MedLife

Annual Report 2018

CONTENTS

MEDLIFE GROUP IN FIGURES

Consolidated Statement of Financial Position

RON	31 December 2018
Non-current assets	590,174,447
Current assets	163,919,759
TOTAL ASSETS	**754,094,206**
Current liabilities	245,246,366
Long term liabilities	313,538,596
Deferred tax liability	16,436,342
TOTAL LIABILITIES	**575,221,304**
Equity attributable to owners of the Group	159,350,814
Non-controlling interests	19,522,088
TOTAL EQUITY	**178,872,902**

Pro Forma Consolidated Statement of Profit and Loss

RON	FY 2018
Sales	804,072,720
Other operating revenues	13,617,439
OPERATING INCOME	**817,690,159**
OPERATING EXPENSES	**(774,546,602)**
OPERATING PROFIT	**43,143,557**
FINANCIAL RESULT	**(15,513,219)**
RESULT BEFORE TAXES	**27,630,338**
Income tax expense	(7,576,188)
NET RESULT	**20,054,150**

Operational data for 2018 financial year

Description	For FY 2018
Clinics visits	1,478,211
Dental offices visits	102,714
Laboratory tests	5,666,665
Health Prevention Packages	649,292
Hospitals patients	75,031
Pharmacies transactions	269,737

MIHAIL MARCU

Chairman of the Board and Chief Executive Officer

Dear Shareholders,

2018 was a year full of challenges and projects that focused on development through acquisitions. We have followed the development and expansion strategy we have announced since early this year to our investors and shareholders, and we have achieved remarkable financial results.

Throughout the year we have completed Polisano transaction, operator of the top 10 largest private healthcare companies in Romania. Polisano includes a series of four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital - Polisano European Hospital in Sibiu - recognized as one of the most modern and performing hospital units in Romania, an in vitro fertilization center and the largest private maternity in Transylvania.

With the acquisition of majority stakes, we brought to our group three other companies: Ghencea Medical Center (Bucharest), Solomed (Pitesti) and Transilvania Imagistica (Oradea), and at the moment we have reached a very good coverage of the country.

2018 marked also the inauguration of the first medical clinic in Bacau under the brand “Sfanta Maria”, part of MedLife group. Sfanta Maria brand has become an important player on the medical services market in Romania, with an extensive network of family physicians and specialists under contract with NHIH, providing patients with quality medical services and a wide range of analysis. This second brand of MedLife group will be further developed, with a strategy of covering cities under 100,000 inhabitants, so that regardless of income, Romanians will have access to quality medical services.

Also, last year, MedLife made an important step towards a new stage of business digitization by adding to the portfolio the largest medical information hub - sfmedmedicul.ro. Established 16 years ago, sfatulmedic.ro.ro is among the top websites dedicated to the health segment in Romania. 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 interpretation of the analyzes on this platform.

For 2019, we aim to maintain the pace of development. The company started the year by announcing the acquisition of the majority stake in Rozsakert Medical Center in Hungary, being the only Romanian private healthcare provider to expand abroad.

Significant events in the past twelve months

Developments in 2018

Organic growth

MedLife continues the expansion plan and announces the opening of the first hyperclinic in Oradea
Throughout 2018, Med Life S.A. ("The Company") announced the opening of the first hyperclinic in Oradea, which provides integrated services of ambulatory, imaging and laboratory analyzes, all under the same roof.
MedLife hyperclinic 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 sampling point, five investigation rooms (gastroenterology, obstetrics-gynecology, pediatrics, urology, cardiology), a post-anesthetic salon and 12 cabinets for clinical and paraclinical consultations. Patients can access multidisciplinary medical services and treatments for 19 specialties. The imaging division includes high-performance ultrasounds that offer a particularly accurate diagnosis, and complete endoscopic systems. The team consists of over 60 doctors, nurses and ancillary staff.
At present, MedLife operates in Oradea with a laboratory, two sampling points, Imaging Center Transilvania Imagistica acquired in 2018 and the new Oradea hyperclinic.

The first medical clinic opens under Sfanta Maria brand, part of MedLife group
Sfanta Maria medical brand has been launched in Romania for two years and operates on the medical services market with over 60 medical units nationwide. The basics of this brand have been made with the integration of some of the acquired companies which are part of MedLife Group, such as Diamed and Ultratest laboratories, Anima clinics and laboratories, Ghencea Medical Center and Polisano clinic in Bucharest. Sfanta Maria meets the needs of low and middle-income Romanians.
The first medical clinic opened through organic development under Sfanta Maria brand was inaugurated in Bacau. The new clinic provides ambulatory services and laboratory analyzes to patients, who 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 doctor and nurses plus support staff.
The opening in Bacau is the third organic project under Sfanta Maria brand, after two other laboratories developed in Brasov and Târgu Jiu.

Acquisitions completed in 2018

During 2018, the Company completed the following acquisitions:

- **Solomed Clinic ("Solomed"):** In March 2018 Medlife announced the acquisition of the 80.00% majority stake in Solomed, a group of medical clinics present on the market in Pitesti, Costesti and Curtea de Arges. The Solomed Group was established in 1997 and is one of the most important local medical services providers 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 patients a wide range of investigations from multidisciplinary consultations for a range of over 15 medical specialties and laboratory services, CT investigations, ultrasounds, medical recovery services and small laser interventions. All medical units are equipped with state-of-the-art medical equipment and have a medical team with over 90 specialists.
  The transaction was finalized on May 14, 2018, with the fulfillment of the suspensive conditions.

- **Ghencea Medical Center ("Ghencea"):** In February 2018, Medlife announced the acquisition of the 90.00% majority stake in Ghencea Medical Center in Bucharest. The medical services provider consists of two clinics in Bucharest and Magurele, and a laboratory, with 135 employees, medical staff and support staff, offering patients a diverse range of investigations for laboratory and imaging areas, medical recovery specialized treatment and alternative medicine. The transaction was finalized on May 24, 2018, with the fulfillment of the suspensive conditions.

- **Polisano Clinic ("Polisano"):** In October 2017 Medlife announced the acquisition of the entire stake of Polisano medical services division, one of the largest private medical services providers in Romania. Established in the 1990s, Polisano is the first fully integrated medical group in Romania. It includes a series of four clinics and two own laboratories located in Bucharest and Sibiu, a private hospital - Polisano European Hospital in Sibiu - recognized as one of the most modern and performing hospital units in Romania, an in vitro fertilization center and the largest private maternity in Transylvania. The transaction was completed on April 4, 2018, with the fulfillment of the suspensive conditions and the approval of the Competition Council.

- **The medical platform Sfatul Medicului**: Medlife acquired 100% the medical platform SfatulMedicului.ro, the largest medical information hub in Romania. Established 15 years ago, sfatulmedic.ro.ro is among the top websites dedicated to the health sector in Romania. The platform records 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 interpretation of the analyzes on this platform. As a result of this transaction, Sfatulmedicul.ro will maintain the team that has run the project for all these years, and in order to maintain its independence and impartiality towards the market, the management will be completely independent of MedLife and the current directors. The transaction was finalized on August 14, 2018, with the fulfillment of the suspensive conditions.

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

Expansion Plans of Existing Medical Units

Expansion plans for existing medical units aim at increasing the number of beds and surgery rooms available in the Group's hospitals. Thus, in 2018, the LMH Hospital in Bucharest expanded with 57 beds and 2 surgery rooms, and the Humanitas Hospital in Cluj expanded with 21 beds and 1 surgery room, the latter being authorized after the reporting date.

Initiation of share buy-back program

By decision of the Extraordinary General Meeting of Shareholders held on October 8, 2018, it was approved the buy-back 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 buy-back 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 held by them in the respective subsidiaries of the Company.

Medlife announced through the Board of Directors' Decision from October 18, 2018, the initiation of the share buy-back program starting with November 9, 2018.

Until December 31, 2018, MedLife has bought-back 224,046 own shares at a total value of RON 6,056,105.

Credit facilities contracted by the Company during 2018

New facility under the syndicated loan

In November 2018, the MedLife Board of Directors signed a new syndicated credit facility with Banca Comercială Română, Raiffeisen Bank, BRD Groupe Société Générale and Banca Transilvania, for refinancing the existing facilities, extending the financing period, rearranging the related terms and conditions and increasing the limit to a threshold of approx. 66 million euros.

The MedLife Board of Directors was authorized and delegated for this purpose by the Extraordinary General Meeting of Shareholders held on 8 October 2018.

MedLife's commitment

MedLife is the company dedicating all its resources to provide every patient with professional healthcare services at the highest standards, based on state-of-the-art technological support, in impeccable safety and comfort conditions.

We have permanently evolved due to our desire to meet the most demanding and complex requests in the healthcare field. Healthcare is our profession and our passion, and our objective is to improve the quality of life for every patient coming through our doors. Access to our services is enabled by the integrated system we apply: outpatient units, hospital, test laboratory, pharmacy, imaging, stomatology and corporate packages.

To your benefit, we bring the experience of our over 22 years of activity on the private healthcare service market in Romania. We are committed to providing unique services due to the professionalism, care and responsibility of our medical staff, with the ultramodern equipment and facilities that we make available to every patient, every day.

COMPANY PRESENTATION

Founded in 1996, MedLife is the leading private healthcare provider in Romania. The company holds leadership positions in key metrics, including sales, number of outpatient units, number of hospital beds, and number of healthcare prevention packages ("HPP"). At the same time, it is one of the largest private healthcare companies in Central and Eastern Europe, based on the sales criterion, according to the Group's review of public data.

The Group is a market leader in its core business lines: Corporate (which offers HPP packages), Clinics, Hospitals and Laboratories. The Company has developed its Stomatology business line, opening a standalone clinic in 2015 and acquiring in 2016 the majority stake of Dent Estet group, the largest dental clinic network in Romania. The Group is also active in the Pharmacies business line, operating a number of pharmacies in or near their own clinics.

MedLife's presence in all these core healthcare service areas is the basis of the Group's revenue capture model, offering patients a complete service from prevention to diagnosis to treatment.

The Group has the largest number of medical facilities in Romania. These include 50 medical facilities in Bucharest, making it the largest private healthcare network in the city, and a further 79 medical facilities in the rest of Romania including in cities such as Arad, Craiova, Ploiești, Cluj Napoca, Brașov, Galați, Iași, Timișoara, Constanța, Targoviste, Braila, Pitesti and Oradea, but not only. The Group owns the real estate underlying its most significant hospital facilities in Bucharest as well as its hospitals in Arad, Brasov and Sibiu. Other facilities are used under long term leases.

The Group provides its services via the largest single pool of private doctors and nurses in Romania, totaling approximately 2,500 doctors and 1,800 nurses as of 31 December 2018. The Group employs full-time specialists for the vast majority of specialties offered, but also part-time, for specialties or specific functions, or works with medical staff under collaboration contracts. In addition, given its commitment to providing quality medical services, the Group has consistently invested in medical equipment, which has helped sustain its market leadership in diagnostic imaging technology.

In the Company's 22 years of activity on the Romanian market, over 5 million unique patients were provided services in the Group's medical facilities, which accounts for approx.. one in four Romanians, based on the demographic data.

MedLife units as at 31 December 2018:

- 67 outpatient units,
- 10 hospitals,
- 33 laboratories,
- Approx. 200 sampling points,
- 9 dental offices,
- 10 pharmacies.

Business Model

MedLife's business model focuses on servicing corporations and individual 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 Group divides its operations into six business lines:

Corporate: The Corporate business line offers HPP to corporate clients as part of their employee benefit packages. These programmes, which focus on prevention through regular check-ups and access to diagnostic services, complement the legally required occupational health services that corporate clients also contract from MedLife under the HPP offering. MedLife holds a portfolio of over 650,000 subscribers to its programmes from over 5,000 different companies. The Group has the largest base of individuals benefiting from HPP in Romania, according to the 2018 PMR Report.

Clinics: The Clinics business line includes the Group's ambulatory clinics and diagnostic imaging services. Clinics offer general practitioner and specialist consultations and include the Group's outpatient diagnostic imaging services. Some of its clinics also undertake day hospitalization services. As of 31 December 2018, MedLife group consisted of 67 outpatient units, out of which 20 are Hyperclinics and 47 are clinics.

Laboratories: Laboratories business line aims to perform biochemical, hematological, immunological, microbiological, toxicological, pathological anatomy (cytology and histology) and molecular biology and genetics analyzes. Within the Business Line of Laboratories, a total of 5,666,665 laboratory analyzes were carried out in 2018. As at December 31, 2018, the Group processed the samples taken in 33 laboratories and operated approximately 200 sampling points throughout the country.

Hospitals: The Hospitals business line covers the Group's inpatient activities, which consist of a wide range of medical and surgical specializations. The Group holds 7 inpatient hospital licenses, which encompass the business line's activities. One of the licenses was issued for one hospital unit and 3 other external sections, accounting for the Group's 10 hospital locations. In addition to these, the Group was granted licenses for three additional day care units, which operate within Clinic locations and provide only day care services (i.e. Iași, Craiova and Timișoara). The financial results from these three day-care hospital services are accounted for in the Clinics division. The Group regards these units as functional parts of the hyperclinics located in Iași, Craiova and Timișoara.

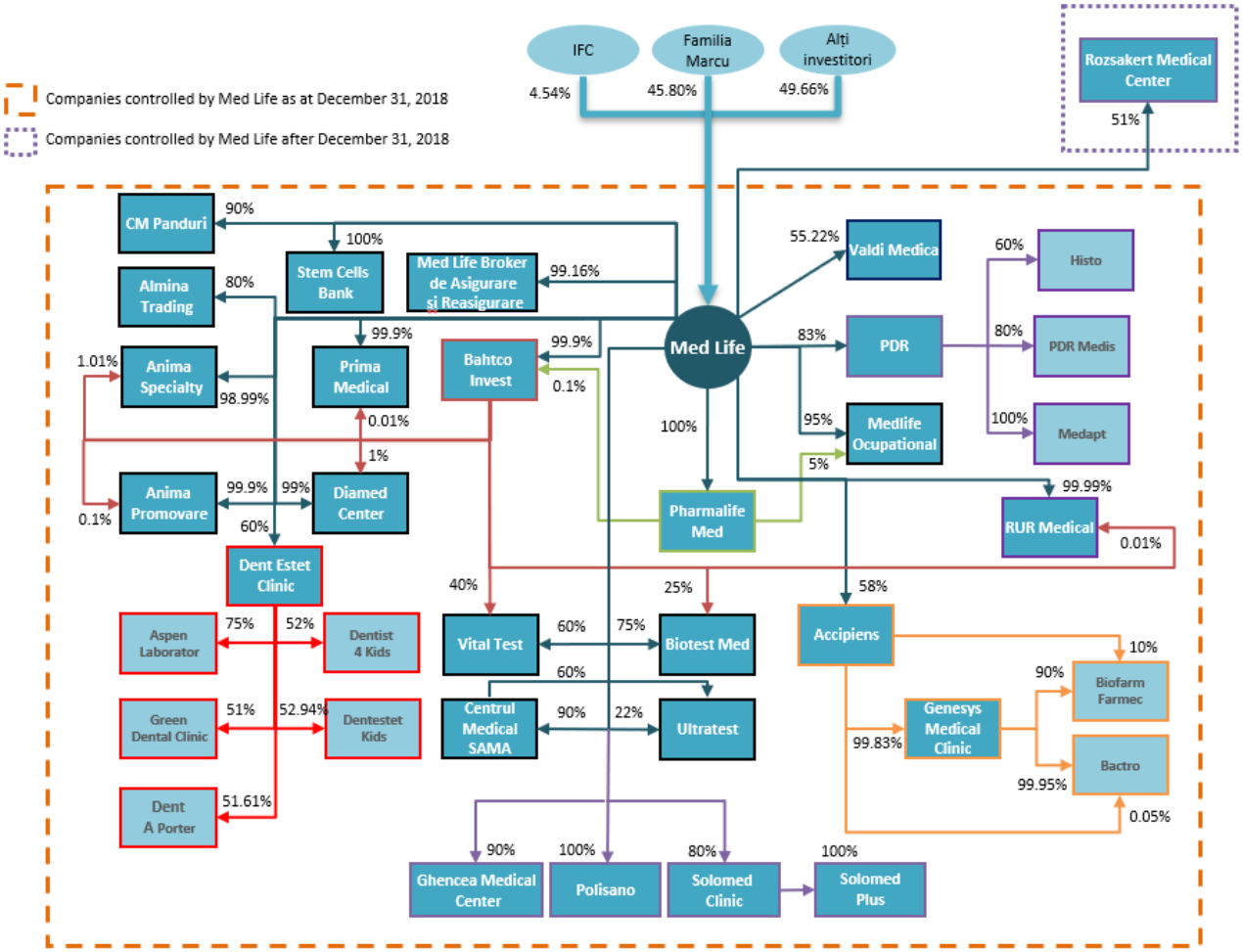
The Group's 10 hospital locations and the additional three 1-day care units have a total of 893 licensed beds and 31 operating theatres as of 31 December 2018, forming the largest chain of private hospitals in Romania.

Pharmacies: The Pharmacies business line offers prescription, over the counter and other related medical products in 10 pharmacies opened within or in the proximity of the Group's clinics.

Stomatology: The Stomatology business line provides a wide range of dental services from simple check-ups to complicated surgeries. As of 31 December 2018, the 9 dental offices in operation included 3 clinics focused on children in Timisoara and Bucharest, a clinic focused on teens, and 5 clinics for adults.

MedLife group structure as at 31 December 2018

The chart below shows the Group's simplified corporate structure, including the Group's material subsidiaries.



Brief description of the companies within the Group

Accipiens

Accipiens S.A. ("**Accipiens**") is a company active in Arad, which operates the Genesys hospital in Arad, through Genesys Medical Clinic S.R.L.("**Genesys**"), a company where it holds 99.83% of the share capital. In June 2017, MedLife increased ownership in Accipiens to 58.00%, the remaining of 42.00% being held by minority shareholders that are former owners of Accipiens. Genesys owns a 99.95% stake in Bactro S.R.L. ("**Bactro**"), the remaining of 0.05% being held by Accipiens, and a 90% stake in Biofarm Farmec S.R.L. ("**Biofarm Farmec**"), the remaining of 10% being held by Accipiens.

RUR Medical

RUR Medical S.A. ("**RUR Medical**") is a company carrying out hospital activities, which operates the Eva maternity and clinic in Brasov, Romania. MedLife controls 100% of the shares in RUR Medical (directly and indirectly through Bahtco) following an acquisition completed in October 2011.

PDR

Policlinica de Diagnostic Rapid S.A. ("**PDR**") is a company carrying out specialized medical activities, which operates, directly and through companies under its control, the Group's PDR Hospital – multidisciplinary hospital, PDR Hyperclinic, Livada Hyperclinic, a pediatric center, 6 outpatient units and 4 laboratories (Brasov and Sf. Gheorge). MedLife acquired

80.01% of PDR's share capital in August 2010, with the remaining 19.99% being held by minority shareholders that are former owners of PDR. In January 2019, MedLife acquires another 3 percent of PDR Group in Brasov, with the Company currently holding 83.016%.

Additionally, the group owns through PDR 60.00% in Histo S.R.L., 80.00% in the Policlinica de Diagnostic Rapid Medis S.R.L. and 100% in Medapt S.R.L.

Bahtco

Bahtco Invest S.A. ("**Bahtco**") is a real estate development company and is acting also as holding company in connection with various other companies from the Group. MedLife controls 100% of the shares in Bahtco (directly and indirectly through PharmaLife Med) following the acquisition completed in 2011.

Centrul Medical SAMA

Centrul Medical SAMA S.A. ("**CM Sama**") is a company carrying out specialized medical activities, which operates, directly or through companies under its control, the Hyperclinic MedLife Craiova, which can provide day-hospitalization services, as well as the usual clinics services and a network of labs in Craiova and in other cities in the south-west of Romania. MedLife completed the acquisition of 55.00% of the share capital of CM Sama in February 2015, with the remaining 45.00% being held by minority shareholders that are former owners of CM Sama. In January 2019, MedLife acquires another 35% percent of Sama Group in Craiova, with the Company currently holding 90%.

CM Sama controls 60.00% of the share capital of Ultratest S.A. ("**Ultratest**"), a company that carries out laboratory activities, in which MedLife holds 22.00%, and the remaining of 18.00% is held by the minority shareholders of Ultratest.

Vital Test

Vital Test S.R.L. ("**Vital Test**") is a 100% controlled company owned by the Group, 60.00% owned by the Company and 40.00% by Bathco.

Biotest Med S.R.L.

Biotest Med S.R.L. ("**Biotest Med**") is a 100% controlled company owned by the Group, 75.00% owned by the Company and 25.00% by Bathco.

PharmaLife Med

PharmaLife Med S.R.L. ("**PharmaLife**") is a company carrying out pharmaceutical activities, which operates, together with Biofarm Farmec S.R.L. (the company controlled through Accipiens) the Group's pharmacies. MedLife set up PharmaLife and is sole shareholder with 100% of the share capital.

MedLife Broker de Asigurări

Med Life Broker de Asigurare și Reasigurare S.R.L. ("**MedLife Insurance Broker**") is a company carrying out insurance brokerage activities. MedLife Insurance Broker is fully controlled by MedLife, which holds a participation of 99.16% in MedLife Insurance Broker's share capital, with the remaining shareholding of 0.84% being held by Dorin Preda (who is a member of the Board of Directors of MedLife).

MedLife Ocupațional

Med Life Ocupațional S.R.L. ("**MedLife Ocupational**") is a company carrying out general medical assistance activities. MedLife Ocupational is fully controlled by MedLife, which holds a participation of 95.00% in MedLife Ocupational's share capital, with the remaining shareholding of 5.00% being held by PharmaLife.

Prima Medical

Prima Medical S.R.L. ("**Prima Medical**") operates an imagistic center in Craiova, Romania. MedLife completed the acquisition of 100% in the share capital of Prima Medical (held directly and indirectly, via Bahtco) in March 2016.

Diamed Center

Diamed Center S.R.L. ("**Diamed Center**") operates a medical recovery center and a laboratory network (including sampling points) in Bucharest and in various other cities in South-East Romania. MedLife completed the acquisition of 100% in the share capital of Diamed Center (held directly and indirectly, via Bahtco) in March 2016.

Stem Cells Bank

Stem Cells Bank S.A. ("**Stem Cells Bank**") operates a stem cells bank in Bucharest and Timisoara, Romania. MedLife completed the acquisition of 60.06% in the share capital of Stem Cells Bank in March 2016, with the remaining 39.94% being held by minority shareholders that are former owners in Stem Cells Bank. The company acquired, in June 2017, together with Bahtco Invest S.A., the remaining 39.94% of the share capital, owning 99.97% of the share capital of Stem Cells Bank, while Bahtco Invest S.A. holds the remaining 0.03% of the share capital of Stem Cells Bank S.A.

Dent Estet

Dent Estet Clinic S.A. ("**Dent Estet**") is a company active in the dental care business, which operates, directly and through companies where it holds a majority stake, 8 dental clinics in Bucharest and Timisoara and one dental laboratory. MedLife completed the acquisition of 60.00% of the share capital of Dent Estet in July 2016, with the remaining 40.00% being held by the founder of Dent Estet.

Dent Estet holds the majority stake in various companies which provide dental services, as follows: 75.00% in Aspen Laborator Dentar S.R.L., 51.61% in Dent A Porter S.R.L., 52.94% in Dentestet Kids S.R.L., 52.00% in Dentist 4 Kids S.R.L. and 51.00% in Green Dental Clinic S.R.L..

Centrul Medical Panduri

Centrul Medical Panduri S.A. ("**CM Panduri**") is a company providing specialized medical assistance in two clinics and a laboratory in Bucharest. MedLife completed the acquisition of 90.00% in the share capital of CM Panduri in October 2016, with the remaining 10.00% being held by a minority shareholder that is the former owner of CM Panduri.

Almina Trading

Almina Trading S.A. ("**Almina**") is a company offering integrated outpatient, imagistic and laboratory services, present on Dambovita and Ilfov markets with 7 medical centers (5 in Târgovişte and 2 in Pucioasa) and two laboratories (Târgovişte and Buftea). The seven units are equipped with state-of-the-art medical equipment and have a medical team with over 125 specialists. MedLife completed the acquisition of 80.00% of Almina's share capital in March 2017, the remaining of 20.00% being held by the minority founding shareholders of the company.

Anima Specialty Medical Services

Anima Specialty Medical Services S.R.L. ("**Anima**") is a healthcare provider, being one of the largest private outpatient services provider under the NHIH contract, covering over 15 specialties including family medicine, obstetrics - gynecology, ENT, endocrinology, ophthalmology, dermatology, cardiology, psychiatry, rheumatology, gastroenterology, allergy and clinical immunology. Anima has 6 polyclinics and a laboratory, over 200 employees, medical specialists and support staff, being the first private medicine network with its own occupational health medicine network in Romania. MedLife completed the acquisition of 100% of the share capital of Anima in May 2017.

Anima Promovare si Vanzari

Anima Promovare și Vanzari S.R.L. ("**Anima Promovare**") is a rental and leasing company for companies in the medical and pharmaceutical industry, including sub-renting some locations to Anima clinics. MedLife completed the acquisition of 100% of the share capital of Anima Promovare in May 2017.

Valdi Medica

Valdi Medica S.R.L. ("**Valdi**") is a company that owns the Humanitas Hospital in Cluj. It offers a range of medical services mainly focused on surgical treatments, but it also holds outpatient specialties that support surgery through multidisciplinary preoperative consultations, treatments and postoperative follow-up. MedLife completed the acquisition of 55.22% of Valdi's share capital in September 2017, the remaining 44.78% being held by 3 minority shareholders who are Valdi's prior owners.

Polisano

MedLife signed 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 - Polisano European 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 suspensive conditions.

Ghencea Medical Center

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 was completed on May 24, 2018.

Solomed Clinic

In March 2018, MedLife announced the acquisition of the 80.00% majority stake in **Solomed Clinic**, a group of medical clinics present on Pitesti, Costesti and Curtea de Arges markets. The Solomed Group was founded in 1997 and is one of the leading local medical operators in the region. The group consists of five clinics - three in Pitesti, the other two in Costesti and Curtea de Arges - and a laboratory (Pitesti), offering to its patients a wide range of investigations from multidisciplinary consultations for a range of over 15 medical specialties and laboratory services, CT investigations, ultrasounds, medical recovery services and small laser interventions. All medical units are equipped with state-of-the-art medical equipment and have a medical team with over 90 specialists. The transaction was completed on May 14, 2018.
Solomed Clinic has a stake of 100% in **Solomed Plus**.

Sfatul Medicului

Medlife acquired 100% stake in the medical platform SfatulMedicului.ro, the largest medical information hub in Romania. Established 15 years ago, sfatulmedic.ro.ro is among the top websites dedicated to the health sector in Romania. The transaction was finalized on August 14, 2018.

Transilvania Imagistica

Transilvania Imagistica S.A. is a provider of medical diagnostic, imaging and radiology services, one of the most important players in the northwest part of the country on this segment. Transilvania Imagistica is a company controlled 100% by the Group, owned by Genesys.

Rozsakert Medical Center, Hungary

Medlife announced the first international transaction: the acquisition of 51% majority package of the Rozsakert Medical Center in Hungary. Rozsakert Medical Center is among the top 10 private medical services providers in Hungary. The company has a multidisciplinary clinic that includes a compartment equipped with a surgery room dedicated for small surgery interventions and a dental center. Over 40,000 patients access a wide range of outpatient clinical and paraclinical services and investigations, as well as a comprehensive range of day-care interventions. The transaction was made after the reporting date of December 31, 2018, and finalized on March 8, 2019.

BOARD OF DIRECTORS

MedLife is managed in a unitary system by the Board of Directors ("BD") consisting of 7 members appointed by the Ordinary General Shareholders Meeting ("OGSM")for a 4-year mandate, with the possibility to be reelected. Of the 7 members of the BD, 2 members are independent members. The BD is responsible for the management of MedLife, acting in the interest of the company and protecting the general interests of its shareholders, by ensuring a sustainable development of the company. According to the Articles of Association, the BD is responsible for all acts required and useful with a view to accomplish the scope of activity of MedLife, including with regard to the management of subsidiaries of investments of MedLife, except for the duties reserved by law to the GSM.

Board of Directors structure

Mihail Marcu (30 September 1970)

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.

Nicolae Marcu (26 October 1968)

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 specialized physician in psychiatry with "Dr. Al Obregia" Psychiatric Hospital.

Dimitrie Pelinescu-Onciul (11 August 1947)

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 (3 April 1976)

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 (21 February 1964)

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), of a Master in Business Administration (MBA) program with “magna cum laude” at the University of Quebec Montreal, Canada, and the International Directors Program and Managing Partnerships and Strategic Alliances of INSEAD, Fontainebleau, France. Leonard Gherghina is also a graduate of the Changing Minds, Behaviors and Decisions course at London School of Economics in the UK. Prior to joining MedLife, Leonard held the position of partner for Central Europe at Value4Capital Eastern Europe Holding V Limited (2006-2012), partner for Central Europe at Baring Private Equity Partners (1998-2006) and senior investment officer at Romanian-American Enterprise Fund (1995-1998). At present, Leonard Gherghina is also an independent member of the Board of Directors of SC Prutul SA.

Ion Nicolae Scorei (22 December 1974)

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).

Ana Maria Mihaescu (29 July 1955)

Ana Maria Mihăescu is an interim member of the MedLife Board of Directors starting with 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 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. Moreover, Ana Maria Mihăescu is an independent member of the Board of Directors of Black Sea Oil and Gas and ICME ECAB SA.

EXECUTIVE COMMITTEE

The Company's senior management team is led by Mr. Mihail Marcu, Chairman of the Board of Directors and Chief Executive Officer, Mr. Nicolae Marcu, member of the Board of Directors and executive director responsible for Healthcare and Operations and Mr. Dorin Preda, member of the Board of Directors and executive director responsible for Finance and Treasury. Under the leadership of the key managers referred to above is a group of senior managers, many of whom have an extensive track record with the Group, who manage the central functions, business lines and units. These professionals operate with substantial independence and freedom in the implementation of agreed unit and business line budgets. The composition of the Executive Committee is detailed below:

Mihail Marcu, Chief Executive Officer

Nicolae Marcu, Chief Healthcare and Operations Officer

Dorin Preda, Chief Finance and Treasury

Adrian Lungu, Chief Financial Officer

Adrian Lungu is the chief financial officer of the Company. Adrian Lungu graduated in 2008 from the Academy of Economic Studies in Bucharest with a degree in business administration. He started working at MedLife in 2011 as Head of the Business Controlling Department. Previously, Adrian Lungu has worked at Ernst & Young Romania (2007-2010), in the Transactions and Advisory Services Department, as a senior consultant, and at KPMG Romania (2007) in the Financial Services Department (Audit) as a trainee.

Radu Petrescu, Human Resources Director

Radu Petrescu is director of the Human Resources Department starting with September 2017. Radu Petrescu has extensive experience in the human resources field of the pharmaceutical and FMCG industries, coordinating large-scale recruitment projects and performance management projects. He has served as HR Manager, Central and Eastern Europe, for Danone. Previously, he worked in the pharmaceutical field where he held the position of Operations Manager, HR Operations Europe, at Pfizer, as well as in consulting and audit services, where he worked for PricewaterhouseCoopers (PWC). Graduate of the sociology faculty of the Bucharest University, Radu Petrescu also attended a master program at the same institution.

Geanina Nicoleta Durigu, Laboratory Manager

Geanina Nicoleta Durigu is the Manager of Retail Sales Department / Laboratories Division since 2008 having successive mandates in this position. Geanina Nicoleta Durigu graduated in 2004 from the University of Medicine and Pharmacy Gr. T. Popa of Iasi, Faculty of Medical Bioengineering and in 2005 from Carol Davila University of Medicine and Pharmacy of Bucharest, Faculty of General Medicine. Geanina also graduated in 2005 Master studies in biotechnology of the Polytechnic University of Bucharest and in 2008 Masters Programme in Business Administration (MBA) offered by Codecs. Geanina has been part of the MedLife team since 2004 when she began work as a medical representative in the Company and from 2006 to 2008 she served as coordinating medical representative.

Mariana Ilea-Brates, Purchasing Manager

Mariana Ilea-Brateş is the manager of the Supply Department of the Company since November 2004. Mariana Ilea-Brates graduated in 1992 from the Polytechnic Institute of Bucharest, Faculty of Inorganic Chemical Technology. During university, she worked as a laboratory chemist at the National Institute of Wood (1986-1992), and after graduation she was a chemical engineer at the same institution (1992-2000). Before joining MedLife team in 2004, she served as manager of procurement and management within Medicover S.R.L. (2000-2004). Mariana Ilea-Brates is a graduate of several training courses in areas such as sales, management and accounting, being an authorized accountant since 1992.

