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, 2019, 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, 2019 are identified as follows:

• Net assets/ Equity	RON 210.265.569
• Net profit/(loss) for the financial year	RON 20.152.452

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, 2019, 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 9% of the total assets of the Group. Management conducts impairment tests on an annual basis or whenever there is an indication of impairment to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. 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, 2019, 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, 2019, 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 22, 2019 to audit the financial statements of Med Life S.A. for the financial year ended December 31, 2019. The uninterrupted total duration of our commitment is 1 year, covering the financial years ended December 31, 2019.

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

Clădirea The Mark, Calea Griviței nr. 84-98 și 100-102,
etajul 8 și etajul 9, Sector 1,
Bucharest, Romania
March 23, 2019

MED LIFE S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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MED LIFE GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

	Note	December 31, 2019	January 1, 2019
ASSETS			
Long Term			
Goodwill	**4**	96,007,730	82,378,647
Intangible assets	**5**	43,275,568	39,647,014
Tangible assets	**5**	491,151,660	458,033,010
Right-of-use asset	**3.36**	101,388,393	-
Other financial assets	**5.5**	79,773,620	10,115,776
TOTAL NON-CURRENT ASSETS		**811,596,971**	**590,174,447**
Current Assets			
Inventories	**6**	43,390,267	31,070,480
Receivables	**7**	100,323,815	78,957,879
Other receivables		20,770,400	13,117,114
Cash and cash equivalents	**8**	38,886,218	34,206,159
		203,370,700	**157,351,632**
Assets classified as held for sale	**9**	381,665	381,665
Prepayments	**10**	**7,224,106**	**6,186,462**
TOTAL CURRENT ASSETS		**210,976,471**	**163,919,759**
TOTAL ASSETS		**1,022,573,442**	**754,094,206**
LIABILITIES & SHAREHOLDER'S EQUITY			
Current Liabilities			
Trade accounts payable	**11**	172,829,534	140,970,528
Overdraft	**14**	29,011,944	30,911,018
Current portion of lease liability	**13**	46,742,639	8,949,472
Current portion of long term debt	**14**	24,802,015	23,162,490
Current tax liabilities		308,391	729,572
Provisions		1,749,188	2,458,957
Other liabilities	**12**	65,134,937	37,605,544
Liabilities directly associated with assets classified as held for sale	**9**	363,318	458,785
TOTAL CURRENT LIABILITIES		**340,941,966**	**245,246,366**
Long Term Debt			
Lease liability	**13**	99,007,320	26,525,231
Other long term debt		6,650,000	-
Long term debt	**14**	345,952,241	287,013,365
TOTAL LONG-TERM LIABILITIES		**451,609,561**	**313,538,596**
Deferred tax liability	**25**	19,756,346	16,436,342
TOTAL LIABILITIES		**812,307,874**	**575,221,304**
SHAREHOLDER'S EQUITY			
Issued capital	**15**	81,495,470	81,495,470
Treasury shares		(2,699,804)	(6,056,105)
Reserves	**17**	108,709,302	93,906,109
Retained earnings		(419,910)	(9,994,660)
Equity attributable to owners of the Group		**187,085,058**	**159,350,814**
Non-controlling interests	**18**	23,180,511	19,522,088
TOTAL EQUITY		**210,265,569**	**178,872,902**
TOTAL LIABILITIES AND EQUITY		**1,022,573,442**	**754,094,206**

Approved by the Board of Directors to be issued on March 23, 2020 and signed on behalf of by:

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

MED LIFE GROUP
CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

	Note	12 months ended December 31, 2019	2018
Sales	**19**	967,380,307	794,562,861
Other operating revenues	**20**	7,648,949	9,844,865
Operating Income		**975,029,256**	**804,407,726**
Operating expenses	**21,22**	**(918,594,743)**	**(766,014,417)**
Operating Profit		**56,434,513**	**38,393,309**
Finance cost	**23**	(19,186,950)	(17,567,816)
Other financial expenses	**23**	(8,164,408)	3,008,389
Financial result	**23**	**(27,351,358)**	**(14,559,427)**
Result Before Taxes		**29,083,155**	**23,833,882**
Income tax expense	**25**	(8,930,702)	(7,051,245)
Net Result		**20,152,452**	**16,782,637**
Owners of the Group		16,547,851	13,370,348
Non-controlling interests	**18**	3,604,602	3,412,289
Other comprehensive income items that will not be reclassified to profit or loss			
Gain/loss on revaluation of own shares		655,437	-
Deferred tax on other comprehensive income components		(104,870)	-
TOTAL OTHER COMPREHENSIVE INCOME		**550,567**	**-**
Total other comprehensive income attributable to:			
Owners of the Group		550,567	-
Non-controlling interests		-	-
TOTAL COMPREHENSIVE INCOME		**20,703,020**	**16,782,637**
Total comprehensive income attributable to:			
Owners of the Group		17,098,419	13,370,348
Non-controlling interests	18	3,604,602	3,412,289

Approved by the Board of Directors to be issued on March 23, 2020 and signed on behalf of by:

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

(all the amounts are expressed in RON, unless otherwise specified)

	Note	12 months ended December 31, 2019	2018
Net income before taxes	**25**	**29,083,155**	**23,833,883**
Adjustments for			
Depreciation	**21**	93,303,786	56,982,245
Provisions for liabilities and charges		(709,768)	(260,399)
Interest revenue	**23**	(69,900)	(813,677)
Interest expense	**23**	19,186,950	17,567,816
Allowance for doubtful debts and receivables written-off	**7**	(1,270,169)	(161,589)
Financial Discounts	**23**	5	(6,983)
Other non-monetary gains	**20**	(5,503,274)	(6,549,809)
Unrealized exchange gain / loss	**23**	8,299,783	1,407,018
Operating cash flow before working capital changes		**142,320,568**	**91,998,505**
Decrease / (increase) in accounts receivable		(15,999,381)	(20,931,344)
Decrease / (increase) in inventories		(2,044,361)	(5,902,259)
Decrease / (increase) in prepayments		(725,989)	1,889,895
Increase / (decrease) in accounts payable		9,494,857	8,257,035
Cash generated from WC changes		**(9,274,874)**	**(16,686,673)**
Cash generated from operations		**133,045,694**	**75,311,832**
Income Tax Paid		(6,134,448)	(6,194,673)
Interest Paid		(16,340,776)	(18,165,105)
Interest received		69,899	813,677
Net cash from operating activities		**110,640,369**	**51,765,731**
Investment in business combination	**26**	(53,182,778)	(16,985,373)
Additional participation interest acquired	**26**	(1,532,500)	-
Purchase of intangible assets	**5**	(3,020,776)	(2,396,311)
Purchase of property, plant and equipment	**5**	(50,681,033)	(49,923,781)
Net cash used in investing activities		**(108,417,087)**	**(69,305,465)**
Cash flow from financing activities			
Increase in Loans	**14**	63,121,293	46,683,462
Payment of loans	**14**	(14,533,110)	(58,474,480)
Financial Lease payments		(10,494,142)	(9,341,826)
Repayment of the lease liabilities - IFRS 16		(33,194,452)	-
Dividends paid to NCI	**18**	(186,698)	(292,924)
Payments for purchase of treasury shares		(2,256,114)	(6,056,105)
Net cash from/(used in) financing activities		**2,456,778**	**(27,481,873)**
Net change in cash and cash equivalents		**4,680,059**	**(45,021,607)**
Cash and cash equivalents beginning of the period		34,206,159	79,227,766
Cash and cash equivalents end of the period		**38,886,218**	**34,206,159**

Approved by the Board of Directors to be issued on March 23, 2020 and signed on behalf of by:

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

(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, 2019	**5,023,000**	**513,271**	**(6,056,105)**	**75,959,199**	**11,644,268**	**82,261,841**	**(9,994,660)**	**159,350,814**	**19,522,088**	**178,872,902**
Recognition of other reserves for fiscal purposes	-	-	-	-	1,762,501	-	(1,762,501)	-	-	-
Recognition of other reserves	-	-	-	-	-	13,040,693	-	13,040,693	-	13,040,693
Increase from own shares valuation	-	-	(655,438)	-	-	-	-	(655,438)	-	(655,438)
Share capital contribution	-	-	-	-	-	-	-	-	-	-
Additional non-controlling interest arising as of result of business combinations	-	-	-	-	-	-	-	-	2,279,703	2,279,703
Subsequent acquisition of NCI	-	-	-	-	-	-	(5,761,167)	(5,761,167)	(2,039,185)	(7,800,352)
Distribution of dividends	-	-	-	-	-	-	-	-	(186,698)	(186,698)
Net movement of treasury shares	-	-	4,011,738	-	-	-	-	4,011,738	-	4,011,738
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**17,098,418**	**17,098,418**	**3,604,602**	**20,703,020**
Deferred tax related to other elements of the overall result	-	-	-	-	-	-	-	-	-	-
Corrections related to previous years	-	-	-	-	-	-	-	-	-	-
Profit of the year (loss)	-	-	-	-	-	-	17,098,418	17,098,418	3,604,602	20,703,020
Balance as at December 31, 2019	**5,023,000**	**513,271**	**(2,699,804)**	**75,959,199**	**13,406,769**	**95,302,534**	**(419,909)**	**187,085,059**	**23,180,510**	**210,265,569**

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

MED LIFE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 Dec 31, 2018	**5,023,000**	**513,271**	**(6,056,105)**	**75,959,199**	**11,644,268**	**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, 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.

