

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

**YEAR ENDED DECEMBER 31, 2019**

## 1. Presentation of the Company

Med Life S.A. ("Med Life" or the "Parent Company" or the "Company") is a joint-stock company incorporated in 1996, in accordance with the laws and regulations of Romania. The Company's activity consists of providing medical services through a range of medical centers located in all the major cities of the country - cities with over 150,000 inhabitants.

Med Life Group is offering a large range of medical service having opened 22 Hyperclinics in Arad, Bucharest, Braila, Brasov, Cluj, Constanta, Craiova, Galati, Iasi, Oradea, Ploiesti si Timisoara, 56 Clinics, 10 hospitals - located in Bucharest, Arad, Sibiu, Brasov, Cluj and Ploiesti, 36 Laboratories, 10 Pharmacies and 12 Dental Clinics. The Group has also more than 130 private Clinic partners around Romania.

Medlife Group is the largest provider of medical services in Romania based on turnover. More than 5 million unique patients have used Medlife services, and over 700,000 employees nationwide benefit from Medlife healthcare prevention packages as part of the benefits provided by their employers. Last but not least, Medlife Group is differentiates itself by the significant number of medical test performed in Medlife laboratories annually - 5.9 million test conducted in 2019.

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

Details of Med Life SA's subsidiaries at December 31, 2019 and January 1, 2019 are as follows:

	<b>Name of subsidiary</b>	<b>Principal Activity</b>	<b>Place of operation</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	83.01%	80.01%
2	Medapt SRL (indirectly)	Medical Services	Brasov, Romania	83.01%	80.01%
3	Histo SRL (indirectly)	Medical Services	Brasov, Romania	49.81%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL (indirectly)	Medical Services	Sfantu Gheorge, Romania	66.41%	64.01%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100%	100%
6	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 SA	Rental activities	Bucharest, Romania	61%	58%
10	Genesys Medical Clinic SRL (indirectly)	Medical services	Bucharest, Romania	61%	58%
11	Bactro SRL (indirectly)	Medical services	Deva, Romania	61%	58%
12	Transilvania Imagistica SA (indirectly)	Medical services	Oradea, Romania	61%	58%
13	Biofarm Farmec SRL (indirectly)	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	58%
14	RUR Medical SA	Medical services	Bucharest, Romania	100%	100%
15	Biotest Med SRL	Medical services	Bucharest, Romania	100%	100%
16	Vital Test SRL	Medical services	Bucharest, Romania	100%	100%
17	Centrul Medical Sama SA	Medical Services	Craiova, Romania	90%	55%
18	Ultratest SA (directly and indirectly)	Medical services	Craiova, Romania	76%	55%
19	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
20	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%

21	Stem Cells Bank SA	Medical Services	Timisoara, Romania	100%	100%
22	Dent Estet Clinic SA	Dental healthcare activities	Bucharest, Romania	60%	60%
23	Green Dental Clinic SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	31%	31%
24	Dentist 4 Kids SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	31%	31%
25	Dent A Porter SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	31%	31%
26	Dentestet Kids SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	32%	32%
27	Aspen Laborator Dentar SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	45%	45%
28	Centrul Medical Panduri SA	Medical Services	Bucharest, Romania	90%	90%
29	Almina Trading SA	Medical services	Targoviste, Romania	80%	80%
30	Anima Specialty Medical Services SRL	Medical services	Bucharest, Romania	100%	100%
31	Anima Promovare si Vanzari SRL (indirectly)	Medical services	Bucharest, Romania	100%	100%
32	Valdi Medica SA	Medical services	Cluj, Romania	55%	55%
33	Clinica Polisano SRL	Medical services	Sibiu, Romania	100%	100%
34	Solomed Clinic SA	Medical services	Pitesti, Romania	80%	80%
35	Solomed Plus SRL (indirectly)	Medical services	Pitesti, Romania	80%	80%
36	Ghencea Medical Center SA	Medical services	Bucharest, Romania	90%	90%
37	Sfatul medicului SRL	Medical platform	Bucharest, Romania	100%	100%
38	RMC Dentart (indirectly)	Dental healthcare activities	Budapest, Hungary	51%	0%
39	RMC Medical (indirectly)	Medical services	Budapest, Hungary	51%	0%
40	RMC Medlife	Holding	Budapest, Hungary	51%	0%
41	Badea Medical SRL	Medical services	Cluj, Romania	65%	0%
42	Oncoteam Diagnostic SA	Medical services	Bucharest, Romania	75%	0%
43	Centrul medical Micromedica SRL	Medical services	Piatra Neamt, Romania	100%	0%
44	Micromedica Targu Neamt SRL (indirectly)	Medical services	Targu Neamt, Romania	100%	0%
45	Micromedica Bacau SRL (indirectly)	Medical services	Bacau, Romania	100%	0%
46	Micromedica Roman SRL (indirectly)	Medical services	Roman, Romania	100%	0%
47	Medrix Center SRL (indirectly)	Medical services	Roznov, Romania	100%	0%
48	Spitalul Lotus SRL	Medical services	Ploiesti, Romania	100%	0%