Mirela Dogaru, Corporate Manager

Mirela Dogaru is the manager of the Corporate department at Group level since 2014. Mirela Dogaru graduated the Polytechnic University of Bucharest, Faculty of Biochemistry (2003) and Executive Master program in Business Administration (EMBA) / ASEBUSS of Kenesaw University in Atlanta, Georgia, USA. Mirela joined the MedLife team in 2005 as coordinator of the corporate sales team (Corporate Sales Manager), a position she held until 2011 when she was appointed New Business Sales Manager. Prior to joining MedLife, Mirela Dogaru held the position of sales manager within Petchim S.A. (2004-2005) and Key Account Manager within Freshtex Textile Finishing S.R.L. (2003-2004).

Vera Firu, Accounting and Tax Manager

Vera Firu is the Accounting and Tax Manager of the Company. Vera Firu graduated in 1985 the Academy of Economic Studies, Faculty of Industry, Construction and Transport Economics. Prior to joining MedLife team, Vera Firu served as chief financial officer of Unicom Holding S.A. (1996-2005) and previously, she was chief accountant within Romquartz S.A.

Mihai Vârciu, Medical Manager (until 30 April 2018)

Mihai-Stelian Vârciu is the medical manager of the Group. Mihai graduated from the University of Medicine and Pharmacy of Cluj Napoca, Faculty of Medicine, being licensed as a physician, and in 2000 obtained his PhD in Medical Sciences from Carol Davila University of Medicine and Pharmacy, Bucharest. Mihai has teaching experience, as since 2003 he is a university teacher at Transylvania University, Faculty of Medicine, where he has held since 2013 the position of Lecturer. Mihai is the author of several works, scientific communications and specialized articles and is a member of the College of Physicians, of the Romanian Society of Endocrinology and of the Romanian Society of Psycho-neuroendocrinology. His professional experience includes the position of primary care doctor, head of section in Brasov Emergency County Hospital held during 1998-2011.

Larisa Chiriac, Medical Manager (starting with 01 May 2018)

Larisa Chiriac is the medical manager of the Group. Larisa graduated as a physician from Titu Maiorescu University of Bucharest, Faculty of Medicine and Pharmacy in 1998. Larisa worked at the Cardiovascular Center for Cardiovascular Disease in Bucharest. Her professional experience includes the position of a specialist in occupational health medicine with medical management and general ultrasound management capabilities, head of the triage office of the Army Cardiovascular Diseases Emergency Center in Bucharest, from May 2003 to June 2016.

COMPANY MANAGEMENT

The Group's management is structured on two pillars. Operational management is carried out by an experienced senior management team, acting below the executive directors of the Group, which is known as the "40+" group of managers. This body includes the functional heads of support departments, business line heads and managers of larger units. The 40+ group meets weekly as a broad management committee with the objective to identify and address emerging risks and opportunities in the business and review budget performance. Members of the 40+ group outside Bucharest usually attend by conference call.

The Group manages its business based on an annual budget, agreed on a bottom-up basis with the 40+ group, initially, and subsequently confirmed by the Group's Executive Committee and by the Board of the Directors. The budget includes detailed operational key performance indicators as well as financial targets, represents the Group's operating and financial plan for a financial year, and sets the operational and financial targets at the unit level. Compensation of the members of the 40+ group is heavily linked to the achievement of the budget. Within their units, the managers have substantial autonomy to operate within the agreed budget framework.

Alongside the operational management, the Group implements a medical management system with the primary objective to ensure quality care and the management of medical risks. Medical management at Group level is led by the Group's medical manager. Medical managers or coordinators at unit level meet regularly to review patient cases, identify current and upcoming medical issues, as well as plan medical resources. Each medical unit has a medical coordinator and in the more complex hospital setting the medical management structure includes a Medical Director, Medical Council and Ethics Council. Conducting new medical procedures or altering existing protocols is usually conditional upon approval of the medical management groups.

PEOPLE AND RESOURCES

The Group services patients through the largest private pool of doctors and nurses in Romania. As of 31 December 2018, the Group collaborated with a total of approximately 2,500 doctors and 1,800 qualified nurses across its business lines, including both employees working exclusively for the Group under individual employment contract and collaborators, providing services as independent contractors. Also, as at December 31, 2018, more than 1,500 full-time employees were operating as support staff and administrative 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 Group. Medical staff under services agreements are seen by the Group as commercial partners, providing

services to the Group as independent contractors, in compliance with the applicable legislation.

The Group seeks to provide adequate compensation and incentives to doctors 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 Group to its employees includes fixed remuneration, to which a variable remuneration is added, determined based on a revenue sharing mechanism connected to the number of appointments and consultations. Collaborators are compensated based on the number of appointments and consultations.

The Group does not operate pension plans or long-term incentive schemes.

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 behavior by presenting these concerns to the competent human resources department within the Group. The Group undertakes to investigate such concerns brought by good faith, maintaining the confidentiality of these steps.

MEDLIFE STRATEGIC OBJECTIVES AND DIRECTIONS

MedLife's strategy focuses on maintaining its leadership position. The Company seeks to grow its portfolio of facilities and services to profitably provide national coverage to the Group's existing and new clients.

MedLife seeks opportunities that provide additional revenue capture and synergies within its existing network and services. The Group will continue to achieve this objective through a combination of organic growth and acquisitions of smaller medical healthcare providers on the Romanian market, but also outside country boarders. At the same time, the Company remains committed to ensuring quality and safe medical treatment to its clients, balancing the medical risks and opportunities with the Group's commercial goals.

Competitive strengths

- The leader of the private healthcare market in Romania and one of the large providers of private healthcare services in Central and Eastern Europe;
- A balanced and robust business model, spanning all key private healthcare segments;
- A business model that generates significant revenue capture opportunities;
- Sales largely from cash-pay and HPP with low dependency on NHIH funding;
- The largest number of HPP clients in Romania;
- Experienced management able to create and handle growth both by organic development and acquisitions;
- Strong financials with an asset-rich balance sheet;
- Access to the financing required for expansion.

- More than 5.6 million lab tests were processed in our laboratories in 2018
- 70% of the total number of tests performed in the laboratories of the Group are processed within 24 hours
- over 1,300 laboratory tests are available to MedLife patients

Development directions

Organic growth

During the period between 2014 and 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 a higher utilization capacity. Further, the Group continues to optimize the mix 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 continued and accelerated development of these facilities is expected to improve margins as well as deliver further sales growth. The Company often takes advantage of the base facilities resulting from an acquisition to further organically expand the business of the acquired company.

The recent acquisitions set out below provide new platforms for organic expansion of the business. For example, in 2016, the Group acquired Diamed Center, which operates a network of laboratories and sampling points , mainly in Bucharest. Based on this acquisition, the Group further developed the second brand of laboratories under the brand "Sfânta Maria", which provides FFS laboratory tests at lower prices than in MedLife branded labs. Further, the Group continued to build on the existing contracts of Diamed Center with the NHIH, which did not result into a significant change in the overall exposure of the Group to NHIH contracts as a percentage of its total sales.

As of 31 December 2018, the Group had approx. 40 sampling points opened under "Sfânta Maria" laboratories brand, thus adding organic growth to its acquisition.

Selective acquisitions and integration of other market players

The Group intends to continue to expand its service offering and geographical presence through strategic acquisitions. The Group’s acquisition strategy is to target regional and other businesses that offer complementary geographic or service coverage to the Group's existing portfolio or provide the opportunity to access new healthcare specialties that provide synergy and revenue capture potential to the Group's existing activities. Post-acquisition, the Group generally rolls-out MedLife specialties and services which are not currently offered or upgrades the services offered by the acquired business to the Group's standards. The Group often re-invests the cash flow of the acquired business, as well as additional resources, in expanding the new subsidiary’s business.

The Group’s acquisition strategy is based on encouraging the founding shareholders of the acquired business to remain active post-acquisition in the integrated business and also to hold a minority stake in the respective business. Although the Group has also made 100% acquisitions, the Group's management believes that this approach often matches the goals of the sellers and expands the negotiations beyond the topic of price, providing the Group an advantage over strategies focused on the 100% buy-out of targets. Minorities' rights are carefully negotiated to ensure alignment with the Group's overall governance framework.

The Group's acquisition strategy envisages the full integration of the acquired units into the MedLife system, ensuring uniformity of service, branding and other standards across the business. The Group's support functions such as human resource management, accounting, marketing, public relations and purchasing are centralized, thus reducing the costs and increasing the efficiencies within such functions. The Group pays particular attention to its IT solutions, which are a critical part of increased client service, and seeks to transfer its accumulated know-how to the operation of the acquired business. The Group's 21 past acquisitions and integrations provide a clear road map for further acquisitions.

By acquiring clinic and laboratory businesses, the Group is also able to service directly its HPP patients. The margins formerly flowing to NetLife partners servicing the Group's HPP patients in the acquisition target's service area are now captured by the Group directly. NetLife is a network of partner clinics with which the Group has negotiated tariffs for the servicing of its HPPs clients.

In furtherance of this strategy, during 2018 the Company completed the following acquisitions:

- Solomed Clinic - a group of outpatient units present on the market in Pitesti, Costesti and Curtea de Arges, being one of the most important local medical providers in the region. This acquisition ensures the presence of the Group in a new region.

- Ghencea Medical Center - with over 10 years of activity in the private medical services market, Ghencea Medical Center is one of the relevant healthcare service providers in the contract with the Bucharest Health Insurance House, covering over 25 specialties. This acquisition contributes to the extension of "Sfanta Maria" brand, originally developed as a lab brand based on Diamed Center's network of laboratories and sampling points, and later extended to the Clinics business line by acquiring the Anima Group in 2017.

- Polisano - top 10 largest private healthcare providers in Romania, including besides clinics and laboratories, the Polisano European Hospital in Sibiu - recognized as one of the most modern and performing hospitals in Romania, an in vitro fertilization center and the largest private maternity in Transylvania. In about 25 years of activity until the time of acquisition, Polisano has served approximately 2.1 million patients, both individual and corporate clients. With this acquisition, the Group increased its corporate subscription base and secured its presence in a new region. Moreover, the Group has expanded mainly on the Hospitals business line, taking over by this transaction an extraordinary team of doctors joining the MedLife system to consolidate the strongest private medical diagnostic and surgical treatment platform in Romania. At the same time, a cycle of transformation of the company into a large-scale national organization that can cover multidisciplinary most of the basic medical services is also consolidated.

- Sfatul Medicului - the largest medical information hub in Romania. The platform records 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 interpretation of the analyzes on this platform. Increasingly, new digitization opportunities are emerging, such as deploying e-health services in remote areas, offering diagnostic services remotely, and many more. In this context, MedLife Group aims to be the first medical services provider with the most dynamic pace of adaptation and transformation to the digital medicine era, and the acquisition of the SfatulMedicului.ro platform represents another important step in this approach. Based on the acquisition of SfatulMedicului.ro platform, the Group will make other investments in digitization, investments that are meant to set new behaviors among Romanian patients.

- Imaging Center Transilvania Imagistica - located in Oradea, is one of the most important players in the northwest part of the country on the diagnostic, imaging and radiology medical services segment.

The Company maintains an active pipeline of potential acquisition targets and regularly scans the market for opportunities. Benefiting from a leading position and strong brand, the Company is also frequently approached by advisers and principals of potential target companies. As the consolidation of the market accelerates and with additional debt financing available, the Company expects to continue with acquisitions to complement its organic expansion.

Perspectives

The Group expects that its financial results will continue to grow as volumes at its facilities continue to grow and the financial results of the recent acquisitions continue to be consolidated in the financial results of the Group. It expects to continue to consider the acquisition of potential businesses, which would result in an expansion of services in areas where it is present or allow the Group to enter into new geographic areas, both nationally and internationally. The Group is also developing potential organic expansion opportunities in the Hospitals business line, through expansion of existing medical units.

STATUTE OF CORPORATE GOVERNANCE

The Corporate Governance in Med Life S.A. operates according to the provisions of the Companies Law no. 31/1990, republished, with the subsequent modifications and complements, of the Law no. 297/2004 concerning the capital market, with the subsequent modifications and complements, , and of the secondary legislation adopted by the Financial Surveillance Authority ("ASF") for the application of the Law no. 297/2004, of the Code of Bucharest Stock Exchange ("BVB") and of the Bucharest Stock Exchange Code of Corporate Governance ("Applicable Law"), as well as in accordance with the provisions of the Articles of Association in force of MedLife and of the internal regulations applicable. The Statute of Corporate Governance was adopted by MedLife's Board of Directors in March 2017.

General Shareholders Meeting

The supreme managing body of MedLife is the General Shareholders Meeting ("GSM"). The ordinary and extraordinary duties of GSM are provided in the Articles of Association and in the Applicable Law. GSM is organized and operates in accordance with the relevant provisions of the Applicable Law, in the Articles of Association, and in the Procedure for the Organization and Activity of the General Meetings of MedLife Shareholders.

MedLife undertakes to respect all the rights of its shareholders and to ensure an equitable treatment for them and, for that purpose, it has created and has been implemented the following procedures, systems, and rules to facilitate the exercise by the shareholders of the rights conferred to them by the shares held within MedLife:

- it has created on its website, in the section Relations with investors, a system of effective and active communication with its shareholders;
- it has created an internal corporate structure, which is adequate for the relation with its shareholders and with the investors, in general;
- it has published on its website a Code for the Organization and Activity of the General Meetings of Shareholders which:

- facilitates the participation of the shareholders in the workings of GSM and the exercise of their rights related to GSM, including the participation by representation (by proxy) or by correspondence;
- indicates the set of documents that will be made available for the shareholders by MedLife for each individual GSM, including, without limitation to informative materials related to each item on the agenda of the GSM;
- presents in an exhaustive manner the shareholders' rights related to the GSM;
- present the voting procedure within GSM.

The Board of Directors

MedLife is managed in a unitary system by the Board of Directors ("BD") consisting of 7 members appointed by the ordinary GSM for a 4-year mandate, with the possibility to be reelected. The BD is responsible for the management of MedLife, acting in the interest of the company and protecting the general interests of its shareholders, by ensuring a sustainable development of the company. According to the Articles of Association, the BD is responsible for all acts required and useful with a view to accomplish the scope of activity of MedLife, including with regard to the management of subsidiaries of investments of MedLife, except for the duties reserved by law to the GSM.

BD convenes whenever necessary, but at least one every 3 months.

Every year, the BD evaluates its own performance and that of its committees and it includes the key measures and the changes resulted from such evaluation in the declaration of conformity to the provisions of the Code of Corporate Governance of BVB.

BD approved and posted on the company's website a Code of Ethics and Conduct, which sets forth behavior standards that must be observed within MedLife and its subsidiaries at all levels: administrator, executive directors, directors, employees, suppliers and subcontractors or consultants, irrespective of whether they are employees or work on a permanent or temporary basis.

Consultative Committees

According to the Articles of Association, the BD may set up consultative committees made of at least 2 BD members, who will formulate recommendations for the BD in various fields.

Audit Committee

BD created an Audit Committee and approved the operating rules thereof. The Audit Committee has the following main duties:

- to examine and review the annual financial situations and the proposal for profit distribution;
- to make annual evaluations of the internal control system;
- to evaluate the effectiveness of the internal control system and of the risk management system;
- to monitor the application of the legal standards and of the generally accepted internal audit standards;
- to evaluate the conflicts of interests in the transactions made with affiliated parties;
- to analyze and review the transactions made with affiliated parties which exceed or may be expected to exceed 5% of the net assets of the company in the previous financial year;
- to make recommendations for the BD.

The Investment Committee

The BD created an Investment Committee and approved the operating regulations thereof. The Investment Committee has the following main duties:

- to define the regulating framework for the investment projects;

- to approve the investment projects;
- to monitor and report to the BD the stage of the investment projects under way.

The Appointments and Remuneration Committee

BD set up an Appointments and Remuneration Committee made up of non-executive members of the BD, who, among others, will lead the procedure of appointments of new BD members and will make recommendations for the BD and lead the process of evaluation of the BD activity. The appointment and remuneration committee has the following main duties:

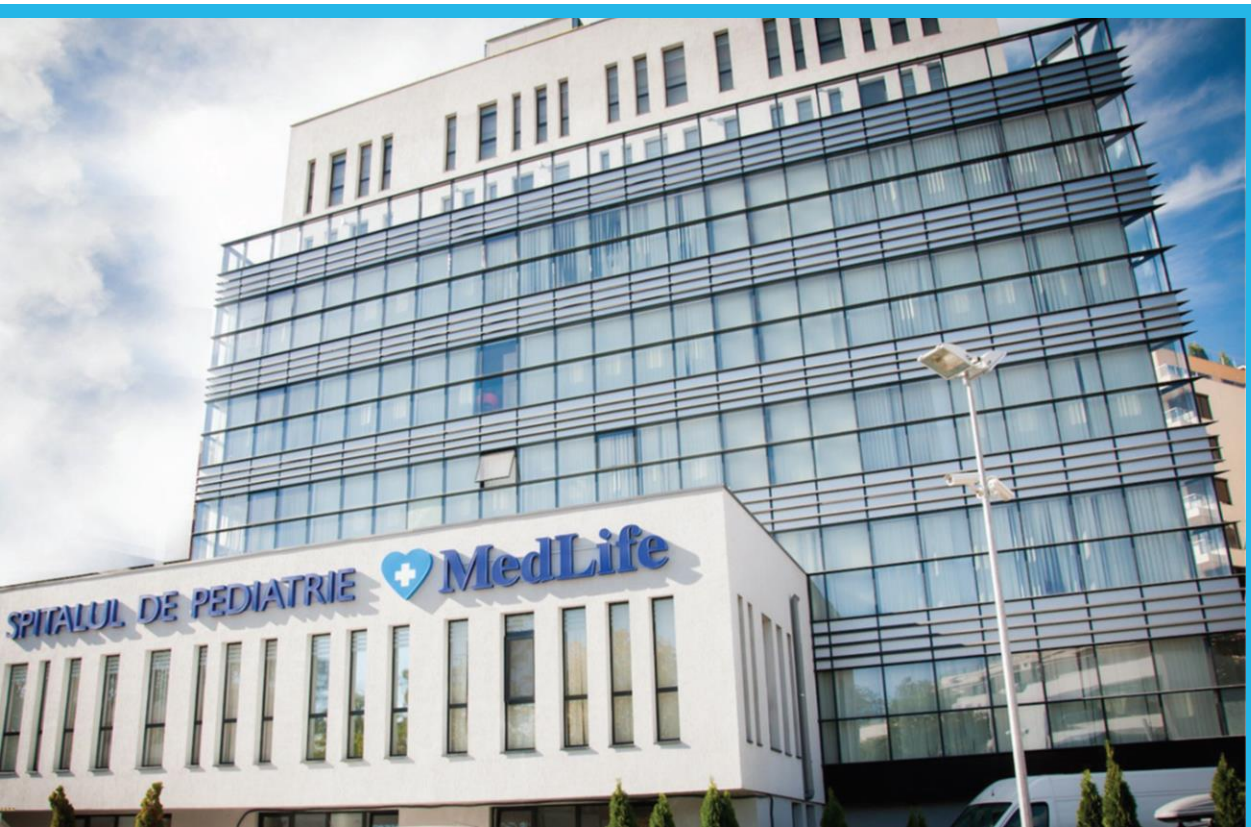
- will approve a description of the role and of the conditions of eligibility required for a certain position in the BD or in the Executive Committee;
- will identify the candidates for the position of administrator, if applicable;
- will ensure a suitable remuneration policy, compatible with the strategy and the long term interests of MedLife;
- will ensure the publication of the direct and indirect remuneration of the administrators and executive directors in the annual report, making a distinction between the fixed and variable components of such remuneration.

Executive Committee

BD has delegated the management of MedLife to the directors thereof, and the delimitation of the duties between the BD and the company's directors, including the value thresholds of competence for legal acts to be concluded by the company is included in the internal regulations of the BD.

The BD appoint a maximum number of 10 directors for a 4-year mandate and decides by its regulations or by decisions on the directors' competences and duties. The directors are, in general, responsible for the day-to-day activity of MedLife within the limits established by the BD, by the Articles of Association, and by the Applicable Legislation.

The Directors of MedLife compose the Executive Committee. The decisions requiring a decision of the Executive Committee, the decisions that can be made by a director and the way of de organization and operation of the Executive Committee are set forth by the regulations of organization and operation of the Executive Committee approved by the BD.



MedLife Pediatrics Hospital in Bucharest, opened in 2011. The hospital focuses on inpatient care and surgery for pediatric patients and also houses a specialized clinic, pharmacy and laboratory.

The hospital is licensed for 132 beds and has 2 operating theatres. Diagnostic imaging equipment including echography equipment and RX equipment is also installed at this location.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

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

Foreign Exchange Risk

The Group is primarily exposed to the volatility of RON against EUR. Other currencies have only a limited impact on its cash flow and results. The effect of foreign exchange risk on cash flows is regularly monitored. For a detailed discussion of foreign exchange risk management, including sensitivity analysis, please refer to Note 27 (g) to the Annual Financial Statements.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The management cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal control.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group seeks to limit the credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular analysis of debt service, ageing of receivables, etc. Counterparty limits are established in combination with credit terms. In respect to credit risk arising from the Group's other financial assets, including cash and cash equivalents, its exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its credit risk with regard to other financial instruments by only dealing with banks believed to be reputable.

Liquidity Risk

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

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the financial instruments or the future cash flows on financial instruments.

Internal Control

MedLife's overall internal control system is well integrated into the organizational structure and it is carried out by (1) the legal and compliance department for setting internal control standards and monitoring various control measures and (2) internal cost control departments for implementation of control measures.

Off-balance sheet arrangements

As of 31 December 2018, other than operating lease commitments and committed capital expenditure (as described above), the Group is not a party to any off-balance sheet obligations or arrangements.

Changes in Accounting Policies

To the best of the Company's knowledge, there are no material accounting standards applicable to the Group that will require a prospective change in any of the Group's accounting policies.

MEDLIFE SHARES

Subscribed and paid in share capital

Company's share capital is fully subscribed and paid and has a value of RON 5,536,270.5, of which RON 4,015,500 and RON equivalent of USD 362,161.1, representing a cash contribution and RON 2,935.5 contributions in kind of Mr. Mihai Marcu and Nicolae Marcu, as shareholders, and RON 513,270.5 representing the contribution to the social capital as a result of the successful capital increase operation performed in December 2017.

Company's share capital is divided into 22,145,082 nominative, freely transferable, fully paid ordinary shares, each having a face value of RON 0.25, issued in dematerialized form by registration in Company's shareholders register. The are no shares issued that do not represent share capital of the Company. The Company issued only one class of shares: ordinary. There are no shares in the Company held by the Company or its subsidiaries. The Company has not issued convertible securities, exchange securities or securities with warrants associated.

History of the share capital of the Company

In the period 2013-2016 there were no changes in the share capital of the Company.

On 11 November 2016, the split of the nominal value of shares issued by the Company from 10 RON/share to 0.25 RON/share was recorded in the trade register, based on the decision of the Extraordinary General Meeting of Shareholders adopted on 1 November 2016. Following the division of the nominal value, the number of shares issued by the Company changed from 502,300 shares to 20,092,000 shares. The Company's share capital became 5,023,000 RON, divided into 20,092,000 shares, each share having a nominal value of 0.25 RON.

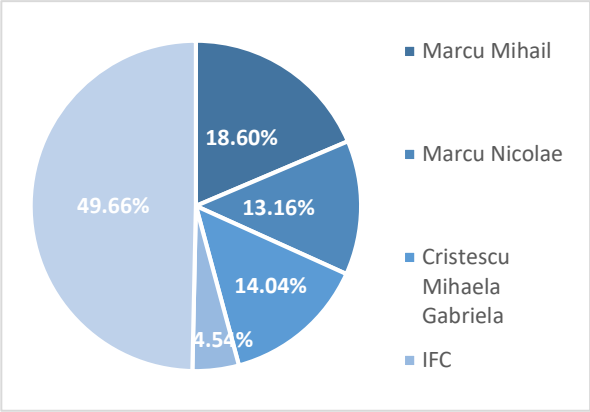
On December 19, 2017, the process of raising capital by issuing additional shares was completed. Thus, 753,082 shares were subscribed as a result of exercising the preference right of the shareholders registered in the shareholders' register on October 27, 2017. There are also other 1.3 million shares set in private placement. The date of the newly issued shares was January 11, 2018. Thus the share capital of the Company became 5,536,270.5 RON, divided into 22,145,082 shares, each share having a nominal value of 0.25 RON.

On November 9, 2018, the Company initiated the own share buy-back program. By December 31, 2018, MedLife has bought-back a total number of 224,046 own shares amounting to 6,056,105 RON. Subsequent to the reporting date, some of these shares were offered to former or current members of the management or former or current employees of some of the Company's subsidiaries in exchange for the shares held by them in the respective subsidiaries of the Company.

Shareholding structure of Med Life S.A. as at 31 December 2018

As at 31 December 2018, MedLife S.A. had the following shareholding structure: Marcu family (45.80%), International Finance Corporation (4.54%), with the remaining holding traded on the Bucharest Stock Exchange, at Premium Category. Around 100 legal entities, both from Romania, and abroad, and over 1,100 private individuals held approximately 49.66% of the free traded shares.

Shareholder	Number of shares
Marcu Mihail	4,119,320
Marcu Nicolae	2,913,800
Cristescu Mihaela Gabriela	3,110,115
IFC	1,004,600
Others	10,997,247



DIVIDENDS POLICY

Shares owned by the Company's shareholders other than the Company bear equal and full rights to dividends.

The Company's financial year begins on January 1 and ends on December 31st. Under the Company Law, dividends may be distributed only if the Company records profit, optionally quarterly on the basis of interim financial statements, and annually, after the settlement adjustment is made in the annual financial statements approved by the General Shareholders' Meeting, as under the Romanian law, interim dividends may be distributed. The Company's profit after the profit tax payment will be distributed according to the decision of the general meeting of shareholders. The Company has the obligation to set up reserves and other funds required by the applicable laws.

The Company's general meeting of shareholders is free to decide the distribution of dividends based on the proposal of the Board of Directors. If the Board of Directors do not make such proposal, shareholders holding individually or collectively at least 5% of the voting rights may also request to add to the agenda of the shareholders' meeting an item on the distribution of dividends, including the distribution quota. Dividends may be distributed only out of profits determined by law, pro rata with the contribution to the paid-in share capital, optionally quarterly based on interim financial statements and annually, after the settlement adjustment is made in the annual financial statements.

The General Meetings of Shareholders approving the annual financial statements generally establishes also the amount of the gross dividend per share, as well as the payment process. According to the Law no. 24/2017 on issuers of financial instruments and market operations, the General Meeting of Shareholders approving the distribution of dividends must also set the period during which the dividends will be paid to the entitled shareholders. The beginning of the payment period shall not occur later than 6 months from the date of the meeting. If the General Meeting of Shareholders does not decide on a dividend payment period, the dividends shall be payable within 30 days from the date of publication of the resolution approving the payment of dividends in the Official Gazette of Romania, Part IV. Upon expiry of such period, the Company would be deemed to be in payment default by operation of law.

Dividends may be paid on an optional quarterly basis within the time limit set by the general meeting of shareholders, by adjusting the differences resulting from the distribution of dividends during the year in the annual financial statements. Payment of settlement adjustments is made within 60 days of the date of approval by the General Meeting of Shareholders of the annual financial statements for the financial year ended. Otherwise, the Company or its shareholders, depending on the outcome of the settlement, owes after this term a penalty interest calculated according to the applicable legal provisions, if the decision of the general meeting of the shareholders approving the financial statements of the concluded financial year did not set a higher interest rate. In the case of partial dividends being distributed among shareholders during a financial year, the annual financial statements will highlight dividends that are partially attributable and will properly adjust the resulting settlement differences.

Payment of dividends is made only to shareholders registered on the registration date ("data de înregistrare") set by the General Meeting of Shareholders approving the distribution of dividends. The registration date must be set on a date that occurs at least 10 business days after the date of the General Meeting of Shareholders. Romanian law also requires that the payment date set by the General Meeting of Shareholders must not occur later than 15 business days after the registration date, but must occur within the six months period from the date of the General Meeting of Shareholders approving the dividend distribution.

According to the applicable regulations, the Company must publish, before the dividend payment date, a press release which will also be sent to FSA and market operator, specifying at least (i) the value of the dividend per share, (ii) the ex-dividend date, (iii) the date of registration, and (iv) the date of payment of the dividends, as approved by the General Meeting of Shareholders, as well as (i) the method of payment of the dividends and (ii) the identification information of the paying agent.

Any dividends that are not claimed within three years from the date on which their payment becomes due may be retained by the Company.

According to the Company Law, the distribution of dividends from fictitious profits or from sources that cannot be distributed during the financial year on the basis of the interim and annual financial statements, or contrary to the financial statements results, entails the criminal liability of directors, the members of the board of directors, members of the executive board or the supervisory board or the legal representatives of the Company and shall be punished by imprisonment from one year to five years. Furthermore, if the Company registers a loss of its net assets, the share capital must be replenished or reduced before any dividend distribution is made. In addition, if the Company has accumulated losses, it may not pay dividends until the losses are offset.

The Board of Directors is focused on creating value for the Company's shareholders. To sustain the Group's current pace of growth in terms of profitability, the Group needs both internal and external resources. Thus, the Board of Directors, committed to further expand the Group's profitability to the benefit of the shareholders, intends to propose not to distribute dividends to the shareholders for as long as the growth of the Group is comparable to that recorded historically.

In case the Board of Directors will propose the distribution of dividends in the future, certain matters will need to be considered, such as: general business conditions, the Group's financial results, investment requirements as well as contractual and legal restrictions on the payment of dividends or any other factors as the Board of Directors may deem relevant. Profits not required for the Company's growth plans or not encumbered by contractual, legal or other restrictions is expected to be paid to the shareholders as dividends, unless it is needed for any other corporate purpose including investments in value creating opportunities.

MedLife registers positive satisfaction levels from patients, scores highly on customer's recognition of its brands, and has a strong track record of referrals by its patients.

The Group received the title of "Most Trusted Brand" from Reader's Digest publication, at the Private Clinics category, in Romania for six consecutive years, between 2009-2015, four Superbrand Awards including during 2017, the Qudal Award in 2016 and 2017, as well as ICERTIAS certification for "Superior Excellence" in 2018.

FINANCIAL ANALYSIS

The following analysis of the Group's financial condition and results of operations as of and for the years ended 31 December 2016, 2017 and 2018 should be read in conjunction with the Financial Statements and the information related to the Group's business included elsewhere in this Annual Report. Selected financial information presented in this section has been derived from the Financial Statements, in each case without material adjustment, unless otherwise stated. Investors should read the Annual Report together with the Financial Statements and other reports issued by the Group and should not rely upon summarized information only.