Approved by the Board of Directors to be issued on March 23, 2020 and signed on behalf of by:

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

(all the amounts are expressed in RON, unless otherwise specified)

1. DESCRIPTION OF THE BUSINESS

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

Medlife Group is offering a large range of medical service having opened 22 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Braila, Sibiu, Cluj and Constanta, one Hyperclinic recently opened in Oradea, 56 Clinics, 10 hospitals – located in Bucharest, Sibiu, Arad and Brasov, 36 Laboratories, 10 Pharmacies and 12 Dental Clinics. The Group has also more than 130 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, 2019 and January 1, 2019 are as follows:

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2019	January 1, 2019
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	83.01%	80.01%
2	Medapt SRL (indirectly)	Medical Services	Brasov, Romania	83.01%	80.01%
3	Histo SRL (indirectly)	Medical Services	Brasov, Romania	49.81%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL (indirectly)	Medical Services	Sfantu Gheorge, Romania	66.41%	64.01%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100%	100%
6	Med Life 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	61%	58%
10	Genesys Medical Clinic SRL (indirectly)	Medical services	Bucharest, Romania	61%	58%
11	Bactro SRL (indirectly)	Medical services	Deva, Romania	61%	58%
12	Transilvania Imagistica SA (indirectly)	Medical services	Oradea, Romania	61%	58%
13	Biofarm Farmec SRL (indirectly)	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	58%
14	RUR Medical SA	Medical services	Bucharest, Romania	100%	100%

(all the amounts are expressed in RON, unless otherwise specified)

15	Biotest Med SRL	Medical services	Bucharest, Romania	100%	100%
16	Vital Test SRL	Medical services	Bucharest, Romania	100%	100%
17	Centrul Medical Sama SA	Medical Services	Craiova, Romania	90%	55%
18	Ultratest SA (directly and indirectly)	Medical services	Craiova, Romania	76%	55%
19	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
20	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%
21	Stem Cells Bank SA	Medical Services	Timisoara, Romania	100%	100%
22	Dent Estet Clinic SA	Dental healthcare activities	Bucharest, Romania	60%	60%
23	Green Dental Clinic SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	31%	31%
24	Dentist 4 Kids SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	31%	31%
25	Dent A Porter SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	31%	31%
26	Dentestet Kids SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	32%	32%
27	Aspen Laborator Dentar SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	45%	45%
28	Centrul Medical Panduri SA	Medical Services	Bucharest, Romania	90%	90%
29	Almina Trading SA	Medical services	Targoviste, Romania	80%	80%
30	Anima Specialty Medical Services SRL	Medical services	Bucharest, Romania	100%	100%
31	Anima Promovare si Vanzari SRL (indirectly)	Medical services	Bucharest, Romania	100%	100%
32	Valdi Medica SA	Medical services	Cluj, Romania	55%	55%
33	Clinica Polisano SRL	Medical services	Sibiu, Romania	100%	100%
34	Solomed Clinic SA	Medical services	Pitesti, Romania	80%	80%
35	Solomed Plus SRL (indirectly)	Medical services	Pitesti, Romania	80%	80%
36	Ghencea Medical Center SA	Medical services	Bucharest, Romania	90%	90%
37	Sfatul medicului SRL	Medical platform	Bucharest, Romania	100%	100%
38	RMC Dentart (indirectly)	Dental healthcare activities	Budapest, Hungary	51%	0%
39	RMC Medical (indirectly)	Medical services	Budapest, Hungary	51%	0%
40	RMC Medlife	Holding	Budapest, Hungary	51%	0%
41	Badea Medical SRL	Medical services	Cluj, Romania	65%	0%
42	Oncoteam Diagnostic SA	Medical services	Bucharest, Romania	75%	0%
43	Centrul medical Micromedica SRL	Medical services	Piatra Neamt, Romania	100%	0%
44	Micromedica Targu Neamt SRL (indirectly)	Medical services	Targu Neamt, Romania	100%	0%
45	Micromedica Bacau SRL (indirectly)	Medical services	Bacau, Romania	100%	0%
46	Micromedica Roman SRL (indirectly)	Medical services	Roman, Romania	100%	0%
47	Medrix Center SRL (indirectly)	Medical services	Roznov, Romania	100%	0%
48	Spitalul Lotus SRL	Medical services	Ploiesti, Romania	100%	0%

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

- **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 – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (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 – adopted by the EU on 8 February 2019 (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 – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

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, except for IFRS 9 and IFRS 16 referred to below in the financial statements.

2.2 Amendments to the existing standards issued by IASB and adopted by the EU, adopted by Group, as at December 31, 2019

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:

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),

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

As at December 31, 2019, the Group has adopted these new standards and amendments to existing standards.

2.3 Standards and 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 amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

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

- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022).

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.

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 2018, except for the adoption of new standards effective as of January 1st 2019.

Starting with January 1st 2019, the Group has applied for the first time the new standard IFRS 16 „Leases".

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

3.2 Basis of preparation

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

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

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

3.3 Going concern

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

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

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.

3.6 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.

3.9 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, 2019 the exchange rate was of RON 4.2608 for 1 USD (31 December 2018: RON 4.0736 for 1 USD) and of RON 4.7793 for 1 EUR (31 December 2018: RON 4.6639 for 1 EUR), respectively RON 1.4459 for 100 HUF.
The average exchange rate for the period of 12 months ended 31 December 2019 was of RON 4.2392 for 1 USD (12 months period ended 31 December 2018 : 3.9416 for 1 USD) and RON 4.7454 for 1 EUR (12 months period ended 31 December 2018 : RON 4.6535 for 1 EUR), respectively RON 1.4589 for 100 HUF.

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 2019 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, 2019 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

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

3.12 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.

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.

3.17 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 include equity investments and credit securities, trade and other debt, cash and cash equivalents, trade and other liabilities.
Non-derivative financial instruments are initially recognized at fair value plus any directly attributable transaction costs. Subsequent recognition is made at fair value, any adjustment being presented in the statement of other comprehensive income.

Loans and leases are initially recognized at fair value plus other trading costs, and subsequent recognition is carried at amortized cost.

Fair value is the amount at which an instrument can be traded, between interested and knowledgeable parties, in a transaction carried out under objective conditions.

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.

3.23 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.

3.27 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.

3.31 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.

3.34 IFRS 9 „Financial instruments"

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.

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.

3.36 IFRS 16 „Leases"

Starting with January 1st 2019, the Group has adopted 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 leases several assets including buildings and land for operational activities. The average lease term is 4 years (2018: 4 years). All lease agreements contain extension or termination options.

For a better understanding of the impact of adopting IFRS 16 "Leases" on the annual financial statements of the Group, please see the table below:

(all the amounts are expressed in RON, unless otherwise specified)

	December 31, 2018	Adjustment IFRS 16	after IFRS 16 December 31, 2018	after IFRS 16 December 31, 2019
TOTAL NON-CURRENT ASSETS	590,174,447	81,555,459	671,729,906	811,596,971
TOTAL CURRENT ASSETS	163,919,759	-	163,919,759	210,976,471
TOTAL ASSETS	**754,094,206**	**81,555,459**	**835,649,665**	**1,022,573,442**
TOTAL CURRENT LIABILITIES	245,246,366	34,360,229	279,606,595	340,941,966
TOTAL LONG-TERM LIABILITIES	313,538,596	48,805,894	362,344,490	451,609,561
Deferred tax liability	16,436,342	583,790	17,020,132	19,756,346
TOTAL LIABILITIES	**575,221,304**	**83,749,914**	**658,971,218**	**812,307,874**
TOTAL EQUITY	**178,872,902**	**(2,194,455)**	**176,678,447**	**210,265,569**
TOTAL LIABILITIES AND EQUITY	**754,094,206**	**81,555,459**	**835,649,665**	**1,022,573,442**

	12 months ended 31-Dec-18	Adjustment IFRS 16	after IFRS 16 12 months ended 31-Dec-18	after IFRS 16 12 months ended 31-Dec-19
Operating Income	804,407,726	-	804,407,726	975,029,256
Operating expenses	(766,014,417)	2,038,025	(763,976,392)	(918,594,743)
Operating Profit	**38,393,309**	**2,038,025**	**40,431,334**	**56,434,513**
Financial result	(14,559,427)	(3,648,690)	(18,208,117)	(27,351,358)
Result Before Taxes	**23,833,882**	**(1,610,665)**	**22,223,217**	**29,083,155**
Net Result	**16,782,637**	**(2,194,455)**	**14,588,182**	**20,152,452**

	12 months ended 31-Dec-18	Adjustment IFRS 16	after IFRS 16 12 months ended 31-Dec-18	after IFRS 16 12 months ended 31-Dec-19
Net income/(loss) before taxes	**23,833,883**	**(1,610,665)**	**22,223,218**	**29,738,591**
Operating cash flow before working capital changes	**91,998,505**	**35,150,704**	**127,149,209**	**142,320,568**
Cash generated from operations	**75,311,832**	**35,150,704**	**110,462,536**	**133,045,694**
Net cash from / (used in) operating activities	**51,765,731**	**33,112,679**	**84,878,410**	**110,640,369**
Net cash used in investing activities	**(69,305,465)**	**-**	**(69,305,465)**	**(108,417,087)**
Net cash from used in financing activities	**(27,481,873)**	**(33,112,679)**	**(60,594,552)**	**2,456,778**
Cash and cash equivalents end of the period	**34,206,159**	**(0)**	**34,206,159**	**38,886,218**

(all the amounts are expressed in RON, unless otherwise specified)

Right of use	**Construction**	**Vehicles / Medical Equipment**	**Total**
Cost			
Value as at 1 January 2019	107,542,860	15,926,769	123,469,629
Increase	12,827,338	-	12,827,338
Value as at 31 December 2019	120,370,198	15,926,769	136,296,967
Depreciation			
Value as at 1 January 2019	-	-	-
Increase	29,948,128	4,960,445	34,908,574
Value as at 31 December 2019	29,948,128	4,960,445	34,908,574
Net value	**90,422,070**	**10,966,323**	**101,388,393**

Leasing	**Construction**	**Vehicles / Medical Equipment**	**Total**
Opening balance	107,542,860	15,926,769	123,469,629
Increase	15,728,233	809,574	16,537,807
Decrease	(31,444,015)	(5,460,906)	(36,904,921)
Closing balance	**91,827,078**	**11,275,437**	**103,102,516**

Leasing due date	**Value of instalments**
Year	**2019**
1	39,134,884
2	32,391,075
3	23,365,647
4	5,205,694
5	3,005,215
Total	**103,102,516**

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.

