law Firm. Ion Nicolae Scorei is a graduate of the Romanian-American University, Faculty of Law (1998).

Dimitrie Pelinescu-Onciul has been a member of the Board of Directors of MedLife since 2008. He is a graduate of the Carol Davila Medicine and Pharmacy University of Bucharest, Faculty of Medicine (1972), specialising in obstetrics and gynecology (residency 1978-1981), and became Doctor in Medical Sciences in 1994. Dimitrie Pelinescu-Onciul is a member of 11 Romanian scientific societies in Romania and of 7 scientific societies abroad, and held among other the office of President of the Romanian Perinatal Medicine Association (2006-2008). Before joining the MedLife team in 2004, Dimitrie Pelinescu-Onciul used to render work for Filantropia Clinical Hospital of Bucharest (1994-2004), Titan Clinical Hospital of

Bucharest (1986-1991), Brâncovenesc Clinical Hospital (1978-1981), and Sinești Rural Hospital, county of Vâlcea (1972-1978), as primary care physician, obstetrics and gynecology, head of clinics or hospital director.

Dorin Preda has been a member of the Board of Directors of MedLife since 2008. He is a graduate of the Economics Academy of Bucharest, Faculty of Finance, Insurance, Banks and Stock Exchanges (1998). Before joining the MedLife team, Dorin Preda used to be the Chief Executive Officer (CEO) of Asilife Insurance Broker S.R.L. (2007-2008), Branch Manager with HVB –Țiriac Bank S.A. (2006-2007), HVB Bank S.A. (2005-2006), Banca Comerciala Ion Țiriac (2004-2005) and Banca Comerciala RoBank S.A. (2003-2004). Similarly, he used to hold the positions of Manager of Loans and Marketing Department of Banca Comerciala RoBank S.A. (2001-2002), credit analyst with the same bank (2000-2001), and Manager of the Loans Department of Banca Dacia Felix S.A. (1999-2000).

Leonard Gherghina has been a member of the Board of Directors of MedLife since 2009. He is a graduate of the Polytechnics University of Bucharest, Faculty of Aerospace Engineering (1998), and of a Master in Business Administration (MBA) programme of McGill University of Montreal, Canada and of the International Directors Programme and Managing Partnerships and Strategic Alliances at INSEAD, Fontainebleau, France. Before joining the MedLife team, Leonard used to be a partner for Central Europe in Value4Capital Eastern Europe Holding V Limited (2006-2012), partner for Central Europe in Baring Private Equity Partners (1998-2006), and senior investment officer in the Romanian-American Enterprise Fund (1995-1998).

Nicolae Marcu has been a member of the Board of Directors of MedLife since December 2016. Nicolae Marcu is a graduate of Carol Davila Medicine and Pharmacy University of Bucharest, Faculty of Medicine (1996), and has been a doctoral student in psychiatry since 2000. Nicolae Marcu graduated a number of postgraduate studies in psychiatry in the country and abroad. Prior to joining the MedLife team, Nicolae Marcu was a specialised physician in psychiatry with "Dr. Al Obregia" Psychiatric Hospital.

Executives

The Executive Committee is headed by Mr. Mihail Marcu, member of the Board of Directors and General Manager, Nicolae Marcu, Member of the Board of Directors and Director of Health and Operations, Dorin Preda, member of the Board of Directors and responsible for Finance and Treasury. Under the guidance of the above-mentioned key managers, there is a group of executive managers, many of whom have a solid experience within the Group, which manages functions, business lines and headquarters. These professionals have a significant degree of independence and freedom in implementing the budgets established for units and business lines. The composition of the Executive Committee is detailed below:

Name	Title
Mihail Marcu	Chief Executive Officer (CEO)
Nicolae Marcu	Chief Healthcare and Operations Officer
Dorin Preda	Chief Finance and Treasury
Adrian Lungu	Chief Financial Officer
Radu Petrescu	Human Resource Manager
Geanina Durigu	Laboratory Manager
Mariana Brates	Purchasing Manager
Mihai-Stelian Vârciu (until April 30, 2018) Larisa Chirirac (stratin May 1, 2018)	Medical Manager
Vera Firu	Accounting and Tax Manager
Mirela Dogaru	Corporate and Marketing Manager

7.3 Audit Committee

The audit committee has three members:

Name	Date of Birth	Title
Ana Maria Mihaescu	29.07.1955	Member of the Board of Directors
Ion Nicolae Scorei	22.12.1974	Member of the Board of Directors
Marius-Leonard Gherghina	21.02.1964	Chairman of the audit committee, Member of the Board of Directors

The Audit Committee has mainly, the following tasks:

- to examine and review the annual financial statements and the profit distribution proposal;
- to carry out annual assessments of the internal control system;
- to evaluate the effectiveness of the internal control system and risk management system;
- to monitor the application of generally accepted legal standards and standards;
- to assess conflicts of interest in affiliated party transactions;
- to analyze and review transactions with affiliated parties that exceed or may be expected to exceed 5% of the net assets of the company in the previous financial year;
- to make CA recommendations.