The following table sets out the Group's consolidated statement of profit and loss and other comprehensive income for the periods ended 31 December 2016, 2017 and 2018 respectively:

	For the year ended 31 December,		
	2016	2017	2018
Sales	**502,986,790**	**623,219,949**	**794,562,861**
Other operating revenues	5,468,590	7,496,681	9,844,865
Operating income	**508,455,380**	**630,716,630**	**804,407,726**
Operating expenses	**(488,901,027)**	**(595,857,844)**	**(766,014,417)**
Operating profit	**19,554,353**	**34,858,786**	**38,393,309**
Finance cost	(13,336,592)	(14,201,686)	(17,567,816)
Other financial (expenses) / gains	(5,048,649)	(6,380,555)	3,008,389
Financial result	**(18,385,241)**	**(20,582,241)**	**(14,559,427)**
Result before taxes	**1,169,112**	**14,276,545**	**23,833,882**
Income tax expense	(2,411,102)	(5,544,920)	(7,051,245)
Net result	**(1,241,990)**	**8,731,625**	**16,782,637**
attributable to :			
Owners of the Group	(5,109,958)	4,382,702	13,370,348
Non-controlling interests	3,867,968	4,348,924	3,412,389
Other comprehensive income items that will not be reclassified to profit or loss			
Gain/Loss on revaluation of properties	3,398,211	-	-
Corrections related to prior years	-	-	-
Deferred tax on other comprehensive income components	(543,714)	-	-
Total other comprehensive income	**2,854,497**	**-**	**-**
attributable to :			
Owners of the Group	5,439,256	-	-
Non-controlling interests	(2,584,759)	-	-
Total comprehensive income	**1,612,507**	**8,731,625**	**16,782,637**
attributable to :			
Owners of the Group	**329,298**	**4,382,702**	**13,370,348**
Non-controlling interests	**1,283,209**	**4,348,924**	**3,412,389**

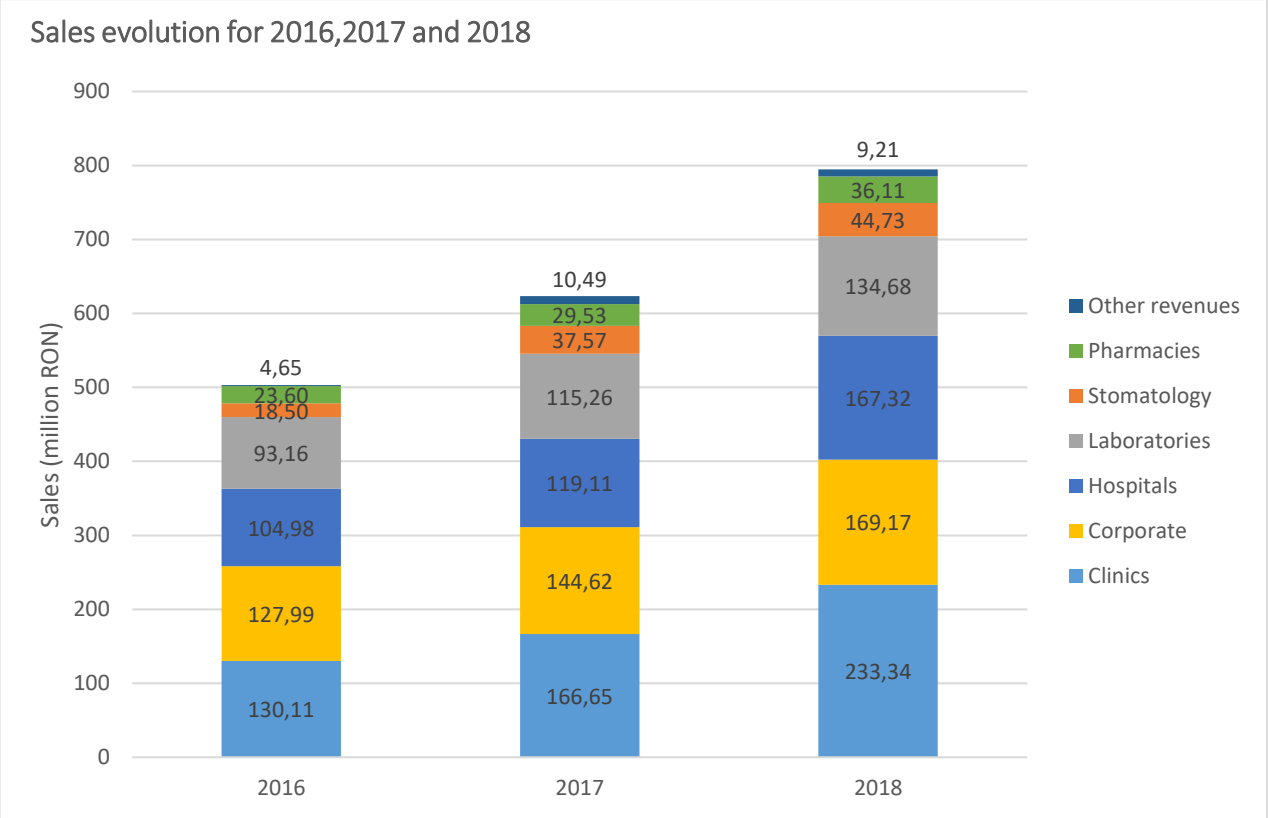
Overview of the Group's sales streams

The Group's core activities are conducted through six business lines, providing a well-balanced business portfolio that covers all key segments of the private medical services market.

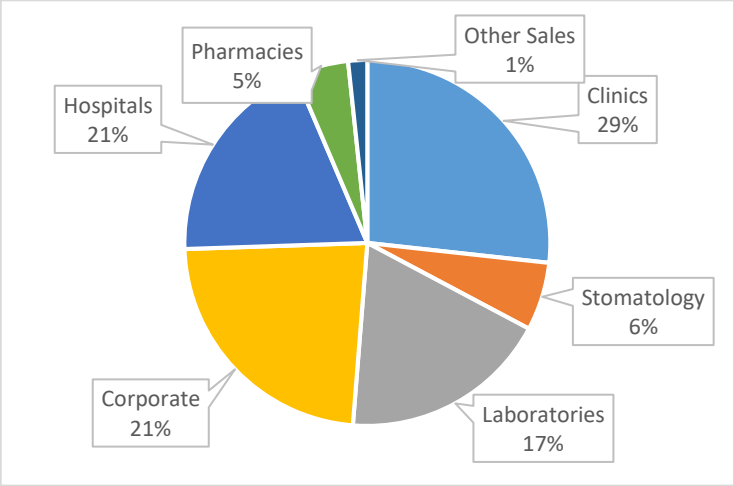
Sales for 2018 financial year amounted to RON 794,562,861, higher than the sales amount recorded in 2017 with RON 171,342912 or 27.5%. This increase was mainly the result of significant growth in all of the Group's business lines, led on a percentage basis by Clinics, Hospitals, Corporate and Laboratories, as well as the impact of the acquisitions completed by the Group in 2017 and 2018.

The following table sets out the sales for 2018 as compared to the sales recorded in 2017 and 2016 for each of the Group's business lines:

	For the year ended 31 December				
	2016	2017	2018	Change % 2017/2016	Change % 2018/2017
Sales (RON)	RON	RON	RON		
Clinics	130,109,363	166,650,648	233,339,171	28.1%	40.0%
Stomatology	18,504,217	37,565,681	44,733,559	103.0%	19.1%
Laboratories	93,161,917	115,259,329	134,680,878	23.7%	16.9%
Corporate	127,988,835	144,621,716	169,171,271	13.0%	17.0%
Hospitals	104,977,229	119,106,274	167,320,772	13.5%	40.5%
Pharmacies	23,597,580	29,526,655	36,111,885	25.1%	22.3%
Other revenues	4,647,649	10,489,646	9,205,325	125.7%	(12.2)%
TOTAL Sales	**502,986,790**	**623,219,949**	**794,562,861**	**23.9%**	**27.5%**



From the Group's total consolidated sales of RON 794,562,861 in 2018, sales of the Clinics business line represented 29% of the total sales, sales of the Hospitals business line represented 21% of the total sales for the same period, sales of the Corporate business line represented 21% of the total sales for the same period, sales of the Laboratories business line represented 17% of the total sales for the same period, sale of the Stomatology business line represented 6% of the total sales for the same period and sales of the Pharmacies business line represented 5% of total sales recorded in the period. Other sales recorded in the twelve months period ended 31 December 2018 represented 1% of the total consolidated sales.



Group sales evolution

	For the year ended 31 December					
	2016		2017		2018	
	RON	%	RON	%	RON	%
Clinics	130,109,363	25.9%	166,650,648	26.7%	233,339,171	29.4%
Stomatology	18,504,217	3.7%	37,565,681	6.0%	44,733,559	5.6%
Laboratories	93,161,917	18.5%	115,259,329	18.5%	134,680,878	17.0%
Corporate	127,988,835	25.4%	144,621,716	23.2%	169,171,271	21.3%
Hospitals	104,977,229	20.9%	119,106,274	19.1%	167,320,772	21.1%
Pharmacies	23,597,580	4.7%	29,526,655	4.7%	36,111,885	4.5%
Other revenues	4,647,649	0.9%	10,489,646	1.7%	9,205,325	1.1%
Total sales	502,986,790	100%	623,219,949	100%	794.562.861	100%

Business model independent of NHIH funding

The Group's business and revenue model focuses on the spending power of corporations and private individuals on medical services, while the State's contribution through the NHIH represents a complement, not the core revenue of MedLife's activities. In 2018, 81% of the Group's revenue came from corporations and private individuals. During the same period, only 19% of the Group's revenue came from providing services to patients insured by State programs. In 2016 and 2017, the Group's revenue from State insured patients represented 13%, and 14% respectively of the Group's total sales.

	For the year ended 31 December					
	2016		2017		2018	
	RON	%	RON	%	RON	%
Corporations and Private Individuals for HPP and fee-for service payments	437,598,507	87%	533,056,205	86%	644,272,707	81%
State insured patients paid by the NHiH	65,388,283	13%	90,163,744	14%	150,290.154	19%
TOTAL	502,986,790		623,219,949		794,562,861	

Clinics

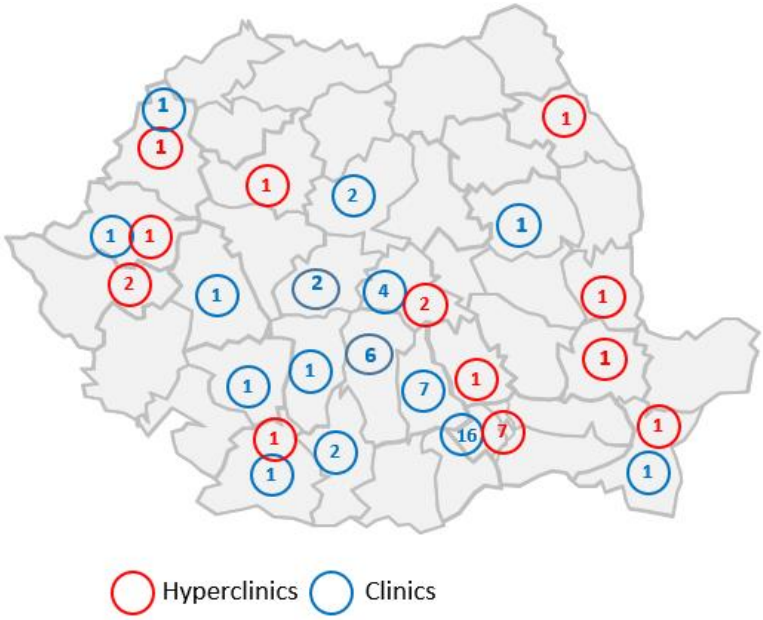
The core of the Group's operations is the network of ambulatory clinics throughout Romania. The business line comprises a network of 67 facilities, which offer a wide range of outpatient services covering a broad range of medical specialties. The Group's diagnostic imaging services provided to clients other than hospital inpatients also form part of this business line.

The Group's clinics provide a wide range of services delivered mainly in two formats:

- Hyperclinics, a format pioneered by MedLife in Romania, consisting of large facilities with at least 20 medical offices and surface areas in excess of 1,000 sqm. It is a one-stop-shop for clinical examinations and imaging. This format is designed for larger urban areas, with a population over 175,000. Hyperclinics would usually include a broad range of imaging services on site including radiology, bone density – DEXA, CT, MRI 3T, 2D-4D ultrasounds and Mammography; in the case of new openings, such services may be included in the hyperclinics' offering gradually. Hyperclinic locations also host the services of other business lines, such as pharmacies or sampling points for laboratories. As of 31 December 2018, the Group operated 20 hyperclinics throughout Romania.

- Clinics, offering a range of treatments from general practitioner services to specialists, are aimed at servicing the core needs of the Group's HPP patients and FFS clients. The Group's clinics typically have between 5 and 12 medical offices, although smaller satellite clinics are in operation to address specific market situations. Clinics are designed for smaller cities or to serve specific concentrations of patients. Clinics, with limited capacity and generally limited imaging services, act as feeder networks for the more specialized services located in the hyperclinics. Certain clinics are fully specialized, such as Mindcare and the Obor and Paediatrics hospitals, which also have dedicated outpatient units.

Clinics network national distribution

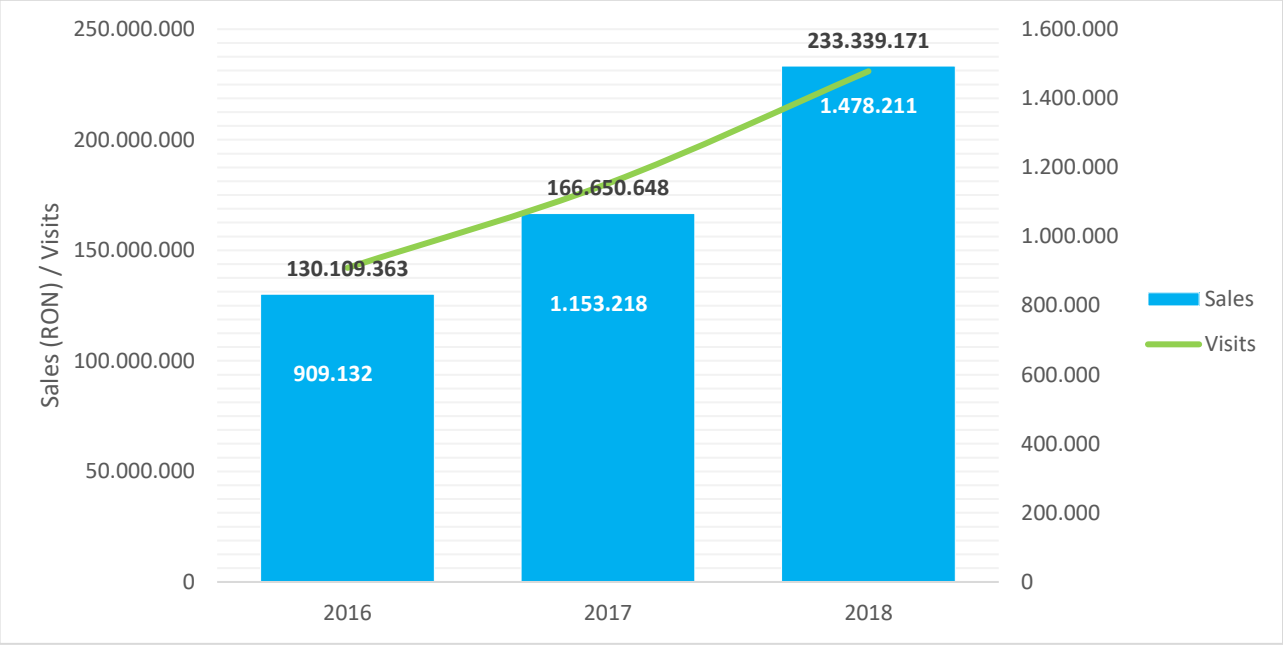


Analysis of clinics business line 2018 evolution

The sales of the Clinics business line increased in 2018 by RON 66,688,523 or by 40.0%, from RON 166,650,648 in 2017 to RON 233,339,171 in 2018. The increase was due to a 28.2% increase in the number of visits, from approximate 1,153,000 in 2017 to approximate 1,478,000 in 2018. The increase in the number of visits were driven by the continued growth of customer numbers in the Group's clinics opened before 2018, as well as due to acquisitions made during the year. The average fee per visit recorded an increase of 9% from 144.5 RON/visit in 2017 to 157.9 RON/visit in 2018. The increase was caused by the change in the mix of services accessed by the group's clients, as well as an increase in prices. Business line sales do not reflect sales of services provided to HPP patients as part of the packages, but include sales paid as FFS by the HPP patients in the Group's clinics.

The revenue breakdown for Clinics highlights the continued growth in sales supported by both existing and newly-opened clinics.

The Clinics business line derives its revenue predominately from FFS clients. Treatment for State insured patients through NHIH, mainly relating to diagnostic imaging services, represented 10%, 14% and 23% of the business line's sales in 2016, 2016 and 2018, respectively.



Corporate

The Corporate business line offers HPPs on a subscription basis, generally to corporate clients, as part of the benefit packages for their employees. These programs, which focus on prevention, such as regular checkups and access to diagnostic services, complement the legally required occupational health services that corporate clients contract from MedLife as the Standard HPP.
MedLife has a portfolio of over 650,000 HPPs patients from over 5,000 different companies. The Group has the largest base of individuals benefiting from HPP in Romania, according to the 2018 PMR Report.

The HPPs offered by the Group consist of the following:

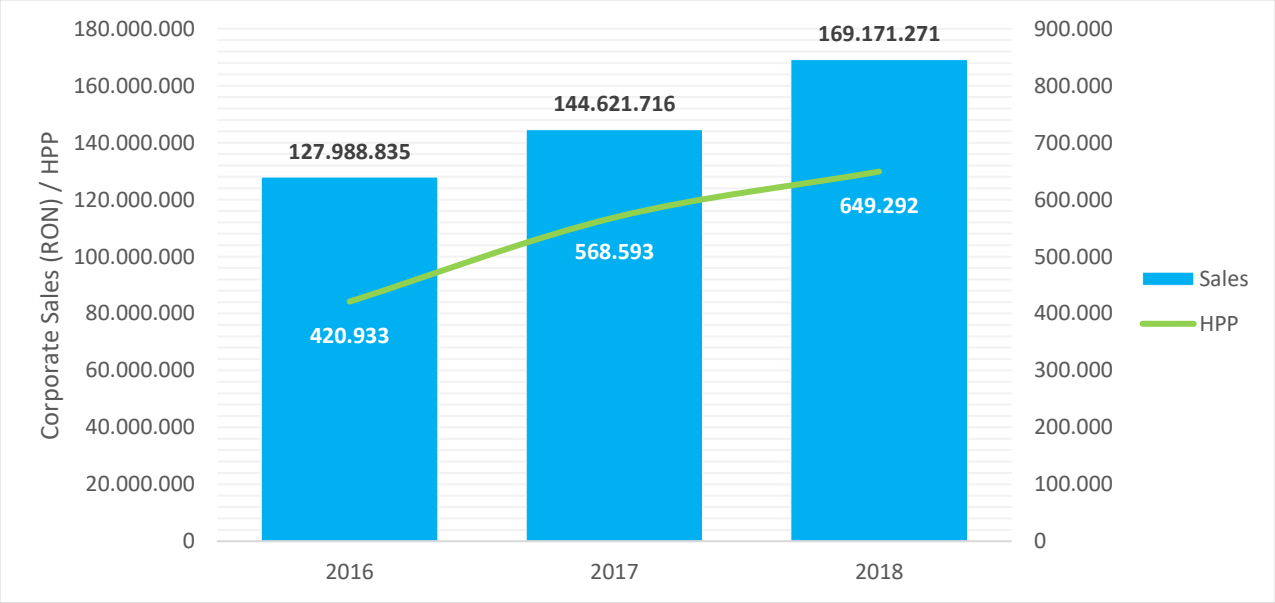
- Mandatory occupational health services, which mainly include the provision of annual employee check-ups and more specific services depending on the client's industry. Many companies begin by purchasing occupational health services under the "Standard" HPP and then add benefits under broader HPPs from the same provider for certain or all of their employees, providing an upselling opportunity for the occupational health provider.

- More general, "prevention oriented" health plans, providing expanded access to general practitioners and certain specialists in the Group's clinics and as well as specified laboratory tests and diagnostic imaging for higher end packages. The specific services vary depending on the type of package.

Analysis of corporate business line 2018 evolution

For the year ended at 31 December 2018, MedLife increased its revenues from HPP sales by 17%, as compared to the previous financial year. This was achieved by consistently growing the number of corporate clients and implicitly the number of its individual subscribers, while focusing on the retention and up-sale of existing clients. The average annual price per HPP slightly increased by 2.4% or 6 RON in 2018 as compared to 2017.

The expansion of the Group's footprint outside Bucharest has enabled access to new potential clients as the Group's own branded Clinics and other facilities offer a local solution directly under the MedLife brand. The Group has increased its regional sales teams to address this market.



Stomatology

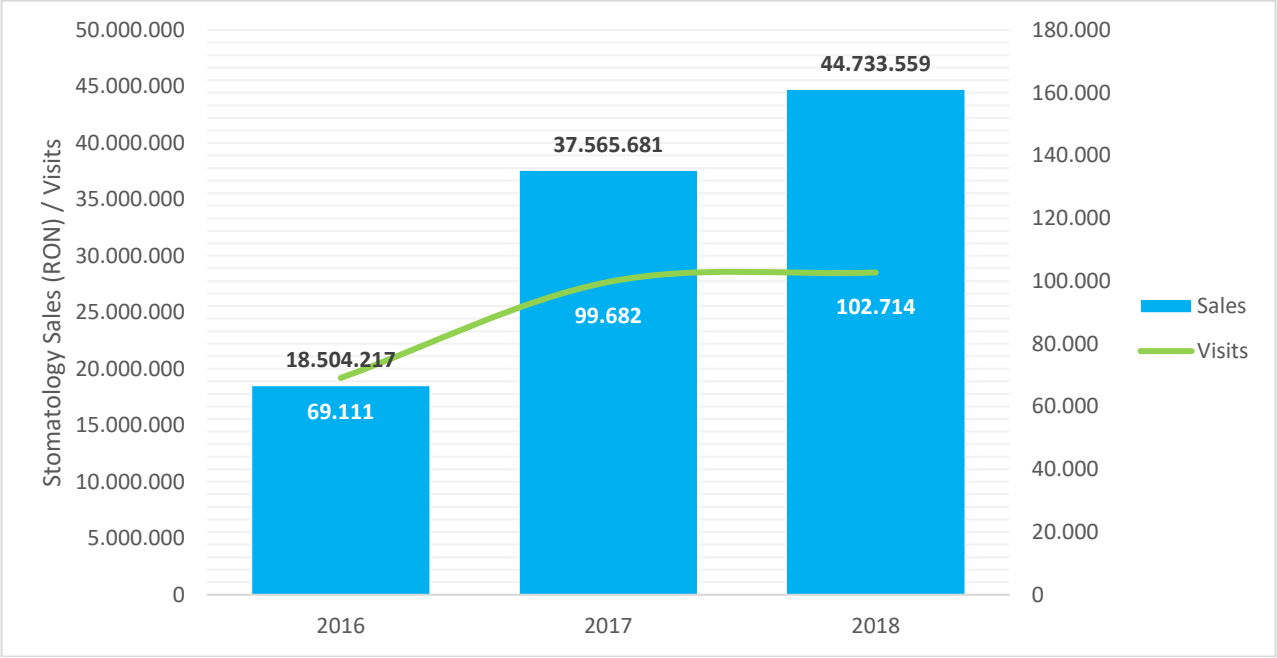
The Group opened its first standalone stomatology clinic under the DentaLife brand in Bucharest in 2015 in leased premises, with the plan to expand the network further within Bucharest and across the country. On 11 July 2016, the Group completed the acquisition of Dent Estet, the largest player on the Romanian dental market. The Dent Estet group already operated a total of 7 dental clinics, including two clinics targeted specifically at children under the DentEstet 4 Kids brand and a teenage focused facility.

The Dent Estet acquisition propelled the Group to a leading position on the stomatology market, which remains highly fragmented. Following the Dent Estet acquisition, the Group continued to expand under the Dent Estet brand, building on its strong existing positioning in the market. The Group's Stomatology business line offers a full range of dental services, from routine check-ups to dental surgery, implants and orthodontics. Since May 2017, a new dental clinic has been opened under the Dentestet brand. The clinic has 10 diagnostic and treatment rooms and is the largest Planmeca Digital Academy in Romania, a distinction that marks the integration of revolutionary technology in all medical processes in the clinic. The business line operates in leased facilities.

Dental clinics national footprint

Analysis of stomatology business line 2018 evolution

Stomatology business line sales increased in 2018 by RON 7,167,878 or 19.1%, from RON 37,565,681 in 2017 to RON 44,733,559 in 2018. Stomatology business line is not subject to NHIH allocations; all of the sales are fee for service ("FFS") based.



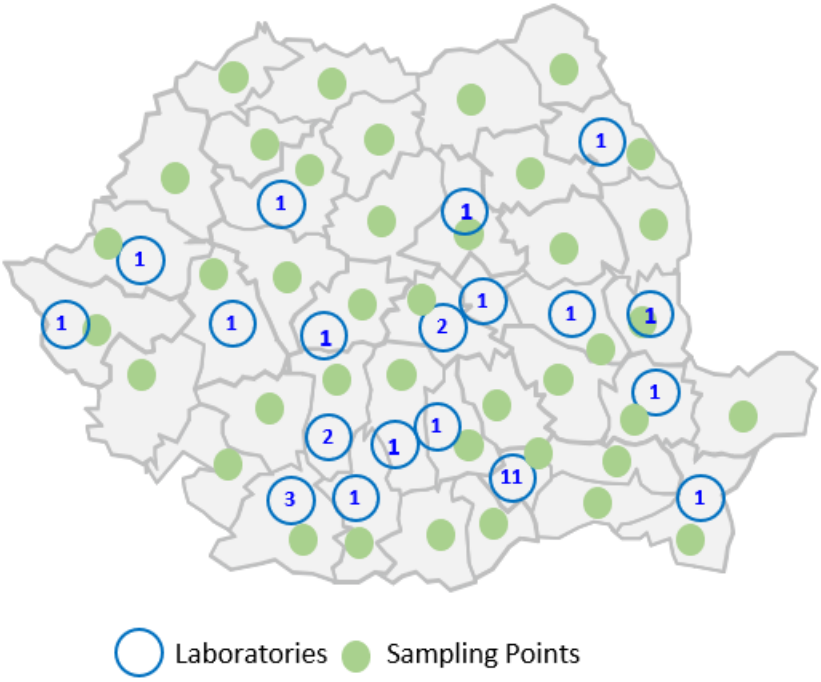
Laboratories

The Group is a leading player in the field of laboratories, where the Group has been active since 1999. The Group is currently the leading laboratory chain focused on the private market, according to the 2018 PMR Report. The Laboratories business line provides the following range of services: biochemistry, pathological anatomy (cytology and histology), molecular biology and genetics, hematology, immunology, microbiology and toxicology.

The Group operates 33 laboratories under both MedLife brand and Sfanta Maria brand, ranging from the large, state-of-the-art Grivita lab facility to smaller regional facilities. As of 31 December 2018, the Group also operated approximately 200 sampling points throughout Romania, under both brands of the Group. Sampling points are locations where the Group collects blood and other samples from patients.

In 2016, the Group acquired Diamed Center, a chain of five laboratories out of which two are located in Bucharest and three in other cities in Romania. The Group used this acquisition as a platform for the launch of the second aforementioned laboratory brand, "Sfanta Maria". This network is positioned as a lower-priced laboratory venue compared to the MedLife branded laboratories and offers patients a competitive alternative when price is a key purchasing decision. Starting with 30 September 2016 up to the present moment, 8 laboratories and approximately 40 sampling points had been established under Sfanta Maria laboratory brand. The Group also expects that Sfanta Maria laboratories will work to expand the volume of contracted NHIH work, building on its existing base of NHIH contracts. However, this is not expected to materially change the Laboratories business line's overall exposure to NHIH contracts.

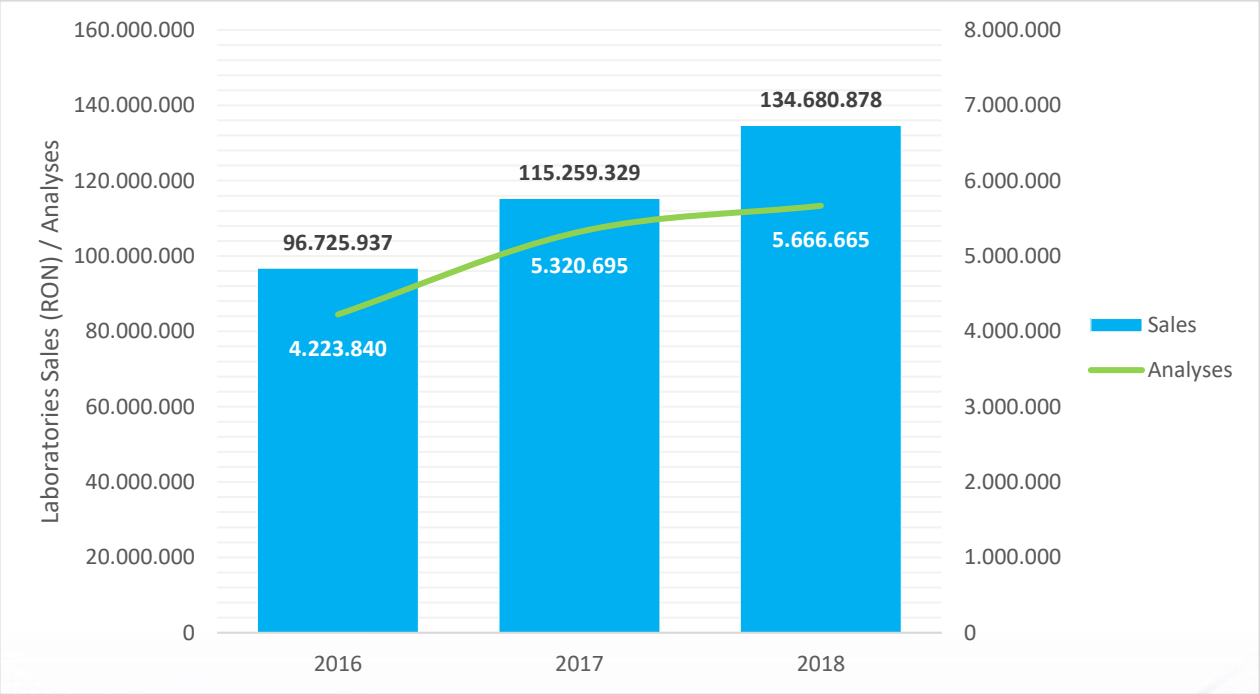
Laboratories and Sapling Points national footprint



Analysis of laboratories business line 2018 evolution

Laboratories sales increased in 2018 by RON 19,421,549 or 16.9%, from RON 115,259,329 in 2017 to RON 134,680,878 in 2018. The increase was due to an increase by 6.5% in the number of laboratory tests performed in 2018 as compared to 2017, from approximately 5,320,695 laboratory tests in 2017 to 5,666,665 laboratory tests in 2018, and due to an increase by 9.7% in the average fee per test, from 21.7 RON/lab test in 2017 to 23.8 RON/lab test in 2018. The changes in average fees are due to changes in the mix of laboratory tests performed by patients as well as due to an increase in the price of particular lab test.

The Laboratories business line sources the bulk of its revenue from FFS clients. In 2016, 2017 and 2018 only 16% of the business line's revenue came from servicing NHIH patients.



Hospitals

MedLife created its Hospitals business line to complement its clinic and laboratory activities, creating a full service offering. The Group's first hospital, Life Memorial Hospital ("LMH"), opened in 2007, was one of the first, and is still among the largest private hospitals in Romania. Subsequent growth has resulted in the Group becoming the largest private operator of inpatient facilities in Romania, measured by licensed number of beds, as well as operating theatres.

Between 2010-2018, the Group developed five new hospitals and acquired and integrated four existing hospital units:

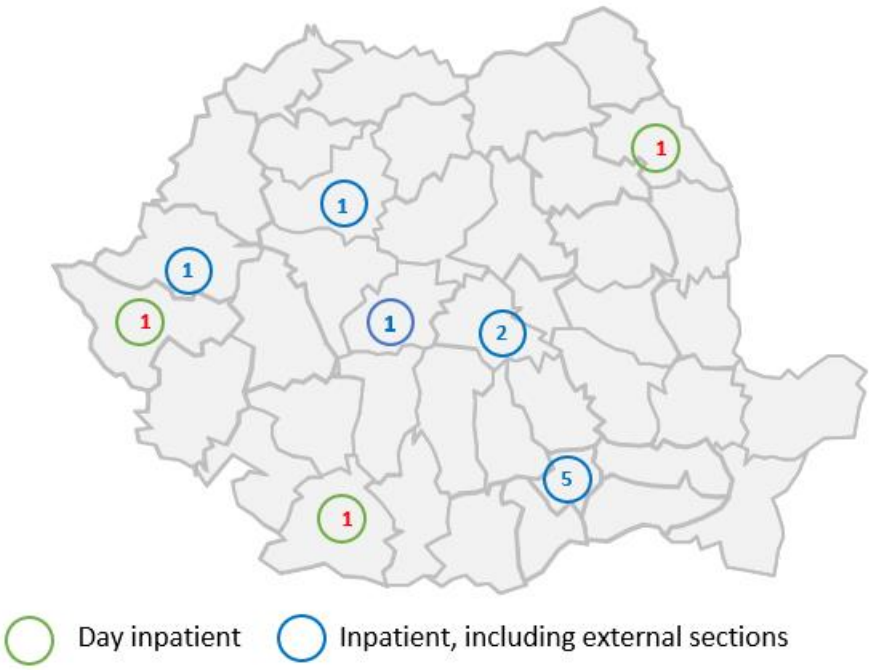
- MedLife Pediatrics Hospital in Bucharest, opened in 2011. The hospital focuses on inpatient care and surgery for pediatric patients and also houses a specialized clinic, pharmacy and laboratory (operating under their respective business lines). The hospital is licensed for 132 beds and has 2 operating theatres. Diagnostic imaging equipment including echography equipment and RX equipment is also installed at this location. The hospital was a brownfield development on land owned by the Group.
- Genesys Arad was acquired in 2011 and operates as a generalist hospital in Arad, in the West of Romania. The hospital is licensed for 77 beds and has 3 operating theatres. The hospital itself was established in 2009 and owns the land and building in which it operates.
- Eva Brasov was acquired in 2011 and operates as a maternity focused hospital in Brasov, in the center of Romania. The hospital is licensed for 35 beds and includes 3 operating theatres. The land and building in which it operates are owned by the Group.
- PDR Hospital in Brasov was developed and expanded by the Group following the acquisition of PDR in 2011, which included the land and building in which the hospital operates. This generalist hospital is licensed for 82 beds and has 3 operating theatres.
- Orthopedics Obor, located in central Bucharest in leased facilities, opened in 2012. It is licensed as an external section of LMH with 36 beds and 3 operating theatres. The section specializes in orthopedic surgery and since 2016 has become the center for the Group's development of a neurological surgery center of excellence.
- Titan Day Patient facility was established in 2015 in rented facilities above the existing MedLife Titan clinic. It is licensed as an external section of LMH and has 29 beds and one operating theatre.
- Interventional Cardiology Centre was established as an external section of LMH in rented facilities next to the LMH site. Opened in 2015, the Centre has 9 beds and one operating theatre, focusing on the treatment of heart disease through laparoscopic procedures.
- Humanitas Hospital was acquired in 2017 and functions as a generalist hospital in Cluj. On December 31, 2018, the Hospital was licensed for 13 beds and 2 operating theatres, and after the reporting date it expanded with additional 21 beds and 1 operating theatre.
- The Polisano Hospital in Sibiu was acquired in 2018 - includes the Polisano European Hospital - recognized as one of the most modern and performing hospital units in Romania and the largest private maternity hospital in Transylvania. The hospital has 210 beds and 3 operating theatres.