MedLife business model is focused on providing medical services to clients, both natural and legal persons. The Group 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 places great emphasis on the quality of the services offered to its customers, 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 4 business lines:

- Corporate: The Corporate business line offers HPP to corporate clients as part of their employee benefit packages. These programmes, which focus on prevention through regular check-ups and access to diagnostic services, complement the legally required occupational health services that corporate clients also contract from MedLife under the HPP offering.

- Clinics: The Clinics business line includes the Group's ambulatory clinics and diagnostic imaging services. Clinics offer general practitioner and specialist consultations, diagnostic imaging services, and some of the clinics also offer day-inpatient services.
- Laboratories: The Laboratories business line provides biochemistry, haematology, coagulation, immunology, microbiology, anatomo-pathology, cytology, molecular biology and toxicology laboratories tests.
- Hospitals: The Hospitals business line covers the Group's inpatient activities, which consist of a wide range of medical and surgical specializations.

## **2. 2019 Developments**

### **2.1. Acquisitions completed in 2019**

In 2019, MedLife SA increased its participation in certain subsidiary companies, and also signed contracts for the acquisition of share capital of the following companies:

- 35% of the share capital of Centrul Medical Sama SA (and indirectly from Ultratest SA);
- 3% of the share capital of Policlinica de Diagnostic Rapid SA (and indirectly from Histo SRL, Policlinica de Rapid Diagnostic Medis SRL and Medapt SRL);
- 3% of the share capital of Accipiens SA (and indirectly from Genesys Medical Clinic SRL, Bactro SRL and Transilvania Imagistica SA);
- 51% of the share capital of Rózsakert Medical Center group (subsequently become RMC MedLife - Holding company - with a 51% indirect ownership in RMC Medical and RMC Dentart);
- 65% of the share capital of Badea Medical SRL;
- 75% of the share capital of Oncoteam Diagnostic SA;
- 100% of the share capital of Spitalul Lotus SRL; and
- 100% of the share capital of Micromedica group (consisting of Medical Center Micromedica SRL, Micromedica Targu Neamt SRL, Micromedica Bacau SRL, Micromedica Roman SRL and Medrix Center SRL).

#### **Increased participation in Sama Craiova, PDR Brasov and Genesys Arad groups**

Medlife announced the acquisition of additional 35% stake in Sama Group of companies in Craiova. In this way, MedLife becoming the shareholder with 90% of the shares of the Oltenia group of companies (from 55% share initially).

Medlife also acquired additional 3% of PDR Braşov Group, one of the most important private medical services providers in Romania, thus the company holding 83% of the shareholding (from 80% share initially) and 3% of Genesys Arad Goup, thus the company holding 61% of the shareholding (from 58% held before).

The shares were subject to an exchange with MedLife shares, a decision taken by the Company's Board of Directors, empowered by the General Shareholders' Meeting on October 8, 2018. This transaction aims alignment at group level , but also consistency with the acquisition strategy, which recognizes and encourages the contribution of the founders of the subsidiaries to the integrated activity of MedLife group.

#### **Acquisition of Rozsakert Medical Center Group, Hungary**

Medlife announced in January 2019 the first international transaction: the acquisition of 51% of the majority package of Rozsakert Medical Center in Hungary. Rozsakert Medical Center is among the top 10 private healthcare providers in Hungary. The company is comprised of a multidisciplinary outpatient unit that includes a department 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, focusing on the specialties of ophthalmology, gynaecology, proctology, dermatology, plastic surgery, and more others. The transaction was completed in March 2019 with the fulfilment of the suspensive conditions.