(all the amounts are expressed in RON, unless otherwise specified)

4. GOODWILL

The Group records goodwill resulting from business combinations.
Please see below the goodwill recorded as of December 31, 2019 and January 1, 2019:

	31 December 2019	1 January 2019
Grupul Policlinica de Diagnostic Rapid	11,281,899	11,281,899
Pharmalife Med SRL	138,997	138,997
Grupul Accipiens	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	4,070,023
Ghencea Medical Center	4,693,895	4,693,895
Grupul Solomed	6,066,602	6,066,602
Sfatul medicului	1,503,438	1,503,438
Transilvania Imagistica	8,726	8,726
Badea Medical	1,881,349	-
RMC Ungaria	8,452,114	-
Oncoteam Diagnostic	1,366,312	-
Other	1,929,308	-
TOTAL	**96,007,730**	**82,378,647**

Movement in Goodwill

	31 December 2019	1 January 2019
Balance at the beginning of the year	82,378,647	66,035,963
Goodwill recognized during the year	13,629,083	16,342,684
Disposal of subsidiaries	-	-
TOTAL	**96,007,730**	**82,378,647**

During the year ended December 31, 2019, the Group obtained control over various companies and recorded a goodwill of RON 13,629,083. For further details on business combinations performed in the year ended December 31, 2019 and the year ended December 31, 2018, 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, 2019.

(all the amounts are expressed in RON, unless otherwise specified)

5. TANGIBLE AND INTANGIBLES FIXED ASSETS

As of December 31, 2019 the Group's tangible and intangible assets' structure was the following:

	Intangibles	Land	Construction	Vehicles and equipment	Construction in progress	Total
1 January 2019	**78,348,031**	**27,114,136**	**310,518,800**	**400,309,544**	**15,206,937**	**831,497,448**
Additions	9,499,086	-	18,461,338	34,857,632	13,680,009	76,498,066
Transfers	-	-	8,671,989	274,473	(8,946,462)	-
Disposals	(158,806)	-	-	(4,575,732)	-	(4,734,538)
Additions from business combinations	2,718,877	-	21,910	6,539,864	-	9,280,651
Disposals from business combinations	-	-	-	-	-	-
Revaluation	-	2,239,826	10,391,727	393,563	-	13,025,116
31 December 2019	**90,407,188**	**29,353,962**	**348,065,764**	**437,799,343**	**19,940,484**	**925,566,742**

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

	Intangibles	Land	Construction	Vehicles and equipment	Construction in progress	Total
Depreciation						
1 January 2019	**38,701,017**	**84,120**	**70,701,203**	**224,331,084**	**-**	**333,817,424**
Charge of the year	8,354,280	-	12,791,458	37,249,475	-	58,395,212
Disposals	(2,534)	-	-	(3,209,400)	-	(3,211,934)
Additions from business combinations	78,858	-	21,910	2,038,044	-	2,138,811
Impairment losses recognized in profit or loss	-	-	-	-	-	-
31 December 2019	**47,131,621**	**84,120**	**83,514,570**	**260,409,202**	**-**	**391,139,513**
Net Book Value						
1 January 2019	**39,647,014**	**27,030,016**	**239,817,597**	**175,978,460**	**15,206,937**	**497,680,024**
31 December 2019	**43,275,568**	**29,269,842**	**264,551,193**	**177,390,141**	**19,940,484**	**534,427,228**

(all the amounts are expressed in RON, unless otherwise specified)

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**

(all the amounts are expressed in RON, unless otherwise specified)

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, 2019 by independent valuators 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.

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, 2019**	**January 1, 2019**
Land	4,705,086	4,705,086
Buildings	204,803,645	186,320,397
TOTAL	**209,508,731**	**191,025,483**

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 365 Calea Grivitei Street, district 1, Bucharest Romania (CF 201556) and related constructions
- mortgage on the land and buildings that make up the Pediatric Hospital in Bucharest, 7 Zagazului Street - CF 218010
- mortgage on the land and buildings that make up the Clinic and PDR Hospital located in Brasov, 5 Turnului Street - CF 127854
- mortgage on the land and buildings that make up the Clinic and Genesys Hospital located in Arad, 5 Dr. Cornel Radu Street - CF 301842
- mortgage on the land and buildings located in Craiova, 5A Infratirii Street - CF 204837

(all the amounts are expressed in RON, unless otherwise specified)

5.3. Intangible assets

Carrying amount	December 31, 2019	January 1, 2019
Set-up and development costs	8,563	8,563
Customer lists	6,022,310	6,022,310
Contract advantage	4,992,463	4,992,463
Trademark	18,076,219	15,452,595
Concessions, patents, licenses, trademarks and similar rights and assets	5,159,315	4,267,216
Other intangible assets	9,016,697	8,903,867
TOTAL	**43,275,568**	**39,647,014**

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
Badea Medical (2019)	-	-	71,000	71,000
Oncoteam Diagnostic (2019)	-	-	541,000	541,000
Rozsakert Medical Center Ungaria (2019)	-	-	2,011,624	2,011,624
Total	**7,714,120**	**5,210,799**	**18,076,219**	**31,001,138**

(all the amounts are expressed in RON, unless otherwise specified)

5.5. Financial assets

Carrying amount	December 31, 2019	January 1, 2019
Long-term receivables for stem cells processing	14,961,791	8,581,006
Additional acquisition of shares in Sama (10%)	-	1,532,500
Future receivables estimated as a result of acquisition of Lotus and Micromedica	64,258,322	-
Other receivables	553,507	2,270
TOTAL	**79,773,620**	**10,115,776**

As of December 31, 2019, the Group presents RON 14,961,791 as long-term receivables for stem cells processing.

6. INVENTORIES

	31 December 2019	1 January 2019
Consumable	25,187,152	20,132,101
Materials in the form of inventory items	319,603	254,463
Merchandise	17,880,962	10,682,477
Inventory in transit	2,550	1,439
TOTAL	**43,390,267**	**31,070,480**

7. ACCOUNTS RECEIVABLE

	31 December 2019	1 January 2019
Customers	109,517,379	91,081,445
Advances to suppliers	7,047,839	5,285,312
Allowance for bad debt	(16,241,403)	(17,408,878)
TOTAL	**100,323,815**	**78,957,879**

Trade receivables as of December 31, 2019 include a receivable of RON 7,715,835 representing amounts to be collected from the National Health House of Bucharest and from Arad Health House 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 an allowance.

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, 2019, the Management of the Group performed an assessment regarding the collectability of receivables - a total allowance of RON 16.241,403 (which includes the amount of RON 7,715,835 in relation to the National Health House and Arad 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 four 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.

(all the amounts are expressed in RON, unless otherwise specified)

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 doubtfull debts	31 December 2019	1 January 2019
Balance at the beginning of the year	**17,408,878**	**16,892,595**
Additions from business combinations	-	516,283
Imapriment losses and reversals recognised on receivables	(1,167,475)	-
TOTAL	**16,241,403**	**17,408,878**

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.

	31 December 2019	1 January 2019
Aging of receivables due but not impaired		
90-180 days	506,455	624,033
180 - 270 days	135,818	677,174
270 - 365 days	135,697	654,092
Over 365 days	3,637,568	4,784,670
Total	**4,415,538**	**6,739,969**

Aging of impaired receivables	31 December 2019	1 January 2019
0-30 days	212,510	205,950
31-90 days	87,925	132,449
91-180 days	155,198	270,604
181-270 days	191,641	238,705
271-365 days	169,375	280,560
Over 365 days	7,708,919	8,914,775
	8,525,568	**10,043,043**
Other value adjustments	**7,715,835**	**7,365,835**
Total	**16,241,403**	**17,408,878**

(all the amounts are expressed in RON, unless otherwise specified)

8. CASH AND BANKS

	31 December 2019	1 January 2019
Cash in bank	34,122,192	30,568,057
Cash in hand	1,992,738	2,038,387
Cash equivalents	2,771,288	1,599,715
TOTAL	**38,886,218**	**34,206,159**

9. ASSETS CLASSIFIED AS HELD FOR SALE

	December 31 2018	1 January 2019
Apartment owned by Med Life Occupational	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, 2019 and January 1, 2019 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, 2019 is RON 363,318 (January 1, 2018: RON 458,785).