The development of the Interventional Cardiology Center reflects the Group's continued focus on niche opportunities where specialized medical teams can be recruited to serve the Group's patients.

The following table contains the breakdown of beds per hospital and specialty:

	ATI	Neonatology	Patients with continuous hospitalization	Patients with day care hospitalization	TOTAL
Paediatrics Hospital	10	-	96	26	132
LMH	18	43	157	14	232
Angio	3	-	6	-	9
Orthopaedics Hospital	11	-	25	-	36
Titan Hospital	4	-	6	19	29
Turnului Hospital	8	-	48	26	82
Eva Maternity	3	12	14	6	35
Genesys Hospital	4	10	59	4	77
Iași day care	1	-	-	6	7
Timișoara day care	2	-	-	8	10
Craiova day care	-	-	-	21	21
Humanitas	2	-	11	-	13
Humanitas	15	32	155	8	210
TOTAL	81	97	577	138	893

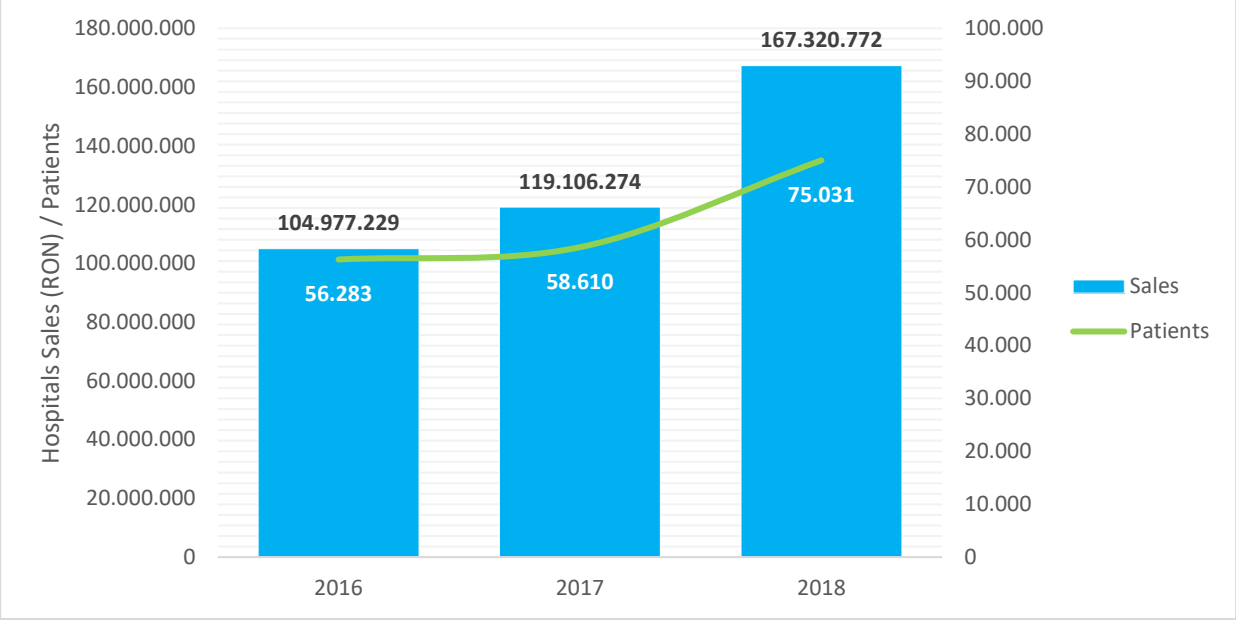
Hospitals national footprint



Analysis of hospitals business line 2018 evolution

The Hospitals business line's total sales increased in 2018 by RON 48,214,498 or 40.5%, from RON 119,106,274 in 2017 to RON 167,320,722 in 2018. The increase in 2018 was mainly due to Polisano acquisition, leading to an increase of 29% in the number of patients from approximately 58,000 in 2017 to approximately 75,000 in 2018. Also, in 2018 the average price per patient recorded an increase of 9.7% or RON 198 from RON 2,032 in 2017 to RON 2,230 in 2018. The average price per patient increase was driven by the much higher complexity of the surgeries undertaken, but also due to the increase in prices for certain interventions.

The Hospitals business line derives its revenue predominantly from FFS patients. Treatment of State insured patients for the NHIH, generally relating to maternity, gynecology, cardiology and oncology represented 27%, 27% and 33% of the business line's sales in 2016, 2017 and 2018.



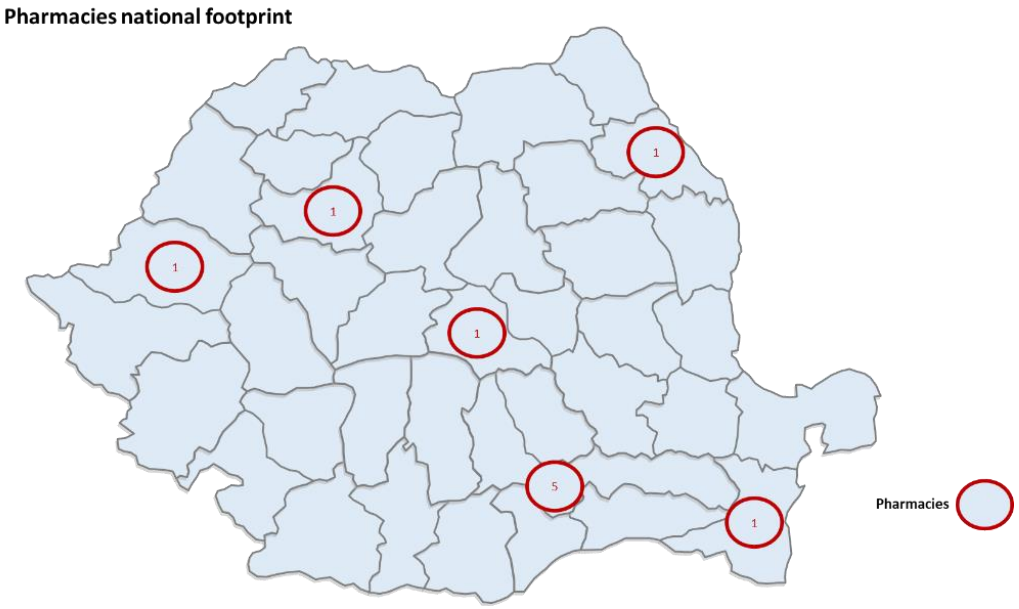
PDR Hospital in Brasov was developed and expanded by the Group following the acquisition of PDR in 2011, which included the land and building in which the hospital operates.

This generalist hospital is licensed for 82 beds and has 3 operating theatres.

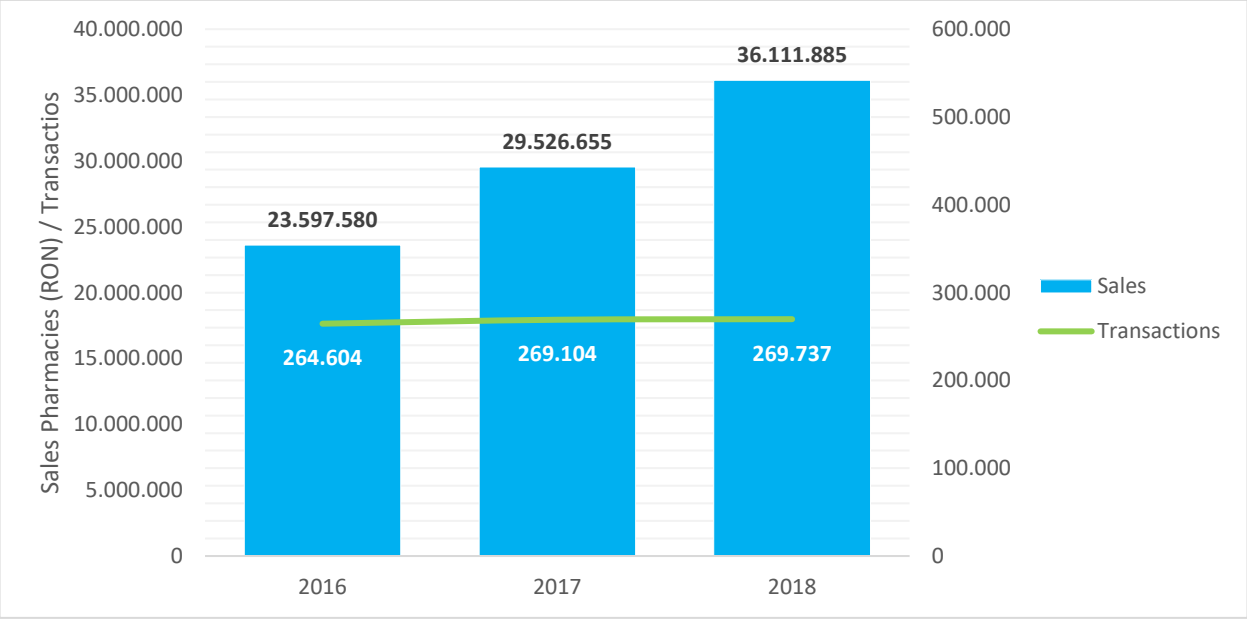
Pharmacies

The Group launched its PharmaLife brand of pharmacies in 2010 to capture additional revenue from the patient traffic in the Group's clinics. PharmaLife operates pharmacies in the Group's own facilities, space, license and sales potential permitting, but also in their proximity.

As at 31 December 2018, 10 pharmacies were in operation, providing patients with prescription, over-the-counter and healthcare related products.



Analysis of pharmacies business line 2018 evolution



The sales of the Pharmacies business line increased in 2018 by RON 6,585,230 or 22.3%, from RON 29,526,655 in 2017 to RON 36,111,885 in 2018. The increase was mainly due to an increase of 22.1% of the average value of each transaction from RON 109.7 per transaction to 133.9 RON per transaction.

In 2018, 41% of the PharmaLife sales were cash-based, rather than NHIH-subsidized. In 2017 cash-based sales represented 48% out of total pharmacies business line, while in 2016, 60%.

Other revenues

Other revenues include mostly sales brokerage commissions pertaining to the insurances intermediated by the Group's insurance broker and revenue from Stem Cells Bank's stem cell collection and storage services. Other revenues decrease in 2018 by RON 1,284,321 or 12.2%, from RON 10,489,646 in 2017 to RON 9,205,325 in 2018.

Analysis of the other items of the profit and loss account

Other operating revenues

Other operating revenues increased in 2018 by RON 2,348,184 or 31.3%, from RON 7,496,681 in 2017 to RON 9,844,865 in 2018. This item mainly includes subsidy operating income in total amount of RON 4,803,137, the capitalized costs of intangible assets as a result of the Group's investment of its own resources in the further development of its IT platform in total amount of RON 3,053,412, and other operating revenues in total amount of RON 1,988,316.

Operating expenses

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide the Group's services. The Group's operating expenses as a percentage of sales were 97.2% in 2016 and 95.6% in 2017 and 96.4% in 2018. Main operating expenses categories are detailed below.

Operating expenses evolution 2016, 2017 and 2018

	For the period ended 31 December					
	2016		2017		2018	
Description	RON	%	RON	%	RON	%
Consumable materials & repair materials	83,701,521	17%	97,974,250	16%	126,048,830	17%
Commodities expenses	18,908,567	4%	24,115,025	4%	29,367,048	4%
Utilities	5,074,199	1%	6,573,637	1%	9,056,380	1%
Repairs maintenance	5,133,520	1%	6,435,809	1%	8,984,186	1%
Rent	28,055,943	6%	38,281,750	6%	41,986,204	6%
Insurance premiums	1,868,261	0%	2,103,123	0%	2,538,221	0%
Promotion expense	10,371,665	2%	10,976,803	2%	15,011,240	2%
Communications	3,249,114	1%	3,326,050	1%	3,748,038	0%
Third party expenses	133,552,240	27%	165,638,063	28%	206,077,081	27%
Salary and related expenses	113,810,954	23%	152,403,119	26%	245,139,121	32%
Social contributions	25,748,024	5%	34,608,368	6%	8,136,171	1%
Other administration & operating exp.	24,304,132	5%	10,343,226	2%	12,939,652	2%
Impairment losses recognized in profit and loss	(970,918)	0%	-	0%	-	0%
Depreciation	36,093,805	7%	43,078,621	7%	56,982,245	7%
TOTAL	488,901,027	100%	595,857,844	100%	766,014,417	100%

Salary and related expenses and social contributions

These expenses include the gross salary expenses and corresponding salary related taxes pertaining to the Group's own staff including doctors, nurses, lab personnel, pharmacists and administration in the head office and the operating units. The costs of doctors providing services on an independent basis to the Group are included in Third party expenses (including doctors' agreements), discussed below.

The Group's salaries and social contributions increased in 2018 by RON 66,263,805 or 35.4%, from RON 187,011,487 in 2017 to RON 253,275,292 in 2018, mainly due to the effect from companies acquisitions made in 2018 and the increase in salaries for certain categories of medical employees, in response to the increase in public sector healthcare wages.

This category of expense as a percentage of the Group's sales represented 27.7% in 2016, 30.0% in 2017 and 31.9% in 2018.

Consumables, materials and repair materials

These expenses include various medical supplies and other goods used by the Group's business lines, including laboratory reagents, surgery and consultation sterilized consumables, and cleaning supplies. The Group's expense for consumables, materials and repair materials increased in 2018 by RON 28,074,580 or 28.7%, from RON 97,974,250 in 2017 to RON 126,048,830 in 2018. The increase is due to the general increase in volumes as the number of units grew through openings and acquisitions and their increased activity.

This category of expenses as a percentage of the Group's sales represented 16.6% in 2016, 15.7% in 2017 and 15.9% in 2018.

Rent and utilities

These expenses include the rent for the locations where the Group's units and headquarters operate that are not owned by the Group, the expenses with operating leases and the utilities paid for all units. The Group's expense for rent and utilities increased in 2018 cu RON 6,187,197 or 13.8%, from RON 44,855,387 in 2017 to RON 51,042,584 in 2018. The increase in rent expenses from 2017 to 2018 was due to the expension of the number of units opened in leased locations. This category of expense as a percentage of the Group's sales represented 6.6% in 2016, 7.2% in 2017 and 6.4% in 2018.

Commodities expenses

These expenses mainly include the cost of the pharmaceutical products sold by the Group's pharmacies. Commodities expenses increased in 2018 by RON 5,252,023 or 21.8%, from RON 24,115,025 in 2017 RON 29,367,048 in 2018. The increase was due due to increased sales of pharmaceuticals and the higher cost of those products following regulatory changes impacting drug prices.

This category of expense as a percentage of the Group's sales represented 3.8% in 2016, 3.9% in 2017 and 3.7% in 2018.

Promotion expense

These expenses include the Group's advertising campaigns in various media, public relations activities and other marketing related expenses. The promotion expenses increased in 2018 by RON 4,034,437 or 36.8%, from RON 10,976,803 in 2017 to RON 15,011,240 in 2018. The increase was driven by the Group's decision to increase marketing spending to support growth in cash sales and develop national brand awareness.

This category of expense as a percentage of the Group's sales represented 2.1% in 2016, 1.8% in 2017 and 1.9% in 2018.

Insurance premiums and communication

These expenses include communication related expenses (internet, telephone) and both medical and nonmedical insurance premiums, including policies for malpractice, third party liability, motor vehicles third party and facultative, and property insurance. The expense for insurance premiums and communication increased in 2018 by RON 857,086 or 15.8%, from RON 5,429,173 in 2017 to RON 6,286,259 in 2018. The increase was related to the general increase of Group's operations (increased fleet, number of units, phone subscriptions, etc.). This category of expense as a percentage of the Group's sales represented 1.0% in 2016, 0.9% in 2017 and 0.8% in 2018.

Third party expenses (including doctors' agreements)

Third party expenses include mainly the costs of doctors contracted by the Group as independent service providers. It also includes various other costs incurred with third parties such as financial and legal consultants and the costs of the NetLife network, which services the Group's HPP clients in areas where the Group is not present.

The Group's third party expense increased in 2018 by RON 40,439,018 or 24.4%, from RON 165,638,063 in 2017 to RON 206,077,081 in 2018. This increase was largely due to the increase in the services provided by doctors contracted by the Group as independent service providers, to reflect the expansion of the Group’s activities and as a result of the Group’s acquisitions completed in 2018.

Depreciation

Depreciation and amortization expenses increased in 2018 by RON 13,903,624 or 32.3%, from RON 43,078,621 in 2017 to RON 56,982,245 in 2018. The increase is due to due to increased investments in non-current assets and acquisitions completed in 2018.

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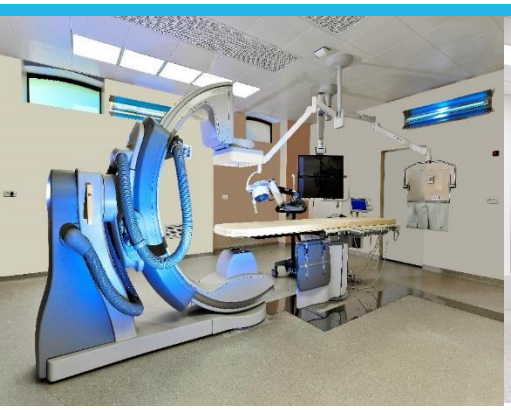
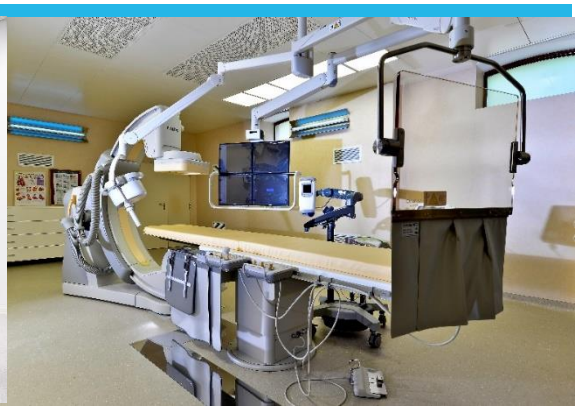
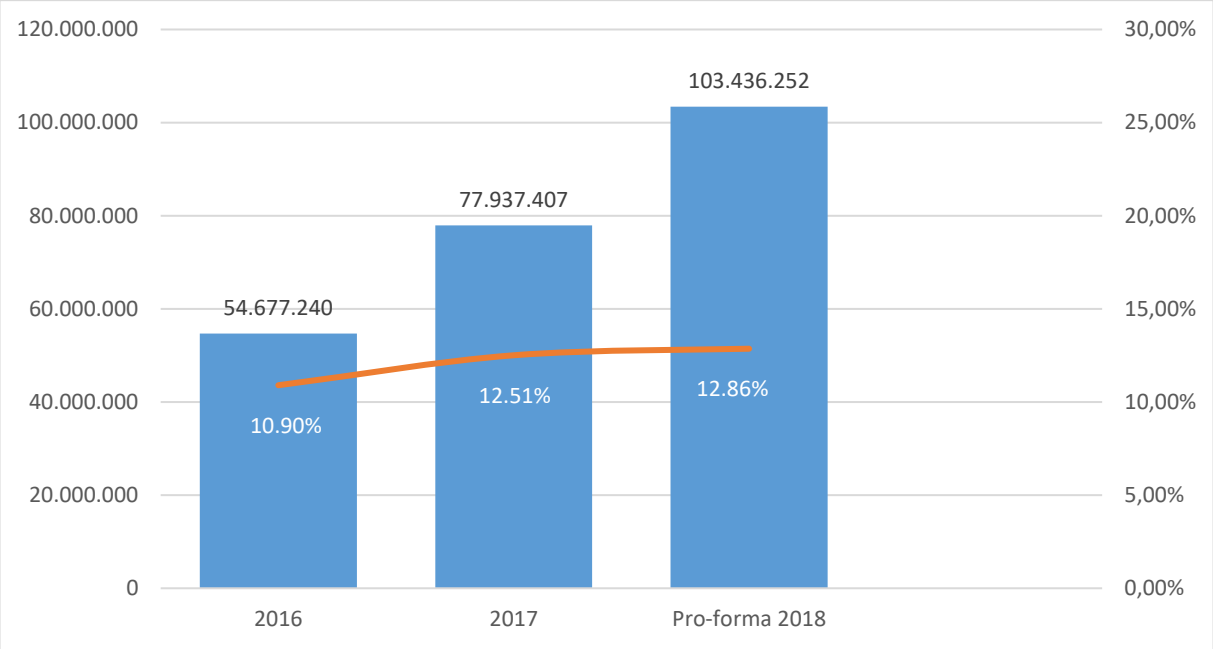




EBITDA PRO-FORMA

Adjusted EBITDA, presented in the Pro Forma Financial Information for the year ended December 31, 2018, recorded an increase of 32.7% or 25,498,845 RON, as compared to the EBITDA for the year ended December 31, 2017, from RON 77,937,407 in 2017, to RON 103,436,252 in 2018. Please refer to the "Pro-forma financial information for the 12 month period ended December 31, 2018" annex for more details in regards to Pro Forma financial information.

Proforma EBITDA and Proforma EBITDA Margin evolution 2016-2018 (figures for 2018 being Pro-forma)



Operating Profit

Operating profit increased in 2018 by RON 3,534,523 or 10.1%, from RON 34,858,786 in 2017 to RON 38,393,309 in 2018.

Financial result

As a result of the factors discussed below, the financial loss recorded 2018 decreased by RON 6,022,814, or 29.3%, from RON 20,582,241 in 2017 to RON 14,559,427 in 2018.

Net interest expense

Net interest expense increased in 2018 by RON 3,366,130 or 23.7%, from RON 14,201,686 in 2017 to RON 17,567,816 in 2018. The increase in net interest expense was due to the increase in interest bearing debt from one period to the other.

Net foreign exchange (losses) / gains

Net foreign exchange losses decreased in 2018 by RON 5,700,304 or 80.2%, from RON 7,109,598 RON in 2017, to RON 1,409,294 in 2018.

Net other financial income / (expenses)

Net financial income increased by RON 3,688,640 or 506%, from net financial income of RON 729,043 in 2017, to a net financial income of RON 4,417,683 in 2018. The increase was mainly due to a financial haircut on acquisitions in amount of RON 3.5 million.

Result before taxes

As a result of the factors discussed above, the result before taxes increased in 2018 by RON 9,557,337, from RON 14,276,545 in 2017, to RON 23,833,882 in 2018.

Tax on income

Tax on income increased in 2018 by RON 1,506,325 or 27.2%, from RON 5,544,920 in 2017, to RON 7,051,245 in 2018, as a result of faster increase in the operating profit compared to the other elements of financial performance.

Net result for the year

Net result increased in 2018 by RON 8,051,012 as compared to 2017, or by 92.2%, from a net result of RON 8,731,625 in 2017, to a net result of RON 16,782,637 in 2018. This increase is the consequence of the increase in operating profit and decrease in financial expenses.

Consolidated statement of financial position

The following table sets out the Group's consolidated statement of financial position for the periods ended 31 December 2016, 2017 and 2018 respectively.

	For the year ended 31 December,		
	2016	2017	2018
NON-CURRENT ASSETS			
Goodwill	43,993,237	66,035,963	82,378,647
Intangible assets	26,512,923	34,299,738	39,647,014
Tangible fixed assets	304,857,393	325,845,288	458,033,010
Financial fixed assets	1,160	6,161,678	10,115,776
TOTAL NON-CURRENT ASSETS	375,364,713	432,342,667	590,174,447
CURRENT ASSETS			
Inventories	17,373,541	20,325,330	31,070,480
Receivables	43,203,974	58,450,406	78,957,879
Other receivables	2,357,689	5,549,527	13,117,114
Cash at bank and in hand	20,701,850	79,227,766	34,206,159
	83,637,054	163,553,029	157,351,632
Assets classified as held for sale	381,665	381,665	381,665
PREPAYMENTS	6,736,028	7,068,126	6,186,462
TOTAL CURRENT ASSETS	90,754,747	171,002,820	163,919,759
TOTAL ASSETS	466,119,460	603,345,487	754,094,206
CURRENT LIABILITIES			
Trade accounts payable	98,432,380	103,839,523	140,970,528
Overdraft	1,267,442	2,013,469	30,911,018
Current portion of lease liability	7,031,122	3,177,961	8,949,472
Current portion of long term debt	19,127,593	36,642,740	23,162,490
Current tax liabilities	1,099,391	1,112,707	729,572
Provisions	-	-	2,458,957
Other liabilities	17,713,204	20,232,973	37,605,544
Liabilities directly associated with assets classified as held for sale	629,207	558,370	458,785
TOTAL CURRENT LIABILITIES	145,300,339	167,577,743	245,246,366
LONG TERM DEBT			
Lease liability	10,382,639	10,111,452	26,525,231
Long term debt	202,761,616	242,797,699	287,013,365
TOTAL LONG-TERM LIABILITIES	213,144,255	252,909,151	313,538,596
Deferred tax liability	14,655,982	15,196,634	16,436,342
TOTAL LIABILITIES	373,100,576	435,683,528	575,221,304
SHAREHOLDER'S EQUITY			
Issued capital	13,932,034	81,495,470	81,495,470
Treasury shares	-	-	(6,056,105)
Reserves	91,961,424	93,181,880	93,906,109
Retained earnings	(24,346,985)	(22,640,779)	(9,994,660)
Equity attributable to owners of the Group	81,546,473	152,036,571	159,350,814
Non-controlling interests	11,472,411	15,625,388	19,522,088
TOTAL EQUITY	93,018,884	167,661,959	178,872,902
TOTAL LIABILITIES AND EQUITY	466,119,460	603,345,487	754,094,206

Analysis of the main elements of the consolidated statement of financial position

Non-current assets

Non-current assets amount to RON 590,174,477 as at December 31, 2018, recording an increase by RON 157,831,780, or by 36.5% as compared to December 31, 2017. The increase was mainly due to the acquisitions performed: Polisano, Solomed and Ghencea.

The Group's fixed tangible assets comprise buildings and lands, which are used for its private healthcare network. The Group companies own some of these assets. Most of the owned properties are held under sole ownership by the Group companies, while certain other properties are held under co-ownership with individuals.

In addition, the Group uses a large number of properties under lease agreements and some other under free lease agreements and concession agreements, which are periodically renewed.

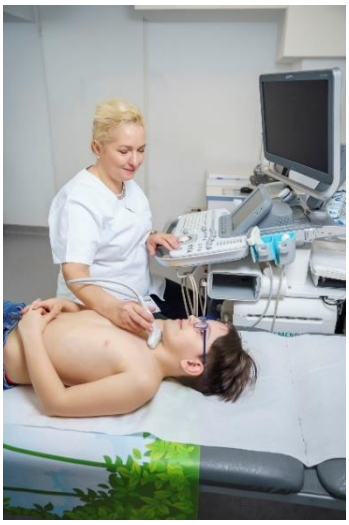
Most of the owned properties are subject to immovable mortgages to secure borrowings granted by the Group's creditors.

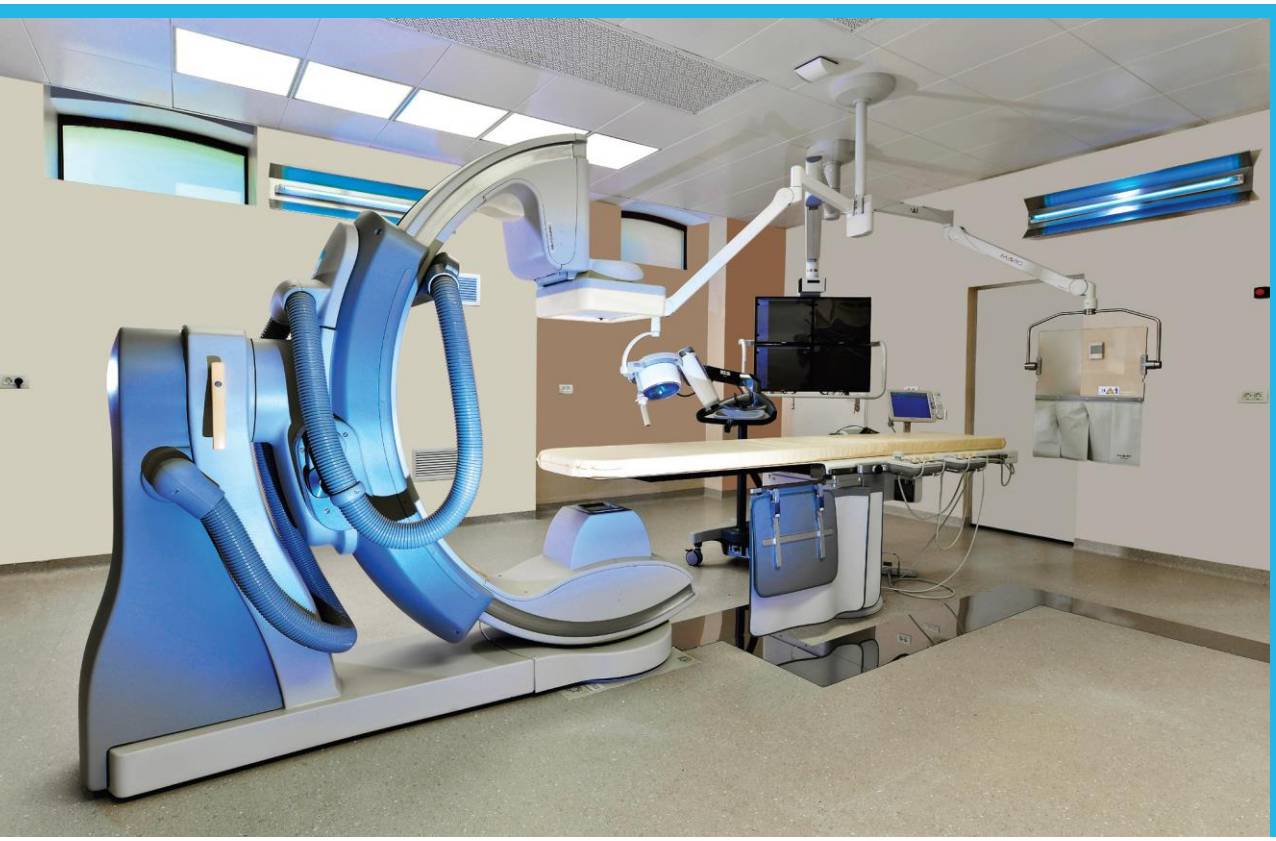
As at 31 December 2018, the Group had the following structure of tangible and intangible assets:

Cost	Intangible	Land	Constructions	Vehicles and equipment	Construction in progress	TOTAL
01 January 2018	66,401,761	27,114,136	243,558,849	229,918,397	12,089,627	579,082,770
Additions	5,485,867	-	545,292	63,882,798	13,876,893	83,790,850
Transfers	-	-	10,683,259	109,930	(10,793,189)	-
Disposals	(36,144)	-	-	(4,199,280)	-	(4,235,424)
Additions from business combinations	6,496,547	-	55,731,400	110,597,699	33,606	172,859,252
Disposals from business combinations	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
31 December 2018	78,348,031	27,114,136	310,518,800	400,309,544	15,206,937	831,497,448
Accumulated depreciation						
01 January 2018	32,102,023	84,120	45,751,453	141,000,148	-	218,937,744
Charge of the year	6,223,206	-	16,585,505	34,173,534	-	56,982,245
Disposals	(19,075)	-	-	(2,021,308)	-	(2,040,383)
Additions from business combinations	394,863	-	8,364,245	51,178,710	-	59,937,818
Disposals from business combinations	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Impairment losses recognized in profit and loss account	-	-	-	-	-	-
31 December 2018	38,701,017	84,120	70,701,203	224,331,084	-	333,817,424
Net book value						
01 January 2018	34,299,738	27,030,016	197,807,396	88,918,249	12,089,627	360,145,026
31 December 2018	39,647,014	27,030,016	239,817,597	175,978,460	15,206,937	497,680,024

Capital expenditure

The total capital expenditure (tangibles and intangibles), including the assets acquired as part of business combinations, increased by RON 170,558,124 or 198.1%, from RON 86,091,978 in 2017, to RON 256,650,102 in 2018. The increase in capital expenditure was generated mainly by an increase of RON 139,822,548 representing additions from business combinations in 2018 as compared to 2017 and an increase of RON 30,635,576 recorded for other capital expenditure elements, other that additions from business combinations in 2017 compared to 2016.