### **Acquisition of Badea Medica**

In May 2019 MedLife finalized the acquisition of the majority stake of 65% of the shares of Badea Medica Center of Excellence (Badea Medical SRL). The center offers a comprehensive range of medical services, mainly focused on the segment of abdominal pathology, but also covering other numerous types of affections.

### **Acquisition of Onco Team Diagnostic**

MedLife announced in September 2019 the acquisition of the majority package of the medical company Onco Team Diagnostic, thus adding in the procurement portfolio the first laboratory with the profile of pathological anatomy and molecular biology. The unit joins the laboratories in the group (MedLife Grivița, MedLife Brașov, Panduri Laboratory etc.) that provide this analysis segment.

### **Acquisition of Lotus Hospital**

Medlife announced in December 2019 the acquisition of 100% of the shares of Lotus Hospital in Ploiești, the most important provider of private medical services in Prahova county, which provides integrated outpatient, imaging, laboratory, hospitalization and maternity services. The hospital comprises 22 beds in 12 reserves, 2 intensive care rooms and one operating block with 2 operating rooms. The outpatient part is equipped with 9 consulting rooms, covering 21 medical specialties, but also with a complete department of radiology and medical imaging equipped with state-of-the-art equipment. At the same time, the unit also includes a laboratory, which performs over 500 most complex medical tests.

### **Acquisition of Micromedica Medical Center**

Medlife announced in December 2019 the acquisition of the majority package of Micromedica Medical Center, one of the most important providers of private medical services in Moldova. Micromedica has been active on the private healthcare market since 1995 and offers patients a wide range of investigations, from multidisciplinary consultations for over 28 medical specialties and laboratory services, to complex imaging investigations. The group comprises of six medical units located in the cities of Piatra Neamț, Bacău, Roman, Bicăz, Roznov and Târgu Neamț, all equipped with high-quality medical equipment.

## **2.2. Organic growth**

### **Inauguration of Floreasca Hyperclinic in Bucharest and Galati Hyperclinic**

In 2019, MedLife inaugurated two new hyperclinics in Bucharest and Galati that provide patients with outpatient and imaging services.

## **2.3. Expansion Plans of Existing Medical Units**

MedLife invests in the development of the largest private medical project in Romania: MedLife Medical Park. The new medical project will be built next to Medlife Memorial Hospital. Located in the middle of a green area, it will have at completion 1000 beds in a total number of 8 buildings built in pavilionary system. The medical park will include two different stages of development. In the first stage a new hyperclinic, a center for R&D and innovation, kinetotherapy and medical recovery rooms, two restaurants, a center of imaging and radiotherapy, pharmacy and bio food store will be arranged. In the second stage, which is in the phase of feasibility study, MedLife Oncological Institute will be built. The first stage will last for 18-24 months, while the second stage will take place over a period of 3-5 years.

## **3. Credit facilities contracted by the Company**

### **FINANCIAL DEBT**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Current portion of long-term loans	16,434,233	14,669,616
Non-current portion of long-term loans	265,437,273	205,624,681
<b>TOTAL</b>	<b>281,871,506</b>	<b>220,294,297</b>

As at December 31, 2019, MedLife SA drawn and undrawn financing facilities included the following:

- On September 24, 2019 Med Life SA (together with the co-borrowers Policlinica de Rapid Diagnostic SA, Bahtco Invest SA, Accipiens SA, Genesys Medical Clinic SRL, Clinica Poliano SRL, Centrul Medical Sama SA, Dent Estet Clinic SA and Valdi Medica SRL) signed with the Romanian Commercial Bank, Raiffeisen Bank, BRD Groupe Societe Generale and Transilvania Bank a refinancing agreement to the existing facilities, extending the financing period, rearranging the terms and conditions, as well as for an additional credit limit of 28 million euros, which will be in the form of a term facilities, being used by Medlife, along with other liquidities of the Company, for possible new purchasing opportunities in the market.
- in addition to the facilities presented above, Med Life SA also has a guaranteed overdraft facility concluded with Garanti Bank S.A., the amount drawn on December 31, 2019 is RON 9,558,600.