7.4 Internal Control

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

Internal control helps the group achieve the objectives set by systematic and disciplined approach, whose goal is to appreciate and improve the efficiency of risk management, control systems and general management.

The objectives of the internal control are:

- Assessment and evaluation of the accuracy of realized tasks;
- Evaluation of conformity with internal procedures;
- Detection of cases with lack of economic spirit, waste, abuses and other irregularities indicating the persons/ posts responsible for them;
- Presentation to the Board of Directors of objective information from areas covered by internal control and of recommendations in order to eliminate identified issues and follow-up
- Rendering of services in terms of assessments, evaluations, recommendations for the Board of Directors

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

Internal control is applicable:

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

7.5 Investment Committee

The Investment Committee consists of the following members:

1. Leonard Ghergina, Independent Non-Executive Administrator
2. Nicolae Marcu, Executive Administrator
3. Dorin Preda,
4. Adrian Lungu, Executive Committee member
5. Mihai Virciu, member Executive Committee

The Investment Committee has the following attributions:

- to define the regulatory framework for investment projects;
- to approve investment projects;
- to monitor and report to the CA the status of the ongoing investment projects.

7.6 Nomination and Remuneration Committee

The nomination and remuneration committee consists of the following members:

1. Ana Maria Mihaescu, Independent Non-Executive Administrator
2. Leonard Ghergina, Independent Non-Executive Administrator
3. Radu Petrescu, executive board member

The nomination and remuneration committee has the following attributions:

- To approve a description of the role and eligibility conditions required for a particular position in the CA or in the Executive Committee;
- To identify candidates for the position of administrator, if applicable;
- Ensure an appropriate remuneration policy consistent with MedLife's long-term strategy and interests;
- Ensure the publication of direct and indirect remuneration of directors and executives in the annual report, distinguishing between fixed and variable components of remuneration.

8. Risk exposures

Capital risk

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

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

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

Financial risk management objectives

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

Market risk

The Group's activities expose it primarily to foreign exchange rate risks. There were no changes in the Group's exposure to market risks or the way they manage and assess their risk.

Foreign exchange rate risk

The Group operates and carries out transactions denominated in various currencies. The management analyses the exposure to currency risk and takes the necessary measures to protect itself.

Interest rate risk

The management of the Group analyses the financial costs of borrowing from banks and financial leasing and takes the necessary measures to protect itself against interest rate risk.

Credit risk

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

The Group has also developed certain procedures to assess legal entities as customers prior to signing contracts, aimed at providing preventive and prophylactic health care packages (PPMs) and monitoring their ability to meet the payments during the course of contracts.

Liquidity risk/ cash flow risk

The Group's policy is to maintain sufficient liquidities to pay for its obligations when such become due. The ultimate responsibility for liquidity risk management rests with the board of directors, which has set up an appropriate liquidity risk management framework to manage short, medium and long-term funding requirements and liquidity management.

The Group manages liquidity risk by maintaining reserves, continuously monitoring the estimated and effective cash flows and reconciling the maturities of financial assets and liabilities.

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 Group is confident that, if required, they will submit the necessary information in due time to the fiscal authorities. The transactions with related parties and group companies are performed based on the market value principle.

Litigation

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

9. Subsequent events

Increase participation in Sama Craiova and PDR Brasov groups

Medlife has announced the acquisition of a 35% stake in Sama Group Craiova, which is why Medlife has become the shareholder with 90% shares (from 55% of the initial package). Also, Medlife has acquired another 3 percent of PDR Group Brasov (Policlinica de Diagnostic Rapid), the company currently owning 83% of the package (from 80% initial package). The 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 the alignment at the group level through which encourages the contribution of the founders of the subsidiaries to the integrated activity of the Medlife Group, which is also in line with

the acquisition strategy.

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 subsequent events after December 31, 2018.

Administrator