The Group's investments include the most advanced computer tomography ("CT"), magnetic resonance imaging ultrasound, gastroenterology, mammography, radiology equipment, lasers, as well as equipment such as medical scopes used in minimally invasive surgeries.

In addition, because the Group is committed to maintaining the highest standards of care, it is continuously upgrading and replacing this equipment as new technologies become available.

Current Assets

Current assets decreased by RON 7,083,061 or by 4.1%, from RON 171,002,820 as at December 31,2017, to RON 163,919,759 as at December 31, 2018.

Inventories

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

	For the year ended 31 December,		
	2016	2017	2018
Consumables	11,149,639	10,981,134	20,132,101
Materials in the form of inventory items	222,067	112,671	254,463
Commodities	6,000,816	9,230,143	10,682,477
Inventory in transit	1,019	1,382	1,439
TOTAL	**17,373,541**	**20,325,330**	**31,070,480**

Receivables

Starting January 1, 2018, the Group applied for the first time IFRS 9 "Financial Instruments". IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and general risk accounting.

For the Group, the effect of the adoption of IFRS 9 on 1 January 2018 on the carrying amounts of financial assets relates only to the new impairment requirements. As allowed by the Standard, the Group adopted IFRS 9 from 1 January 2018 using the modified retrospective method, with the cumulative adjustments from initial application recognized in equity and without altering the figures for the prior period.

Regarding the impairment of financial assets, IFRS 9 imposes an expected credit loss model as opposed to an incurred credit loss model, in accordance with IAS 39. The model of expected credit losses requires the Group to record the expected credit losses and changes in expected credit losses at each reporting date to reflect changes in credit risk from the initial recognition of financial assets. In other words, it is no longer necessary for a credit event to have taken place before credit losses are recognized.

For the Group 's financial assets categories, there are no significant differences between the original valuation method under IAS 39 and the new valuation criteria in accordance with IFRS 9. Also, there are no significant differences between adjustments for impairment of trade receivables in accordance with IAS 39 and adjustments for impairment of trade receivables in accordance with IFRS 9.

Receivables are measured in the balance sheet at the estimated amount to be realized. Group receivables cover a wide range of clients. The main client to the state budget is the National Health Insurance House.

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

	For the year ended 31 December,		
	2016	2017	2018
Customers	57,352,607	71,761,034	91,081,445
Advances to suppliers	2,522,169	3,581,967	5,285,312
Bad debt provisions	(16,670,802)	(16,892,595)	(17,408,878)
TOTAL	**43,203,974**	**58,450,406**	**78,957,879**

Current Liabilities

Current liabilities (excluding interest bearing liabilities) increased by RON 56,479,813, or by 44.9%, from RON 125,743,573 as at December 31, 2017, to RON 182,223,386 as at December 31, 2018.

Group suppliers

The Group acquires its medical and non-medical supplies from market leading suppliers, including highly reputed international firms and local companies. The Group has customary supply agreements with its major suppliers for medical disposables, substances used in laboratory activities, pharmaceuticals, medical equipment and other non-medical purchases. These agreements are negotiated at Group level, in order to leverage a higher bargaining power to obtain favorable terms for the Group. The procurement department is a key factor in generating cost synergies immediately after the Group closes an acquisition and redirects the purchasing flows of the newly acquired unit through the centralized purchasing department of the Group. The Group chooses its suppliers having regard for quality, prices and delivery capabilities and aims to create long-term strong business relationships with its suppliers.

The Group's largest suppliers include Abbott, Diamedix Impex, Medist Group, Roche Romania and Novaintermed, which supply the reagents and other consumables used in the medical activity, as well as certain pieces of equipment required for the performance of the medical activity, which are provided by certain suppliers for use with their products. Suppliers of diagnostic imaging equipment include, among others, General Electric and Siemens.

The Group acquires their pharmaceutical products from local distributors of pharmaceuticals and the main suppliers in 2018 were Mediplus Exim S.R.L., Farmexpert D.C.I. S.R.L., Farmexim S.A., Romastru Trading S.R.L. and Farmaceutica Remedia S.A..The largest non-medical suppliers of the Group are Telekom Romania for communication solutions and property leases and Capital Fleet Management for operational leasing. Other non-medical purchases include information technology and information systems hardware and software, office equipment, stationery, furniture. In addition, various services such as medical waste disposal, laundry, security, catering are outsourced by the Group to third party companies.

Current liabilities increased by 35.8% in 2018 as compared with 2017, from RON 103,839,523 as at December 31, 2017, to RON 140,970,528 as at December 31, 2018.

Financial Debt

Interest bearing debt increased by RON 81,818,255, or by 27.8%, from RON 294,743,321 as at December 31, 2017, to RON 376,561,576 as at December 31, 2018.

As at 31 December 2018, the companies within the Group were parties to a number of financing agreements, used to finance the Group's capital expenditures as well as working capital.

The table below summarizes the Group's interest bearing debts as at 31 December 2016, 2017 and 2018:

	For the year ended 31 December,		
Loan agreements	2016	2017	2018
Current portion of loans (Overdraft inclusive)	20,395,035	38,656,209	54,073,508
Non-current portion of loans	202,761,616	242,797,699	287,013,365
TOTAL	**223,156,651**	**281,453,908**	**341,086,873**

	For the year ended 31 December,		
Financial leasing	2016	2017	2018
Current portion of lease liability	7,031,122	3,177,961	8,949,472
Long-term lease liability	10,382,639	10,111,452	26,525,231
TOTAL	**17,413,761**	**13,289,413**	**35,474,703**

As at December 31, 2018, the Group's drawn and undrawn financing facilities included the following:

- On 31 October 2018, Med Life SA (together with the co-borrowers of the PDR SA, Bahtco Invest SA and Accipiens SA) signed with Banca Comerciala Romana, Raiffeisen Bank, BRD Groupe Societe Generale and Banca Transilvania the refinancing of the existing facilities, the extension of the financing period, the rearrangement of the related terms and conditions, as well as an additional credit limit of 10 million euros, which will be in the form of a term facility and will be used by Medlife, along with other company's own cash, for possible new acquisition opportunities in the market. At December 31, 2018, the balance of these facilities is 265,482,480 RON;

- a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn at 31 December 2018 is of RON 9,327,800;

- 4 secured loan contracts concluded between Banca Transilvania S.A. and Sama Medical Center S.A. for the purchase of medical equipment and the construction of a clinic, in a total amount of 797,148 RON, at 31 December 2018;

- an overdraft facility concluded between Transylvania Bank S.A. and Sama Medical Center S.A. since September 2016, having as balance at December 31, 2018 the amount of RON 900,000;

- 3 guaranteed loan contracts concluded between Banca Transilvania S.A. and Genesys Medical Center S.R.L., having on 31 December 2018 a balance of the borrowed amount of EUR 2,118,487 and RON 349,515; an overdraft facility with a balance at December 31, 2018 of RON 268,010;

- an overdraft facility between Unicredit Tiriac Bank and Prima Medical S.R.L., with a maximum credit limit of RON 800,000, drawn in full at 31 December 2018;

- a credit facility concluded between Garanti Bank S.A. and Dent Estet Clinic S.A. with the amount remaining to be reimbursed at December 31, 2018 of RON 589,272;

- a credit facility concluded between Marfin Bank Romania and Dent Estet Clinic S.A. with the amount remaining to be reimbursed at 31 December 2018 of RON 2,800,000;

- 10 guaranteed loan facilities concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L; the balance outstanding at 31 December 2018 is RON 4,621,906;

- an overdraft facility concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L within the limit of 1,500,000 RON; on 31 December 2018 the amount drawn is RON 1,000,000;

- a guaranteed loan agreement concluded between Banca Transilvania S.A. and Almina Trading S.A., with an outstanding balance at December 31, 2018 of RON 381,162;

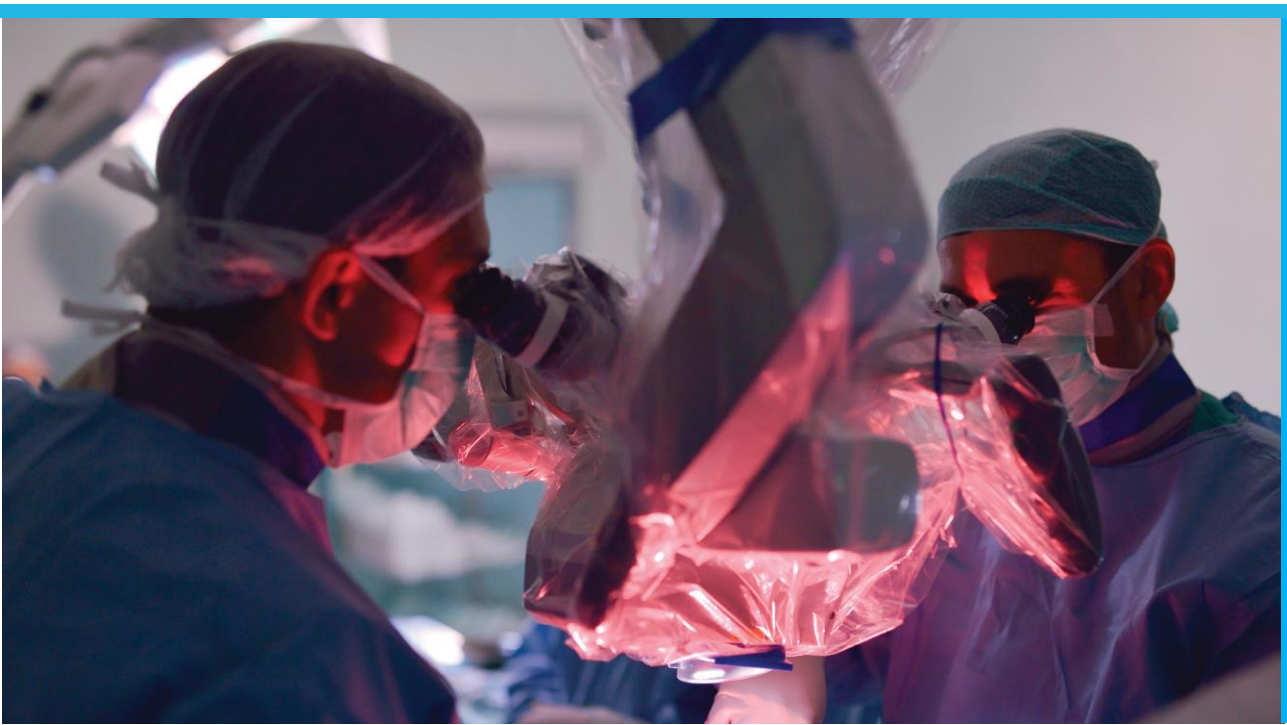
- a guaranteed loan concluded between Bancpost and Med Life Ocupational S.R.L. of EUR 225,000; the outstanding balance at 31 December 2018 is RON 458,785;

- 3 guaranteed loan contracts concluded between Libra Internet Bank and Valdi Medica S.R.L., the balance outstanding at 31 December 2018 is RON 1,305,792;

- 2 guaranteed loan contracts concluded between Banca Transilvania S.A. and Ghencea Medical Center, the balance outstanding at 31 December 2018 is RON 783,037;

- a loan agreement and a guaranteed overdraft facility between CEC Bank S.A. and Clinic Polisano S.R.L., the balance outstanding at 31 December 2018 is RON 40,710,343.

As at December 31, 2018 none of the Group members was in breach of any applicable term of the financing facilities.



Minimum invasive procedures performed in MedLife 's hospitals

State-of-the-art technology allows us to make tiny incisions, minimizing post-operative complications. Patients have many benefits: the procedures are very light, with a quick recovery. Basically, the patient can go home as soon as the intervention is over.

Liquidity and Capital Resources

The following table sets out the Group's summary cash flow information for the periods ended 31 December 2016, 2017 and 2018:

	For the year ended 31 December,		
	2016	2017	2018
Cash flow from operating activities			
Profit / Loss before tax	**1,169,112**	**14,276,545**	**23,833,883**
Adjustments for:			
Depreciation	36,093,805	43,078,621	56,982,245
Disposal of subsidiaries	714,750	-	-
Provisions for risks and charges	-	-	(260,399)
Interest expense	13,336,592	14,201,686	17,567,816
Interest income	(454,439)	(613,193)	(813,677)
Allowance for doubtful debts and receivables written-off	8,175,200	(485,889)	(161,589)
Write off and allowance of other current assets	109,041	-	-
Financial discounts	3,052,445	-	(6,983)
Unrealized exchange gain/loss	2,608,677	7,102,716	1,407,018
Other non-monetary gains	(3,300,000)	(4,561,947)	(6,549,809)
Bargain gain	-	(729,165)	-
Net gain/(loss) on disposal of property	(970,918)	-	-
Operating cash flow before working capital changes	**60,534,265**	**72,269,374**	**91,998,505**
(Increase) in accounts receivable	(11,152,764)	(18,029,348)	(20,931,344)
(Increase) in inventories	(2,974,751)	(2,718,311)	(5,902,259)
Decrease/(Increase) in prepayments	(446,269)	(155,089)	1,889,895
Increase in accounts payable	12,787,223	2,380,649	8,257,035
Cash generated from operations	**58,747,704**	**53,747,275**	**75,311,832**
Income tax paid	(2,945,862)	(5,058,217)	(6,194,673)
Interest paid	(13,144,091)	(13,455,456)	(18,165,105)
Interest received	454,439	613,193	813,677
Net cash flow from operating activities	**43,112,190**	**35,846,795**	**51,765,731**
Cash flow from investing activities			
Investments in business combinations	(32,993,008)	(29,388,050)	(16,985,373)
Additional participation interest acquired	-	(2,401,752)	-
Purchase of intangible assets	(4,038,544)	(1,534,853)	(2,396,311)
Purchase of property, plant and equipment	(28,035,141)	(40,626,665)	(49,923,781)
Proceeds from sale of business combinations	45,000	-	-
Net cash used in investing activities	**(65,021,693)**	**(73,951,320)**	**(69,305,465)**
Cash flow from financing activities			
Share capital contribution	137,030	67,563,436	-
Increase in loans	73,824,643	65,257,781	46,683,462
Payment of loans	(30,629,749)	(21,661,647)	(58,474,480)
Payments of financial leasing	(6,602,067)	(14,218,842)	(9,341,826)
Dividend paid to NCI	-	(310,287)	(292,924)
Payments for acquisition of treasury shares	-	-	(6,056,105)
Net cash generated by financing activity	**36,729,857**	**96,630,441**	**(27,481,873)**
Net change in cash and cash equivalents	**14,820,354**	**58,525,916**	**(45,021,607)**
Cash and cash equivalents opening balance	**5,881,496**	**20,701,850**	**79,227,766**
Cash and cash equivalents closing balance	**20,701,850**	**79,227,766**	**34,206,159**

Net cash generated from operating activities

Net cash generated from operations increased in 2018 by RON 15,918,936 or 44.4%, from RON 35,846,795 in 2017, to RON 51,765,731 in 2018. This increase was mainly due to the increase in the activity of the Group, both through organic development and acquisitions.

The Group operates its business with negative net working capital, enhancing in 2018 as compared to 2017 the cash generation from its operations. The high percentage of cash payments among its fee for service clients and the credit terms offered to its Corporate business line clients for HPPs result in account receivables days being substantially lower than account payables days obtained from the Group's suppliers. As a result, the growth of the Group's business has resulted in the generation of additional cash and liquidity from the working capital position of the Group.

Net cash used in investing activities

Net cash used in investing activities decreased by RON 4,645,855 or 6.3%, from RON 73,951,320 in 2017, to RON 69,305,465 in 2018. The decrease is mainly due to a decrease in cash outflows for business combinations (acquisitions), from RON 29,388,050 in 2017, to RON 16,985,373 in 2018. On the other hand, cash outflows for investments in non-current assets (intangibles and property plant and equipment) were RON 52,320,092, increasing with RON 10,158,574 as compared to 2017.

Net cash used in financing activities

Net cash used in financing activities increased by RON 124,112,314, from cash generated by financing activities in amount of RON 96,630,441 in 2017, to cash used in financing activities in amount of RON 27,481,873 in 2018. In 2018, the Group's cash outflows to repay loans and financial leasing amounted to RON 67,816,306, while cash inflows from loan drawdowns to finance the acquisitions and increase working capital lines to support growth were of RON 46,683,462.

SUBSEQUENT EVENTS

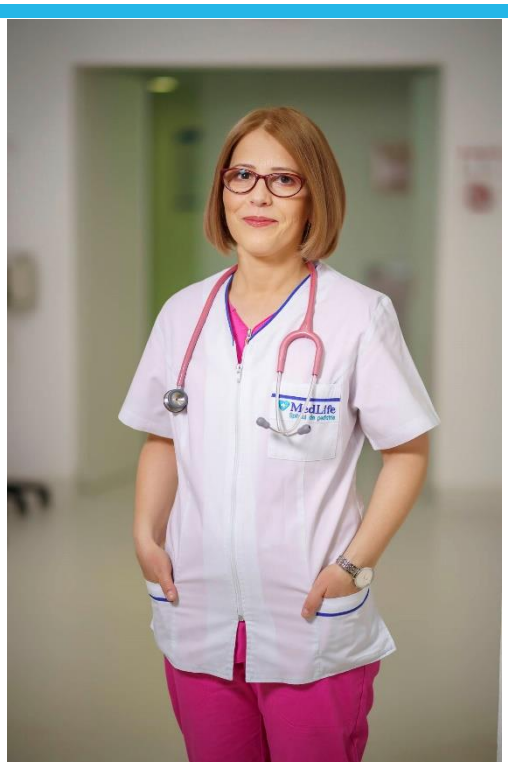
Increase participation in Sama Craiova and PDR Brasov groups

Medlife has announced the acquisition of a 35% stake in Sama Group Craiova, Medlife has becoming the shareholder with 90% shares (from 55% initial stake). 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 stake). 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 the majority package of 51% of Rozsakert Medical Center in Hungary. Rozsakert Medical Center is amongst 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.



ANNEXES

MED LIFE GROUP

PRO FORMA FINANCIAL INFORMATION

FOR THE PERIOD ENDED 12 MONTHS

AT 31 DECEMBRE 2018

Introduction

The following Consolidated Pro Forma PL of the Consolidated PL is based on the Group's Consolidated audited Financial Statements for the 12 month period ended on 31 December 2018, adjusted with the historical financial results of the company acquired by the Group during the period from 1 January 2018 up to 31 December 2018 (the "**Acquired Company**"). Details of the Acquired Company are set out below.

The Consolidated Pro Forma PL for the 12 month ended 31 December 2018 transpose (i) the acquisition of the Acquired Company as if the acquisition had occurred on 1 January 2018 by combining the financial results for the period of the Acquired Company with those of the Group and (ii) the elimination of certain expenses included in the Consolidated PL of the Group which the Group considers to be non-operational and/or non-recurring in nature.

The Consolidated Pro Forma PL provide a hypothetical illustration of the impact of the transactions on the Company's earnings. The Consolidated Pro Forma PL has been prepared for the Group as at and for the 12 month period ended 31 December 2018. The Consolidated Pro Forma PL should be read in conjunction with the Group`s Consolidated audited Financial Statements for the 12 month period ended 31 December 2018.

Purpose of the Consolidated Pro Forma PL

The Consolidated Pro Forma PL set out below has been prepared to (i) illustrate the effect on the Group of the acquisition completed in 12 months 2018 and (ii) provide an estimate of the Group's recurring EBITDA.

The Group's unaudited consolidated pro forma Adjusted EBITDA is also useful when analyzing the Group's current debt compared to its earnings capacity. Although the Consolidated BS in the Consolidated FS include the full amount of debt incurred to finance the acquisition completed as of 31 December 2018, the Consolidated PL includes no portion of the annual earnings of the Acquired Company. Using the unaudited consolidated pro forma Adjusted EBITDA for such comparison allows inclusion of a measure of the full period earnings that will contribute to the servicing of the debt incurred in relation to the acquisition.

In the first 12 months of 2018, the Company made the following acquisition in pursuit of a consolidation strategy aimed at complementing the Group's service offering, expanding its national footprint and consolidating its market position:

- 100% of the shares in SC Clinica Polisano SRL, completed in April 2018;
- 90% of the shares in SC Ghencea Medical Center SA, completed in May 2018;
- 80% of the shares in SC Solomed Clinic SA, completed in May 2018;
- 100% of the shares in SC Sfatul Medicului SA, completed in August 2018; and
- 100% of the shares in SC Transilvania Imagistica SA, completed in September 2018 through SC Genesys Medical Clinic SRL.

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

acquired companies. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

Consolidated Pro-Forma PL

	12 Months ended December 31, 2018			
	Consolidated PL	**Normalisation**	**One off**	**Consolidated Pro forma PL**
SALES*	**794,562,861**	**9,509,859**	**-**	**804,072,720**
Other operating revenues	9,844,865	3,772,574	-	13,617,439
OPERATING INCOME	**804,407,726**	**13,282,433**	**-**	**817,690,159**
OPERATING EXPENSES*	**(766,014,417)**	**(11,683,330)**	**3,151,145**	**(774,546,602)**
PERATING PROFIT	**38,393,309**	**1,599,103**	**3,151,145**	**43,143,557**
Finance cost	(17,567,816)	(970,850)	-	(18,538,666)
Other financial income	3,008,389	17,058	-	3,025,447
FINANCIAL RESULT	**(14,559,427)**	**(953,792)**	**-**	**(15,513,219)**
RESULT BEFORE TAXES	**23,833,882**	**645,311**	**3,151,145**	**27,630,338**
Income tax expense	(7,051,245)	(20,760)	(504,183)	(7,576,188)
NET RESULT	**16,782,637**	**624,551**	**2,646,962**	**20,054,150**

Net Income to Adjusted EBITDA

	12 Month ended December 31, 2018			
	Consolidated PL	**Normalisation**	**One off**	**Consolidated Pro forma PL**
Net income/(loss) for the period	**16,782,637**	**624,551**	**2,646,962**	**20,054,150**
Add back:				
Taxes on income	**7,051,245**	**20,760**	**504,183**	**7,576,188**
Out of which:				
Base tax expense	7,051,245	20,760	-	7,072,005
One off impact	-	-	504,183	504,183
Net financial result	**14,559,427**	**953,792**	**-**	**15,513,219**
Depreciation, amortisation and impairment, including write-ups	**56,982,245**	**3,310,450**	**-**	**60,292,695**
Adjusted EBITDA	**95,375,554**	**4,909,553**	**3,151,145**	**103,436,252**

Sales split by Business Line

	12 Month ended December 31, 2018			
	Consolidated PL	**Normalisation**	**One off**	**Consolidated Pro forma PL**
Clinics	233,339,171	15,494,907	-	248,834,078
Stomatology	44,733,559	-	-	44,733,559
Hospitals*	167,320,772	(9,460,243)	-	157,860,529
Laboratories	134,680,878	2,722,813	-	137,403,691
Corporate	169,171,271	629,891	-	169,801,162
Pharmacies	36,111,885	-	-	36,111,885
Other	9,205,325	122,491	-	9,327,816
Total Sales	**794,562,861**	**9,509,859**	**-**	**804,072,720**

**In the normalisation adjustments the subsidies received from the NHIH which refer to National Health Program have had its corresponding revenues and expenses reclassified.*

Basis for the Consolidated Pro Forma PL

The Consolidated Pro Forma PL for the 12-month period ended 31 December 2018 has been prepared starting from the Consolidated PL of the Group as of 31 December 2018. The Consolidated Pro Forma PL was prepared in a manner consistent with the accounting policies adopted by the Group in the Consolidated FS as of 31 December 2018.

The Consolidated Pro Forma PL for the 12 months ended 31 December 2018 gives effect to the acquisitions of the Acquired Companies as if the acquisitions had occurred on 1 January 2018. Also, certain expense items incurred by the Group in the relevant period which are considered to be non-operational and non-recurring by nature as detailed in the notes to the tables, are reflected in the Consolidated Pro Forma PL as one off adjustments, based on management judgment for the Group, without taking into account the Acquired Companies.

Consolidated Pro Forma PL adjustments

Normalization adjustment

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

The companies that were normalized and the months included in the normalization are set out below:

Entity	**Date of obtaining control**	**Months included in Normalization (inclusive)**
SC Clinica Polisano SRL	April 2018	January – March 2018
SC Ghencea Medical Center SA	June 2018	January – May 2018
SC Solomed Clinic SA	June 2018	January – May 2018
SC Sfatul Medicului SA	September 2018	January – August 2018
SC Transilvania Imagistica SA	October 2018	January – September 2018

One-off adjustments

The one-off adjustments represent expenses which have been included in the Group's Consolidated PL but which, in the Group's opinion, represent non-recurring and/or non-operational expenses by nature. These expenses relate to costs incurred in relation to the acquisition of the Acquired Companies which were expensed rather than capitalized as part of the acquisition cost of the company, including also the costs of aborted or continuing acquisition processes, as well as the fine from the Competition Council as a consequence of Competition Council Decision no. 19/11.04.2018.

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

Type of Expense	**Amount for Q4 2018**	**Note**
Cost of Acquisitions	959,638	*Note A*
Competition Council Fine	1,216,451	*Note B*
Other costs	497,551	*Note C*
Finance Cost	477,505	*Note D*
Total	**3,151,145**	

Note A

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

These expenses are considered non-recurrent and non-operational, as they do not relate to the operational business of the Group.

Note B

Through the Competition Council Decision no. 19/11.04.2018, the Competition Council fined Medlife S.A. and other group entities, as follows: RON 755,926 to MedLife S.A., RON 86,617 to Genesys Medical Clinic S.R.L. and RON 22,577 to Rur Medical S.A.

The rest of the RON 351,331 represent legal charges in relation to the fine.

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

Note C

Includes other expenses considered non-recurring and not having any connection with the operational activity of the Group.

Note D

The cost of financing includes the expenses incurred in connection with legal assistance regarding the Group's financing, covering the costs related to the mortgage and the fees related to the land book.

These expenses are considered non-recurring and non-operational because they are not related to the Group's ongoing operational activity.

EBITDA EVOLUTION

	12 Month ended December 31, 2018	2017	Variatie 2018/2017
	Pro-Forma	**IFRS**	
Sales	**804,072,720**	**623,219,949**	**29.0%**
Other operating revenues	13,617,439	7,496,681	81.6%
Operating income	**817,690,159**	**630,716,630**	**29.6%**
Operating expenses less depreciation	**(714,253,907)**	**(552,779,223)**	**29.2%**
EBITDA	**103,436,252**	**77,937,407**	**32.7%**
EBITDA margin	*12,86%*	*12,51%*	

	12 Month ended December 31, 2018	% out of Total
Adjusted Pro-forma EBITDA	**103,436,252**	**100%**
Attributable to:		
Owners of the Group	93,806,618	90.69%
Non-controlling interests	9,629,634	9.31%

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

MED LIFE S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AND ADMINISTRATORS' REPORT)

Free translation from the original Romanian version.

CONTENTS: **PAGE:**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Med Life S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of Med Life S.A. and its subsidiaries (the Group), with registered office in 365 Grivitei Road, Bucharest, district 1, identified by unique tax registration code 8422035, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and notes to the consolidated financial statements.

2. The financial statements as at December 31, 2018 are identified as follows:

   - Net assets/ Equity RON 178.872.902
   - Net profit/(loss) for the financial year RON 16.782.637

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

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

Key Audit Matters

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

KEY AUDIT MATTER	How our audit addressed the key audit matter
Valuation of goodwill	
Goodwill represents 11% of the total assets of the Group. Management conducts impairment tests on an annual basis or whenever there is an indication of impairment to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include: >> Revenue growth >> Operating margins and >> The discount rates applied to the projected future cash flows. Accordingly, the impairment test of these assets is considered to be a key audit matter. Management have engaged specialists to assist with the determination of the discount rates for the significant Cash Generating Units to which the goodwill relates.	We focused our testing of the impairment of goodwill on the key assumptions made by management. Our audit procedures included: >> Engaging our internal specialists to assist with: –– Critically evaluating whether the model used by management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36 Impairment of Assets. –– Evaluating the appropriateness of the assumptions used to calculate the discount rates and recalculating these rates. >>We evaluated the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the Cash Generating Unit. >>We subjected the key assumptions to sensitivity analyses. >>We compared the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to evaluate reasonableness of management's projections.

Other information- Administrator's Report

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

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

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

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

with International Financial Reporting Standards as adopted by EU.

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

a) the information included in the administrators' report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;

b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;

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

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

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

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

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

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

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

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on April 28, 2018 to audit the financial statements of Med Life S.A. for the financial year ended December 31, 2018. The uninterrupted total duration of our commitment is 1 year, covering the financial years ended December 31, 208.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537 / 2014 were provided.

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

Madeline Alexander, Audit Partner

For signature, please refer to the original Romanian version.

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

On behalf of:

DELOITTE AUDIT S.R.L.

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

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

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

	Note	December 31, 2018	January 1, 2018
ASSETS			
Long Term			
Goodwill	**4**	82,378,647	66,035,963
Intangible assets	**5**	39,647,014	34,299,738
Tangible assets	**5**	458,033,010	325,845,288
Financial assets	**5.5**	10,115,776	6,161,678
TOTAL NON-CURRENT ASSETS		**590,174,447**	**432,342,667**
Current Assets			
Inventories	**6**	31,070,480	20,325,330
Receivables	**7**	78,957,879	58,450,406
Other receivables		13,117,114	5,549,527
Cash and cash equivalents	**8**	34,206,159	79,227,766
		157,351,632	**163,553,029**
Assets classified as held for sale	**9**	381,665	381,665
Prepayments	**10**	**6,186,462**	**7,068,126**
TOTAL CURRENT ASSETS		**163,919,759**	**171,002,820**
TOTAL ASSETS		**754,094,206**	**603,345,487**
LIABILITIES & SHAREHOLDER'S EQUITY			
Current Liabilities			
Trade accounts payable	**11**	140,970,528	103,839,523
Overdraft	**14**	30,911,018	2,013,469
Current portion of lease liability	**13**	8,949,472	3,177,961
Current portion of long term debt	**14**	23,162,490	36,642,740
Current tax liabilities		729,572	1,112,707
Provisions		2,458,957	-
Other liabilities	**12**	37,605,544	20,232,973
Liabilities directly associated with assets classified as held for sale	**9**	458,785	558,370
TOTAL CURRENT LIABILITIES		**245,246,366**	**167,577,743**
Long Term Debt			
Lease liability	**13**	26,525,231	10,111,452
Long term debt	**14**	287,013,365	242,797,699
TOTAL LONG-TERM LIABILITIES		**313,538,596**	**252,909,151**
Deferred tax liability	**25**	16,436,342	15,196,634
TOTAL LIABILITIES		**575,221,304**	**435,683,528**
SHAREHOLDER'S EQUITY			
Issued capital	**15**	81,495,470	81,495,470
Treasury shares		(6,056,105)	-
Reserves	**17**	93,906,109	93,181,880
Retained earnings		(9,994,660)	(22,640,779)
Equity attributable to owners of the Group		**159,350,814**	**152,036,571**
Non-controlling interests	**18**	19,522,088	15,625,388
TOTAL EQUITY		**178,872,902**	**167,661,959**
TOTAL LIABILITIES AND EQUITY		**754,094,206**	**603,345,487**

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

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

The accompanying notes are an integral part of the consolidated financial statements.
Free translation from the original Romanian version.