#### 4. Financial Analysis

##### Analysis of the standalone profit and loss statement

	Note	Period ended December 31,		Variation
		2019	2018	2019/2018
<b>Sales</b>	<b>16</b>	456,165,019	419,850,605	8.6%
Other operating revenues	<b>17</b>	4,348,742	2,479,012	75.4%
<b>Operating Income</b>		<b>460,513,761</b>	<b>422,329,617</b>	<b>9.0%</b>
<b>Operating expenses</b>	<b>18</b>	<b>(439,150,017)</b>	<b>(406,246,137)</b>	<b>8.1%</b>
<b>Operating Profit</b>		<b>21,363,744</b>	<b>16,083,480</b>	<b>32.8%</b>
Finance cost		(11,027,079)	(11,238,160)	-1.9%
Other financial (expenses) / gains		(3,507,721)	1,238,211	-383.3%
<b>Financial result</b>	<b>20</b>	<b>(14,534,800)</b>	<b>(9,999,949)</b>	<b>45.3%</b>
<b>Result Before Taxes</b>		<b>6,828,944</b>	<b>6,083,531</b>	<b>12.3%</b>
Income tax expense	<b>22</b>	(1,806,505)	(1,973,092)	-8.4%
<b>Net Result</b>		<b>5,022,439</b>	<b>4,110,439</b>	<b>22.2%</b>
<b>Other comprehensive income items that will not be reclassified to profit or loss</b>				
Gain / Loss on revaluation of treasury shares		655,437	-	100%
Deferred tax on other comprehensive income components	<b>22</b>	(104,870)	-	100%
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>550,567</b>	<b>-</b>	<b>100%</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>5,573,007</b>	<b>4,110,439</b>	<b>35.6%</b>

Sales for the 12 month period ended 31 December 2019 ("**12 months 2019**") amounted to RON 456,165,019, higher by 8.6% compared to sales recorded in the 12 months of 2018 ("**12 months 2018**"). This increase was mainly the result of a growth in all of the business lines determined by a mixture of increase in prices and volume.

Other operating revenues recorded a significant increase during 12 months 2019 as compared to 12 months 2018, amounting to RON 4,348,742 as at 31 December 2019.

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 439,150,017 during 12 months 2019, representing an increase of 8.1%, or RON 32,903,880, as compared to 12 months 2018. The increase is mainly linked to overall business increase.

Operating profit recorded a 32.8% increase in 12 months 2019 as compared to 12 months 2018, from RON 16,083,480 in 12 months 2018 to RON 21,363,744 in 12 months 2019.

Financial loss increased in 12 months 2019 by RON 4,534,851 from a loss of RON 9,999,949 in 12 months 2018 to a loss of RON 14,534,800 in 12 months 2019.

Net result increased in 12 months 2019 by RON 912,000 from a profit of RON 4,110,439 in 12 months 2018 to a profit of RON 5,022,439 in 12 months 2019.

	<b>31 decembrie</b>	<b>31 decembrie</b>	<b>Variatie</b>
	<b>2019</b>	<b>2018</b>	<b>2019/2018</b>
<b>ASSETS</b>			
Non-current assets	507,609,716	338,620,998	49.9%
Current assets	178,672,488	156,503,114	14.2%
<b>TOTAL ASSETS</b>	<b>686,282,204</b>	<b>495,124,112</b>	<b>38.6%</b>
<b>LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>			
Current Liabilities (excluding interest-bearing debts)	132,431,465	85,304,338	55.2%
Long term debt	377,492,736	247,035,644	52.8%
Deferred tax liability	11,865,511	10,785,523	10.0%
<b>TOTAL LIABILITIES</b>	<b>521,789,713</b>	<b>343,125,505</b>	<b>52.1%</b>
<b>TOTAL EQUITY</b>	<b>164,492,491</b>	<b>151,998,607</b>	<b>8.2%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>686,282,204</b>	<b>495,124,112</b>	<b>38.6%</b>

Non-current assets reached RON 507,609,716 as at 31 December 2019, recording an increase of 49.9% as compared to December 31, 2018. The increase is mainly due to the adoption of IFRS 16.

