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H1 2020 Financial Results
Conference call presentation

14 August, 2020

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Highlights H1 2020

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- Key messages H1 2020



H1 2020 at a glance (1/5)

Covid-19 outbreak

The first case of COVID-19 was officially registered on February 26, 2020.

Two months of state of emergency between 16th of March – 14th of May, with strict lockdown restrictions and reduced activity in most economic sectors and, especially, targeted restrictions on providers of medical services.

Relaxation measures gradually adopted starting with 15th of May, when the state of alert was enacted & extended today for another 30 days, up to mid September.

Macroeconomic environment

EU GDP fell by 2.6% in Q1 2020, compared to the same period in 2019 & by 14.4% in Q2 2020, compared to Q2 2019, according to preliminary data published by *Eurostat*.

The Romanian economy expanded by 2.7% in Q1 2020, compared to the same period in 2019, being the highest growth in the EU & fell by 10.5% in Q2 2020, compared to Q2 2019 (contracted with 12.3% compared to the previous quarter)

European Commission forecasts for the Romanian economy a drop by 6% in GDP in 2020, followed by an increase of 4% in 2021

RON faced depreciation pressure, but was kept under control by NBR

NBR reduced the monetary policy rate 3 times this year, last decrease being from 1.75% to 1.5% starting with 6th of August



H1 2020 at a glance (2/5)

The activity of the Romanian healthcare system, both public and private, was restricted to emergency services only by Military Ordinances during the state of emergency, with direct impact on traffic in all business lines.

Measures were taken by management to limit the negative financial effects of the pandemic, including cost adjustments that will have a long-term positive effect on profitability.

Sales

Financial performance was substantially equal to that reported in the same period last year, with a decrease of 3% mainly due to sales in April, during the state of emergency, when only medical services that could not be postponed were allowed.

Registered in the first six months of 2020 Pro-forma Consolidated Sales of 454.6 million lei, close to the value of the same period last year.

EBITDA

Despite an unprecedented context and health crisis, through the measures taken, the company continued to operate and managed to increase EBITDA due to rigorous and rapid cost reduction measures applied since the end of March.

Adapted to the new conditions since the beginning of the COVID-19 pandemic and managed to be beside our patients, while the application of a series of medical safety measures that were required contributed to having the situation under control and be able to think proactively, to adapt to the new economic reality and to optimize the business dynamics for the next period.



H1 2020 at a glance (3/5)

Developments of H1 2020

The development of the three COVID-19 laboratories, in record time, was one of the important achievements of the group in the first half of 2020. Through these, the company was able to keep MedLife employees safe, to periodically test medical and auxiliary staff and patients and keep the units functional, while ensuring patients a qualitative and safe medical act by performing thousands of RT-PCR tests weekly.

Ability to offer Romanians an alternative for monitoring and treating existing pathologies in conditions of maximum safety. We managed to help hundreds of thousands of Romanians to evaluate their existing diseases and keep them under control, recording over 860,000 visits in clinics and over 2.5 million lab analyzes.

Ability to create flows in maternities and hospitals so that future mothers could give birth safely, while patients who needed emergency interventions could perform them in a timely manner.

Ability to ensure the continuity of treatments for oncologic patients as well as imaging investigations to help doctors in the paraclinical area to make a correct diagnosis.

In parallel with the efforts made to maintain safety among colleagues and patients, we supported the authorities in the fight against the new virus, processing tens of thousands of analyzes at national level for the Department of Public Health.



H1 2020 at a glance (4/5)

Developments of H1 2020 (cont.)

A dynamic activity was also registered in the area of corporate segment. Since the beginning of the COVID-19 pandemic, the company has developed new products to meet the needs in this epidemiological context, has designed special projects tailored to support employees of partner companies and increased the segments of medical services and investigations that were a priority.

We also continued the market making activity and started the second share buy-back program, in accordance with the decision of the EGSM no. 2 of April 23, 2020

Increased the shareholding in Genesys Arad group of companies by 7%, one of the largest private medical service providers in western Romania (exchanged M shares with shares in the subsidiary)



H1 2020 at a glance (5/5)

Outlook for 2020

In the second half of the year, the company intends to continue investing in existing programs, but also to develop new projects and products post - COVID.