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

	Note	Year ended December 31 2018	Year ended December 31 2017
Sales	**19**	794,562,861	623,219,949
Other operating revenues	**20**	9,844,865	7,496,681
Operating Income		**804,407,726**	**630,716,630**
Operating expenses	**21,22**	**(766,014,417)**	**(595,857,844)**
Operating Profit		**38,393,309**	**34,858,786**
Finance cost	**23**	(17,567,816)	(14,201,686)
Other financial expenses	**23**	3,008,389	(6,380,555)
Financial result	**23**	**(14,559,427)**	**(20,582,241)**
Result Before Taxes		**23,833,882**	**14,276,545**
Income tax expense	**25**	(7,051,245)	(5,544,920)
Net Result		**16,782,637**	**8,731,625**
Owners of the Group		13,370,348	4,382,702
Non-controlling interests	**18**	3,412,289	4,348,924
Other comprehensive income items that will not be reclassified to profit or loss			
Gain / Loss on revaluation of properties		-	-
Corrections related to prior years		-	-
Deferred tax on other comprehensive income components		-	-
TOTAL OTHER COMPREHENSIVE INCOME		**-**	**-**
Total other comprehensive income attributable to:			
Owners of the Group		-	-
Non-controlling interests		-	-
TOTAL COMPREHENSIVE INCOME		**16,782,637**	**8,731,625**
Total comprehensive income attributable to:			
Owners of the Group		13,370,348	4,382,702
Non-controlling interests	**18**	3,412,289	4,348,924

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

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

The accompanying notes are an integral part of the consolidated financial statements.
Free translation from the original Romanian version.

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

	Note	Year ended December 31 2018	Year ended December 31 2017
Net income before taxes	**25**	**23,833,883**	**14,276,545**
Adjustments for			
Depreciation	**21**	56,982,245	43,078,621
Disposal of subsidiaries		-	-
Provisions for risks and charges		(260,399)	-
Interest revenue	**23**	(813,677)	(613,193)
Interest expense	**23**	17,567,816	14,201,686
Allowance for doubtful debts and receivables written-off	**7**	(161,589)	(485,889)
Written off and allowance of other current assets	**7**	-	-
Financial Discounts	**23**	(6,983)	-
Other non-monetary gains	**20**	(6,549,809)	(4,561,947)
Unrealized exchange gain / loss	**23**	1,407,018	7,102,716
Bargain gain	**26**	-	(729,165)
Net gain on disposal of property	**5**	-	-
Operating cash flow before working capital changes		**91,998,505**	**72,269,374**
Decrease / (increase) in accounts receivable		(20,931,344)	(18,029,348)
Decrease / (increase) in inventories		(5,902,259)	(2,718,311)
Decrease / (increase) in prepayments		1,889,895	(155,089)
Increase / (decrease) in accounts payable		8,257,035	2,380,649
Cash generated from WC changes		**(16,686,673)**	**(18,522,099)**
Cash generated from operations		**75,311,832**	**53,747,275**
Income Tax Paid		(6,194,673)	(5,058,217)
Interest Paid		(18,165,105)	(13,455,456)
Interest received		813,677	613,193
Net cash from operating activities		**51,765,731**	**35,846,795**
Investment in business combination	**26**	(16,985,373)	(29,388,050)
Additional participation interest acquired	**26**	-	(2,401,752)
Purchase of intangible assets	**5**	(2,396,311)	(1,534,853)
Purchase of property, plant and equipment	**5**	(49,923,781)	(40,626,665)
Proceed from sale business combination		-	-
Proceed from sale of fixed assets		-	-
Net cash used in investing activities		**(69,305,465)**	**(73,951,320)**

	Note	Year ended December 31 2018	Year ended December 31 2017
Cash flow from financing activities			
Share capital contribution	**17**	-	67,563,436
Increase in Loans	**14**	46,683,462	65,257,781
Payment of loans	**14**	(58,474,480)	(21,661,647)
Financial Lease payments		(9,341,826)	(14,218,842)
Dividends paid to NCI	**18**	(292,924)	(310,287)
Payments for acquisition of treasury shares		(6,056,105)	-
Net cash from / (used in) financing activities		**(27,481,873)**	**96,630,441**
Net change in cash and cash equivalents		**(45,021,607)**	**58,525,916**
Cash and cash equivalents beginning of the period		79,227,766	20,701,850
Cash and cash equivalents end of the period		**34,206,159**	**79,227,766**

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

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

	Share Capital									
	Paid and registered	**Paid, registered after year end****	**Treasury shares**	**Share premium**	**General reserves and other reserves**	**Revaluation Reserve***	**Accumulated Results**	**Attributable to owners of the parent**	**Non-controlling interests**	**Total Equity**
Balance as at January 1, 2018	**5,023,000**	**513,271**	**-**	**75,959,199**	**10,920,039**	**82,261,841**	**(22,640,779)**	**152,036,571**	**15,625,388**	**167,661,959**
Recognition of other reserves for fiscal purposes	-	-	-	-	617,485	-	(617,485)	-	-	-
Recognition of other reserves	-	-	-	-	106,744	-	(106,744)	-	-	-
Sale of subsidiaries	-	-	-	-	-	-	-	-	-	-
Share capital contribution	-	-	-	-	-	-	-	-	-	-
Additional non-controlling interest arising as of result of business combinations	-	-	-	-	-	-	-	-	777,335	777,335
Subsequent acquisition of NCI	-	-	-	-	-	-	-	-	**-**	**-**
Distribution of dividends	-	-	-	-	-	-	-	-	(292,924)	(292,924)
Acquisition of treasury shares	-	-	(6,056,105)	-	-	-	-	**(6,056,105)**	-	(6,056,105)
Total comprehensive income	**-**	-	-	-	-	-	**13,370,348**	**13,370,348**	**3,412,289**	**16,782,637**
Gain/loss on revaluation of properties	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax related to revaluation reserve	-	-	-	-	-	-	-	-	-	-
Profit of the year (loss)	-	-	-	-	-	-	13,370,348	13,370,348	3,412,289	16,782,637
Balance as at December 31, 2018	**5,023,000**	**513,271**	**(6,056,105)**	**75,959,199**	**11,283,019**	**82,261,841**	**(9,994,660)**	**159,350,814**	**19,522,088**	**178,872,902**

Note*: The closing balance of the revaluation reserve as of December 31, 2018 in amount of RON 82,261,841 comprises revaluation reserve in amount of RON 97,438,877 and deferred tax computed on revaluation reserve in amount of RON (15,177,036).

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

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

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

	Share Capital								
	Paid and registered	**Paid, registered after year end****	**Share premium**	**General reserves and other reserves**	**Revaluation Reserve***	**Accumulated Results**	**Attributable to owners of the parent**	**Non-controlling interests**	**Total Equity**
Balance as at January 1, 2017	**5,023,000**	**-**	**8,909,034**	**9,699,583**	**82,261,841**	**(24,346,985)**	**81,546,473**	**11,472,411**	**93,018,884**
Recognition of other reserves for fiscal purposes	-	-	-	18,040	-	(18,040)	-	-	-
Recognition of other reserves	-	-	-	1,202,416	-	(1,202,416)	-	-	-
Sale of subsidiaries	-	-	-	-	-	-	-	-	-
Share capital contribution	-	513,271	67,050,165	-	-	-	67,563,436	-	67,563,436
Additional non-controlling interest arising as of result of business combinations	-	-	-	-	-	-	-	1,060,052	1,060,052
Subsequent acquisition of NCI	-	-	-	-	-	(1,456,040)	(1,456,040)	(945,712)	(2,401,752)
Distribution of dividends	-	-	-	-		-	-	(310,287)	(310,287)
Total comprehensive income	**-**		**-**	**-**	**-**	**4,382,702**	**4,382,702**	**4,348,924**	**8,731,626**
Gain/loss on revaluation of properties	-	-	-	-	-	-	-	-	-
Deferred tax related to revaluation reserve	-	-	-	-	-	-	-	-	-
Profit of the year (loss)	-	-	-	-	-	4,382,702	4,382,702	4,348,924	8,731,626
Balance as at December 31, 2017	**5,023,000**	**513,271**	**75,959,199**	**10,920,039**	**82,261,841**	**(22,640,779)**	**152,036,571**	**15,625,388**	**167,661,959**

Note*: The closing balance of the revaluation reserve as of December 31, 2017 in amount of RON 82,261,841 comprises revaluation reserve in amount of RON 97,438,877 and deferred tax computed on revaluation reserve in amount of RON (15,177,036).

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

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Vera Firu,
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1. DESCRIPTION OF THE BUSINESS

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

Medlife Group is offering a large range of medical service having opened 20 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Braila, Sibiu, Cluj and Constanta, one Hyperclinic recently opened in Oradea, 47 Clinics, 10 hospitals – located in Bucharest, Sibiu, Arad and Brasov, 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.

Medlfie's business model is based on providing medical services to its clients both individuals and companies.
The group's activities are split in six business lines:

- Corporate: the corporate business line offers client companies health prevention packages as part of the benefits granted by the later to their employees
- Clinics: the clinics business line includes ambulatory and imagistic medical services provided by the Group
- Laboratories: the laboratory business line includes providing laboratory analyses, biochemical, haematological, coagulation, immunological, microbiological, anatomical, pathological, cytological, molecular and toxicological laboratory analyses
- Hospitals: The Hospitals business line covers the Group's hospitalization activities, consisting of a wide range of medical and surgical specializations. The 10 hospitals of the group are located in Arad, Bucharest, Brasov, Cluj and Sibiu.
- Pharmacies: The Business Line Pharmacies offer recipe products, free products and other associated medical products in the 10 pharmacies opened in or near the Clinics of the Group.
- Dentistry: The Dentistry business line provides a wide range of dental services ranging from simple examinations to complex surgery

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

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2018	January 1, 2018
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	80.01%	80.01%
2	Medapt SRL	Medical Services	Brasov, Romania	80.01%	80.01%
3	Histo SRL	Medical Services	Brasov, Romania	48.01%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL	Medical Services	Sfantul Gheorghe, Romania	64.01%	64.01%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100%	100%
6	Medsanrom SRL (Med Life Ocupational 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	58%	58%
10	Genesys Medical Clinic 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 SA	Medical services	Brasov, Romania	100%	100%
13	Biotest Med SRL	Medical services	Constanta, Romania	100%	100%
14	Vital Test SRL	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 SA	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%

1. DESCRIPTION OF THE BUSINESS (continued)

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

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

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

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

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

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

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

2.2 Amendments to the existing standards issued by IASB and adopted by the EU, adopted by Group, as at December 31, 2018

At the date of authorization of these consolidated financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU and adopted by Group:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

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

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

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

As at December 31, 2018, the Group has adopted these new standards and amendments to existing standards.

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

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

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019).

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),

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

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Statement of compliance

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

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

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

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

3.2 Basis of preparation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Going concern

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

3.4 Basis of consolidation

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

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

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

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

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

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

3.5 Business combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Goodwill

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

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

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

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

3.7 Non-current assets held for sale

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

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

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

3.8 Accounting estimates and judgments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Foreign currency translation

Functional and presentation currency

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

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

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

The profit and loss incurred before the transaction date of the acquired businesses in 2018 and in 2017 were eliminated.

3.10 Comparative information

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

3.11 Property, plant and equipment

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

The value of land and buildings owned presented in these consolidated financial statements is based on the valuation reports which were performed as of December 31, 2016 by independent valuators certified by ANEVAR. The revaluation is performed with sufficient regularity as to ensure that the Group presents land and buildings at fair value in the consolidated financial statements. The Group performed the revaluation as of December 31, 2018 for a sample of buildings to identify whether there have been significant changes in fair value. Considering that the resulted fair values were not significantly different compared to the carrying values of the selected assets, the revaluation exercise was not extended to all the relevant assets and no revaluation was recorded as of December 31, 2018.

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

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

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

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

	Years
Buildings	10 – 50 years
Plant and equipment	3 – 15 years
Fixtures and fittings	3 – 15 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Assets held under finance leases

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

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

3.13 Intangible assets

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

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

Intangible assets acquired in a business combination

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

De-recognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Intangible assets (continued)

Impairment of tangible and intangible assets other than goodwill

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

3.14 Investments in subsidiaries

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

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

3.15 Investments in associates

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

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

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

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

3.16 Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Trade receivables

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

3.18 Cash and cash equivalents

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

3.19 Financial instruments

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

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

3.20 Accounts payable

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

3.21 Leasing

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

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

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

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

3.22 Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Taxation

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

Current tax

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

Deferred tax

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

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

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

Current and deferred tax for the period

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

3.24 Share capital

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

3.25 Share premiums

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

3.26 Revaluation reserve

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.27 Provisions for risks and charges

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

3.28 Revenue recognition

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

Rendering of services

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

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

Interest revenues

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

3.29 Employee benefits

Employee benefits

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

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

3.30 Related parties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.31 Fair value

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

In determining the fair value of assets and liabilities, the Group uses as much as possible observable market values. Fair values are classified on various levels based on inputs used in valuation techniques, as follows:

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

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

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

3.32 IAS 29

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

3.33 IFRS 8

IFRS 8 disclosures are meant to enable users of financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

An operating segment is a component of an entity:

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

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

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

In order to enable users of the financial statements to evaluate the nature and financial effects of the business, the Group decided to present the revenues split on the main business lines.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.34 IFRS 9 „Financial instruments"

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

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

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

3.35 IFRS 15 „Revenues from contracts with customers"

IFRS 15 „Revenues from contracts with customers" introduces a comprehensive model for revenue recognition and measurement. The standard replaces the existing criteria for revenue recognition, replacing the standards IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes".

Under the new standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Group is expected to be entitled to receive in exchange of those goods or services.

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

In respect to the timing of the revenue recognition, all of the Group's services provided are transferred to the customer when the services are rendered. Based on internal assessment of the possible impact resulting from the application of IFRS 15 not significant effect was identified on these consolidated financial statements.

Also, a number of other amendments and interpretations have been effective starting with January 1st 2018, but do not have a significant effect on these consolidated financial statements.

3.36 IFRS 16 „Leases"

Starting with January 1st 2019, the Group will adopt the new standard IFRS 16 „Leases". IFRS 16 is effective for annual periods beginning on or after January, 1st 2019. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 16. Recognition of a right of use as an asset and a lease liability for contracts existing on 31 December 2018 will result in an increase in the value of tangible assets and liabilities of approximately ROL 110 million on 1 January 2019. On the income and expense side, will report depreciation expense and interest expense instead of rental expenses. This will lead to an increase in operating result that will be offset by higher interest expense. Based on the analysis, the resulting impact is not significant.

3.37 Subsequent events

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

4. GOODWILL

The Group records goodwill resulting from business combinations.

Please see below the goodwill recorded as of December 31, 2018 and January 1, 2018:

	December 31, 2018	December 31, 2017
Policlinica de Diagnostic Rapid Group	11,281,899	11,281,899
Pharmalife Med SRL	138,997	138,997
Accipiens Group	10,853,416	10,853,416
Biotest Med SRL	215,289	215,289
Vital Test SRL	90,706	90,706
Centrul Medical Sama SA	1,492,537	1,492,537
Ultratest Craiova SA	9,807	9,807
Bactro	68,393	68,393
Diamed Center SRL	2,646,208	2,646,208
Prima Medical SRL	1,422,493	1,422,493
Stem Cells Bank SA	1,217,669	1,217,669
Dent Estet Clinic SA	7,576,551	7,576,551
Centrul Medical Panduri SA	6,979,272	6,979,272
Almina Trading SRL	6,354,631	6,354,631
Anima Specialty Medical Services SRL	12,863,892	12,863,892
Valdi Medica SRL	2,824,203	2,824,203
Clinica Polisano SRL	4,070,023	-
Ghencea Medical Center	4,693,895	-
Grupul Solomed	6,066,602	-
Sfatul medicului	1,503,438	-
Transilvania Imagistica	8,726	-
TOTAL	**82,378,647**	**66,035,963**

Movement in Goodwill

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	66,035,963	43,993,237
Goodwill recognized during the year	16,342,684	22,042,726
Disposal of subsidiaries	-	-
TOTAL	**82,378,647**	**66,035,963**

During the year ended December 31, 2018, the Group obtained control over various companies and recorded a goodwill of RON 16,342,684. For further details on business combinations performed in the year ended December 31, 2018 and the year ended December 31, 2017, please see note 25.

Management conducts impairment tests on an annual basis or whenever there is an indication of impairment to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models.
There are a number of key sensitive judgements made in determining the inputs into these models which include:

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

Management have engaged specialists to assist with the impairment analysis. No impairment of goodwill was identified as of December 31, 2018.

5. TANGIBLE AND INTANGIBLES FIXED ASSETS

As of December 31, 2018 the Group's tangible and intangible assets' structure was the following:

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
January 1, 2018	**66,401,761**	**27,114,136**	**243,558,849**	**229,918,397**	**12,089,627**	**579,082,770**
Additions	5,485,867	-	545,292	63,882,798	13,876,893	83,790,850
Transfers		-	10,683,259	109,930	(10,793,189)	-
Disposals	(36,144)	-	-	(4,199,280)	-	(4,235,424)
Additions from business combinations	6,496,547	-	55,731,400	110,597,699	33,606	172,859,252
Disposals from business combinations	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
December 31, 2018	**78,348,031**	**27,114,136**	**310,518,800**	**400,309,544**	**15,206,937**	**831,497,448**

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

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
Depreciation						
January 1, 2018	**32,102,023**	**84,120**	**45,751,453**	**141,000,148**	**-**	**218,937,744**
Charge of the year	6,223,206	-	16,585,505	34,173,534	-	56,982,245
Disposals	(19,075)	-	-	(2,021,308)	-	(2,040,383)
Additions from business combinations	394,863	-	8,364,245	51,178,710	-	59,937,818
Disposals from business combinations	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Impairment losses recognized in profit or loss	-	-	-	-	-	-
December 31, 2018	**38,701,017**	**84,120**	**70,701,203**	**224,331,084**	**-**	**333,817,424**
Net Book Values						
January 1, 2018	**34,299,738**	**27,030,016**	**197,807,396**	**88,918,249**	**12,089,627**	**360,145,026**
December 31, 2018	**39,647,014**	**27,030,016**	**239,817,597**	**175,978,460**	**15,206,937**	**497,680,024**

6. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

As of December 31, 2017 the Group's tangible and intangible assets' structure was the following:

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
January 1, 2017	**49,662,705**	**27,114,136**	**220,255,015**	**187,925,500**	**9,939,797**	**494,897,153**
Additions	6,096,799	-	10,376,979	26,149,889	10,531,607	53,155,274
Transfers	-	-	8,516,418	-	(8,516,418)	-
Disposals	-	-	(15,865)	(1,890,496)	-	(1,906,361)
Additions from business combinations	10,642,257	-	4,426,302	17,733,504	134,641	32,936,704
Disposals from business combinations	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
December 31, 2017	**66,401,761**	**27,114,136**	**243,558,849**	**229,918,397**	**12,089,627**	**579,082,770**

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

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
Depreciation						
January 1, 2017	**23,149,782**	**84,120**	**28,880,616**	**111,412,319**	**-**	**163,526,837**
Charge of the year	5,792,478	-	16,874,941	20,411,202	-	43,078,621
Disposals	-	-	(15,865)	(1,564,250)	-	(1,580,115)
Additions from business combinations	3,159,763	-	11,761	10,740,877	-	13,912,401
Disposals from business combinations	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Impairment losses recognized in profit or loss	-	-	-	-	-	-
December 31, 2017	**32,102,023**	**84,120**	**45,751,453**	**141,000,148**	**-**	**218,937,744**
Net Book Values						
January 1, 2017	**26,512,923**	**27,030,016**	**191,374,399**	**76,513,181**	**9,939,797**	**331,370,316**
December 31, 2017	**34,299,738**	**27,030,016**	**197,807,396**	**88,918,249**	**12,089,627**	**360,145,026**

5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.1. Land and buildings carried at fair value

The value of land and buildings related to Med Life, PDR, Accipiens, Rur Medical and Bahtco Invest presented in this consolidated financial information is based on the valuation reports which were performed as of December 31, 2016 by independent valuators certified by ANEVAR. The Group performed the revaluation as of December 31, 2018 for a sample of buildings to identify whether there have been significant changes in fair value. Considering that the resulted fair values were not significantly different compared to the carrying values of the selected assets, the revaluation exercise was not extended to all the relevant assets and no revaluation was recorded as of December 31, 2018.

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

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

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

Carrying amount without revaluation	**December 31, 2018**	**January 1, 2018**
Land	4,705,086	4,705,086
Buildings	186,320,397	130,019,084
TOTAL	**191,025,483**	**134,724,170**

5.2. Assets pledged as securities

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

- 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

5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.3. Intangible assets

Carrying amount	December 31, 2018	January 1, 2018
Set-up and development costs	8,563	13,758
Customer lists	6,022,310	3,683,529
Contract advantage	4,992,463	4,088,463
Trademark	15,452,595	12,655,595
Concessions, patents, licenses, trademarks and similar rights and assets	4,267,216	4,572,641
Other intangible assets	8,903,867	9,285,752
TOTAL	**39,647,014**	**34,299,738**

5.4. Intangible assets acquired in a business combination

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

Subsidiary	Customer List	Contract Advantage	Trademark	Total
Policlinica de Diagnostic Rapid (2010)	2,335,446	282,163	-	2,617,609
Med Life Ocupational (2010)	10,427	64,546	-	74,973
Genesys Clinic (2011)	631,221	-	-	631,221
Vital Test (2014)	-	8,462	-	8,462
Biotest (2014)	-	25,579	-	25,579
Diamed (2016)	-	839,438	605,153	1,444,591
Prima Medical (2016)	-	115,865	688,850	804,715
Stem Cells Bank (2016)	338,056	-	-	338,056
Dent Estet Clinic (2016)	930,189	-	9,654,592	10,584,781
Centrul Medical Panduri (2016)	-	318,179	-	318,179
Almina Trading SRL (2017)	-	632,000	321,000	953,000
Anima S (2017)	1,130,000	1,150,000	1,288,000	3,568,000
Anima P (2017)	-	870,567	-	870,567
Valdi Medica SRL (2017)	-	-	98,000	98,000
Clinica Polisano (2018)	-	-	2,076,000	2,076,000
Ghencea Medical Center (2018)	-	600,000	280,000	880,000
Grupul Solomed (2018)	-	170,000	157,000	327,000
Sfatul medicului (2018)	2,338,781	-	235,000	2,573,781
Transilvania Imagistica (2018)	-	134,000	49,000	183,000
Total	**7,714,120**	**5,210,799**	**15,452,595**	**28,377,514**

5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.5. Financial assets

Carrying amount	December 31, 2018	January 1, 2018
Long-term receivables for stem cells processing	8,581,006	6,160,418
Additional acquisition of shares in Sama (10%)	1,532,500	
Other receivables	2,270	1,260
TOTAL	**10,115,776**	**6,161,678**

As of December 31, 2018, the Group presents RON 8,581,006 as long-term receivables for stem cells processing.

6. INVENTORIES

	December 31, 2018	January 1, 2018
Consumables	20,132,101	10,981,134
Materials in the form of inventory items	254,463	112,671
Commodities	10,682,477	9,230,143
Inventory in transit	1,439	1,382
TOTAL	**31,070,480**	**20,325,330**

7. ACCOUNTS RECEIVABLE

	December 31, 2018	January 1, 2018
Customers	91,081,445	71,761,034
Advances to suppliers	5,285,312	3,581,967
Bad debt provisions	(17,408,878)	(16,892,595)
TOTAL	**78,957,879**	**58,450,406**

Trade receivables as of December 31, 2018 and as of January 1, 2018 include a receivable of RON 7,365,835 representing amounts to be collected from the National Health House of Bucharest not yet invoiced. The Group started legal actions against the National Health House of Bucharest. The management is confident that the receivable may be eventually recovered, but given the adverse court decisions in similar cases, the Group decided to record a 100% allowance during 2016.

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

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

As of December 31, 2018 and January 1, 2018, the Management of the Group performed an assessment regarding the collectability of receivables - a total allowance of RON 17.408.878 (which includes the amount of RON 7,365,835 in relation to the National Health House described above) represents management's best estimate regarding the receivables which are not to be collected. The assessment takes into consideration the collection pattern of the receivables over the last two years. The Group monitors the credit quality of its customers on an ongoing basis. Credit risk is spread over a large customer base and the Group is not dependent on the collection of receivables from a limited number of customers.

7. ACCOUNTS RECEIVABLE (continued)

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

Ageing of past due but not impaired

	December 31, 2018	January 1, 2018
90 - 180 days	624,033	488,216
180 days - 270 days	677,174	973,664
270 - 365 days	654,092	2,271,282
Over 365 days	4,784,670	3,874,936
TOTAL	**6,739,968**	**7,608,098**
Average age (days)	90	90

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

Movement in the allowance for doubtful debts	December 31, 2018	January 1, 2018
Balance at the beginning of the year	**16,892,595**	**16,670,802**
Additions from business combinations	516,283	707,682
Impairment losses and reversals recognized on receivables	-	(485,889)
TOTAL	**17,408,878**	**16,892,595**

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

Ageing of impaired trade receivables

	December 31, 2018	January 1, 2018
270-365 days	-	-
Over 365 days	10,043,043	9,526,760
TOTAL GENERAL	**10,043,043**	**9,526,760**
Other allowance (described above)	7,365,835	7,365,835
TOTAL	**17,408,878**	**16,892,595**

8. CASH AND BANKS

	December 31, 2018	January 1, 2018
Cash in bank	30,568,057	76,956,322
Cash in hand	2,038,387	1,683,744
Cash equivalents	1,599,715	587,700
TOTAL	**34,206,159**	**79,227,766**

As of December 31, 2017, the cash at bank increased materially as a result of the subscription of the new shares. Please see note 15 for more details.

9. ASSETS CLASSIFIED AS HELD FOR SALE

	December 31, 2018	January 1, 2018
Apartment owned by Med Life Ocupational	381,665	381,665
TOTAL	**381,665**	**381,665**

The Group intends to dispose of the above assets within a twelve month period. The disposal of the apartment held by Med Life Occupational is directly linked to advance payment made by the former shareholders, recorded as a liability as of December 31, 2018 and January 1, 2018 in Med Life Group's consolidated financial statements and to a loan from Bancpost, contracted to buy this apartment.

The amount of liabilities directly linked to assets held for sale as of December 31, 2018 is RON 458,785 (January 1, 2018: RON 558,370).

10. PREPAYMENTS

As of December 31, 2018 the Group has prepayments in amount of RON 6,186,462 (RON 7,068,126 as of January 1, 2018). The prepayments balance as of December 31, 2018 and January 1, 2018 consists mainly of deferred commissions for financing related to the Club loan and amounts related to rent paid in advance for rented properties and other amounts such as insurance policies for professionals and tangible assets.

11. ACCOUNTS PAYABLE

	December 31, 2018	January 1, 2018
Suppliers	121,406,820	88,686,385
Fixed assets suppliers	17,802,730	13,667,285
Advances paid by customers	1,760,978	1,485,853
TOTAL	**140,970,528**	**103,839,523**

12. OTHER SHORT TERM LIABILITIES

	December 31, 2018	January 1, 2018
Salary and related liabilities (including social contributions)	13,028,465	14,985,699
Other liabilities	24,577,079	5,247,274
TOTAL	**37,605,544**	**20,232,973**

13. LEASING LIABILITIES

	December 31, 2018	January 1, 2018
Non-current portion – Leasing	26,525,231	10,111,452
Current portion – Leasing	8,949,472	3,177,961
TOTAL	**35,474,703**	**13,289,413**

Leasing facilities refer to medical equipment and vehicles acquired.

Obligations under finance lease

	December 31, 2018	January 1, 2018
Minimum Lease Payments		
Short-term (less than one year)	10,355,394	3,977,222
Long-term (between 2 and 5 years)	29,808,409	12,828,762
Total	**40,163,803**	**16,805,984**
Less: future finance charges	(4,689,100)	(3,516,571)
Present value of lease obligations		
Analyzed as follows:		
Maturing within one year	8,949,472	3,177,961
Maturing after more than one year but not later than five year	26,525,231	10,111,452
TOTAL	**35,474,703**	**13,289,413**

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

14. FINANCIAL DEBT

Loan contracts	**December 31, 2018**	**January 1, 2018**
Current portion of long term debt	54,073,508	38,656,209
Long term debt	287,013,365	242,797,699
TOTAL	**341,086,873**	**281,453,908**

Overdraft	**December 31, 2018**	**January 1, 2018**
Short term loan	30,911,018	2,013,469
TOTAL	**30,911,018**	**2,013,469**

As at December 31, 2018, the Group's drawn and undrawn financing facilities included the following:

- On 31 October 2018, Med Life SA (together with the co-borrowers of the Rapid Diagnostic Polyclinic SA, Bahtco Invest SA and Accipiens SA) signed with Banca Comerciala Romana, Raiffeisen Bank, BRD Groupe Societe Generale and Banca Transilvania the refinancing of the existing facilities, the extension the reimbursement of the related terms and conditions, as well as an additional credit limit of 10 million euros, which will be in the form of a term facility and will be used by Medlife, together with other company's own cash, for possible new opportunities acquisitions in the market. At December 31, 2018, the balance of these facilities is 265,482,480 RON;

- a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn on 31 December 2018 is of RON 9,327,800;

- 4 secured loan contracts concluded between Banca Transilvania S.A. and Sama Medical Center S.A. for the purchase of medical equipment and the construction of a clinic, in a total amount of 797,148 RON, on 31 December 2018;

- an overdraft facility concluded between Transylvania Bank S.A. and Sama Medical Center S.A. since September 2016, having as balance on December 31, 2018 the amount of RON 900,000;

- 3 guaranteed loan contracts concluded between Banca Transilvania S.A. and Genesys Medical Center S.R.L., having on 31 December 2018 a balance of the borrowed amount of EUR 2,118,487 and RON 349,515; an overdraft facility with a balance on December 31, 2018 of RON 268,010;

- an overdraft facility between Unicredit Tiriac Bank and Prima Medical S.R.L., with a maximum credit limit of RON 800,000, drawn in full on 31 December 2018;

- a credit facility concluded between Garanti Bank S.A. and Dent Estet Clinic S.A. with the amount remaining to be reimbursed at December 31, 2018 of RON 589,272;

- a credit facility concluded between Marfin Bank Romania and Dent Estet Clinic S.A. with the amount remaining to be reimbursed at 31 December 2018 of RON 2,800,000;

- 10 guaranteed loan facilities concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L; the balance outstanding at 31 December 2018 is RON 4,621,906;

- an overdraft facility concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L within 1,500,000 RON; on 31 December 2018 the amount drawn is RON 1,000,000;

- a guaranteed loan agreement concluded between Banca Transilvania S.A. and Almina Trading S.A., with a balance outstanding at December 31, 2018 of RON 381,162;

14. FINANCIAL DEBT (continued)

• a guaranteed loan concluded between Bancpost and Med Life Ocupational S.R.L. worth EUR 225,000; the balance outstanding at 31 December 2018 is RON 458,785;

• 3 guaranteed loan contracts concluded between Libra Internet Bank and Valdi Medica S.R.L., the balance outstanding at 31 December 2018 is RON 1,305,792;

• 2 guaranteed loan contracts concluded between Banca Transilvania S.A. and Ghencea Medical Center, the balance outstanding at 31 December 2018 is RON 783,037;

• a loan agreement and a guaranteed overdraft facility between CEC Bank S.A. and Clinic Polisano S.R.L., the balance outstanding at 31 December 2018 is RON 40,710,343.

As at December 31, 2018 none of the Group members was in breach of any applicable term of the financing facilities.

15. ISSUED CAPITAL

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

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

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

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

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

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

	No. of shares	%
Marcu Mihail	4,219,320	19.05%
Marcu Nicolae	3,013,800	13.61%
Cristescu Mihaela Gabriela	3,243,892	14.65%
Others	11.668.070	52.69%
TOTAL	**22,145,082**	**100%**

16. EARNINGS PER SHARE

	2018	2017
Profit for the period	16,782,637	8,731,625
Number of ordinary shares at the begining of the period	22,145,082	20,092,000
Earning per share (lei/ share)	0.76	0.43

17. RESERVES

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

	December 31, 2018	January 1, 2018
General reserves	1,867,202	1,867,202
Other reserves	9,415,817	9,052,837
Revaluation reserves	82,261,841	82,261,841
TOTAL	**93,544,860**	**93,181,880**

As of December 31, 2014, Med Life SA used a fiscal facility available starting 2014 for re-invested profit and increased its reserves according to the fiscal rules by RON 4,933,776 based on the profit obtained in 2014. As of December 31, 2015, Med Life SA used the fiscal facility of re-invested profit and increased its reserves by RON 3,705,398. This reserve will be taxed when it will be used under any form. These are included in Other reserves as of December 31, 2018 and January 1, 2018.