10. PREPAYMENTS

As of December 31, 2019 the Group has prepayments in amount of RON 7,224,106 (RON 6,186,462 as of January 1, 2019). The prepayments balance as of December 31, 2019 and January 1, 2019 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

	31 December 2019	1 January 2019
Suppliers	148,316,795	121,406,820
Fixed assets suppliers	18,421,340	17,802,730
Advances paid by customers	6,091,399	1,760,978
TOTAL	**172,829,534**	**140,970,528**

12. OTHER SHORT TERM LIABILITIES

OTHER SHORT TERM LIABILITIES

	31 December 2019	1 January 2019
Salary and related liabilities (incl. contributions)	17,477,756	13,028,465
Other liabilities	47,657,181	24,577,079
TOTAL	**65,134,937**	**37,605,544**

(all the amounts are expressed in RON, unless otherwise specified)

13. LEASING LIABILITIES

	31 December 2019	1 January 2019
Long term portion – Leasing	99,007,320	26,525,231
Current portion – Leasing	46,742,639	8,949,472
TOTAL	**145,749,960**	**35,474,703**

Leasing facilities refer to medical equipment and vehicles acquired.

Obligations under finance lease	**31 December 2019**	**1 January 2019**
Minimum Lease Payments		
Short-term (less than one year)	48,059,542	10,355,394
Long-term (between 2 and 5 years)	102,080,960	29,808,409
TOTAL	**150,140,502**	**40,163,803**
Less: future finance charges	(4,390,543)	(4,689,100)
Present value of lease obligations		
Analyzed as follows:		
Maturing within one year	46,742,639	8,949,472
Maturing after more than one year, but not later than five year	99,007,320	26,525,231
TOTAL	**145,749,959**	**35,474,703**

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

14. FINANCIAL DEBT

	31 December 2019	1 January 2019
Current portion of long-term loans	53,813,959	54,073,508
Non-current portion of long-term loans	345,952,241	287,013,365
TOTAL	**399,766,200**	**341,086,873**

Overdraft

	December 31 2019	January 1 2019
Short term loan	29,011,944	30,911,018
TOTAL	**29,011,944**	**30,911,018**

As at December 31, 2019, the Group's drawn and undrawn financing facilities included the following:

- On 24 September 2019, Med Life SA (together with the co-borrowers of the Policlinica de Diagnostic Rapid SA, Bahtco Invest SA, Accipiens SA, Genesys Medical Clinic SRL, Clinica Polisano SRL, Centrul Medical Sama SA, Dent Estet Clinic SA and Valdi Medica SRL) 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 28 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, 2019, the balance of these facilities is 343,462,123 RON;

(all the amounts are expressed in RON, unless otherwise specified)

• a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn on 31 December 2019 is of RON 9,558,600;

• a guaranteed overdraft facility between ING Bank SA and Solomed Clinic SA, the amount drawn on #1 December 2019 is of RON 140,979

• 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 2019;

• 2 guaranteed loan facilities concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L; the balance outstanding at 31 December 2019 is RON 5,224,159;

• 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 2019 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, 2019 of RON 113,408;

• a guaranteed loan concluded between Bancpost and Med Life Ocupational S.R.L. worth EUR 225,000; the balance outstanding at 31 December 2019 is RON 371,501;

• 2 guaranteed loan contracts concluded between Banca Transilvania S.A. and Ghencea Medical Center, the balance outstanding at 31 December 2019 is RON 695,207;

• 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 2019 is RON 35,780,086.

• a guaranteed overdraft facility between Banca Transilvania S.A. and Onco Team Diagnostic S.A., the balance outstanding as at 31 December 2019 is RON 549,049 RON;

• an overdraft facility contracted by Rozsakert Medical Center, the outstanding balance at 31 December 2019 is RON 165,333;

As at December 31, 2019 none of the Group members was in breach of any applicable term of the financing facilities.

15. ISSUED CAPITAL

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

	Number of shares	%
Marcu Mihail	3,897,920	17.60%
Cristescu Mihaela Gabriela	3,110,115	14.04%
Marcu Nicolae	2,692,400	12.16%
Others	12,444,647	56.20%
TOTAL	**22,145,082**	**100%**

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

	Number 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%**

(all the amounts are expressed in RON, unless otherwise specified)

16. EARNINGS PER SHARE

	31 December 2019	31 December 2018
Profit for the period	20,152,452	16,782,637
Number of ordinary shares at the beginning and at the end of the period	22,145,082	22,145,082
Result per share (RON/share)	0.91	0.76

17. RESERVES

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

	31 December 2019	1 January 2019
General reserves	3,990,951	2,228,451
Other reserves	9,415,817	9,415,817
Revaluation reserves	95,302,534	82,261,841
TOTAL	**108,709,302**	**93,906,109**

General reserves and other reserves	**December 31 2019**	**January 1 2019**
Balance at beginning of the year	**11,644,268**	**10,920,039**
Movements	1,762,500	724,229
Balance at the end of the year	**13,406,768**	**11,644,268**

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	13,040,693	-
Balance at the end of the year	**95,302,534**	**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).

(all the amounts are expressed in RON, unless otherwise specified)

18. NON-CONTROLLING INTEREST

	31 December 2019	1 January 2019
Balance at beginning of year	**19,522,088**	**15,625,388**
Share of profit for the year	3,604,602	3,412,289
Share of other comprehensive income	-	-
Share capital contribution	-	-
Non-controlling interests arising on the acquisition of subsidiar	2,279,703	777,335
Subsequent acquisition of NCI	(2,039,185)	-
Distribution of dividends	(186,698)	(292,924)
TOTAL	**23,180,510**	**19,522,088**

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 2019 Sales	% of Total Sales	12 months 2018 Sales	% of Total Sales	Variation 2019/2018
Clinics	295,465,223	30.5%	233,339,171	29.4%	26.6%
Stomatology	59,817,358	6.2%	44,733,559	5.6%	33.7%
Hospitals	221,198,932	22.9%	167,320,772	21.1%	32.2%
Laboratories	154,135,274	15.9%	134,680,878	17.0%	14.4%
Corporate	183,514,802	19.0%	169,171,271	21.3%	8.5%
Pharmacies	39,341,136	4.1%	36,111,885	4.5%	8.9%
Others	13,907,692	1.4%	9,205,325	1.2%	51.1%
TOTAL SALES	**967,380,417**	**100.0%**	**794,562,861**	**100%**	**21.8%**

20. OTHER OPERATING REVENUES

Other operating revenues caption comprises:

	31 December 2019	31 December 2018
Other operating revenues	1,642,540	1,988,316
Income from operating grants	2,217,257	4,803,137
Capitalized cost of intangible assets	3,789,152	3,053,412
TOTAL	**7,648,949**	**9,844,865**

(all the amounts are expressed in RON, unless otherwise specified)

21. OPERATING EXPENSES

	31 December 2019	31 December 2018
Consumable materials and repair materials	158,167,211	126,048,830
Commodities	30,649,995	29,367,048
Utilities	11,854,596	9,056,380
Repairs maintenance	11,895,850	8,984,186
Rent	8,655,617	41,986,204
Insurance premiums	3,122,303	2,538,221
Promotion expense	14,207,313	15,011,240
Communications	3,962,770	3,748,038
Third party expenses (including doctor's agreements)	264,544,662	206,077,081
Salary and related expenses	291,414,807	245,139,121
Social contributions	10,526,204	8,136,171
Depreciation	93,303,786	56,982,245
Other administration and operating expenses	16,289,629	12,939,652
TOTAL	**918,594,743**	**766,014,417**

22. KEY MANAGEMENT PERSONNEL EXPENSES

The structure of Med Life personnel is described below:

	December 31, 2019	December 31, 2018
Management	161	158
Staff	4,722	4,969
Total	**4,883**	**5,127**

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

	December 31, 2019	December 31, 2018
Management	35,134,419	31,227,409
Staff	256,280,388	213,911,711
Total	**291,414,807**	**245,139,121**

(all the amounts are expressed in RON, unless otherwise specified)

23. NET FINANCIAL RESULT

	31 December 2019	31 December 2018
Other financial expenses	(5)	6,982
(Loss)/Gain from foreign exchange rate impact	(8,299,837)	(1,409,293)
Finance cost	(19,186,950)	(17,567,816)
Other income	65,535	3,597,023
Interest income	69,899	813,677
FINANCIAL NET PROFIT/(LOSS)	**(27,351,359)**	**(14,559,427)**

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, 2019**	**January 1, 2019**
Payables		
MARCU NICOLAE	7,402	-
DR. CRISTESCU I. MIHAELA-GABRIELA	4,839	49,804
NAUTIC LIFE	2,616	-
Total	**14,857**	**49,804**
Receivables		
DR. CRISTESCU I. MIHAELA-GABRIELA	58,400	-

Transactions during the year	**December 31, 2019**	**December 31, 2018**
Expenses		
DR. CRISTESCU I. MIHAELA-GABRIELA	700,800	642,400

Transactions during the year	**December 31, 2019**	**December 31, 2018**
Sales		
MARCU NICOLAE	1,633	-

(all the amounts are expressed in RON, unless otherwise specified)

25. TAXATION

	31 December 2019	31 December 2018
Current income tax expense	6,309,242	5,811,538
Deferred tax expense/release	2,621,460	1,239,708
Total income tax	**8,930,702**	**7,051,245**

	31 December 2019	31 December 2018
Profit / (loss) before tax	**29,083,155**	**23,833,882**
Income tax expense calculated at 16%	4,653,305	3,921,717
Effect of expenses that are not deductible in determining taxable profit	1,655,937	1,889,820
Effect of temporary differences	2,621,460	1,239,708
Income tax expense recognized in profit or loss	**8,930,702**	**7,051,245**
Effective tax rate	30.7%	29.6%

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, 2019 are presented below:

Components of deferred tax	**31 December 2019**	**Change in deferred tax**	**1 January 2019**
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	**31 December 2019**	**Modificări în impozitul amânat**	**1 January 2019**
Non-current assets new acquisitions	4,784,475	2,726,330	2,058,145
Revaluation reserve	15,815,251	104,870	15,710,381
Deferred tax liability as a result of IFRS 16 applic	593,674	593,675	-
Total deferred tax liability	**21,088,530**	**3,320,005**	**17,768,526**
Net deferred tax liability	**19,756,346**	**3,320,005**	**16,436,342**

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**

(all the amounts are expressed in RON, unless otherwise specified)

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**

The net effect of the change on deferred tax balances recognized as at December 31, 2019, 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

Subsidiaries acquired during the period 1 January – 31 December 2019:

Acquisition of SAMA, PDR Brasov, Rózsakert Medical Center, Badea Medica, Onco Team Diagnostic, Lotus Hospital, Micromedica Medical Center.