Further development of MedPark project which already started, bringing together the hospital activities in Bucharest in the new complex on Calea Griviței, the development of PharmaLife vertically and horizontally, as well as the development of oncology services are the main areas we want to develop in the second half of this year and the first part of 2021.

The new investments will proceed at a more slower pace, with a careful look at costs reduction and the evolution of the pandemic.

The fourth SARS-CoV-2 Laboratory in Cluj will be open in the coming weeks which will support us to continue to play an important role in the screening area of patients after COVID-19, respectively in treating comorbidities of this disease

Mission statement

Protect patients and employees

Mitigate the financial impact

Efficient and sustainable cost structure redesign in order to reposition the group's business on growth track

Key messages H1 2020

Strong Balance Sheet
solid liquidity position

454.6m RON Pro-forma Sales

Resilient financial performance

impact of COVID-19 over traffic (mix of physical distancing measures and Military Ordinances restructuring the healthcare system) mitigated by the elasticity of OPEX structure and cost-saving measures

Operating cash flow before working capital changes
in line with EBITDA

Pro-forma figures

803m RON Total Non-current assets
76m RON Cash and cash equivalents

vs. 468m RON in H1 2019

32m RON operating profit stable vs
28.1m RON in H1 2019

81.3m RON EBITDA vs 73.9m RON in H1 2019
64m RON EBITDA bf. IFRS 16 vs. 55.4m RON in H1
2019

79.8m RON, 12% higher vs H1 2019

Financial overview

- Consolidated Statement of Profit and Loss
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Consolidated Statement of Profit and Loss (1/3)

H1 2020 Pro-forma vs. H1 2019 IFRS

- ❑ Sales decreased by **2.9%**, to 454.6m RON
- ❑ OPEX decreased by **4.4%**, to 424.3m RON
- ❑ EBIT increased by **13.9%** to 32m RON, **7.0%** margin (6.0%)
- ❑ EBITDA increased by **10%** to 81.3m RON, **17.9%** margin (15.8%)
- ❑ EBITDA *before IFRS 16* increased by **15.3%** to 64m RON, **14.1%** margin (11.9%)
- ❑ Stable split of **Pro-forma EBITDA**: 91% Group Owners and 9% NCI
- ❑ 5% increase in financial result mainly due to increased FX losses as compared to prior period
- ❑ **54%** increase in Income tax expense due to additional **1.1m RON deferred tax expense**
- ❑ **Net Result** increased by **13.5%**, to 11.8m RON
- ❑ Split of **Net Result**: 83% to Group Owners and 17% to NCI
- ❑ Loss of 122k RON in **OCI** due to loss on revaluation of own shares
- ❑ **Pro-forma adj.** include:
 1. Reclass of subsidies in amount of 14.9m RON received from the NHIH in relation to the National Health Program
 2. Financial Results of the Acquired Company (Labor Maricor) for the period January – March 2020
 2. 1.1m RON one-off expenses

Description	H1 2019 IFRS	H1 2020 IFRS	%VAR	Pro-forma adj.	H1 2020 Pro-forma	%VAR
Sales	468,294,294	469,530,819	0.3%	(14,870,585)	454,660,234	-2.9%
Other operating income	3,893,238	1,703,993	-56.2%	-	1,703,993	-56.2%
OPERATING INCOME	472,187,532	471,234,812	-0.2%	(14,870,585)	456,364,227	-3.4%
OPERATING EXPENSES	(444,066,541)	(440,347,856)	-0.8%	16,008,033	(424,339,823)	-4.4%
OPERATING PROFIT	28,120,991	30,886,956	9.8%	1,137,448	32,024,404	13.9%
EBITDA	73,958,983	80,195,092	8.4%	1,144,453	81,339,545	10.0%
EBITDA before IFRS 16	55,497,547	62,862,768	13.3%	1,144,453	64,007,221	15.3%
Net finance cost	(9,969,253)	(10,067,299)	1.0%	(921)	(10,068,220)	1.0%
Other financial expenses	(4,389,235)	(5,008,809)	14.1%	8	(5,008,801)	14.1%
FINANCIAL RESULT	(14,358,488)	(15,076,107)	5.0%	(913)	(15,077,020)	5.0%
RESULT BEFORE TAXES	13,762,503	15,810,848	14.9%	1,136,535	16,947,383	23.1%
Income tax expense	(3,288,590)	(4,874,911)	48.2%	(188,718)	(5,063,629)	54.0%
NET RESULT	10,473,913	10,935,937	4.4%	947,817	11,883,754	13.5%
Other comprehensive income	-	(122,651)	0.0%	-	(122,651)	0.0%
Total comprehensive income	10,473,913	10,813,287	3.2%	947,817	11,761,104	12.3%

Consolidated Statement of Profit and Loss (2/3)

Operational KPIs

Business line	Info	H1 2019 IFRS	H1 2020 IFRS	%VAR
Clinics	Revenue	139,893,313	142,177,693	1.6%
Clinics	Visits	899,257	862,759	-4.1%
Clinics	Avg fee	155.6	164.8	5.9%
Stomatology	Revenue	28,815,355	25,486,852	-11.6%
Stomatology	Visits	59,871	42,778	-28.5%
Stomatology	Avg fee	481.3	595.8	23.8%
Hospitals	Revenue	107,025,708	104,535,623	-2.3%
Hospitals	Patients	41,638	35,680	-14.3%
Hospitals	Avg fee	2,570.4	2,929.8	14.0%
Laboratories	Revenue	75,561,558	74,421,693	-1.5%
Laboratories	Analyses	2,969,079	2,484,730	-16.3%
Laboratories	Avg fee	25.4	30.0	18.1%
Corporate	Revenue	91,004,382	93,717,326	3.0%
Corporate	Subscriptions	676,276	678,174	0.3%
Corporate	Avg fee	134.6	138.2	2.7%
Pharmacies	Revenue	19,586,689	22,635,468	15.6%
Pharmacies	Clients	132,080	106,451	-19.4%
Pharmacies	Sales per client	148.3	212.6	43.4%
Others	Revenue	6,407,289	6,556,164	2.3%
Total		468,294,294	469,530,819	0.3%

Sales for **H1 2020** standing at the level of **H1 2019** (on IFRS), and decreasing by near **3%** vs **H1 2019** (Pro-forma) as an effect of:

- Acquisitions made subsequent to H1 2019
- strong operating performance in January and February
- drop in sales starting with March amid COVID-19 pandemic & Military Ordinances restructuring the healthcare system during the state of emergency, leading to a 22.3% drop in Sales in Q2 2020 vs Q1 2020.

Consolidated Statement of Profit and Loss (3/3)

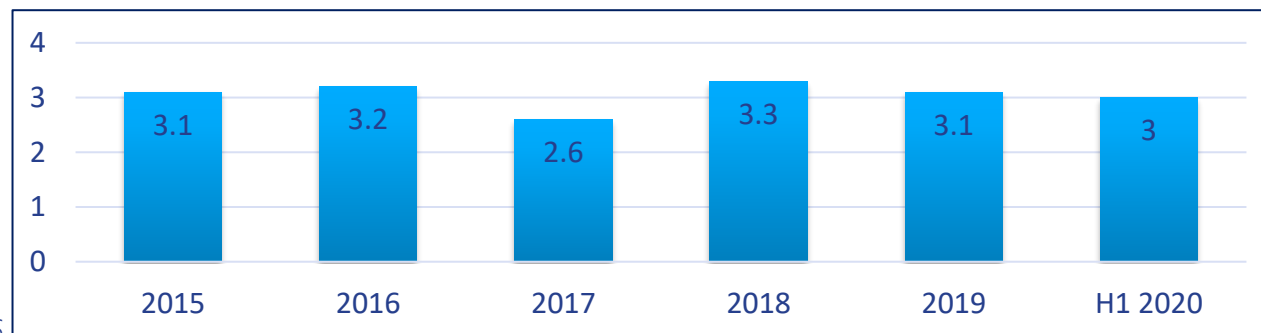
OPEX Evolution

Description				% of OPERATING EXPENSES			% of SALES		
	H1 2019	H1 2020	%VAR	H1 2019	H1 2020	Change	H1 2019	H1 2020	Change
	IFRS	IFRS		IFRS	IFRS		IFRS		
Consumable materials and repair materials	76,031,056	75,468,411	-0.7%	17.1%	17.1%	0 p.p	16.2%	16.1%	-0.2 p.p
Commodities	15,366,400	18,299,256	19.1%	3.5%	4.2%	0.7 p.p	3.3%	3.9%	0.6 p.p
Utilities	5,958,792	6,455,252	8.3%	1.3%	1.5%	0.1 p.p	1.3%	1.4%	0.1 p.p
Repairs maintenance	5,688,967	5,032,545	-11.5%	1.3%	1.1%	-0.1 p.p	1.2%	1.1%	-0.1 p.p
Rent	3,826,647	3,254,906	-14.9%	0.9%	0.7%	-0.1 p.p	0.8%	0.7%	-0.1 p.p
Insurance premiums	1,530,404	1,523,664	-0.4%	0.3%	0.3%	0 p.p	0.3%	0.3%	0 p.p
Promotion expense	6,148,989	5,711,775	-7.1%	1.4%	1.3%	-0.1 p.p	1.3%	1.2%	-0.1 p.p
Communications	2,016,807	2,111,219	4.7%	0.5%	0.5%	0 p.p	0.4%	0.4%	0 p.p
Third party expenses & Salaries expenses, out of which:	272,985,203	268,788,216	-1.5%	61.5%	61.0%	-0.4 p.p	58.3%	57.2%	-1 p.p
<i>Third party expenses (including doctor's agreements)</i>	<i>125,927,709</i>	<i>128,399,941</i>	<i>2.0%</i>	<i>28.4%</i>	<i>29.2%</i>	<i>0.8 p.p</i>	<i>26.9%</i>	<i>27.3%</i>	<i>0.5 p.p</i>
<i>Salary and related expenses (including social contrib.)</i>	<i>147,057,494</i>	<i>140,388,275</i>	<i>-4.5%</i>	<i>33.1%</i>	<i>31.9%</i>	<i>-1.2 p.p</i>	<i>31.4%</i>	<i>29.9%</i>	<i>-1.5 p.p</i>
Depreciation	45,837,992	49,308,137	7.6%	10.3%	11.2%	0.9 p.p	9.8%	10.5%	0.7 p.p
Other administration and operating expenses	8,675,284	4,394,476	-49.3%	2.0%	1.0%	-1 p.p	1.9%	0.9%	-0.9 p.p
OPERATING EXPENSES	444,066,541	440,347,856	-0.8%	100%	100%	0 p.p	94.8%	93.8%	-1 p.p

Consolidated Statement of Financial Position

Description	December 31, 2019 IFRS	June 30, 2020 IFRS	%VAR
Non-current assets	811,596,971	803,740,481	-1.0%
Current assets, excluding Cash and cash equivalents	172,090,253	169,490,926	-1.5%
Cash and cash equivalents	38,886,218	76,445,695	96.6%
TOTAL ASSETS	1,022,573,442	1,049,677,102	2.7%
Current liabilities	340,941,966	350,712,208	2.9%
Long term liabilities	451,609,561	453,988,260	0.5%
Deferred tax liability	19,756,346	21,138,646	7.0%
TOTAL LIABILITIES	812,307,874	825,839,113	1.7%
Equity attributable to owners of the Group	187,085,058	198,774,109	6.2%
Non-controlling interests	23,180,511	25,063,879	8.1%
EQUITY	210,265,569	223,837,989	6.5%

Net debt to Pro-forma EBITDA ratio



Consolidated Statement of Cash Flow

Description	H1 2019 IFRS	H1 2020 IFRS
Net income before taxes	13,762,503	15,810,848
Adjustments for non-monetary items	57,698,788	63,993,535
Operating cash flow before working capital and other monetary changes	71,461,290	79,804,383
Cash generated from working capital changes	(19,395,945)	(4,448,040)
Other monetary changes (income tax and net interest paid)	(10,824,451)	(7,852,209)
Net cash from operating activities	41,240,894	67,504,134
Net cash used in investing activities	(27,777,898)	(21,291,603)
Net cash from/ (used in) financing activities	(4,599,538)	(8,653,054)
Net change in cash and cash equivalents	8,863,458	37,559,477
Cash and cash equivalents beginning of the period	34,206,159	38,886,218
Cash and cash equivalents end of the period	43,069,617	76,445,695

Cash flow for the period characterized by controls and saving measures:

1. 64% increase in net cash from operating activities;
2. 23% decrease in cash used in investing activities;
3. 88% increase in net cash used in financing activities.



Q&A Session

Thank you!