General reserves and other reserves

	December 31, 2018	January 1, 2018
Balance at beginning of the year	**10,920,039**	**9,699,583**
Movements	724,229	1,220,456
Balance at the end of the year	**11,644,268**	**10,920,039**

Revaluation reserves

	December 31, 2018	January 1, 2018
Balance at beginning of the year	**82,261,841**	**82,261,841**
Decrease arising revaluation correction	-	-
Increase due to revaluation	-	-
Deferred tax related to revaluation	-	-
Balance at the end of the year	**82,261,841**	**82,261,841**

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

The effects of taxes on income, if any, resulting from the revaluation of property, plant and equipment are recognized and disclosed in accordance with IAS 12 Income Taxes (please see note 24).

18. NON-CONTROLLING INTEREST

	December 31, 2018	January 1, 2018
Balance at beginning of year	**15,625,388**	**11,472,411**
Decrease in non-controlling interest as a result of group acquisition of additional interest	-	(945,712)
Share of profit for the year	3,412,289	4,348,924
Non-controlling interests arising on the acquisition of subsidiaries	777,335	1,060,052
Distribution of dividends	(292,924)	(310,287)
TOTAL	**19,522,088**	**15,625,388**

19. SALES

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

Business Line	12 months 2018 Sales	% of Total Sales	12 months 2017 Sales	% of Total Sales
Clinics	233,339,171	29,4%	166,650,648	26.7%
Stomatology	44,733,559	5,6%	37,565,681	6.0%
Hospitals	167,320,772	21,1%	119,106,274	19.1%
Laboratories	134,680,878	17,0%	115,259,329	18.5%
Corporate	169,171,271	21,3%	144,621,716	23.2%
Pharmacies	36,111,885	4,5%	29,526,655	4.7%
Other revenue	9,205,325	1,2%	10,489,645	1.7%
TOTAL	**794,562,861**	**100%**	**623,219,949**	**100%**

20. OTHER OPERATING REVENUES

Other operating revenues caption comprises:

	December 31, 2018	December 31, 2017
Other operating income	1,988,316	2,934,734
Income from subsidies	4,803,137	-
Capitalized costs of intangible assets	3,053,412	4,561,947
TOTAL	**9,844,865**	**7,496,681**

21. OPERATING EXPENSES

	December 31, 2018	December 31, 2017
Consumable materials & repair materials	126,048,830	97,974,250
Commodities expenses	29,367,048	24,115,025
Utilities	9,056,380	6,573,637
Repairs maintenance	8,984,186	6,435,809
Rent	41,986,204	38,281,750
Insurance premiums	2,538,221	2,103,123
Promotion expense	15,011,240	10,976,803
Communications	3,748,038	3,326,050
Third party expenses (including doctor's agreements)	206,077,081	165,638,063
Salary and related expenses	245,139,121	152,403,119
Social contributions	8,136,171	34,608,368
Depreciation	56,982,245	43,078,621
Other administration & operating exp.	12,939,652	10,343,226
TOTAL	**766,014,417**	**595,857,844**

22. KEY MANAGEMENT PERSONNEL EXPENSES

The structure of Med Life personnel is described below:

	December 31, 2018	December 31, 2017
Management	158	93
Staff	4,969	3,511
Total	**5,127**	**3,604**

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

	December 31, 2018	December 31, 2017
Management	31.227.409	22,805,657
Staff	213.911.711	129,597,462
Total	**245.139.121**	**152,403,119**

23. NET FINANCIAL RESULT

	December 31, 2018	December 31, 2017
Other financial income	6,983	-
Net foreign exchange rate impact - loss	(1,409,294)	(7,109,598)
Net finance cost – interest expense	(17,567,816)	(14,201,686)
Other income	3,597,023	115,850
Interest income	813,677	613,193
NET FINANCIAL RESULT - LOSS	**(14,559,427)**	**(20,582,241)**

24. RELATED PARTIES

The related parties identified are: Nautic Life SRL, DR. CRISTESCU I. MIHAELA-GABRIELA (shareholder) and Marcu Nicolae (shareholder).

Closing balances	**December 31, 2018**	**January 1, 2018**
Payables		
MARCU NICOLAE	-	-
DR. CRISTESCU I. MIHAELA-GABRIELA	49,804	52,400
NAUTIC LIFE	-	-
Receivables		
NAUTIC LIFE	-	-
MARCU NICOLAE	-	-

Transactions during the year	**December 31, 2018**	**December 31, 2017**
Expenses		
NAUTIC LIFE	-	-
MARCU NICOLAE	-	-
DR. CRISTESCU I. MIHAELA-GABRIELA	642,400	466,835
Total	**642,400**	**466,835**
Acquisition of fixed assets		
NAUTIC LIFE	-	-

25. TAXATION

	December 31, 2018	December 31, 2017
Current income tax expense	5,811,538	5,004,268
Deferred tax expense/release	1,239,708	540,652
Total income tax	**7,051,245**	**5,544,920**

	December 31, 2018	December 31, 2017
Profit / (Loss) before tax	**23,833,882**	**14,276,545**
Income tax expense calculated at 16%	3,921,717	2,284,247
Effect of expenses that are not deductible in determining taxable profit	1,889,820	2,720,021
Effect of temporary differences	1,239,708	540,652
Income tax expense recognized in profit or loss	**7,051,245**	**5,544,920**

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

The components of deferred tax as of December 31, 2018 are presented below:

Components of deferred tax	December 31, 2018	Change in deferred tax	January 1, 2018
Deferred tax assets			
Non-current assets	-	-	-
Trade receivables	1,332,184	-	1,332,184
Total deferred tax asset	**1,332,184**		**1,332,184**

Deferred tax liability	December 31, 2018	Change in deferred tax	January 1, 2018
Non-current assets	2,058,145	1,239,708	818,437
Revaluation reserve	15,710,381	-	15,710,381
Total deferred tax liability	**17,768,526**		**16,528,818**
Net deferred tax liability	**16,436,342**		**15,196,634**

25. TAXATION (continued)

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

Components of deferred tax	December 31, 2017	Change in deferred tax	January 1, 2017
Deferred tax assets			
Non-current assets	-	-	-
Trade receivables	1,332,184	-	1,332,184
Total deferred tax asset	**1,332,184**	**-**	**1,332,184**

Deferred tax liability	December 31, 2017	Change in deferred tax	January 1, 2017
Non-current assets new acquisitions	818,437	540,652	277,785
Revaluation reserve	15,710,381	-	15,710,381
Total deferred tax liability	**16,528,818**	**540,652**	**15,988,166**
Net deferred tax liability	**15,196,634**		**14,655,982**

The net effect of the change on deferred tax balances recognized as at December 31, 2018, except for the deferred tax related to the revaluation reserve which is recognized in equity, is reflected in the statement of comprehensive income for the year then ended.

26. BUSINESS COMBINATIONS

26.1. Subsidiaries acquired and consideration transferred

Acquisition of Clinica Polisano SRL, Solomed Clinic SA, Ghencea Medical Center SA, Sfatul medicului and Centrul Transilvania Imagistica Oradea

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

- 100% of share capital in Clinica Polisano SRL
- 80% of share capital of Solomed Clinic SA
- 90% of share capital of Ghencea Medical Center SA
- 100% of share capital in Sfatul medicului
- 100% of share capital in Centrul de Imagistica Transilvania Oradea through Genesys Medical Clinic SRL

Clinica Polisano („**Polisano**") In October 2017 Medlife announced 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 has been concluded on 4th of April 2018, following the fulfillment of the conditions precedent.

26. BUSINESS COMBINATIONS (continued)

25.1. Subsidiaries acquired and consideration transferred (continued)

Solomed Clinic („**Solomed**") 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 concluded on 14th of May 2018, following the fulfillment of the conditions precedent.

Ghencea Medical Center („**Ghencea**") 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 concluded on 24th of May 2018, following the fulfillment of the conditions precedent.

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

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

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

Assets acquired and liabilities recognized at the date of acquisition	**2018**	**2017**
Non-current assets	114,842,433	19,024,403
Current assets	15,255,599	9,389,426
Current liabilities	69,476,415	9,945,796
Non-current liabilities	56,527,294	6,438,004
Net assets	**4,094,323**	**12,030,029**

26. BUSINESS COMBINATIONS (continued)

26.3. Goodwill arising on acquisition

	2018	2017
Consideration transferred	19,659,671	32,283,538
Less: fair value of identifiable net assets acquired	(4,094,323)	(12,030,029)
Plus non-controlling interest	777,335	1,060,052
Goodwill arising on acquisition	**16,342,683**	**22,042,726**
Bargain gain arising on acquisition	**-**	**(729,165)**

26.4. Net cash outflow on acquisition of subsidiaries

	December 31, 2018	December 31, 2017
Consideration paid in cash	19,272,179	32,283,538
Less: cash and cash equivalent balances acquired at acquisition date	(2,286,806)	(2,895,488)
	16,985,373	**29,388,050**

27. FINANCIAL INSTRUMENTS (IFRS 7)

(a) Capital risk management

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

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

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

(b) Significant accounting policies

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

(c) Financial risk management objectives

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

27. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(d) Market risk

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

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

(e) Interest rate risk management

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

(f) Liquidity risk management

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

(g) Fair value of financial instruments

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

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

2018	**1 EUR = RON 4,6639**		
	RON	**EUR**	**Total**
ASSETS			
Cash and cash equivalents	34,206,159	-	34,206,159
Trade receivables	78,957,879	-	78,957,879
Financial assets	1,533,509	8,582,267	10,115,776
LIABILITIES			
Trade payables	140,970,528	-	140,970,528
Liabilities held for sale	-	458,785	458,785
Overdraft	9,327,800	21,583,218	30,911,018
Short-Term and Long-Term portions of loans	44,464,202	265,711,653	310,175,855
Short-Term and Long-Term portions of financial leasing	2,056,966	33,417,737	35,474,703

27. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

2017	**1 EUR = RON 4.6597 RON**	**EUR**	**Total**
ASSETS			
Cash and cash equivalents	79,227,766	-	79,227,766
Trade receivables	58,450,406	-	58,450,406
Financial assets	-	6,161,678	6,161,678
LIABILITIES			
Trade payables	103,839,523	-	103,839,523
Liabilities held for sale	-	558,370	558,370
Overdraft	-	2,013,469	2,013,469
Short-Term and Long-Term portions of loans	27,000,000	252,440,439	279,440,439
Short-Term and Long-Term portions of financial leasing	2,036,525	11,252,888	13,289,413

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

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

	December 31, 2018	**December 31, 2017**
Profit or loss	31,258,913	25,529,579

26. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Group's remaining contractual maturity for financial liabilities as of December 31, 2018. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
Non-interest bearing instruments					
Trade payables		140,970,528	140,970,528	-	-
Interest bearing instruments					
Liabilities directly linked to assets held for sale		458,785	458,785		
Loans - others	EURIBOR/ROBOR + applicable spread %	44,693,375	5,828,289	33,650,457	5,214,629
Club Loan	EURIBOR/ROBOR + applicable spread %	265,482,480	17,334,201	248,148,279	-
Transilvania overdraft and others		30,911,018	30,911,018	-	-
Lease contracts		35,474,703	8,949,472	26,525,231	
Total		**517,990,889**	**204,452,293**	**308,323,967**	**5,214,629**

27. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Group's remaining contractual maturity for financial liabilities as of December 31, 2017. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
Non-interest bearing instruments					
Trade payables		103,839,523	103,839,523	-	-
Interest bearing instruments					
IFC loans	EURIBOR 6M + relevant spread %	54,917,894	9,985,069	39,940,276	4,992,549
Liabilities directly linked to assets held for sale		558,370	558,370		
Transilvania Loans	EURIBOR 6M + relevant spread %	11,123,985	1,090,575	10,033,410	
Club Loan	EURIBOR 6M + relevant spread %	203,647,209	21,060,274	129,067,901	53,519,033
Transilvania overdraft and others		2,013,469	2,013,469	-	-
Lease contracts		13,289,413	3,177,961	10,111,452	-
Total		**389,389,863**	**141,725,241**	**189,153,040**	**58,511,582**

28. COMMITMENTS AND CONTINGENCIES

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

Club loan related commitments

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

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

Other commitments

As at December 31, 2018 and December 31, 2017, the Group holds insurance policies to cover possible liabilities towards doctors for malpractice as well as insurance contracts related to buildings and medical equipment.

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

BCR issued letters of warranties in the favour of Med Life S,A, in amount of RON 2,138,270, out of which in EUR 332,046 as of December 31, 2018 (December 31, 2017: RON 1,710,563, equivalent of EUR 323,559).

Fiscal environment

The taxation system in Romania is still developing and is subject to various interpretations and constant changes, which may sometimes be retroactive. Although the actual tax due for a transaction may be minimum, delay interests may be significant, as they can be calculated at the value of the transaction and at a rate of 0.02% per day (interest) and 0.01% (penalties) per day in 2018.

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

Transfer pricing

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

29. AUDITORS 'FEES

The auditor of the Group is Deloitte Audit SRL.

The fee for the audit of the consolidated financial statements as of December 31, 2018 of the Group prepared in accordance with IFRS as adopted by EU and the individual financial statements as of December 31, 2018 of the Group prepared in accordance with IFRS as adopted by EU of Med Life SA was EUR 115,500 excluding VAT and out of pocket expenses.

The fee for other audit related services performed in 2018 (in accordance with ISAE 3000 and ISAE 3,240) was EUR 8,000, excluding VAT.

30. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

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

Mihail Marcu,	**Vera Firu,**
Administrator	Director Economic

ADMINISTRATORS' REPORT
MED LIFE GROUP

YEAR ENDED DECEMBER 31, 2018

1. Presentation of the Group

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 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, Ploiesti, Cluj and Constanta, a hyperclinic recently inaugurated in Oradea, 47 Clinics, 10 hospitals – located in Bucharest, Arad, Sibiu, Brasov and Cluj, 33 Laboratories, 10 Pharmacies and 9 Dental Clinics. The Group has also more than 140 private Clinic partners around Romania.

The Medlife Group is the largest provider of medical services in Romania based on turnover. More than 5 million unique patients have passed the threshold of Medlife medical units, and over 650,000 employees nationwide benefit from Medlife's prevention and prophylactic packages as part of the benefits provided by their employers.

Last but not least, the Medlife Group is distinguished by the significant number of medical analyzes performed annually in Medlife laboratories – 5.6 million analyzes conducted in 2018.

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

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

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2018	January 1, 2018
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	80.01%	80.01%
2	Medapt SRL (indirectly)	Medical Services	Brasov, Romania	80.01%	80.01%
3	Histo SRL (indirectly)	Medical Services	Brasov, Romania	48.01%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL (indirectly)	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 Ocupational 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	Arad, Romania	58%	58%
10	Genesys Medical Clinic SRL (indirectly)	Medical services	Arad, Romania	58%	58%
11	Biofarm Farmec SRL (indirectly)	Distribution of Pharmaceutical Products in specialised stores	Arad, Romania	58%	58%
12	RUR Medical SA	Medical services	Brasov, Romania	100%	100%
13	Biotest Med	Medical services	Constanta, Romania	100%	100%
14	Vital Test	Medical services	Iasi, Romania	100%	100%
15	Bactro SRL (indirectly)	Other healthcare services	Deva, Romania	58%	58%
16	Centrul Medical Sama S.A.	Medical Services	Craiova, Romania	55%	55%
17	Ultratest S.A.	Other healthcare services	Craiova, Romania	55%	55%
18	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
19	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2018	January 1, 2018
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 SA	Medical Services	Bucharest, Romania	90%	90%
23	Almina Trading SA	Medical services	Targoviste, Romania	80%	80%
24	Anima Specialty Medical Services SRL	Medical services	Bucharest, Romania	100%	100%
25	Anima Promovare si Vanzari SRL	Medical services	Bucharest, Romania	100%	100%
26	Valdi Medica SRL	Medical services	Cluj, Romania	55%	55%
27	Clinica Polisano SRL	Medical services	Sibiu, Romania	100%	0%
28	Solomed Clinic SA	Medical services	Pitesti, Romania	80%	0%
29	Solomed Plus SRL (indirectly)	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 (indirectly)	Medical services	Oradea, Romania	58%	0%

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

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2018	January 1, 2018
1	Green Dental Clinic SRL	Dental healthcare activities	Bucharest, Romania	51%	51%
2	Dentist 4 Kids SRL	Dental healthcare activities	Bucharest, Romania	52%	52%
3	Dent A Porter SRL	Dental healthcare activities	Bucharest, Romania	51.61%	51.61%
4	Dentestet Kids	Dental healthcare activities	Bucharest, Romania	52.94%	52.94%
5	Aspen Laborator Dentar	Dental healthcare activities	Bucharest, Romania	75%	75%

MedLife's business model focuses on servicing corporations and private clients. 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 Group puts considerable emphasis on client service, operating an IT infrastructure and customer service and sales operation that has served over 5 million unique patients, representing over 1 in 4 Romanians.

The Group divides its operations into six business lines:

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

- Clinics: The Clinics business line includes the Group's ambulatory clinics and diagnostic imaging services. Clinics offer general practitioner and specialist consultations, diagnostic imaging services, and some of the clinics also offer day-care services.

- Laboratories: The Laboratories business line provides biochemistry, haematology, coagulation, immunology, microbiology, anatomy, pathology, cytology, molecular biology and toxicology laboratories tests.

- Hospitals: The Hospitals business line covers the Group's inpatient activities, which consist of a wide range of medical and surgical specializations. The 10 hospitals of the group are located in Arad, Bucharest, Brasov, Cluj and Sibiu. The Group holds 7 inpatient hospital licenses, which encompass the business line's activities. One of the licences was issued for one hospital unit and 3 other external sections. In addition to these, the Group was granted licenses for three additional 1-day inpatient units, which operate within Clinic locations and provide only 1-day inpatient services (i.e. Iași, Craiova and Timișoara). The financial results from these three 1-day hospital services are accounted for in the Clinics division. The Group regards these units as functional parts of the hyperclinics located in Iași, Craiova and Timișoara.

- Pharmacies: The Pharmacies business line offers prescription, over the counter and other related medical products in 10 pharmacies opened within the Group's clinics.

- Stomatology: The Stomatology business line provides a wide range of dental services from simple check-ups to complicated surgery.

2. Developments in 2018

2.1. Acquisitions completed in 2018

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

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

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

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

Acquisition Clinica Polisano SRL ("Polisano")
Med Life announced in October 2017 the acquisition of the 100% stake in Polisano medical services, one of the largest private medical operators in Romania. Founded in the 90's, 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 – Polisano European Hospital in Sibiu – recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization centre and the biggest private maternity in Transylvania. The transaction was completed on 4 April 2018, after the validation by the Competition Council and approval of the condition precedents.

Acquisition medical platform Sfatul medicului
Med Life acquired 100% majority stake in sfatulmedicului.ro platform, the largest medical information hub in Romania. Established 15 years ago, sfatulmedicului.ro is among the top sites dedicated to the Romanian health segment. The platform has a monthly average of more than 3.2 million unique users and over 12 million views. In addition to the information service, users access the medical self-evaluation service and

online analysis of the analyzes on this platform. As a result of this transaction, Sfatulmedicului.ro will retain the team that has carried out the project all these years, and in order to preserve its independence and impartiality towards the market, the management will be completely independent from Med Life and the current directors. The transaction was finalized on 14 August 2018 once the suspensive conditions were met.

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

2.2. Organic growth

Hyperclinica Oradea
Med Life 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.

Clinica Bacau
In 2018, the first medical clinic was inaugurated under the brand of Saint Mary in Bacau, part of the Med Life 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 at increasing the number of beds and operating 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. Initiate 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 Monitorul Oficial 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 through 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 Group

In November 2018, the MedLife Board of Directors signed a syndicated credit facility with the Banca Comercială Română, Raiffeisen Bank, BRD Groupe Société Générale and Banca Transilvania, for refinancing the existing facilities, extending the financing period, rearranging the related terms and conditions, of the funding limit up to a threshold of approximately EUR 66 million. The MedLife Board of Directors was authorized and delegated for this purpose at the Extraordinary General Meeting of Shareholders held on 8 October 2018.

Loan contracts	December 31, 2018	January 1, 2018
Overdraft	30,911,018	2,013,469
Current portion of long term debt	23,162,490	36,642,740
Long term debt	287,013,365	242,797,699
TOTAL	**341,086,873**	**281,453,908**

As at December 31, 2018, the Group's drawn and undrawn financing facilities included the following:

- a secured club loan agreement entered into between the Medlife SA (together with the co-borrowers of the Diagnostic Rapid SA, Bahtco Invest SA and Accipiens SA) and Banca Comercială Română, Raiffeisen Bank, BRD Groupe Société Générale and Banca Transilvania, as mentioned above, the outstanding balance is 265,482,480 RON;

- a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn on 31 December 2018 is of RON 9,327,800;

- 4 secured loan contracts concluded between Banca Transilvania S.A. and Sama Medical Center S.A. for the purchase of medical equipment and the construction of a clinic, in a total amount of 797,148 RON, on 31 December 2018;

- an overdraft facility concluded between Transylvania Bank S.A. and Sama Medical Center S.A. since September 2016, having as balance on December 31, 2018 the amount of RON 900,000;

- 3 guaranteed loan contracts concluded between Banca Transilvania S.A. and Genesys Medical Center S.R.L., having on 31 December 2018 a balance of the borrowed amount of EUR 2,118,487 and RON 349,515; an overdraft facility with a balance on December 31, 2018 of RON 268,010;

- an overdraft facility between Unicredit Tiriac Bank and Prima Medical S.R.L., with a maximum credit limit of RON 800,000, drawn in full on 31 December 2018;

- a credit facility concluded between Garanti Bank S.A. and Dent Estet Clinic S.A. with the amount remaining to be reimbursed at December 31, 2018 of RON 589,272;

- a credit facility concluded between Marfin Bank Romania and Dent Estet Clinic S.A. with the amount remaining to be reimbursed at 31 December 2018 of RON 2,800,000;

- 10 guaranteed loan facilities concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L; the balance outstanding at 31 December 2018 is RON 4,621,906;

- an overdraft facility concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L within 1,500,000 RON; on 31 December 2018 the amount drawn is RON 1,000,000;

- a guaranteed loan agreement concluded between Banca Transilvania S.A. and Almina Trading S.A., with a balance outstanding at December 31, 2018 of RON 381,162;

- a guaranteed loan concluded between Bancpost and Med Life Ocupational S.R.L. worth EUR 225,000; the balance outstanding at 31 December 2018 is RON 458,785;

- 3 guaranteed loan contracts concluded between Libra Internet Bank and Valdi Medica S.R.L., the balance outstanding at 31 December 2018 is RON 1,305,792;

- 2 guaranteed loan contracts concluded between Banca Transilvania S.A. and Ghencea Medical Center, the balance outstanding at 31 December 2018 is RON 783,037;

- a loan agreement and a guaranteed overdraft facility between CEC Bank S.A. and Clinica Polisano S.R.L., the balance outstanding at 31 December 2018 is RON 40,710,343.

As at December 31, 2018 none of the Group members was in breach of any applicable term of the financing facilities.

4. Financial Analysis

Analysis of the individual profit and loss

	12 months ended December 31, 2018	12 months ended December 31, 2017	Variation 2018/2017
Sales	794,562,861	623,219,949	27.5%
Other operating revenues	9,844,865	7,496,681	31.3%
Operating Income	**804,407,726**	**630,716,630**	**27.5%**
Operating expenses	**(766,014,417)**	**(595,857,844)**	**28.6%**
Operating Profit	**38,393,309**	**34,858,786**	**10.1%**
Finance cost	(17,567,816)	(14,201,686)	23.7%
Other financial income (expenses)	3,008,389	(6,380,555)	-147.1%
Financial result	**(14,559,427)**	**(20,582,241)**	**-29.3%**
Result Before Taxes	**23,833,882**	**14,276,545**	**66.9%**
Income tax expense	(7,051,245)	(5,544,920)	27.2%
Net Result	**16,782,637**	**8,731,625**	**92.2%**
Owners of the Group	13,370,348	4,382,702	205.1%
Non-controlling interests	3,412,289	4,348,924	-21.5%

Sales for the 12 month period ended December 31, 2018 amounted to RON 794,562,861, higher by 27.5% compared to sales recorded in the 12 month period ended December 31, 2017. This increase was mainly the result of significant growth in all of the Group's business lines, led on a percentage basis by Clinics, Hospitals, Corporate and Laboratories, as well as the impact of the acquisitions completed by the Group in 2017 and 2018.

Please see breakdown of sales below:

Business Line	12 months 2018 Sales	% of Total Sales	Q4 2017 Sales	% of Total Sales	Variation 2018/2017
Clinics	233,339,171	29.4%	166,650,648	26.7%	40.0%
Stomatology	44,733,559	5.6%	37,565,681	6.0%	19.1%
Hospitals	167,320,772	21.1%	119,106,274	19.1%	40.5%
Laboratories	134,680,878	17.0%	115,259,329	18.5%	16.9%
Corporate	169,171,271	21.3%	144,621,716	23.2%	17.0%
Pharmacies	36,111,885	4.5%	29,526,655	4.7%	22.3%
Others	9,205,325	1.2%	10,489,646	1.7%	-12.3%
Total Sales	**794,562,861**	**100%**	**623,219,949**	**100%**	**27%**

The main operational indicators of the Group.

Business Line		12 months ending December 31, 2018	12 months ending December 31, 2017
Clinics	**Sales**	**233,339,171**	**166,650,648**
Clinics	Visits	1,478,211	1,153,218
Clinics	Avg fee	157.9	144.5
Stomatology	**Sales**	**44,733,559**	**37,565,681**
Stomatology	Visits	102,714	99,682
Stomatology	Avg fee	435.5	376.9
Hospitals	**Sales**	**167,320,772**	**119,106,274**
Hospitals	Pacients	75,031	58,610
Hospitals	Avg fee	2,230.0	2,032.2
Laboratories	**Sales ***	**134,680,878**	**115,259,329**
Laboratories	Analyses	5,666,665	5,320,695
Laboratories	Avg fee	23.8	21.7
Corporate	**Sales**	**169,171,271**	**144,621,716**
Corporate	PPM	649,292	568,593
Corporate	Avg fee	260.5	254.4
Pharmacies	**Sales**	**36,111,885**	**29,526,655**
Pharmacies	Clients	269,737	269,104
Pharmacies	Avg fee	133.9	109.7
Other Sales	**Sales**	**9,205,325**	**10,489,646**

Other operating revenues recorded an increase of 31.3% increase in the 12 month period ended December 31, 2018 as compared to the corresponding period of 2017, amounting to RON 9,844,865 as at December 31, 2017. Other operating revenues of the Group includes mainly operating grants income in the amount of RON 4,803,137, capitalized costs of intangible assets amounting to RON 3,053,412 and other operating revenues of RON 1,988,316.

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide the Group's services. The Group recorded operating expenses of RON 766,014,417 in the year ended December 31, 2018, representing an increase of 28.6%, or RON 170,156,573 as compared to the year ended December 31, 2017.

Operating expenses as a share of total operational revenues accounted for 94.5% in 2017 and 95.2% in 2018.

Operating expenses evolution **Description**	**31 December, 2018**	**31 December, 2017**	**Variation 2018/2017**
Consumable materials and repair materials	126,048,830	97,974,250	28.6%
Commodities expenses	29,367,048	24,115,025	21.8%
Utilities	9,056,380	6,573,637	37.8%
Repairs maintenance	8,984,186	6,435,809	39.6%
Rent	41,986,204	38,281,750	9.7%
Insurance premiums	2,538,221	2,103,123	20.7%
Promotion expense	15,011,240	10,976,803	36.8%
Communications	3,748,038	3,326,050	12.7%
Third party expenses (including doctor’s agreements)	206,077,081	165,638,063	24.4%
Salary and related expenses	245,139,121	152,403,119	60.8%
Social contributions	8,136,171	34,608,368	-76.5%
Depreciation	56,982,245	43,078,621	32.3%
Other administration and operating exp.	12,939,652	10,343,226	25.1%
Total	**766,014,417**	**595,857,844**	**28.6%**

Operating profit increased by 10.1% over the 12-month period ended December 31, 2018, compared to the 12-month period ended December 31, 2017, from RON 34,858,786 in 2017 to EUR 38,393,309 in 2018.
Financial loss declined in the 12-month period ended December 31, 2018 by 6,022,814 RON, or 29.3%, from a loss of 20,582,241 RON in 2017, at a loss of 14,559,727 RON in 2018.
The net result recorded in 2018 increased by RON 8,051,012 compared to 2017, or 92.2%, from a profit of RON 8,731,625 in 2017 to a profit of RON 16,782,637 in 2018. The increase represents the translation of the increase in operating profit net result and diminishing financial expenses.

Analysis of the consolidated statement of financial position

	December 31, 2018	**December 31, 2018**	**Variation**
ASSETS			
Non-current assets	590,174,447	432,342,667	36.5%
Current assets	163,919,759	171,002,820	-4.1%
TOTAL ASSETS	**754,094,206**	**603,345,487**	**25.0%**
LIABILITIES & SHAREHOLDER'S EQUITY			
Current Liabilities			
Current liability (excluding interest-bearing debts)	182,115,090	125,743,573	44.8%
Interest-bearing debt	376,561,576	294,743,321	27.8%
Deferred tax liability	16,436,342	15,196,634	8.2%
TOTAL LIABILITIES	**575,221,304**	**435,683,528**	**32.0%**
SHAREHOLDER'S EQUITY			
Equity attributable to owners of the Group	159,350,814	152,036,571	4.8%
Non-controlling interests	19,522,088	15,625,388	24.9%
TOTAL EQUITY	**178,872,902**	**167,661,959**	**6.7%**
TOTAL LIABILITIES AND EQUITY	**754,094,206**	**603,345,487**	**25.0%**

Non-current assets amounted to RON 590,174,447 at 31 December 2018, recording an increase of 157,831,780 RON or 36.5% as compared to December 31, 2017. The increase is mainly influenced by the acquisitions of Polisano, Solomed and Ghencea.

Current assets decrease by RON 7,083,061 or 4.1% from RON 171,002,820 at 31 December 2017 to RON 163,919,759 at 31 December 2018.

Current liability (excluding interest-bearing debts) increased by RON 56,479,813, or 44.9%, from RON 125,743,573 at 31 December 2017 to RON 182,223,386 at 31 December 2018.

Interest-bearing debt increased by RON 81,818,255, or 27.8%, from RON 294,743,321 as at 31 December 2017 to RON 376,561,576 at December 31, 2018. The increase is due to the financing of the current group's activity and the refinancing of some leasing contracts.

5. Main Financial Indicators

1	***Current ratio***			**Period ended at December 31, 2018**
	Current assets	163,919,759	=	0.67
	Current liabilities	245,246,366		

2	***Debt to equity ratio***			**Period ended at December 31, 2018**
	Long Term Debt	313,538,596	=	175%
	Equity	178,872,902		
	Long Term Debt	313,538,596	=	64%
	Capital Assets	492,411,498		

3	***Trade receivables turnover (days)***			**Period ended at December 31, 2018**
	Average receivables	68,704,143	=	31.13
	Sales	794,562,861		

4	***Fixed assets turnover***			**Period ended at December 31, 2018**
	Sales	794,562,861	=	1.35
	Net Fixed Assets	590,174,447		

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 purp0ose 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

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.

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	3,110,115	14.04%
Cristescu Mihaela Gabriela	2,913,800	13.16%
Others	12,001,847	54.20%
TOTAL	**22,145,082**	**100%**

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 fulfill 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.
The Board of Directors meeting takes place at the Company's headquarters. 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 Resoource 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

MED LIFE S.A.

INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
MED LIFE S.A.

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of MED LIFE S.A. ("the Company"), with registered office in (address), identified by unique tax registration code 8422035, which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

2. The financial statements as at December 31, 2018 are identified as follows:

   - Net assets/ Equity RON 151.998.607
   - Net profit for the financial year RON 4.110.439

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

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

Key Audit Matters

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

KEY AUDIT MATTER	How our audit addressed the key audit matter
Valuation of investments	
Investments in other companies represent 29% of the total assets of the Company. Management conducts impairment tests on an annual basis or whenever there is an indication of impairment to assess the recoverability of the carrying value of investments at standalone level. This is performed using discounted cash flow models. As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include: >> Revenue growth >> Operating margins and >> The discount rates applied to the projected future cash flows. Accordingly, the impairment test of these assets is considered to be a key audit matter. Management have engaged specialists to assist with the determination of the discount rates for the significant Cash Generating Units to which the cost of investment relates.	We focused our testing of the impairment of cost of investments on the key assumptions made by management. Our audit procedures included: >> Engaging our internal specialists to assist with: −− Critically evaluating whether the model used by management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36 Impairment of Assets. −− Evaluating the appropriateness of the assumptions used to calculate the discount rates and recalculating these rates. >>We evaluated the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the Cash Generating Unit. >>We subjected the key assumptions to sensitivity analyses. >>We compared the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to evaluate reasonableness of management's projections.

