



Conference Call Presentation for H1 2018 Results

SPITALUL DE PEDIATRIE  MedLife

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TOPICS OF DISCUSSION

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MAIN EVENTS OF H1 2018

- Acquisition of **100%** shares in Polisano (approved by the Competition Council in April 2018)
 - 4 clinics with its own laboratories located in Bucharest and Sibiu
 - 1 hospital – the European Polisano Hospital located in Sibiu - recognized as one of the most modern and performing hospital units in Romania
 - 1 in vitro fertilization center and 1 private maternity
- Acquisition of **90%** shares in Ghencea Medical Center (finalized in May 2018)
 - 2 clinics with its own laboratories located in Bucharest and Magurele
- Acquisition of **80%** shares in Solomed Group (finalized in May 2018)
 - 6 clinics located in Pitesti, Curtea de Arges and Costesti and 1 laboratory
- Acquisition of **100%** shares in the medical platform SfatulMedicului.ro which is the largest medical information hub in Romania. The platform has a monthly average of over 3.2 million unique visitors and over 12 million impressions. Aside from the information service, users choose this platform to access the medical self-assessment service and online test interpretation. The transaction will be finalised following the fulfilment of the conditions precedent.
- Good progress with the **expansion** of Grivita Hospital (additional **32 beds** and **2 surgery rooms**); Obor Hospital (**18 beds**) Humanitas Hospital (**11 beds and 1 surgery room**); Turnului Hospital (**20 beds**)
- Opening of the first hyperclinic in Oradea
- Additional investments in high margin imagistic services: 6 new **MRIs** that serve also under the contract with NHIH

KEY CHANGES H1 2018 vs. H1 2017

1

H1 Sales increased by : + 32.9% Pro forma 2018 vs. IFRS 2017
+ 24.1% IFRS 2018 vs. IFRS 2017 vs. market increase by approx. 10%
+ 11.6% like2like

2

EBITDA

Stable *margin*: 12.0% Pro-forma H1 IFRS 2018 vs. 12.1% H1 IFRS 2017
Net value increased by 32.1% despite 1.5 p.p. loss of margin triggered by the increase in salaries

3

The significant increase in salaries has been net off by group synergies and improved efficiency in operations which released sustainable margin for the group. At the same time, fundamentals improved since employment market now provides predictability on costs over the next 4 years.

4

Hospitals Business Line took on most of the additional cost generated by the increase in salaries. In such respect, the group focuses on high margin / add-on investments in the Hospitals Business Line aimed at diluting the share of fixed costs to release higher margins over time.

KEY CHANGES H1 2018 vs. H1 2017

5

Cost synergies effect on margins to continue slight positive impact on Group`s results along with completion of integration of all acquisitions made in the past few years.

6

Implementation of shared service center platform (i.e. **GIE**) to take effect in Q3, with main positive impact on standalone profitability and reallocation of group`s earnings between owners and minorities.

7

Advanced discussions with Banks for extension of credit line and decreased financing costs

MEDLIFE GROUP H1 FINANCIAL SNAPSHOT

Consolidated Statement of Financial Position

Description	June 30,	January 1,	%VAR
	2018	2018	
	IFRS	IFRS	
Non-current assets	582,358,961	432,342,667	34.7 %
Current assets	147,605,637	171,002,820	-13.7%
TOTAL ASSETS	729,964,598	603,345,487	21.0%
Current liabilities	253,597,959	167,577,743	51.3%
Long term liabilities	285,862,617	252,909,151	13.0 %
Deferred tax liability	15,984,262	15,196,634	5.2%
TOTAL LIABILITIES	555,444,838	435,683,528	27.5%
Equity attributable to owners of the Group	156,050,068	152,036,571	2.6%
Non-controlling interests	18,469,692	15,625,388	18.2%
EQUITY	174,519,760	167,661,959	4.1%



Consolidated Statement of Profit and Loss

Description	H1 2018	H1 2017	%VAR	H1 2018	%VAR
	IFRS	IFRS	2018/2017	Pro-Forma	2018/2017
Sales	373,549,456	301,087,792	24.1%	400,256,533	32.9%
Other operating income	1,975,206	1,825,940	8.2%	3,470,403	90.1%
OPERATING INCOME	375,524,662	302,913,732	24.0%	403,726,936	33.3%
OPERATING EXPENSES	(358,464,646)	(285,045,465)	25.8%	(384,632,447)	34.9%
OPERATING PROFIT	17,060,016	17,868,267	-4.5%	19,094,489	6.9%
EBITDA	43,366,426	36,395,604	19.2%	48,087,035	32.1%
FINANCIAL RESULT	(7,468,780)	(8,446,874)	-11.6%	(8,395,858)	-0.6%
RESULT BEFORE TAXES	9,591,236	9,421,393	1.8 %	10,698,631	13.6 %
Income tax expense	(3,517,089)	(3,020,245)	16.5 %	(3,762,365)	24.6 %
NET RESULT	6,074,147	6,401,148	-5.1%	6,936,266	8.4%