Current assets increased by RON 22,169,374 or 14.2% from RON 156,503,114 as at 31 December 2018 to RON 178,672,488 at December 31, 2019.

Current liabilities (excluding interest-bearing debts) increased by RON 42,127,127, or 55.2%, from RON 85,304,338 at December 31, 2018 to RON 132,431,465 at December 31, 2019.

Interest-bearing debt increased by RON 130,457,092, from RON 247,035,644 in December 31, 2018 to RON 377,492,736 at December 31, 2019. The increase is due to the financing of the company's current activity. The increase is mainly due to the adoption of IFRS 16.

## 5. Main financial ratios of Med Life SA

<b>Current ratio</b>	<b>Period ended at December 31, 2019</b>	
Current assets	178,672,488	=
Current liabilities	185,304,200	
		0.96

<b>Debt to equity ratio</b>	<b>Period ended at December 31, 2019</b>	
Long Term Debt	324,620,001	=
Equity	164,492,491	
		197%
Long Term Debt	324,620,001	=
Capital Assets	489,112,492	
		66%

<b>Trade receivables turnover (days)</b>	<b>Period ended at December 31, 2019</b>	
Average receivables	52,545,547	=
Sales	456,165,019	
		41.47

<b>Fixed assets turnover</b>	<b>Period ended at December 31, 2019</b>	
Sales	456,165,019	=
Net Fixed Assets	507,609,716	
		0.90

## 6. Non-financial information

### Overview

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 MedLife Group services is facilitated by the integrated system in place consisting in: hospital, outpatient, laboratory, pharmacy, imaging and corporate subscriptions. As a result, MedLife has become the largest private healthcare provider nationwide based on Sales figures, and is making every effort to further address the needs of patients and to ensure the quality and safety of the medical act.

MedLife offers its services through the largest team of doctors and nurses working in the private sector in Romania, with about 3,000 doctors and 2,000 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 to be 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 6 consecutive years (2009-2015), 5 Superbrand Awards (including 2019), Qudal distinction in 2016 and 2017, and ICERTIAS certification for "Superior Excellence" after a study conducted in 2018.



The group conducts 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 18% of its sales during 2019 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 700,000 HPP subscribers as at 31 December 2019, 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. Moreover, by implementing the share buy-back and exchange program of shares with minority shareholders, the Group encourages the alignment of the interests and the contribution of the founders of the subsidiaries to the integrated activity of the group.

From 2010 until December 31, 2019, MedLife has acquired 27 companies (if the representatives of the Competition Council will approve Onco Card transaction - the last acquisition announced by MedLife), thus gaining valuable expertise and knowledge for the Group, which will allow them to find the best method of continuous and efficient expansion.

## **Strategy and results**

MedLife strategy focuses on maintaining leadership position. MedLife Group seeks to expand its portfolio of units and services, ensuring profitable national coverage to meet the needs of existing and new customers of the Group. At the same time, the Group remains committed to providing clients with safe and quality medical treatments, ensuring a balance between the medical risks and opportunities and the commercial objectives of the Group. Therefore, at the end of 2019, MedLife network include 22 hyperclinics, 56 clinics, 10 hospitals, 36 laboratories, 12 dental clinics and 10 pharmacies, MedLife being the only healthcare provider with large clinics with presence in all cities with over 150,000 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 Sales from one reporting period to the next, as follows: an increase of 27.5% in 2018 as compared to 2017, reaching Sales of RON 794,562,861, and an increase of 21.8% in 2019 as compared to 2018, reaching Sales of RON 967,380,307 in 2019.

The increase in Sales was accompanied by an increase in EBITDA in absolute values, as follows: an increase of 22.4% in absolute value in 2018 compared to 2017, reaching EBITDA of RON 95,375,554 RON, respectively an increase of 57% in absolute value in 2019 compared to 2018, reaching EBITDA of RON 149,738,299. The increase was also influenced by the implementation of IFRS 16, which restates rent expenses in financial expense and depreciation. The impact of IFRS 16 on EBITDA for 2019 is RON 36,904,921.