The group signed the sale and purchase agreement for share capital for acquiring the following companies:

- 35% of the shares in SAMA;
- 3% of the shares in PDR Brasov;
- 3% of the shares in Genesys Arad;
- 51% of the shares in Rózsakert Medical Center;
- 65% of the shares in Badea Medica;
- 75% of the shares in Onco Team Diagnostic;
- 100% of the shares in Lotus Hospital;
- 100% of the shares in Micromedica Medical Center.

Acquisition of Rozsakert Medical Center Group Hungary
Medlife announced in January 2019 the first international transaction: the acquisition of 51% of the majority package of Rozsakert Medical Center in Hungary. Rozsakert Medical Center is among the top 10 private healthcare providers in Hungary. The company is comprised of a multidisciplinary outpatient unit that includes a department equipped with a small surgery room and a dental center. Over 40,000 patients access a diverse range of outpatient clinical and paraclinical services and investigations, as well as a comprehensive range of interventions, focusing on the specialties of ophthalmology, gynecology, proctology, dermatology, plastic surgery, and more others. The transaction was completed in March 2019 with the fulfillment of the suspensive conditions.

Increase participation in Sama Craiova, PDR Brasov and Genesys Arad groups
Medlife announced the acquisition of a new 35% stake in the SAMA Group of companies in Craiova. In this way, MedLife will be the shareholder with 90% of the shares of the Oltenia group of companies (from 55% share initially). Medlife also acquired another 3% of PDR Braşov Group, one of the most important private medical services providers in Romania, thus the company holding 83% of the shareholding (from 80% share initially) and 3% of Genesys Arad (Accipiens) thus the company holding 61% of the shareholding (from 58% share initially)

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

Acquisition of Onco Team Diagnostic
MedLife announced in September 2019 the acquisition of the majority package of the medical company Onco Team Diagnostic, thus adding in the procurement portfolio the first laboratory with the profile of

(all the amounts are expressed in RON, unless otherwise specified)

pathological anatomy and molecular biology. The unit joins the laboratories in the group (MedLife Grivița, MedLife Brașov, Panduri Laboratory etc.) that provide this analysis segment.

Acquisition of Lotus Hospital

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

Acquisition of Micromedica Medical Center

Medlife announced the acquisition of the majority package of **Micromedica Medical Center**, one of the most important providers of private medical services in Moldova.

Micromedica has been active on the private healthcare market since 1995 and offers patients a wide range of investigations, from multidisciplinary consultations for over 28 medical specialties and laboratory services, to complex imaging investigations. The group comprises of six medical units located in the cities of Piatra Neamț, Bacău, Roman, Bicaz, Roznov and Târgu Neamț, all equipped with high-quality medical equipment.

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

Assets acquired and liabilities recognized at the date of acquisition	**2019**	**2018**
Non-current assets	9,694,101	114,842,433
Current assets	5,343,311	15,255,599
Current liabilities	9,085,695	69,476,415
Non-current liabilities	-	56,527,294
Net assets	**5,951,717**	**4,094,323**

26.3. Goodwill arising on acquisition

Goodwill arising on acquisition	**2019**	**2018**
Consideration transferred	17,301,096	19,659,671
Less: fair value of identifiable net assets acquired	(5,951,717)	(4,094,323)
Plus non-controlling interest	2,279,704	777,335
Goodwill arising on acquisition	**13,629,083**	**16,342,683**

26.4. Net cash outflow on acquisition of subsidiaries

	31 December 2019	**31 December 2018**
Consideration paid in cash	56,550,113	19,272,179
Less: cash and cash equivalent balances acquired at acquisition date	(1,834,835)	(2,286,806)
	54,715,278	**16,985,373**

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.

(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:

(all the amounts are expressed in RON, unless otherwise specified)

2019	**1 EUR = 4.7793 RON**	**EUR**	**Total**
ASSETS			
Cash and cash equivalents	38,886,218	-	38,886,218
Trade receivables	100,323,815	-	100,323,815
Financial assets	-	79,773,620	79,773,620
LIABILITIES			
Trade payables	172,829,534	-	172,829,534
Liabilities held for sale	-	363,318	363,318
Overdraft	19,453,344	9,558,600	29,011,944
Other long term debt	-	6,650,000	6,650,000
Short-Term and Long-Term portions of loans	43,159,588	327,594,668	370,754,256
Short-Term and Long-Term portions of financial leasing	2,442,378	143,307,582	145,749,960

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

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, 2019	**December 31, 2018**
Profit or loss	26,439,297	31,258,913

(all the amounts are expressed in RON, unless otherwise specified)

The following table details the Group's remaining contractual maturity for financial liabilities as of December 31, 2019. 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		172,829,534	172,829,534	-	-
Interest bearing instruments					
Liabilities directly linked to assets held for sale		363,318	363,318	-	-
Loans - other	EURIBOR/ROBOR + margin %	28,942,133	2,748,838	24,540,549	1,652,746
Club Loan	EURIBOR/ROBOR + margin %	341,812,123	19,760,167	322,051,955	-
Overdraft		29,011,944	29,011,944	-	-
Lease contracts		145,749,960	46,742,639	99,007,320	-
Total		**718,709,012**	**271,456,441**	**445,599,825**	**1,652,746**

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.

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, 2019 and December 31, 2018, 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 2,631,819 out of which in EUR 404,646 as of December 31, 2019 (December 31, 2018: RON 2,138,270, equivalent of EUR 332,046).

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 146,500 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 12,000, excluding VAT.

30. EVENTS AFTER THE BALANCE SHEET DATE

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

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

In all MedLife units, the methodology of monitoring the acute respiratory system was implemented, and currently, the company ensures a good continuity of the medical activity. Epidemiological triage of patients through call-centers and medical teams, special circuits for patients with acute respiratory pathology, adapting consultation intervals to increase patient safety (allocation of time needed for desinfection of spaces after interaction with each patient), creation of special places for isolation of suspected cases of infectious diseases, the provision of protective equipment and disinfectant products, as well as the development of complex procedures of cleaning, disinfection and nebulization are only part of the important measures that have been taken and that the special medical teams follow and manage properly.

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

MedLife Medical System actively monitors the economic situation in Romania and the possible negative implications on its current operations, at present, there being reductions in the activity determined by the social distance measures imposed by the public authorities in order to limit the spread of the SARS-CoV-2 virus. (Coronavirus). Despite the decrease in activity, the company has taken all measures necessary to maintain good business continuity in all MedLife clinics and hospitals, having as priority the caring for medical staff and front-line colleagues and studying to offset the turmoil by lowering overhead costs on the short-term.

The priority of MedLife Medical System remains the health of patients and employees, fully complying with the decisions of the local authorities.

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

Approved by the Board of Directors to be issued on March 23, 2020 and signed on behalf of by**:**

Mihail Marcu,	**Vera Firu,**
CEO	Accounting and Tax manager

ADMINISTRATORS' REPORT
MED LIFE GROUP

YEAR ENDED DECEMBER 31, 2019

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 150,000 inhabitants.

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

Medlife Group is the largest provider of medical services in Romania based on turnover. More than 5 million unique patients have used Medlife services, and over 700,000 employees nationwide benefit from Medlife healthcare prevention packages as part of the benefits provided by their employers.

Last but not least, Medlife Group is differentiates itself by the significant number of medical test performed in Medlife laboratories annually – 5.9 million test conducted in 2019.

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

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

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2019	January 1, 2019
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	83.01%	80.01%
2	Medapt SRL (indirectly)	Medical Services	Brasov, Romania	83.01%	80.01%
3	Histo SRL (indirectly)	Medical Services	Brasov, Romania	49.81%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL (indirectly)	Medical Services	Sfantu Gheorge, Romania	66.41%	64.01%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100%	100%
6	Med Life 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	61%	58%
10	Genesys Medical Clinic SRL (indirectly)	Medical services	Bucharest, Romania	61%	58%
11	Bactro SRL (indirectly)	Medical services	Deva, Romania	61%	58%
12	Transilvania Imagistica SA (indirectly)	Medical services	Oradea, Romania	61%	58%
13	Biofarm Farmec SRL (indirectly)	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	58%
14	RUR Medical SA	Medical services	Bucharest, Romania	100%	100%
15	Biotest Med SRL	Medical services	Bucharest, Romania	100%	100%
16	Vital Test SRL	Medical services	Bucharest, Romania	100%	100%
17	Centrul Medical Sama SA	Medical Services	Craiova, Romania	90%	55%
18	Ultratest SA (directly and indirectly)	Medical services	Craiova, Romania	76%	55%
19	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
20	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%
21	Stem Cells Bank SA	Medical Services	Timisoara, Romania	100%	100%
22	Dent Estet Clinic SA	Dental healthcare activities	Bucharest, Romania	60%	60%
23	Green Dental Clinic SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	31%	31%

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

MedLife business model is focused on providing medical services to clients, both natural and legal persons. The Group seeks to capture the private healthcare spending of these clients throughout all stages of a medical condition: prevention, diagnosis and treatment, by offering a wide range of medical services delivered in modern, high quality facilities by professional teams of doctors, nurses and support personnel. The company places great emphasis on the quality of the services offered to its customers, operating an IT infrastructure and customer service and sales operation that has served over 5 million unique patients, representing over 1 in 4 Romanians.