Other information- Administrator's Report

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

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

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

audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537 / 2014 were provided.

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

Madeline Alexander, Audit Partner

For signature, please refer to the original Romanian version.

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

On behalf of:

DELOITTE AUDIT S.R.L.

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

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

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

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

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

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

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

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

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

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

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

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

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

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

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

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

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

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

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

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

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

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

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

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

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

1. DESCRIPTION OF THE BUSINESS

Med Life S.A. ("Med Life" or the "Company") is a joint-stock company incorporated in 1996, in accordance with the laws and regulations of Romania. The Company's activity resides in the performance of healthcare services activities through medical centres located in Bucharest, Brasov, Cluj, Braila, Timisoara, Iasi, Galati and Constanta.
Med Life is one of the leading health care services providers in Romania, having a significant market share at a national level. The registered office of Med Life is located in Bucharest, Calea Grivitei, no. 365.
Details of Med Life SA's subsidiaries at December 31, 2018 and January 1, 2018 are as follows:

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

1. DESCRIPTION OF THE BUSINESS (continued)

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

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

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

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

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

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

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

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018)

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

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

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

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

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

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019)

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of materiality (applicable for annual periods beginning on or after January 1, 2020);

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to the References to the Conceptual Framework of IFRS** (applicable for annual periods beginning on or after January 1, 2020).

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Statement of compliance

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

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

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

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

3.2 Basis of preparation

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

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

3.3 Going concern

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

3.4 Accounting estimates and judgments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.5 Foreign currency translation

Functional and presentation currency

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

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

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

3.6 Comparative information

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

3.7 Investments in other companies

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

3.8 Property, plant and equipment

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

The value of land and buildings owned presented in these financial statements is based on the valuation reports which were performed as of December 31, 2016 by independent valuators certified by ANEVAR. The revaluation is performed with sufficient regularity as to ensure that the Company presents land and buildings at fair value in the financial statements. The Company performed the revaluation of the main buildings as of December 31, 2018. As the fair value of the assets is not significant compared to the carrying value as of December 31, 2018, the revaluation was not extended to all assets and no revaluation adjustment was recorded as of December 31, 2018.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	Years
Buildings	10 – 50 years
Plant and equipment	3 – 15 years
Fixtures and fittings	3 – 15 years

3.9 Assets held under finance leases

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

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

3.10 Intangible assets

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

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

De-recognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Intangible assets (continued)

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

3.11 Inventories

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

3.12 Trade receivables

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

3.13 Cash and cash equivalents

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

3.14 Financial instruments

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

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

3.15 Accounts payable

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

3.16 Leasing

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Leasing (continued)

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

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

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

3.18 Borrowing costs

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

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

3.19 Taxation

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

Current tax

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

Deferred tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Taxation (continued)

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

Current and deferred tax for the period

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

3.21 Share capital

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

3.22 Share premiums

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

3.23 Revaluation reserve

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

3.24 Provisions for risks and charges

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

3.25 Revenue recognition

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

Rendering of services

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 Revenue recognition (continued)

Interest revenues

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

3.27 Employee benefits

The Company, in the normal course of business, makes payments to the Romanian State on behalf of its employees for pensions, health care and unemployment cover. The cost of these payments is charged to the income statement in the same period as the related salary cost.
All employees of the Company are members of the Romanian State pension plan. The Company does not operate any other pension scheme.

3.28 Related parties

The relationships between the entities and the company are special when one of the parties has the ability to directly control or significantly influence the other party, by using ownership, contractual rights, family relationships or any other means.
Related parties also include individuals which are principal owners, management or members of the Company's Board of Directors, as well as the members of their families.
These financial statements have been prepared based on the fact that the parties have entered into arm's length transactions with the entities within the Company and according to objectively established prices.

3.29 Fair value

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

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

The fair values were assessed for evaluation or presentation of information based on the methods and techniques described below. Fair value was assessed for land and buildings owned as of December 31, 2016 based on evaluators reports. The fair value of land was established based on market value approach. The fair value for buildings was established based on cost of replacement approach.

3.30 IAS 29

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

3.31 IFRS 8

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

3.32 IFRS 9 „Financial instruments"

Starting with January 1st 2018, the Company has applied for the first time the new standard IFRS 9 „Financial instruments". IFRS 9 introduces changes regarding the recognition and measurement of financial assets and results in an earlier recognition of bad debt allowances for receivables.
Being permitted by the standard, the Company adopted IFRS 9 starting with January 1st 2018 using the modified retrospective method, with cumulated adjustments from the initial application recognised in equity as of January 1st 2018 and without restating the figures of the comparative period.
For the Company's trade receivables, there are no significant differences between the initial evaluation method according to IAS 39 and the new evaluation criteria under IFRS 9.

3.33 IFRS 15 „Revenues from contracts with customers"

IFRS 15 „Revenues from contracts with customers" introduces a comprehensive model for revenue recognition and measurement. The standard replaces the existing criteria for revenue recognition, replacing the standards IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". Under the new standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Company is expected to be entitled to receive in exchange of those goods or services.
Being permitted by the standard, the Company adopted IFRS 15 starting with January 1st 2018 using the modified retrospective method, with cumulated adjustments from the initial application recognised in equity as of January 1st 2018 and without restating the figures of the comparative periods. The initial application has no impact on the Company's Retained Earnings.

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

3.34 IFRS 16 „Leases"

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

3.35 Subsequent events

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

4. FINANCIAL ASSETS

The Company holds significant investments in other companies.

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

Investments in other companies

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

Movement in cost of investments

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

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

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

Acquisition Polisano
Med Life announced in October 2017 the acquisition of the 100% stake in Polisano medical services, one of the largest private medical operators in Romania. Founded in the 90's, 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 – Polisano European Hospital in Sibiu – recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization center and the biggest private maternity in Transylvania. The transaction was completed on 4 April 2018, after the validation by the Competition Council and approval of the condition precedents.

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

4. FINANCIAL ASSETS (continued)

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

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

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

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

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

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

Management have engaged specialists to assist with the determination of the discount rates for the significant Cash Generating Units to which the cost of investment relates.

Long-term loans granted to other companies

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

Other financial assets

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

5. TANGIBLE AND INTANGIBLES FIXED ASSETS

As of December 31, 2018 the Company's tangible and intangible assets' structure was the following:

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

5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

As of December 31, 2017 the Company's tangible and intangible assets' structure was the following:

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

5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.1. Land and buildings carried at fair value

The value of land and buildings related to Med Life, presented in these financial statements is based on the valuation reports which were performed as of December 31, 2016 by an independent valuator certified by ANEVAR.

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

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

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

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

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

5.2. Assets pledged as securities

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

6. INVENTORIES

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

7. ACCOUNTS RECEIVABLE

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

Trade receivables as of December 31, 2018 and as of December 31, 2017 include a receivable of RON 7,365,835 representing amounts to be collected from the National Health House of Bucharest not yet invoiced. The Company started legal actions against the National Health House of Bucharest. The management is confident that the receivable may be eventually recovered, but given the adverse court decisions in similar cases, the Company decided to record a 100% allowance during 2016.

As of December 31, 2018 and December 31, 2017, the Management of the Company performed an assessment regarding the collectability of receivables- a total allowance of RON 16,196,650 (which includes the amount of RON 7,365,835 in relation to the National Health House described above) represents management's best estimate regarding the receivables which are not to be collected.

The assessment takes into consideration the collection pattern of the receivables over the last three years, analysed according to the criteria established by IFRS 9. The Company monitors the credit quality of its customers on an ongoing basis. Credit risk is spread over a large customer base and the Company is not dependent on the collection of receivables from a limited number of customers.

Trade receivables disclosed above are classified as receivables and are therefore measured at amortized cost. The average credit period on collection for services rendered is 90 days. No interest is charged on trade receivables for the first 90 days from the date of the invoice.

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

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

7. ACCOUNTS RECEIVABLE (continued)

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

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

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

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

8. CASH AND BANKS

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

9. PREPAYMENTS

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

10. ACCOUNTS PAYABLE

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

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

11. OTHER SHORT TERM LIABILITIES

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

12. LEASING LIABILITIES

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

Obligations under finance lease

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

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

13. FINANCIAL DEBT

Loan agreements

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

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

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

On December 31, 2016, Med Life (together with the co-borrowers Policlinica de Diagnostic Rapid SA, Bahtco Invest SA and Accipiens SA) signed a new loan agreement with IFC in amount of EUR 10,000,000. The purpose of the facility is to refinance part of the club loan agreement mentioned above related to the financing of acquisitions of shares in new companies. As well, through signing this new agreement with IFC, the Group refinanced the existing contract with IFC.

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

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

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

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

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

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

14. FINANCIAL DEBT (continued)

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

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

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

The loan is secured through the following guarantees:

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

15. ISSUED CAPITAL

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

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

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

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

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

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

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

16. RESERVES

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

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

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

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

Revaluation reserves

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

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

The effects of taxes on income, if any, resulting from the revaluation of property, plant and equipment are recognized and disclosed in accordance with IAS 12 Income Taxes (please see note 22).

17. SALES

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

18. OTHER OPERATING REVENUES

Other operating revenues caption comprises:

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

19. OPERATING EXPENSES

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

20. KEY MANAGEMENT PERSONNEL EXPENSES

The structure of Med Life personnel is described below:

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

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

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

21. NET FINANCIAL RESULT

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

22. RELATED PARTIES

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

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

22. RELATED PARTIES (continued)

	December 31, 2018	January 1, 2018
Receivables		
Centrul Medical Panduri SA	119,109	18,521
Almina Trading SRL	33,779	17,416
ANIMA SPECIALITY MEDICAL SERVICES SRL	531,464	8,750
Pharmalife Med SRL	1	1
Policlinica de Diagnostic Rapid SA	1,469,234	255,432
Histo SRL	70	70
Genesys Medical SRL	2,491,443	1,012,753
Policlinica de Diagnostic Rapid Medis SRL	66,953	125,834
Accipiens SA	6,692	6,692
BIOTEST MED SRL	-	403,665
VITAL TEST SRL,	-	387,100
Centrul Medical Sama SA	1,874,035	457,365
Ultratest Craiova SA	18,139	18,139
RUR Medical SA	130,889	130,889
Diamed Center SRL	971,623	329,593
Stem Cells Bank SA	178,062	62,089
Dent Estet Clinic SA	13,884	4,500
Medlife Ocupational SRL	24,830	-
Solomed Clinic SA	44,391	-
TOTAL	**7,974,598**	**3,238,809**

Transactions during the year	December 31, 2018	December 31, 2017
Expenses		
NAUTIC LIFE	-	-
MARCU NICOLAE	-	-
DR. CRISTESCU I. MIHAELA-GABRIELA	642,400	466,835
Policlinica de Diagnostic Rapid SA	2,085,252	2,094,342
Policlinica de Diagnostic Rapid Medis SRL	176,005	174,656
BAHTCO INVEST SA	2,658,803	2,195,100
Histo SRL	54,452	34,250
RUR Medical SA	174,556	185,434
Genesys Medical Clinic SRL	1,581,780	1,696,947
Bactro SRL	55,474	4,081
BIOTEST MED SRL	3,446,719	2,445,175
VITAL TEST SRL	2,809,287	2,126,747
Centrul Medical Sama SA	2,002,409	1,927,889
Ultratest Craiova SA	-	2,747
Prima Medical SRL	89,983	35,593
Diamed Center SRL	455,896	318,203
ASPEN LABORATOR DENTAR SRL	8,592	116,451
ALMINA TRADING S.A.	512,650	335,831
Centrul Medical Panduri	148,296	-
Dentestet Clinic	54,160	-
GIE	2,698,127	-
Polisano	284,482	-
Solomed Clinic	169,375	-
Solomed Plus	64,065	-
ANIMA SPECIALITY MEDICAL SERVICES SRL	1,098,852	442,767
Total	**21,271,615**	**14,603,048**

22. RELATED PARTIES (continued)

	December 31, 2018	December 31, 2017
Acquisition of fixed assets		
NAUTIC LIFE	-	-

	December 31, 2018	December 31, 2017
Acquisition of inventories		
Pharmalife Med SRL	9,662	53,977
BAHTCO INVEST SA	8,882,651	8,195,900
Biofarm Farmec SRL	-	39
Total	**8,892,313**	**8,249,916**

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

22. RELATED PARTIES (continued)

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

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

23. TAXATION

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

23. TAXATION (continued)

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

The components of deferred tax as of December 31, 2018 are presented below:

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

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

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

The net effect of the change on deferred tax balances recognized as at December 31, 2018, except for the deferred tax related to the revaluation reserve which is recognized in equity, is reflected in the statement of comprehensive income for the year then ended.

24. FINANCIAL INSTRUMENTS (IFRS 7)

(a) Capital risk management

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

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

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

(b) Significant accounting policies

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

(c) Financial risk management objectives

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

(d) Market risk

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

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

(e) Interest rate risk management

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

(f) Liquidity risk management

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

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

24. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments

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

2018	**1 EUR = RON 4.6639**	**EUR**	**Total**
ASSETS			
Cash and cash equivalents	21,758,563	-	21,758,563
Trade receivables	47,146,208	-	47,146,208
Receivables from group companies	65,123,808	9,791,353	74,915,161
Long-term loans to group companies	188,931	11,002,982	11,191,914
LIABILITIES			
Trade payables	75,848,191	-	75,848,191
Overdraft	-	9,327,799	9,327,799
Short-Term and Long-Term portions of loans	10,000,000	210,294,297	220,294,297
Short-Term and Long-Term portions of financial leasing	-	17,413,548	17,413,548
Payables to group companies	2,754,866	-	2,754,866

2017	**1 EUR = RON 4.6597 RON**	**EUR**	**Total**
ASSETS			
Cash and cash equivalents	65,199,832	4,807,699	70,007,531
Trade receivables	36,182,268	-	36,182,268
Receivables from group companies	21,954,037	9,486,681	31,440,718
Long-term loans to group companies	-	11,158,313	11,158,313
LIABILITIES			
Trade payables	62,556,608	-	62,556,608
Short-Term and Long-Term portions of loans	27,000,000	183,110,796	210,110,796
Short-Term and Long-Term portions of financial leasing	-	6,561,580	6,561,580
Payables to group companies	2,855,697	-	2,855,697

24. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

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

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

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

24. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Company's remaining contractual maturity for financial liabilities as of December 31, 2018. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay, The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
Non-interest bearing instruments					
Trade payables		75,848,191	75,848,191	-	-
Interest bearing instruments					
Overdraft		9,327,799	9,327,799	-	-
Club Loan	EURIBOR / ROBOR + relevant spread %	220,294,297	14,026,810	206,267,487	-
Lease contracts		17,413,548	2,252,331	15,161,217	-
Total		**322,883,835**	**101,455,131**	**221,428,704**	**-**

24. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Company's remaining contractual maturity for financial liabilities as of January 1, 2018. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay, The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
Non-interest bearing instruments					
Trade payables		62,556,608	62,556,608	-	-
Interest bearing instruments					
IFC loans	EURIBOR 6M + relevant spread %	54,917,894	9,985,069	39,940,276	4,992,549
Club Loan	EURIBOR 6M + relevant spread %	153,984,218	14,588,672	95,796,278	43,599,268
Lease contracts		6,561,580	515,738	6,045,842	-
Total		**278,020,300**	**87,646,087**	**141,782,397**	**48,591,816**

25. COMMITMENTS AND CONTINGENCIES

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

Club loan related commitments

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

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

Other commitments

As at December 31, 2018 and December 31, 2017, the Med Life SA holds insurance policies to cover possible liabilities towards doctors for malpractice as well as insurance contracts related to buildings and medical equipment.

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

BCR issued letters of warranties in the favor of Med Life S,A, in amount of RON 2,138,270, out of which in EUR 332,046 as of December 31, 2018 (December 31, 2017 : RON 1,710,563, out of which EUR 323,559.

Fiscal environment

The taxation system in Romania is still developing and is subject to various interpretations and constant changes, which may sometimes be retroactive. Although the actual tax due for a transaction may be minimum, delay interests may be significant, as they can be calculated at the value of the transaction and at a rate of 0.02% per day (interest) and 0.01% (penalties) per day in 2018.

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

Transfer pricing

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

Litigation

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

26. AUDITORS 'FEES

The auditor of the Group is Deloitte Audit SRL.

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

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

27. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

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

Mihail Marcu,	**Vera Firu,**
Administrator	**Director Economic**

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 Ocupational 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 fulfilment 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 fulfilment 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 Analisys

	12 Month ended December 31,		
	2018	2017	Variation 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 2018/2017**
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. Main financial ratios period ended at december 31, 2018

1	***Current ratio***	**Period ended at December 31, 2018**		
	Current assets	156,503,114	=	1.40
	Current liabilities	111,554,084		

2	***Debt to equity ratio***	**Period ended at December 31, 2018**		
	Long Term Debt	220,785,898	=	145%
	Equity	151,998,607		
	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	=	35.72
	Sales	419,850,605		

4	***Fixed assets turnover***	**Period ended at December 31, 2018**		
	Sales	419,850,605	=	1.24
	Net Fixed Assets	338,620,998		

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 purp0ose 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 Resoource 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

THE STATE OF CONFORMITY WITH THE CORPOARTE GOVENRNANCE CODE OF BVB VALID ON THE DATE OF PUBLISHING THE HEREBY REPORT FOR THE COMPANY MED LIFE S.A.

(hereby referred to as the "Company")

SECTION A. RESPONSIBILITIES

Provisions to be complied with:

1.All companies shall have an internal regulation of the Board that includes the reference terms/responsibilities of the Board and the key management positions of the company and that applies, among others, the General principles in the hereby Section of the BVB Corporate Governance Code.

MedLife S.A. fulfils this provision. The Corporate Governance Statute of the company adopted and published on the company's website on the date of February 28th 2017 is based on the provisions of the company's Constitutive Act, that clearly sets the responsibilities of the Board and those of the Executive Committee.

The company's Board of Directors (hereinafter the "**BOD**") has approved the internal regulation of the Board of Directors on the date of February 28th 2017. This document is an internal document.

The BOD has approved and published on the company's website an Ethics and Conduct Code on the date of February 28th 2017, code to which the Company's Statute of Corporate Governance refers and that institutes behaviour standards that shall be complied with within MedLife and in its subsidiaries at all levels: directors, executive managers, managers, employees, suppliers and subcontractors or consultants, regardless whether they are hired or perform their activity permanently or temporarily.

2.Provisions to handle conflicts of interests should be included in the Board's Internal Regulation

Such provisions are found in the Ethics and Conduct Code and in the Board of Directors' Internal Regulation.

3. The Board of directors must comprise at least five members.

MedLife S.A.'s BOD is formed of 7 members, as per the Constitutive Act published on the company's webpage.

4. The majority of the Board of directors' members should not have an executive position.

In case of companies of the Premium Category, no less than two non-executive members of the Board of Directors have to be independent. Each independent member of the Board of directors has to file a statement at the moment of their nomination in view of election or re-election, as well as when any change in their status occurs,

indicating the elements based on which they are considered to be independent from the perspective of their character and judgement and in view of the following criteria:

- They are not General Manager/executive manager of the company or of a company controlled by the former and they have not held such office in the last five (5) years;
- They are not employees of the company or of a company controlled by the former and they have not held such office in the last five (5) years;
- Does not receive and did not receive an additional compensation or other advantages from the company or from a company controlled by the former, outside those appropriate to the position of non-executive director;
- are not or have not been an employee or have not or had not in the course of the previous year a contractual relation with a significant shareholder of the company, shareholder that controls over 10% of the voting rights, or with a company controlled by the latter;
- do not have and did not have in the previous year a business or professional relation with the company or with a company controlled by latter, either directly or acting as client, partner, shareholder, member of the Board of Directors / director, general manager / executive manager or employee of a company if, by its substantial nature, such relation may affect their objectivity;
- are not and have not been in the last three year the external or internal auditor or partner or salary associate of the current external financial auditor or of the company's internal auditor or of a company controlled by the latter;
- are not general manager / executive manager of another company where a different general manager/executive manager of the company is a non-executive director;
- have not been a non-executive director of the company for a period longer than twelve years;
- do not have family connections with a person in the cases mentioned above.

MedLife S.A fulfils this requirement. As per the Constitutive Act, the majority of the BOD members are non-executive, while 2 members are independent.

5. Other commitments and relatively permanent professional obligations of a member of the Board, including executive and non-executive offices in the Board of non-profit companies and institutions, shall be revealed to the shareholders and potential investors prior to nomination and in the course of their mandate.

The biographies of the BOD members are published on the company's website, each member having the responsibility to keep their professional biography up to date.

6. Any member of the Board must present to the Board information on any report with a shareholder that holds directly or indirectly, shares representing over 5% of all voting rights.

MedLife fulfils this requirement. There are professional relations with the President of the BOD, who holds more than 5% of the voting rights, however this does not affect and did not affect the position of the BOD members regarding matters decided by the BOD.

7. The company shall assign a secretary of the Board responsible with supporting the activity of the Board.

MedLife fulfils this requirement. The company has a General Secretary, a lawyer by profession, that reports, from a functional perspective, towards the BOD.

8. The statement on corporate governance shall inform whether there has been an evaluation of the BOD under the leadership of the president or of the nominating committee and, in case so, shall brief the key measures and resulting changes. The company should have a policy / guide regarding evaluation of the Board comprising the purpose, criteria and frequency of the evaluation process.

The provision has been complied with in the years 2015, 2016 and 2017.

MedLife S.A. fulfils this requirement. As a consequence, the members of the BOD went through a process of self-evaluation for the activity within the year 2018. Following the BOD evaluation process, no key measures or changes were made.

9. The Statement on corporate governance shall contain information on the number of meetings of the BOD and of the committees, in the course of the last year, the attendance of the directors (in person and in absence) and a report of the BORD and of the committees, regarding their activities.

In 2018 there were 4 BOD meetings where all 7 members were present personally, as well as 3 Audit Committee meetings. The Investment Committee met at least once a month, while the Nomination and Remuneration Committee was set up in 2018, and the related operating procedure has been completed.

10. The Statement regarding corporate governance must include information regarding the exact number of independent members of the Board of directors.

Out of the four (4) non-executive members of the BOD, a number of two (2) members are independent.

11. The Board of directors from the Premium Category shall establish a nomination committee, formed from non-executive members, that shall lead the procedure to nominate new members in the BOD and shall make recommendations to the BOD regarding appointment and revocation of the General Manager and of the management team, the Majority of the members of the nominating committee should be independent.

MedLife fulfils this criterion. The componence of the hereby Committee is published on the webpage of the company. Two of the three members of said Board are independent.

Section B

Risk management and internal controlling system

1.The Board shall establish an audit committee, in which at least one member shall be an independent non-executive director. The majority of members, including the president, shall be proven as having the relevant adequate qualification for the committee's functions and responsibilities. At least one member of the audit committee shall have the proven and appropriate audit or accounting experience. In case of companies from the Premium Category, the audit committee shall be formed of at least three members and the majority of the members of the audit committee shall be independent.

MedLife fulfils this requirement. The Constitutive Act of MedLife, corroborated with the Statute of Corporate Governance provide the existence of said committee, its structure as well as its responsibilities. The committee includes 3 non-executive members, out of which 2 are independent. The Board of Directors has approved the Functioning Regulation of this committee.

2. The president of the audit committee shall be an independent non-executive member.

The president of the Audit Committee Mr Marius Leonard Gherghina, non-executive independent BOD member.

3. Within its responsibilities, the audit committee shall perform an annual evaluation of the internal control system.

The Internal Audit Department has evaluated the efficiency of the internal control system for MedLife as of the date of the hereby report and is currently granting consultancy in view of increasing the efficiency of this system.

4. The evaluation shall consider the efficiency and inclusion of the internal audit function, the degree of adequacy of risk management and internal control reports presented by the audit committee of the Board, the expediency and efficiency with which the executive leadership solves deficiencies or weaknesses identified pursuant to internal control and the presentation of relevant reports to the attention of the Board.

The evaluation report for the year 2018 has been presented towards and discussed by the members of the Audit Committee.

5. The Audit Committee shall evaluate conflicts of interests in connection to the companies' transactions and those of its subsidiaries with affiliated parties.

The evaluation report for the year 2018 has been presented towards and discussed by the members of the Audit Committee.

6. The Audit Committee shall evaluate the efficiency of the internal control system and of the risk management system.

The Evaluation report for the year 2018 has been presented towards and discussed by the members of the Audit Committee.

7. The Audit Committee shall monitor application of legal standards and of generally accepted internal audit standards. The Audit Committee shall receive and evaluate the reports of the internal audit team.

The evaluation report for the year 2018 has been presented towards and discussed by the members of the Audit Committee.

8. Anytime the Code mentions reports or analyses initiated by the Audit Committee, these shall be followed by periodic reportings (at least annual) or ad-hoc that shall be subsequently forwarded to the BOD.

MedLife fulfils this requirement.

9. None of the shareholders may be granted preferential treatment with respect to other shareholders, in connection to transactions and agreements concluded by the company with shareholders and their affiliates.

MedLife fulfils this requirement. The Company has adopted a Code of Ethics on the date of February 28th 2017.

10. The Board shall adopt a policy by which to insure that any transaction of the company, with any of the companies with which it has close relations, the value of which is equal to or higher than 5% of the net assets of the company (as per the latest financial report) is approved by the BOD, pursuant to a mandatory opinion of the audit committee and correctly revealed to the shareholders and potential investors, to the extent in which these transactions fall under the category of events that make the object of reporting requirements.

This policy is included in the Internal Regulation of the Board of Directors.

11. Internal audit shall be performed by a structurally separate division (internal audit department) within the company or by hiring an independent third-party entity.

Internal audit is performed by the Internal Audit Department.

12. In order to insure fulfilling the main functions of the internal audit department, the latter shall report, from a functional standpoint, towards the BOD, by means of the audit committee. For administrative purposes and within the leadership's obligations to monitor and reduce risks, the former shall report directly to the general manager.

The Internal Audit Department reports to the Board of Directors from a functional standpoint, by means of the Audit Committee, and administratively, towards the General Manager.

Section C. Appropriate reward and incentive

1. The company shall publish on its internet webpage the remuneration policy and shall include, in the annual report, a statement regarding the implementation of the remuneration policy within the course of the annual period that is object of the analysis.

The remuneration policy shall be drafted such that it allows shareholders to understand the principles and arguments that form the basis of the remuneration for members of the BOD and of the General Manager, as well as of members of the Directorate, in a dualist system. The former shall describe the method of process management and decision making regarding remuneration, shall detail the component of remuneration of the executive leadership (such as salaries, annual bonuses, long term incentives related connected to the value of shares, benefits in kind, pensions and others) and to describe the purpose, principles and assumptions that underline the base of each component (including the general performance criteria subsequent to each variable remuneration form). Furthermore, the remuneration policy shall specify the duration of the contract for the executive manager and the period of prior notice provided in the agreement, as well as any compensation for revocation without just cause.

The report regarding remuneration shall present implementation of the remuneration policy for individuals identified in the remuneration policy, in the course of the annual period that is object of the analysis.

Any essential change arisen in the remuneration policy shall be published in due time on the company's webpage.

The amount of remuneration for the members of the BOD is published on the company's website, together with the form of mandate agreement.

Considering the fact that the Nomination and Remuneration Committee was established in 2018, a Remuneration policy is to be formalized within 2019.

Section D Adding value by investor relations

D1. The company shall organise a service of Investor Relations – indicating to the general public the individual/individuals responsible or the organization unit. Outside of the mandatory information as per legal provisions, the company shall include on its webpage a section dedicated to Investor Relations, in Romanian and English language, with all the relevant information of interest to investors, including:

D.1.1. The main corporate regulations: constitutive document, procedures regarding general meetings of the shareholders;

D.1.2. Professional resumes of the members of the company's leadership bodies, other professional commitments of the members of the Board, including executive and non-executive offices in boards of directors in companies or non-profit institutions;

D.1.3. Current reports and periodical reports (quarterly, semestrial and annual);

D.1.4. Information regarding the general meetings of the shareholders;

D.1.5. Information regarding corporate events;

D.1.6. Names and contact details of an individual that may provide relevant information, on demand;

D.1.7. Company presentations (such as presentations for investors, presentations on quarterly results etc.), financial statements (quarterly, semestrial, annual), audit reports and annual reports.

The Company has both an Investor Relations service, as well as a section dedicated to investor relations on its webpage, both in Romanian (www.medlife.ro/relatia-cu-investitorii), as well as in English (www.medlifeinternational.com/investor-relations). In the Investors category on MedLife's webpage all the relevant information of interest to investors is included.

D2. The company shall have a policy regarding annual distribution of dividends or other benefits towards the shareholders, proposed by the General Manager or by the Executive Committee and adopted by the BOD, under the form of a set of guidelines which the company intends to follow regarding distribution of the net profit. The principles of annual distribution policy towards the shareholders shall be published on the company's webpage.

The Board of Directors does not propose the distribution of dividends out of the profit for the year 2018.

D3. The company shall adopt a policy in connection to the forecasts, whether they are made public or nor. The forecasts refer to quantified conclusions of studies targeting stability of the global impact of a number of factors regarding a future period (so-called hypotheses). By its nature, such projection holds a high level of uncertainty, as the actual results may vary significantly from the initially presented forecasts. The policy regarding forecasts shall establish the frequency, considered period and content of forecasts. If published, forecasts may be included only in the annual, semestrial or quarterly reports. The policy regarding forecasts shall be published on the company's webpage.

The Board of Directors has approved and published on the company's webpage, on the date of February 28th 2017, the Policy regarding forecasts.

D4. Rules of the general meetings of the shareholders shall not limit participation of shareholders to the general meetings and exercise of their rights. Amendments of rules shall enter into effect, at the earliest, starting with the following meeting of the shareholders.

The rules of the general meeting of the shareholders are mentioned in each summoning notice, published as per legal requirements, with at least 30 days in advance before each meeting. The rules for organizing general meetings have been published on the company's webpage on the date of April 27th 2017.

D5. External auditors shall be present at the general meeting of the shareholders when their reports are presented within the respective meetings.

The external auditors are invited to and attend the general meetings of the company's shareholders.

D6. The Board shall present to the annual general meeting of the shareholders a brief evaluation on the internal control and significant risks management systems, as well as opinions on matters subjected to the decision of the general meeting.

The Company has fulfilled this obligation, included in the Annual report presented in the attention of the shareholders, with at least 30 days in advance to the date of holding the GMS.

D7. Any specialist, consultant, expert or financial analyst may attend the meeting of the shareholders, based on a prior invitation by the BOD. Accredited journalists may also attend the general meeting of the shareholders, with the approval of the President of the BOD.

At the meetings of the company`s shareholders are present also the external legal advisers of MedLife, namely Narcisa Oprea, Partner Schonherr Attorneys at Law.

D8. Quarterly and semestrial financial reports shall include information both in Romanian, as well as in English, regarding key factors that influence amendments at the level of sales, of operational profit, net profit and of other relevant financial indicators, both from one quarter to another, as well as from one year to another.

MedLife fulfils this requirement, such reports are loaded on the company's website, both in Romanian and in English.

D9. A company shall organize at least two hearings / teleconferences with analysts and investors every year. The information presented on such occasions shall be published in the section investor relations of the company's webpage on the date of the hearings / teleconferences.

MedLife organizes quarterly teleconferences with analysts and investors.

D10. In case a company supports various forms of artistic and cultural expression, sporting activities, educational or scientific activities and considers that their impact on the company's innovating nature and its competitiveness are part of its development mission and strategy, it shall publish the policy regarding its activity in such field.

The Board of Directors is currently analyzing a Policy of social responsibility, the relevant elements of which are to be published on the company's webpage.

DECLARATION OF RESPONSIBLE PERSONS

The undersigned, Mihail Marcu, as chairman of the board of directors and CEO of Med Life S.A., hereby declare in lieu of an oath that, to the best of my knowledge, the annual financial and accounting statements prepared in accordance with the applicable accounting standards give a true and fair view of the assets, liabilities, financial position, profit and loss account of the company and of its subsidiaries captured in the consolidation of the financial statements and that the report of the board of directors gives a true and fair view of the development and performance of the company and a description of the main risks and uncertainties specific to its business.

Mihail Marcu,
Chief Executive Officer