MEDLIFE GROUP H1 FINANCIAL SNAPSHOT

Consolidated Statement of Cash Flow

Description	June 30, 2018	June 30, 2017
Net income before taxes	9,591,236	9,421,393
Adjustments for non-monetary items	33,649,077	26,292,335
Operating cash flow before working capital and other monetary changes	43,240,313	35,713,728
Cash generated from working capital changes	(10,935,438)	(8,501,255)
Other monetary changes	(10,068,311)	(10,347,963)
Net cash from operating activities	22,236,564	16,864,510
Net cash used in investing activities	(38,114,520)	(46,057,782)
Net cash from/ (used in) financing activities	(30,276,447)	20,239,463
Net change in cash and cash equivalents	(46,154,403)	(8,953,809)
Cash and cash equivalents beginning of the period	79,227,766	20,701,850
Cash and cash equivalents end of the period	33,073,363	11,748,041



MEDLIFE GROUP H1 FINANCIAL SNAPSHOT

OPEX EVOLUTION

Description				% of OPERATING EXPENSES			% of SALES			
	H1 2018 IFRS	H1 2017 IFRS	% VAR	H1 2018 IFRS	H1 2017 IFRS	Change	H1 2018 IFRS	H1 2017 IFRS	Change	Note
Consumable materials and repair materials	58,076,149	48,788,758	19.0%	16.2%	17.1%	-0.9 p.p	15.5%	16.2%	-0.7 p.p	A
Commodities	14,382,449	11,136,690	29.1%	4.0%	3.9%	0.1 p.p	3.9%	3.7%	0.2 p.p	
Utilities	4,460,621	3,149,021	41.7%	1.2%	1.1%	0.1 p.p	1.2%	1.0%	0.1 p.p	
Repairs maintenance	3,876,102	2,852,920	35.9%	1.1%	1.0%	0.1 p.p	1.0%	0.9%	0.1 p.p	
Rent	21,217,514	19,615,967	8.2%	5.9%	6.9%	-1 p.p	5.7%	6.5%	-0.8 p.p	B
Insurance premiums	1,212,528	993,989	22.0%	0.3%	0.3%	0 p.p	0.3%	0.3%	0 p.p	
Promotion expense	7,184,824	5,184,694	38.6%	2.0%	1.8%	0.2 p.p	1.9%	1.7%	0.2 p.p	
Communications	1,842,591	1,569,352	17.4%	0.5%	0.6%	0 p.p	0.5%	0.5%	0 p.p	
Third party expenses & Salaries expenses, out of which:	213,500,727	167,669,566	27.3%	59.6%	58.8%	0.7 p.p	57.2%	55.7%	1.5 p.p	C
<i>Third party expenses (including doctor's agreements)</i>	<i>98,284,039</i>	<i>79,605,050</i>	<i>23.5%</i>	<i>27.4%</i>	<i>27.9%</i>	<i>-0.5 p.p</i>	<i>26.3%</i>	<i>26.4%</i>	<i>-0.1 p.p</i>	
<i>Salary and related expenses (including social contributions)</i>	<i>115,216,688</i>	<i>88,064,516</i>	<i>30.8%</i>	<i>32.1%</i>	<i>30.9%</i>	<i>1.2 p.p</i>	<i>30.8%</i>	<i>29.2%</i>	<i>1.6 p.p</i>	
Depreciation	26,306,410	18,527,337	42.0%	7.3%	6.5%	0.8 p.p	7.0%	6.2%	0.9 p.p	D
Other administration and operating expenses	6,404,731	5,557,171	15.3%	1.8%	1.9%	-0.2 p.p	1.7%	1.8%	-0.1 p.p	
OPERATING EXPENSES	358,464,646	285,045,465	25.8%	100%	100%	0 p.p	96.0%	94.7%	1.3 p.p	

Note:

The Group recorded a 1.3 p.p. increase of operating expenses as % of sales in H1 2018 as compared to H1 2017.

- A. 0.7 p.p. decrease of "Consumable materials and repair materials" as % of Sales, generated by increased cost synergies and volume discounts obtained from main suppliers;
- B. 0.8 p.p. decrease of "Rent" as % of Sales;
- C. 1.5 p.p. increase of "Third parties and salaries expenses" as % of Sales as an effect of increased competition on work force from the public medical sector; and
- D. 0.9 p.p. increase of "Depreciation" as % of Sales, proving stability behavior compared to FY 2017.

KEY OPERATIONAL METRICS FOR H1 2018

Business line	Info	6 months ended 30 June, 2018	6 months ended 30 June, 2017
Clinics	Revenue	107,489,756	80,825,178
Clinics	Visits	702,745	555.616
Clinics	Avg fee	153.0	145.5
Stomatology	Revenue	21,432,948	18,503,131
Stomatology	Visits	52,334	52.049
Stomatology	Avg fee	409.5	355.5
Hospitals	Revenue	74,386,210	59,697,348
Hospitals	Patients	33,998	30.854
Hospitals	Avg fee	2,188.0	1,934.9
Laboratories	Revenue	66,939,058	54,929,531
Laboratories	Analyses	2,898,322	2,558,139
Laboratories	Avg fee	23.1	21.5
Corporate	Revenue	82,077,433	68,344,498
Corporate	Subscriptions	614,756	560.094
Corporate	Avg fee	133.5	122.0
Pharmacies	Revenue	17,346,771	13,878,256
Pharmacies	Clients	138,632	136.218
Pharmacies	Sales per client	125.1	101.9
Others	Revenue	3,877,280	4,909,850





IV. Q&A SESSION

THANK YOU!