The 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-inpatient services.

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

- Hospitals: The Hospitals business line covers the Group's inpatient activities, which consist of a wide range of medical and surgical specializations. The 10 hospitals of the group are located in Arad, Bucharest, Brasov, Cluj, Sibiu and Ploiesti. 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 day-inpatient units, which operate within Clinic locations and provide only day-inpatient services (i.e. Iași, Craiova and Timișoara). The financial results from these three day-inpatient 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 or their proximity.

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

2. 2019 Developments

2.1. Acquisitions completed in 2019

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

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

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

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

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

Acquisition of Rozsakert Medical Center Group, Hungary
Medlife announced in January 2019 the first international transaction: the acquisition of 51% of the majority package of Rozsakert Medical Center in Hungary. Rozsakert Medical Center is among the top 10 private healthcare providers in Hungary. The company is comprised of a multidisciplinary outpatient unit that includes a department equipped with a small surgery room and a dental center. Over 40,000 patients access a diverse range of outpatient clinical and paraclinical services and investigations, as well as a comprehensive range of interventions, focusing on the specialties of ophthalmology, gynaecology, proctology, dermatology, plastic surgery, and more others. The transaction was completed in March 2019 with the fulfilment of the suspensive conditions.

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

Acquisition of Onco Team Diagnostic
MedLife announced in September 2019 the acquisition of the majority package of the medical company Onco Team Diagnostic, thus adding in the procurement portfolio the first laboratory with the profile of

pathological anatomy and molecular biology. The unit joins the laboratories in the group (MedLife Grivița, MedLife Brașov, Panduri Laboratory etc.) that provide this analysis segment.

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

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

Acquisition of OncoCard Hospital in Brasov
Medlife announced the acquisition of the complete package of shares of OncoCard Hospital in Brașov, one of the largest and most modern oncology diagnostic and treatment centers in Romania and in the CEE. Established in 2012, OncoCard Hospital is based on an innovative concept of integrative medicine that starts from the diagnosis phase of the oncological patient and covers the entire period of specific active therapies. The medical unit includes ambulatory, oncology surgery, hematology, radiotherapy and medical imaging departments, as well as its own laboratory, used internally for inpatients. At the date of this report, the transaction is analyzed by the Competition Council.

2.2. Organic growth

Inauguration of the first dental clinics Dent Estet in Sibiu
Dent Estet Group opened in 2019 2 dental clinics in Sibiu, one focusing on dental services for children and the other one for adults. The Dent Estet Group is the largest dental clinic in Romania, with more than 20 years of experience. The group has a medical team with multidisciplinary expertise and international certifications. Thus, in the new Dent Estet clinics in Sibiu, patients benefit from an in-house dental radiology studio and a digital photo studio, as well as the most advanced digital technologies, including the Waterlase Laser and the Digital Scanner.

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

2.3. Expansion Plans of Existing Medical Units

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

3. Credit facilities contracted by the Group

MedLife Group borrowings as at 31 December 2019 are:

Loan contracts	**December 31, 2019**	**January 1, 2019**
Overdraft	29,011,944	30,911,018
Current portion of long term debt	24,802,015	23,162,490
Long term debt	345,952,241	287,013,365
TOTAL	**399,766,200**	**341,086,873**

As at December 31, 2019, the Group's drawn and undrawn financing facilities included the following:

- On September 24, 2019 Med Life SA (together with the co-borrowers Policlinica de Rapid Diagnostic SA, Bahtco Invest SA, Accipiens SA, Genesys Medical Clinic SRL, Clinica Polisano SRL, Centrul

Medical Sama SA, Dent Estet Clinic SA and Valdi Medica SRL) signed with the Romanian Commercial Bank, Raiffeisen Bank, BRD Groupe Societe Generale and Transilvania Bank a refinancing agreement to the existing facilities, extending the financing period, rearranging the terms and conditions, as well as for an additional credit limit of 28 million euros, which will be in the form of a term facilities, being used by Medlife, along with other liquidities of the Company, for possible new purchasing opportunities in the market. As of December 31, 2019, the balance of these facilities is RON 343,462,123;

- a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn on 31 December 2019 is of RON 9,558,600;

- an overdraft facility concluded between ING Bank S.A. and Solomed Clinica S.A., having as balance on December 31, 2019 the amount of RON 140.979;

- 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 2019;

- 2 guaranteed loan facilities concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L; the balance outstanding as at 31 December 2019 is RON 5,224,159;

- 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 2019 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, 2019 of RON 113,408;

- a guaranteed loan concluded between Bancpost and Med Life Ocupational S.R.L. worth EUR 225,000; the balance outstanding as at 31 December 2019 is RON 371,501;

- 2 guaranteed loan contracts concluded between Banca Transilvania S.A. and Ghencea Medical Center, the balance outstanding as at 31 December 2019 is RON 695,207;

- a loan agreement and a guaranteed overdraft facility between CEC Bank S.A. and Clinic Polisano S.R.L., the balance outstanding as at 31 December 2019 is RON 35.780.086;

- an overdraft facility between Banca Transilvania S.A. and Onco Team Diagnostic S.A., the balance outstanding as at 31 December 2019 is RON 549,049;

- an overdraft facility for Rozsakert Medical Center, the balance outstanding as at 31 December 2019 is RON 165,333.

As at December 31, 2019 none of the Group members was in breach of any applicable term of the financing facilities.

4. Financial Analysis

Analysis of the consolidated profit and loss

	Note	12 months ended December 31, 2019	2018	Variation 2019/2018
Sales	**19**	967,380,307	794,562,861	21.8%
Other operating revenues	**20**	7,648,949	9,844,865	-22.3%
Operating Income		**975,029,256**	**804,407,726**	**21.2%**
Operating expenses	**21,22**	**(918,594,743)**	**(766,014,417)**	**19.9%**
Operating Profit		**56,434,513**	**38,393,309**	**47.0%**
Finance cost	**23**	(19,186,950)	(17,567,816)	9.2%
Other financial expenses	**23**	(8,164,408)	3,008,389	-371.4%
Financial result	**23**	**(27,351,358)**	**(14,559,427)**	**87.9%**
Result Before Taxes		**29,083,155**	**23,833,882**	**22.0%**
Income tax expense	**25**	(8,930,702)	(7,051,245)	26.7%
Net Result		**20,152,452**	**16,782,637**	**20.1%**
Owners of the Group		16,547,851	13,370,348	23.8%
Non-controlling interests	**18**	3,604,602	3,412,289	5.6%
Other comprehensive income items that will not be reclassified to profit or loss				
Gain/loss on revaluation of own shares		655,437	-	100.0%
Deferred tax on other comprehensive income components		(104,870)	-	100.0%
TOTAL OTHER COMPREHENSIVE INCOME		**550,567**	**-**	**0.0%**
Total other comprehensive income attributable to:				
Owners of the Group		550,567	-	0.0%
Non-controlling interests		-	-	0.0%
TOTAL COMPREHENSIVE INCOME		**20,703,020**	**16,782,637**	**23.4%**
Total comprehensive income attributable to:				
Owners of the Group		17,098,419	13,370,348	27.9%
Non-controlling interests	18	3,604,602	3,412,289	5.6%

Sales for the 12 month period ended December 31, 2019 amounted to RON 967,380,307, higher by 21.8% compared to sales recorded in the 12 month period ended December 31, 2018. 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 2018 and 2019.

The breakdown of revenues by business line is presented below:

Business Line	12 months 2019 Sales	% of Total Sales	12 months 2018 Sales	% of Total Sales	Variation 2019/2018
Clinics	295,465,223	30.5%	233,339,171	29.4%	26.6%
Stomatology	59,817,358	6.2%	44,733,559	5.6%	33.7%
Hospitals	221,198,932	22.9%	167,320,772	21.1%	32.2%
Laboratories	154,135,274	15.9%	134,680,878	17.0%	14.4%
Corporate	183,514,802	19.0%	169,171,271	21.3%	8.5%
Pharmacies	39,341,136	4.1%	36,111,885	4.5%	8.9%
Others	13,907,692	1.4%	9,205,325	1.2%	51.1%
TOTAL SALES	**967,380,417**	**100.0%**	**794,562,861**	**100%**	**21.8%**

The key operational indicators of the Group are:

Business line	Info	12 months ended December 31, 2019	12 months ended December 31, 2018
Clinics	**Revenue**	**295,465,223**	**233,339,171**
Clinics	Visits	1,861,419	1,478,211
Clinics	Avg fee	158.7	157.9
Stomatology	**Revenue**	**59,817,358**	**44,733,559**
Stomatology	Visits	123,349	102,714
Stomatology	Avg fee	484.9	435.5
Hospitals	**Revenue**	**221,198,932**	**167,320,772**
Hospitals	Patients	82,683	75,031
Hospitals	Avg fee	2,675.3	2,230.0
Laboratories	**Revenue**	**154,135,274**	**134,680,878**
Laboratories	Analyses	5,905,490	5,666,665
Laboratories	Avg fee	26.1	23.8
Corporate	**Revenue**	**183,514,802**	**169,171,271**
Corporate	Subscriptions	705,380	649,292
Corporate	Avg fee	260.2	260.5
Pharmacies	**Revenue**	**39,341,136**	**36,111,885**
Pharmacies	Clients	250,717	269,737
Pharmacies	Sales per client	156.9	133.9
Others	**Revenue**	**13,907,582**	**9,205,325**

From the Group's total consolidated sales of RON 967,380,307 in the financial year 2019:

- Clinics Sales accounted for 31% of total sales;
- Hospitals Sales accounted for 23% of total sales;
- Corporate Sales accounted for 19% of total sales;
- Laboratories Sales accounted for 16% of the total sales;
- Stomatology Sales accounted for 6% of total sales; and
- Pharmacies Sales accounted for 4% of the total sales for the same period.