## **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, 2019, the Group, on an overall level, was collaborating with a number of approximately 3,000 physicians and 2,000 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 1,700 full time employees were working in support and administrative functions as of December 31, 2019.

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- Nurses School, the Medlife National Conference. 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, 2019, 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, 2019, 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 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.

## **Principles for respecting human rights**

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 3,000 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.

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, 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 supports 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 6 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 for 2019 include 2 stages of afforestation, dozens of Medlife employees and volunteers involved, 40,000 seedlings planted.

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

### 1. Corporate Governance

#### The corporate governance statement

MedLife 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.

The Company monitors environment, social and human resources policies through its corporate governance procedures in place. The responsibility has been translated by the Board of Directors to the management team specific for each department in place: HR and Administrative.

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](http://www.bvb.ro)).

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, documents to which reference is made in the Declaration on Compliance with the Corporate Governance Code.

#### 7.1. Shareholding structure

As of December 31, 2019 the shareholders' structure of Med Life SA is as presented below:

	<b>Nr actiuni</b>	<b>%</b>
Marcu Mihail	3,897,920	17.60%
Cristescu Mihaela Gabriela	3,110,115	14.04%
Marcu Nicolae	2,692,400	12.16%
Others	12,444,647	56.20%
<b>TOTAL</b>	<b>22,145,082</b>	<b>100%</b>

Details regarding shareholders rights is public and can be found in the published Prospectuses of the Company, as well as in the Articles of Incorporation of the Company.

## 7.2 Company Management

MedLife is managed in a unitary system by the Board of Directors consisting of 7 members appointed by the Ordinary General Meeting of Shareholders for a four-year term with the possibility of being re-elected. Out of 7 members of the MedLife Board of Directors, 2 members are independent members. The Board of Directors is responsible for MedLife's management, acting in the interest of society and protecting 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 necessary and necessary acts in order to fulfil the MedLife object of activity, including the management of MedLife subsidiaries or investments, except for the attributions attributable to the General Meeting of Shareholders by law.

### MedLife Board of Directors

As at the date of December 31, 2019, 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 (1970) – Member and Chairman of the Board of Directors, Chief Executive Officer

Mihail Marcu has been the Chairman of the Board of Directors of MedLife since August 2006 and Chief Executive Officer since December 2016. Mihail Marcu is a graduate of Bucharest University, the Mathematics and Computer Science Faculty (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 member of the Board of Directors of MedLife, Mihail Marcu was 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.

#### Ana Maria Mihăescu (1955) – Independent Member of the Board of Directors

Ana Maria Mihăescu has been a member of the Board of Directors of MedLife since September 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 lender 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.

### **Ion Nicolae Scorei (1974) - Member of the Board of Directors**

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

### **Dimitrie Pelinescu-Onciul (1947) - Member of the Board of Directors**

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 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, Vâlcea County (1972-1978), as primary care physician, obstetrics and gynecology, head of clinics or hospital director.

### **Dorin Preda (1976) – Member of the Board of Directors; Chief Finance and Treasury**

Dorin Preda has been a member of the Board of Directors of MedLife since 2008. He is a graduate of the Academy of Economic Studies of Bucharest, Faculty of Finance, Insurance, Banks and Stock Exchanges (1998). Before joining the MedLife team, Dorin Preda was the Chief Executive Officer (CEO) of Asilife Insurance Broker S.R.L. (2007-2008), Branch Manager of 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 (1964) – Independent Member of the Board of Directors**

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. Leonard Gherghina has also graduated the London School of Economics executive education course on Changing Minds, Behaviors and Decisions, United Kingdom. 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 (1968) – Member of the Board of Directors, Chief Healthcare and Operations Officer**

Nicolae Marcu has been a member of the Board of Directors of MedLife and Chief Healthcare and Operations Officer 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 his position as a member of the Board of Directors of MedLife, Nicolae Marcu was the Chief Executive Officer of MedLife between August 2006 and December 2016, and prior to joining the MedLife team, Nicolae Marcu was a specialised physician in psychiatry with "Dr. Al Obregia" Psychiatric Hospital.

### **Executive Committee**

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:

<b>Name</b>	<b>Title</b>
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	HR Director
Geanina Durigu	Laboratory Director
Mariana Brates	Purchasing Director
Larisa Chirirac	Medical Director
Vera Firu	Accounting and Tax Director
Mirela Dogaru	Corporate and Marketing Director

### **7.3 Audit Committee**

The audit committee has three members:

<b>Name</b>	<b>Date of Birth</b>	<b>Title</b>
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 – Internal Audit function**

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 internal control and internal audit 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 Nomination Committee**

The nomination 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 Committee member

The nomination committee has the following responsibilities:

- To approve a description of the role and eligibility conditions required for a specific position in the CA or the Executive Committee;
- To identify candidates for position in the Board of Directors, if the case / to make recommendations regarding the proposal of candidates for appointment to the Board of Directors;

At the moment, the Company does not have a remuneration policy in force. However, the amount of the remuneration of the members of the Board of Directors of the Company, as well as the members of the Executive Committee, is published on the company's website and is subject to the approval of the Annual General Shareholders' Meeting. The development of a remuneration policy is currently being considered.

Thus, the following tasks will be assigned to the nomination committee:

- To ensure an adequate remuneration policy, compatible with MedLife's strategy and long-term interests;
- To ensure the publication of the direct and indirect remuneration of the board of directors and executive directors in the annual report, distinguishing between the fixed and variable components of the remuneration.

## **2. 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 2019.

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.

## **7. Subsequent events**

### **Actions implemented to prevent and limit the spread of COVID-19**

The MedLife Medical System, the largest operator of medical services in Romania, has implemented, from the first alert day on limiting the spread of SARS-CoV-2 (Coronavirus) virus in Romania, a series of prevention and protection measures for patients, and to the medical and auxiliary staff, focusing on preventing factors that could represent a danger of infection for all those in the medical units.

In all MedLife units, the methodology of surveillance of the acute respiratory system was implemented, and at the moment, the company ensures a good continuity of the medical activity. Epidemiological triage of patients through call-centers and medical teams, special circuits for patients with acute respiratory pathology, adaptation of consultation intervals to increase patient safety (allocating time needed to disinfect spaces after interaction with each patient), creating special spaces for isolating cases suspected of infectious diseases, the provision of protective equipment and disinfectant products, but also the development of complex procedures of cleaning, disinfection and nebulization are only part of the important measures that have been taken and that the special medical teams follow and manage them properly.

Regarding the operational segment, the administrative and support staff, the MedLife Medical System has implemented a Continuity of Activity Plan, the safety of the employees being a priority. The measures consist in dividing the key employees into two teams and avoiding physical interaction between them, but also the remote activity, both ensuring a good continuity of the company's activity. Also, all the events scheduled at the group level in the following period were suspended, and they will revert to them when exposure in the public space will no longer represent a risk to human health.

The MedLife Medical System actively monitors the economic situation in Romania and the possible negative implications on its current operations, at present, there are reductions in the activity determined by the social distance measures, imposed by the public authorities as measures to limit the spread of the SARS-CoV-2 virus. (Coronavirus). Despite the diminished activity, the company has taken all necessary measures to maintain good continuity of medical activity in all MedLife clinics and hospitals, taking priority over medical staff and colleagues in the front line and studying the compensation of these turbulences by reducing the short-term overhead costs.

### **The priority of the MedLife Medical System remains the health of patients and employees, fully respecting the decisions of the local authorities.**

The Company assessed the impact of the Coronavirus pandemic over its business and concluded that the financial statements will not be significantly affected by this event. Even though, we currently can't properly evaluate the consequences of this pandemic considering the dynamics in the evolution, the Company doesn't expect a major impact on its activity in the future based on information available to the management at the date of this report.

There were no other significant events after December 31, 2019.

## **Administrators**

## **Declaration of management of MedLife SA**

We confirm to the best of our knowledge that the Standalone Financial Statements of MedLife SA for the 12-month period ended December 31, 2019, which were prepared in accordance with the applicable accounting standards, provide a true and fair view of the assets, liabilities, financial position, profit and loss account of the Company, and the Directors Report for the 12-month period ended December 31, 2019 offers a true and fair view of the main events that took place during the financial year 2019 and their impact on the Standalone Financial Statements of MedLife SA.

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**Mihail Marcu,**  
CEO

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**Vera Firu,**  
Accounting and Tax Manager