Other sales during the 12 months ended December 31, 2019 represented 1% of the Group's total consolidated sales.

Other operating revenues of the Group for the 12 months period ended 31 December 2019 were of RON 7,648,949, recording a decrease of 22.3% as compared to the same period of 2018. Other operating revenues of the Group include mainly revenues from operating subsidies in amount of RON 2,217,257, capitalized costs of intangible assets in amount of RON 3,789,152 as well as other operating revenues of RON 1,642,540.

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 918,594,743 in the year ended December 31, 2019, representing an increase of 19.9%, or RON 152,580,326 as compared to the year ended December 31, 2018.

Operating expenses as a share of total operational revenues accounted for 95.2% in 2018 and 94.2% in 2019.

The evolution of operating expenses is the following:

	31 December 2019	31 December 2018
Consumable materials and repair materials	158,167,211	126,048,830
Commodities	30,649,995	29,367,048
Utilities	11,854,596	9,056,380
Repairs maintenance	11,895,850	8,984,186
Rent	8,655,617	41,986,204
Insurance premiums	3,122,303	2,538,221
Promotion expense	14,207,313	15,011,240
Communications	3,962,770	3,748,038
Third party expenses (including doctor's agreements)	264,544,662	206,077,081
Salary and related expenses	291,414,807	245,139,121
Social contributions	10,526,204	8,136,171
Depreciation	93,303,786	56,982,245
Other administration and operating expenses	16,289,629	12,939,652
TOTAL	**918,594,743**	**766,014,417**

Operating profit increased by 47.0% over the 12-month period ended December 31, 2019, compared to the 12-month period ended December 31, 2018, from RON 38,393,309 in 2018 to RON 56,434,513 in 2019.

Financial loss increased in the 12-month period ended December 31, 2019 by RON 12,791,931, or 87.9%, from a loss of RON 14,559,427 in 2018, to a loss of RON 27.351.358 in 2019. The increase in financial loss was led mainly by other financial expenses in amount of RON 8,164,408, representing unrealised exchange loss.

The net result recorded in 2019 increased by RON 3,369,815 compared to 2018, or by 20.1%, from a profit of RON 16,782,637 in 2018 to a profit of RON 20,152,452 in 2019. The increase represents the translation in net result of the increase in operating profit.

Analysis of the consolidated statement of financial position

	December 31, 2018	December 31, 2018	Variation 2019/2018
ASSETS			
Non-current assets	590,174,447	432,342,667	36.50%
Current assets	163,919,759	171,002,820	-4.10%
TOTAL ASSETS	**754,094,206**	**603,345,487**	**25.00%**
LIABILITIES & SHAREHOLDER'S EQUITY			
Current liability (excluding interest-bearing debts)	182,115,090	125,743,573	44.80%
Interest-bearing debt	376,561,576	294,743,321	27.80%
Deferred tax liability	16,436,342	15,196,634	8.20%
TOTAL LIABILITIES	**575,221,304**	**435,683,528**	**32.00%**
Equity attributable to owners of the Group	159,350,814	152,036,571	4.80%
Non-controlling interests	19,522,088	15,625,388	24.90%
TOTAL EQUITY	**178,872,902**	**167,661,959**	**6.70%**
TOTAL LIABILITIES AND EQUITY	**754,094,206**	**603,345,487**	**25.00%**

Non-current assets amounted to RON 811,596,971 at 31 December 2019, recording an increase of 221,422,524 RON or 37.5% as compared to December 31, 2018. The increase is mainly influenced by the acquisitions made in 2019, as well as the adoption of IFRS 16.

Current assets increased by RON 47,056,712 or by 28.7% from RON 163,919,759 at 31 December 2018 to RON 210,976,471 at 31 December 2019.

Current liabilities (excluding interest-bearing debts) increased by RON 58,161,982, or 32%, from RON 182,223,386 at 31 December 2018 to RON 240,385,368 at 31 December 2019.

Interest-bearing debt increased by RON 175,604,584, or 47%, from RON 376,561,576 as at 31 December 2018 to RON 552,166,160 at December 31, 2019. The increase is due to the financing of the acquisitions completed in 2019, as well as the adoption of IFRS 16.

5. Main Financial Indicators

Current ratio	**Period ended at December 31, 2019**		
Current assets / Current liabilities	210,976,471 / 340,941,966	=	0.62

Debt to equity ratio	**Period ended at December 31, 2019**		
Long Term Debt / Equity	451,609,561 / 210,265,569	=	215%
Long Term Debt / Capital Assets	451,609,561 / 661,875,130	=	68%

Trade receivables turnover (days)	**Period ended at December 31, 2019**		
Average receivables / Sales	89,640,847 / 967,380,307	=	33.36

Fixed assets turnover	**Period ended at December 31, 2019**		
Sales / Net Fixed Assets	967,380,307 / 811,596,971	=	1.19

6. Non-Financial Information – Non-financial Disclosure of MedLife Group

Overview

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

MedLife offers its services through the largest team of doctors and nurses working in the private sector in Romania, with about 3,000 doctors and 2,000 nurses. The Group employs full-time specialists for the vast majority of specialties offered, but also on a limited-time basis for specialties or specific functions, or works with collaborating medical staff. In addition, given its commitment to provide quality medical services, the Group has consistently invested in medical equipment, which has helped sustain its market leadership in diagnostic imaging technology.

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

MedLife received the title of "Most Trusted Brand" by Reader's Digest in the Private Clinics category in Romania for 6 consecutive years (2009-2015), 5 Superbrand Awards (including 2019), Qudal distinction in 2016 and 2017, and ICERTIAS certification for "Superior Excellence" after a study conducted in 2018.

The group conducts weekly patient surveys to get their opinion on the healthcare provided, and the Mystery Shopper is organized biannually at the group level.

Business Model

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

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

Many private healthcare providers in Romania remain dependent for a significant portion of their sales on contracts awarded by the NHIH to service State insured patients. This increases their exposure to changes in the NHIH healthcare priorities, pricings and allocation systems. With only 18% of its sales during 2019 deriving from the treatment of NHIH insured patients, MedLife can independently determine its policies and priorities.

The largest number of HPP clients in Romania

With over 700,000 HPP subscribers as at 31 December 2019, the Group has access to a significant potential client base for its FFS activities. This base is further expanded when the HPP subscribers bring family members and provide referrals to others for the Group’s FFS offering. The HPP client base also provides opportunities for up-selling as many of the HPP clients begin with basic medical services packages and gradually move to more comprehensive services.

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

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

The Company's track record of organic and acquisition growth is largely due to the Company’s strong management team. The Company has developed systems for screening potential acquisitions, completing detailed analysis and decision making in a timely manner, and implementing, post transaction, a fast and efficient integration process. The Company has a reputation in the market as a "friendly acquirer", mainly because the targets’ founder/owners are often given the opportunity to stay in the business as minority shareholders, and managers of the subsidiary. Through this approach, MedLife retains their accumulated experience and market knowledge while being able to fully integrate the acquisition into its own systems and revenue capture opportunities. Moreover, by implementing the share buy-back and exchange program of shares with minority shareholders, the Group encourages the alignment of the interests and the contribution of the founders of the subsidiaries to the integrated activity of the group.

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

Strategy and results

MedLife strategy focuses on maintaining leadership position. MedLife Group seeks to expand its portfolio of units and services, ensuring profitable national coverage to meet the needs of existing and new customers of the Group. At the same time, the Group remains committed to providing clients with safe and quality medical treatments, ensuring a balance between the medical risks and opportunities and the commercial objectives of the Group. Therefore, at the end of 2019, MedLife network include 22 hyperclinics, 56 clinics, 10 hospitals, 36 laboratories, 12 dental clinics and 10 pharmacies, MedLife being the only healthcare provider with large clinics with presence in all cities with over 150,000 inhabitants.

The Group is pursuing opportunities to capture additional revenues and achieve synergies within its current networks and services. The Group aims to achieve this goal through organic growth and the acquisition of smaller providers of medical services on the market. As a result of this strategy, over the past two years, the MedLife Group has been characterized by significant increases in Sales from one reporting period to the next, as follows: an increase of 27.5% in 2018 as compared to 2017, reaching Sales of RON 794,562,861, and an increase of 21.8% in 2019 as compared to 2018, reaching Sales of RON 967,380,307 in 2019.

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

Organic growth

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

People and resources

The Company services patients through the largest private pool of doctors and nurses in Romania. As of December 31, 2019, the Group, on an overall level, was collaborating with a number of approximately 3,000 physicians and 2,000 qualified nurses across its business lines, including both employees working exclusively for the Group and collaborators, providing services as independent professionals. In addition, more than 1,700 full time employees were working in support and administrative functions as of December 31, 2019.

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

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

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

The group invests in human resources programs such as the Life Academy, Good Practice- Nurses School, the Medlife National Conference. These training programs are designed to ensure the professional continuation of its employees, both those in support and administrative staff, as well as those in the medical setting.
As for the relationship with colleagues, the Group provides a safe working environment in which employees are treated fairly and with respect, and the differences between employees are accepted. The Group is committed to providing colleagues with the opportunity to excel and reach their full potential and reward them on a merit basis.
The group does not tolerate any discrimination, intimidation or harassment of colleagues or between them. The group encourages clear and open communication with and between colleagues. They can and must promptly express any concerns about any unethical or illegal behaviour by presenting these concerns to the human resources department within the Group. The Group undertakes to investigate such concerns brought to good faith, maintaining the confidentiality of these steps.

Quality Standards

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

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

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

Health, Safety, Security and Environment

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

As of December 31, 2019, the Company is in various stages of procedures for obtaining or updating its fire prevention authorizations for certain of its medical units and other premises. The completion of these procedures is subject to various requirements, such as the performance of certain works and upgrades to the Company's facilities. The Company regards the amounts of the required investments as being immaterial; however, the completion of the necessary works and upgrades is subject to, in certain cases, additional authorizations and clearances, or other procedures in which the Group has engaged. As at December 31, 2019, the Company does not have all fire prevention authorizations in place.

Equipment and Technology

The Group purchases medical equipment to ensure professionally qualified to the highest standards medical services to every client. These devices include, but are not limited to: optical coherence tomography systems, magnetic resonance imaging equipment, computerized tomography equipment, bone density measuring instruments, imaging and identification systems used in dermatoscopy, measurement equipment hepatic rigidity, laser, vacuum systems to reduce fat deposits by cryolysis (LipoCryo), video capsule endoscopy systems.
Medlife laboratories also feature state-of-the-art equipment such as the Abbot Accelerator A3600 automatic line placed in MedLife Grivita laboratory, the first in Romania and in Eastern Europe. Significantly contributes to increasing the accuracy of analyses, reducing execution time, and better traceability and tracking of each patient's samples.

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

Information Technology

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

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

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

Principles for respecting human rights

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

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

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

Anti-Bribery and Anti-Corruption principles

In accordance with the Articles of Incorporation, all payments made by MedLife to public authorities, in the jurisdictions in which MedLife is operating, are in comply with all applicable legal provisions and are made exclusively for the 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 3,000 doctors, professors, lecturers, doctors in medicine who work day by day with dedication and professionalism;
- Innovation: The Medlife Group has a constant concern about methods, technology and organization that will result in better and more effective medical solutions;
- Care and respect: Every patient is important and respected, and everyone's needs are treated with care and attention.

More technological advances have allowed medicine to evolve to minimally invasive techniques that expose patients to low risks and allow for a faster recovery period. In developed countries, it is common practice for many years: patients to be able to go home without requiring over-night hospitalization. In 2005, MedLife was the first to introduce this concept to the Romanian market. MedLife has created space in hospitals and hyperclinics, where patients can benefit from minimally invasive techniques.

MedLife concept "We Make Romania Well" started with the desire to bring good in Romania in as many forms, not just in health and in the medical system. Thus, Medlife Group has developed and supported a number of projects, events and ideas for the well-being of employees or healthcare professionals at the beginning. The company also organized or participated in medical events where doctors from the country or from abroad had the opportunity to share new knowledge, technologies or procedures.

InfoLine magazine

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

Blood donation campaign

MedLife has launched a national blood donation program to support blood transfusion centers and promote this behavior in Romanian society. Started 6 years ago, the program runs in the largest cities in the country.

Pro-bono cases

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

The MedLive platform

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

Good for the Environment - The Green Project for Romania

The Green project, together with every action taken by MedLife, is the essence of the brand. And this time, besides respecting the promise of a quality medical act and excellence proven to every patient, the campaign is MedLife's desire to get even more involved in the future of new generations.
Therefore, the project requires that for each child born in MedLife's maternity clinics, the company plans to plant a tree in a deforested area of the Fagaras Mountains through the FCC (Conservation Carpathia Foundation).

Results for 2019 include 2 stages of afforestation, dozens of Medlife employees and volunteers involved, 40,000 seedlings planted.
Also, for the environment, Medlife Group has created a set of good rules that all Medlife employees apply, such as: reducing electricity consumption; selective collection - paper, plastic, electronic, waste; reducing water consumption.

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.

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

MedLife SA has adhered to the Corporate Governance Code of the Bucharest Stock Exchange considering the quality of the issuer on the capital market. The Corporate Governance Code of the BVB can be found on the official website of the BSE (www.bvb.ro).

The Med Life SA website also includes the following policies and procedures: Organization and Deployment Policy for General Shareholders' Meetings, Code of Ethics and Conduct, Social Responsibility Code, Forecasting Policy and Corporate Governance Statute, documents to which reference is made in the Declaration on Compliance with the Corporate Governance Code.

7.1. Shareholding structure

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

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

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

7.2 Company Management

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

MedLife Board of Directors
As at the date of December 31, 2019, the Board of Directors consists of the following members:

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

Mihail Marcu (1970) – Member and Chairman of the Board of Directors, Chief Executive Officer

Mihail Marcu has been the Chairman of the Board of Directors of MedLife since August 2006 and Chief Executive Officer since December 2016. Mihail Marcu is a graduate of Bucharest University, the Mathematics and Computer Science Faculty (1995), and has further graduated other post-graduate and advanced training courses delivered by the Romanian Banking Institute, the Open University, DC Gardner training or Codecs, both in Romania, and abroad. Prior to his position as a member of the Board of Directors of MedLife, Mihail Marcu was the Chief Executive Officer of MedLife between January 2004 and August 2006; before that, he held the office of Vice-Chairman of RoBank S.A. (currently, OTP Bank Romania S.A.), being authorised in this capacity by the National Bank of Romania. Earlier, Mihail Marcu held various positions in

Credit Bank Romania S.A. and RoBank S.A., including credit inspector, head of credit unit, manager of the credit department, and manager of the corporate department.

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

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

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

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

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

Dimitrie Pelinescu-Onciul has been a member of the Board of Directors of MedLife since 2008. He is a graduate of the Carol Davila Medicine and Pharmacy University of Bucharest, Faculty of Medicine (1972), specialising in obstetrics and gynecology (residency 1978-1981), and became Doctor in Medical Sciences in 1994. Dimitrie Pelinescu-Onciul is a member of 11 Romanian scientific societies in Romania and of 7 scientific societies abroad, and held among other the office of President of the Romanian Perinatal Medicine Association (2006-2008). Before joining the MedLife team in 2004, Dimitrie Pelinescu-Onciul used to work for Filantropia Clinical Hospital of Bucharest (1994-2004), Titan Clinical Hospital of Bucharest (1986-1991), Brâncovenesc Clinical Hospital (1978-1981), and Sinești Rural Hospital, Vâlcea County (1972-1978), as primary care physician, obstetrics and gynecology, head of clinics or hospital director.

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

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

Leonard Gherghina (1964) – Independent Member of the Board of Directors

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

Nicolae Marcu (1968) – Member of the Board of Directors, Chief Healthcare and Operations Officer

Nicolae Marcu has been a member of the Board of Directors of MedLife and Chief Healthcare and Operations Officer since December 2016. Nicolae Marcu is a graduate of Carol Davila Medicine and Pharmacy University of Bucharest, Faculty of Medicine (1996), and has been a doctoral student in psychiatry since 2000. Nicolae Marcu graduated a number of postgraduate studies in psychiatry in the country and abroad. Prior to his position as a member of the Board of Directors of MedLife, Nicolae Marcu was the Chief Executive Officer of MedLife between August 2006 and December 2016, and prior to joining the MedLife team, Nicolae Marcu was a specialised physician in psychiatry with "Dr. Al Obregia" Psychiatric Hospital.

Executive Commitee

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	HR Director
Geanina Durigu	Laboratory Director
Mariana Brates	Purchasing Director
Larisa Chirirac	Medical Director
Vera Firu	Accounting and Tax Director
Mirela Dogaru	Corporate and Marketing Director

7.3 Audit Committee

The audit committee has three members:

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 – Internal Audit function

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

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

The objectives of internal control and internal audit are:

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

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

Internal control is applicable:

- prior to conducting the operations, upon the preparation of the budget, which would allow subsequently to conducting the operations, the budget control;

- during the operations and after their completion, a case where it is analysed the profitability of the operations and it is ascertained the existence of the conformity or possible irregularities, which need to be adjusted.

7.5 Nomination Committee

The nomination committee consists of the following members:

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

The nomination committee has the following responsibilities:

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

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

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

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

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 2019.

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

Transfer pricing

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

Litigation

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

9. Subsequent events

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

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

In all MedLife units, the methodology of monitoring the acute respiratory system was implemented, and currently, the company ensures a good continuity of the medical activity. Epidemiological triage of patients through call-centers and medical teams, special circuits for patients with acute respiratory pathology, adapting consultation intervals to increase patient safety (allocation of time needed for desinfection of spaces after interaction with each patient), creation of special places for isolation of suspected cases of infectious diseases, the provision of protective equipment and disinfectant products, as well as the development of complex procedures of cleaning, disinfection and nebulization are only part of the important measures that have been taken and that the special medical teams follow and manage properly.

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

MedLife Medical System actively monitors the economic situation in Romania and the possible negative implications on its current operations, at present, there being reductions in the activity determined by the social distance measures imposed by the public authorities in order to limit the spread of the SARS-CoV-2 virus. (Coronavirus). Despite the decrease in activity, the company has taken all measures necessary to maintain good business continuity in all MedLife clinics and hospitals, having as priority the caring for medical staff and front-line colleagues and studying to offset the turmoil by lowering overhead costs on the short-term.

The priority of MedLife Medical System remains the health of patients and employees, fully complying with the decisions of the local authorities.

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

Directors

Declaration of management of MedLife Group

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

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager