



Annual Report 2019



CONTENTS

PG. 2	MEDLIFE GROUP IN FIGURES
PG. 3	CEO STATEMENT
PG. 4	SIGNIFICANT EVENTS IN THE PAST TWELVE MONTHS
PG. 6	MEDLIFE'S COMMITMENT
PG. 7	COMPANY PRESENTATION
PG. 13	BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE
PG. 19	MEDLIFE STRATEGIC OBJECTIVES AND DIRECTIONS
PG. 21	STATUTE OF CORPORATE GOVERNANCE
PG. 24	RISK MANAGEMENT AND INTERNAL CONTROL
PG. 25	MEDLIFE SHARES
PG. 26	DIVIDENDS POLICY
PG. 28	FINANCIAL ANALYSIS <ul style="list-style-type: none">• Analysis of the main elements of the consolidated statement of profit or loss• Analysis of the main elements of the consolidated statement of financial position• Liquidity and Capital Resources
PG. 55	SUBSEQUENT EVENTS
PG. 56	ANNEXES <ul style="list-style-type: none">• Pro-Forma financial information for the 12 months period ended as at 31 December 2019 Med Life Group• Consolidated financial statements for the year ended 31 December 2019 Med Life Group• Administrators' Report for the year ended 31 December 2019 Med life Group• Standalone Financial Statements for the year ended 31 December 2019 Med Life S.A.• Administrators' Report for the year ended 31 December 2019 Med Life S.A.• Corporate Governance Declaration

MEDLIFE GROUP IN FIGURES

Consolidated Statement of Financial Position

RON	31 December 2019
Non-current assets	811,596,971
Current assets	210,976,471
TOTAL ASSETS	1,022,573,442
Current liabilities	340,941,966
Long term liabilities	451,609,561
Deferred tax liability	19,756,346
TOTAL LIABILITIES	812,307,874
Equity attributable to owners of the Group	187,085,058
Non-controlling interests	23,180,511
TOTAL EQUITY	210,265,569

Pro Forma Consolidated Statement of Profit and Loss

RON	FY 2019
Sales	989,435,797
Other operating revenues	9,772,493
OPERATING INCOME	999,208,290
OPERATING EXPENSES	(930,691,765)
OPERATING PROFIT	68,516,525
FINANCIAL RESULT	(27,771,473)
RESULT BEFORE TAXES	40,745,052
Income tax expense	(10,548,176)
NET RESULT	30,196,876

Operational data for 2019 financial year

Description	For FY 2019
Clinics visits	1,861,419
Dental offices visits	123,349
Laboratory tests	5,905,490
Health Prevention Packages	705,380
Hospitals patients	82,683
Pharmacies transactions	250,717



MIHAIL MARCU

Chairman of the Board and Chief Executive Officer

Dear Shareholders,

2019 was a challenging year. MedLife Medical System had an expansive activity, in a rhythm sustained both by acquisitions and by organic growth. We followed the development and expansion strategy announced to investors and shareholders, and as we expected, we managed to exceed the threshold of 200 million euros, being the first Romanian medical company to achieve such a performance. It is the result of sustained efforts throughout the group, in the long run. We launched new concepts, brought innovative technology and continued to grow healthily and expand.

The year 2020 came with a unique epidemiological context, the declaration of the COVID-19 pandemic by the World Health Organization, and in this context we mobilized our forces and adapted to the new conditions. We opened RT PCR laboratories to test the SARS-CoV-2 virus, being among the first companies in Romania to implement very quickly a comprehensive system of medical prevention and triage measures to keep medical staff and patients safe.

Moreover, we started a pilot test on a representative sample for detection of antibodies to COVID-19, testing the presence of IgG and IgM antibodies in medical staff that are simultaneously tested by RT PCR method, to determine the exact stage of their immunization.

At the same time, in the context of restrictive measures related to traffic, we adapted and were the first to launch the online consultation platform, where patients can get in touch by videoconference with doctors from many specialties for consultation, diagnosis and treatment.

In parallel, we are working on a Guide for Prevention and Best Practices to support Romanian companies in resuming their activities safely. These guides will cover key topics for staff prevention and protection, from social and professional contact rules, recalibration and staff filtering, awareness of contact risks with infected people, to testing, circuit management and staff rest.

In the future, we will continue to support an active pace of development, supporting patients and corporate clients with the best solutions adapted to the context and period we are all going through.

We are confident that we will be able to overcome this period well. We are better prepared than ever!

Significant events in the past twelve months

Developments in 2019

Organic growth

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 1,000 beds at the end and will occupy a number of 8 buildings in a pavilion system. The park will comprise two distinct stages of development. In the first stage, a new hyperclinic, an innovation and research center, physiotherapy and medical recovery rooms, two restaurants, an imaging and radiotherapy center, a pharmacy and an organic food store will be arranged. In the second stage, which is in the feasibility study phase, the MedLife Oncological Institute will be built.

First stage: investments in research, innovation and training/ a new hyperclinic/ state-of-the-art radiotherapy

The first stage will last 18-24 months and it involves the development of a new hyperclinic and a state-of-the-art radiotherapy center that will bring some absolute innovations on the Romanian radiotherapy services market.

At the same time, the MedLife Memorial Hospital will be expanded, and the In Vitro Fertilization Center will be relocated and expanded. In addition to medical operations, during 2021, the project will integrate a generous park, with green spaces and recreation areas for adults and children. In addition, there will be two restaurants, an organic store, as well as new parking spaces.

Additionally, the company plans to open a medical research and training center. LifeScience will be the first private research center dedicated exclusively to training and innovation in medicine. It will include, in addition to the training and innovation center, spaces for students and young people who want to present their innovative ideas in the medical field, respectively want to start a business in the medical field or find partners and funding for medical start-ups. The center will integrate a museum exhibition of Romanian medicine, photography and documents, the first equipment and instruments for over 100 years, as well as a medical library. LifeScience will be able to accommodate up to 300 people in the conference rooms. Doctors, academics and medical training specialists will be able to present their medical cases, papers and innovations at the center.

Second stage: MedLife Oncological Institute

In the second stage, the company intends to develop a large center dedicated to the oncology area, the MedLife Oncology Institute. The unit will be arranged on a total area of approx. 30,000 sqm and will include medical oncology, specialties related to the area of oncology, chemotherapy and oncological surgery of excellence. The new unit is to be put into operation gradually in the next 3-5 years, with MedLife already working on a feasibility study for the construction of the building.

MedLife continues the expansion plan and announces the opening of the Floreasca hyperclinic in Bucharest and a second hyperclinic in Galati

Throughout 2019, Med Life S.A. ("The Company") inaugurated two new hyperclinics in Bucharest and Galati, which provide outpatient services and high-performance imaging to patients.

Inauguration of the first Dent Estet dental clinics in Sibiu

Dent Estet Group opened in 2019 2 dental clinics in Sibiu, one being focused on dental services for children and one for adults. Dent Estet group is the largest dental clinic network in Romania, with an experience of over 20 years. 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.

Acquisitions completed in 2019

During 2019, the Company announced the following acquisitions:

- **Rozsakert Medical Center Ungaria (“RMC”)**: In January 2019, MedLife announced the first international transaction: the acquisition of 51% majority package of the group Rozsakert Medical Center in Hungary. Rozsakert Medical Center is among the top 10 private medical services providers in Hungary. The company has a multidisciplinary clinic that includes a compartment equipped with a surgery room dedicated for small surgery interventions and a dental center. Over 40,000 patients access a wide range of outpatient clinical and paraclinical services and investigations, as well as a comprehensive range of day-care interventions, targeting the specialties of ophthalmology, gynecology, proctology, dermatology, plastic surgery, etc. The transaction was completed in March 2019 once the suspensive conditions were met.
- **Badea Medical SRL (“Badea Medica”)**: In May 2019, Medlife completed the acquisition of the 65% majority stake in the excellence center Badea Medica. The center provides a complex range of medical services, focused mainly on the segment of abdominal pathology, but which also covers many other types of conditions.
- **Onco Team Diagnostic SRL (“Onco Team”)**: In September 2019, Medlife announced the acquisition of the 75% majority stake in Onco Team, thus adding to its acquisitions portfolio the first laboratory with a profile of pathological anatomy and molecular biology. The unit joins the group laboratories (MedLife Grivița, MedLife Brașov, Panduri Laboratory, etc.) that provide this segment of analyzes.
- **Spitalul Lotus SRL (“Lotus”)**: In December 2019, Medlife announced the acquisition of 100% of the share capital of Spitalul Lotus SRL from Ploiesti, the most important provider of private medical services in Prahova County, which provides integrated outpatient services, imaging, laboratory, hospitalization and maternity. The hospital comprises 22 beds in 12 reserves, 2 intensive care units and an operating theatre with 2 operating rooms. The outpatient department is equipped with 9 consulting rooms, which cover 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 includes a laboratory, which performs over 500 of the most complex medical tests.
- **Centrul Medical Micromedica (“Micromedica”)**: In December 2019, Medlife announced the acquisition of 100% of the share capital of the group Micromedica, one of the most important providers of private medical services in Moldova region. Micromedica activates in the private medical services 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 consists of six medical units located in Piatra Neamt, Bacau, Roman, Biczaz, Roznov and Targu Neamt. , all equipped with state-of-the-art medical equipment.
- **Spitalul OncoCard Brasov (“Spitalul OncoCard”)**: In December 2018, MedLife announced the acquisition of 100% of the share capital of OncoCard Hospital in Brasov, one of the largest and most modern centers for diagnosis and oncological treatment in Romania and in the EEC. Established in 2012, OncoCard Hospital is based on an innovative concept of integrative medicine that begins in the diagnostic phase of the oncology patient and covers the entire period of specific active therapies. The medical unit includes an outpatient clinic, oncology surgery department, 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.

Increase of participation in Sama Craiova, PDR Brasov and Genesys Arad groups

Medlife announced the acquisition of a new 35% package of the Sama group in Craiova, thus Medlife becoming the shareholder with 90% of the shares of the group from Oltenia (from 55% of the initial package). Also, Medlife acquires another 3 percent from the PDR Brasov group (Policlinica de Diagnostic Rapid), the company currently owns the 83% package (from 80% the initial package), and 3 percent from the Genesys Arad group, the company currently owns 61% package (from 58% previously held). The shares were exchanged with MedLife shares, a decision taken by the

Company's Board of Directors, empowered by the EGMS (Extraordinary General Meeting of Shareholders) on October 8, 2018. This transaction has the purpose of alignment at group level, but also the consistency with the acquisition strategy, which recognizes and encourages the contribution of the founders of the subsidiaries to the integrated activity of the MedLife group.

MedLife's commitment

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

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

To your benefit, we bring the experience of our over 23 years of activity on the private healthcare service market in Romania. We are committed to providing unique services due to the professionalism, care and responsibility of our medical staff, with the ultramodern equipment and facilities that we make available to every patient, every day.



COMPANY PRESENTATION

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

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

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

The Group has the largest number of medical facilities in Romania. These include 52 medical facilities in Bucharest, making it the largest private healthcare

network in the city, and a further 92 medical facilities in the rest of Romania including in cities such as Arad, Craiova, Ploiești, Cluj Napoca, Brașov, Galați, Iași, Timișoara, Sibiu, Constanța, Targoviste, Braila, Pitesti, Oradea and Neamt, but also 2 units in Budapest, Hungary. The Group owns the real estate underlying its most significant hospital facilities in Bucharest as well as its hospitals in Arad, Brasov and Sibiu. Other facilities are used under long term leases.

The Group provides its services via the largest single pool of private doctors and nurses in Romania, totaling approximately 3,000 doctors and 2,000 nurses as of 31 December 2019. The Group employs full-time specialists for the vast majority of specialties offered, but also part-time, for specialties or specific functions, or works with medical staff under collaboration contracts. In addition, given its commitment to providing quality medical services, the Group has consistently invested in medical equipment, which has helped sustain its market leadership in diagnostic imaging technology.

In the Company’s 23 years of activity on the Romanian market, over 5 million unique patients were provided services in the Group’s medical facilities, which accounts for approx. one in four Romanians, based on the demographic data.



MedLife units as at 31 December 2019:

- 22 hyperclinics,
- 56 clinics,
- 10 hospitals,
- 36 laboratories,
- Approx. 200 sampling points,
- 12 dental offices,
- 10 pharmacies.

Business Model

MedLife's business model focuses on servicing corporations and individual clients. The Company seeks to capture the private healthcare spending of these clients throughout all stages of a medical condition: prevention, diagnosis and treatment, by offering a wide range of medical services delivered in modern, high quality facilities by professional teams of doctors, nurses and support personnel.

The Group divides its operations into six business lines:

Corporate: The Corporate business line offers HPP to corporate clients as part of their employee benefit packages. These programmes, which focus on prevention through regular check-ups and access to diagnostic services, complement the legally required occupational health services that corporate clients also contract from MedLife under the HPP offering. MedLife holds a portfolio of over 700,000 subscribers to its programmes from over 5,000 different companies. The Group has the largest base of individuals benefiting from HPP in Romania, according to the 2019 PMR Report.

Clinics: The Clinics business line includes the Group's ambulatory clinics and diagnostic imaging services. Clinics offer general practitioner and specialist consultations and include the Group's outpatient diagnostic imaging services. Some of its clinics also undertake day hospitalization services. As of 31 December 2019, MedLife group consisted of 78 outpatient units, out of which 22 are Hyperclinics and 56 are clinics.

Laboratories: Laboratories business line aims to perform biochemical, hematological, immunological, microbiological, toxicological, pathological anatomy (cytology and histology) and molecular biology and genetics analyzes. Within the Business Line of Laboratories, a total of 5,9 millions laboratory analyzes were carried out in 2019. As at December 31, 2019, the Group processed the samples taken in 36 laboratories and operated approximately 200 sampling points throughout the country.

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

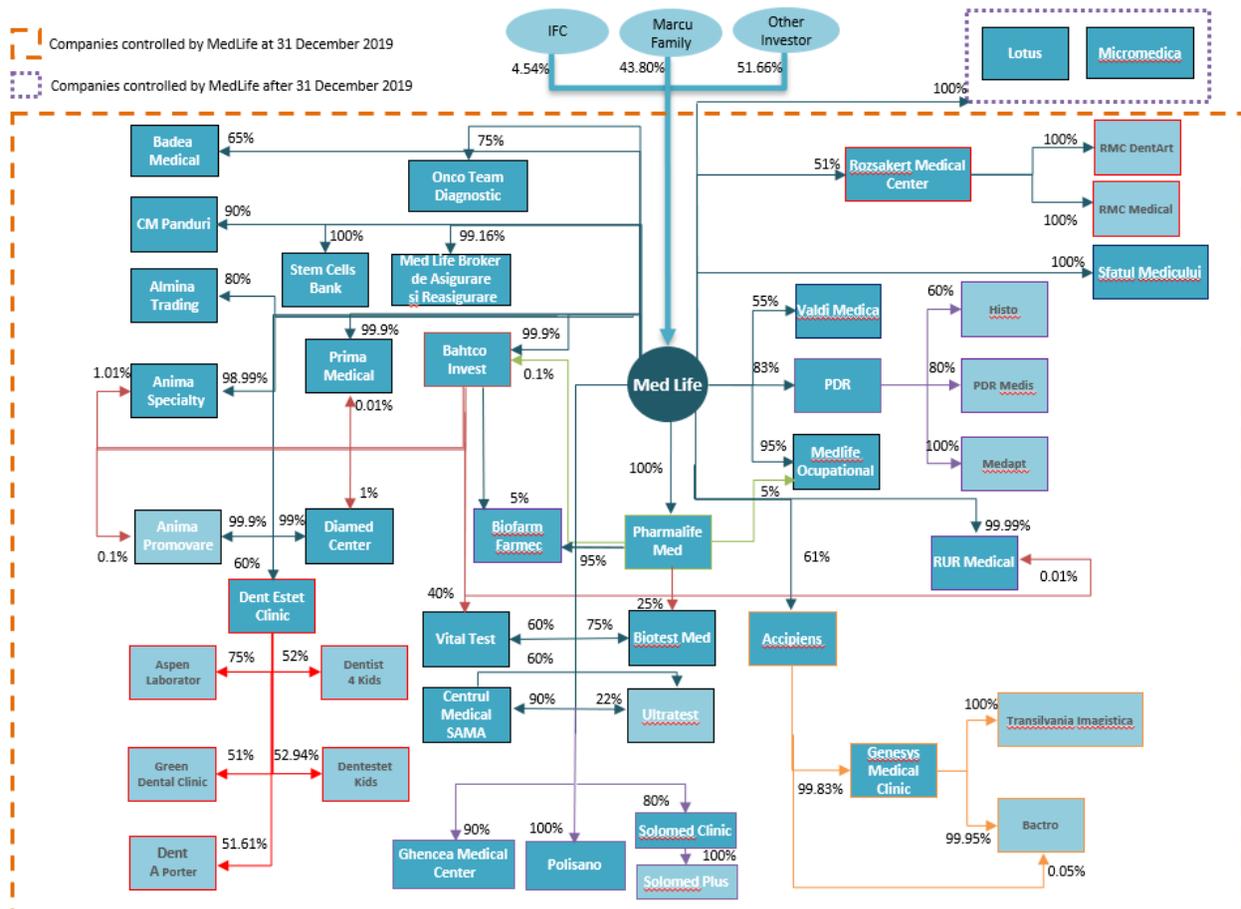
The Group's 10 hospital locations and the additional three 1-day care units have a total of over 900 licensed beds and 32 operating theatres as of 31 December 2019, forming the largest chain of private hospitals in Romania.

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

Stomatology: The Stomatology business line provides a wide range of dental services from simple check-ups to complicated surgeries. As of 31 December 2019, the 12 dental offices in operation included 4 clinics focused on children in Timisoara, Bucharest and Sibiu, a clinic focused on teens, and 7 clinics for adults.

MedLife group structure as at 31 December 2019

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



Brief description of the companies within the Group

Accipiens

Accipiens S.A. ("**Accipiens**") is a company active in Arad, which operates the Genesys hospital in Arad, through Genesys Medical Clinic S.R.L. ("**Genesys**"), a company where it holds 99.83% of the share capital. In July 2019, MedLife increased ownership in Accipiens to 61.00%, the remaining of 39.00% being held by minority shareholders that are former owners of Accipiens. Genesys owns a 99.95% stake in Bactro S.R.L. ("**Bactro**"), the remaining of 0.05% being held by Accipiens, and has a stake of 100% in Transilvania Imagistica - provider of diagnostic, imaging and radiology medical services, one of the most important players in the northwest of the country in this segment.

RUR Medical

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

PDR

Policlinica de Diagnostic Rapid S.A. ("**PDR**") is a company carrying out specialized medical activities, which operates, directly and through companies under its control, the Group's PDR Hospital – multidisciplinary hospital, PDR Hyperclinic, Livada Hyperclinic, a pediatric center, 6 outpatient units and 4 laboratories (Brasov and Sf. Gheorge). In January 2019, MedLife increased ownership in PDR to 83.00%, with the remaining 17.00% being held by minority shareholders that are

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

Bahtco

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

Centrul Medical SAMA

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

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

Vital Test

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

Biotest Med S.R.L.

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

PharmaLife Med

PharmaLife Med S.R.L. ("**PharmaLife**") is a company carrying out pharmaceutical activities, which operates, together with Biofarm Farmec S.R.L. (95.00% owned by PharmaLife and 5.00% owned by Bahtco) the Group's pharmacies. MedLife set up PharmaLife and is sole shareholder with 100% of the share capital.

MedLife Broker de Asigurări

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

MedLife Ocupațional

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

Prima Medical

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

Diamed Center

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

Stem Cells Bank

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

Dent Estet

Dent Estet Clinic S.A. ("**Dent Estet**") is a company active in the dental care business, which operates, directly and through companies where it holds a majority stake, 10 dental clinics in Bucharest, Timisoara and Sibiu and one dental laboratory. MedLife completed the acquisition of 60.00% of the share capital of Dent Estet in July 2016, with the remaining 40.00% being held by the founder of Dent Estet.

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

Centrul Medical Panduri

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

Almina Trading

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

Anima Specialty Medical Services

Anima Specialty Medical Services S.R.L. ("**Anima**") is a healthcare provider, being one of the largest private outpatient services provider under the NHIH contract, covering over 15 specialties including family medicine, obstetrics - gynecology, ENT, endocrinology, ophthalmology, dermatology, cardiology, psychiatry, rheumatology, gastroenterology, allergy and clinical immunology. Anima has 7 polyclinics and a laboratory, over 200 employees, medical specialists and support staff, being the first private medicine network with its own family medicine network in Romania. MedLife completed the acquisition of 100% of the share capital of Anima in May 2017.

Anima Promovare și Vanzari

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

Valdi Medica

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

Polisano

In April 2018, MedLife completed the acquisition of the entire stake of **Polisano** medical services division, one of the largest private medical operators in Romania. Founded in the 1990s, Polisano is the first fully integrated medical group in Romania. It includes four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital - Polisano

European Hospital in Sibiu - recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization center and the largest private maternity in Transylvania.

Ghencea Medical Center

In May 2018, MedLife completed the acquisition of the 90.00% majority stake in **Ghencea Medical Center** in Bucharest. The medical services provider has two clinics in Bucharest and Magurele with 135 employees, medical staff and support employees, offering to its patients a wide range of investigations for laboratory and imaging areas, specialized treatment for medical recovery and alternative medicine.

Solomed Clinic

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

Sfatul Medicului

In August 2018, Medlife completed the acquisition of 100% stake in the medical platform SfatulMedicului.ro, the largest medical information hub in Romania. Established 15 years ago, sfatulmedic.ro.ro is among the top websites dedicated to the health sector in Romania.

Rozsakert Medical Center, Hungary

In March 2019, Medlife completed the acquisition of 51% majority package of the Rozsakert Medical Center in Hungary. Rozsakert Medical Center is among the top 10 private medical services providers in Hungary. The company has a multidisciplinary clinic that includes a compartment equipped with a surgery room dedicated for small surgery interventions and a dental center. Over 40,000 patients access a wide range of outpatient clinical and paraclinical services and investigations, as well as a comprehensive range of day-care interventions.

Badea Medica

In May 2019, Medlife completed the acquisition of the 65% majority stake in the excellence center Badea Medica. The center provides a complex range of medical services, focused mainly on the segment of abdominal pathology, but which also covers many other types of conditions.

Onco Team

In October 2019, Medlife completed the acquisition of the 75% majority stake in Onco Team, thus adding to its acquisitions portfolio the first laboratory with a profile of pathological anatomy and molecular biology. The unit joins the group laboratories (MedLife Grivița, MedLife Brașov, Panduri Laboratory, etc.) that provide this segment of analyzes.

Lotus

In December 2019, Medlife completed the acquisition of 100% of the share capital of Spitalul Lotus SRL from Ploiesti, the most important provider of private medical services in Prahova County, which provides integrated outpatient services, imaging, laboratory, hospitalization and maternity.

Micromedica

In December 2019, Medlife completed the acquisition of 100% of the share capital of the group Micromedica, one of the most important providers of private medical services in Moldova region. The group consists of six medical units located in Piatra Neamt, Bacau, Roman, bicaz, Roznov and Targu Neamt. . All medical units are equipped with state-of-the-art medical equipment.

BOARD OF DIRECTORS

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

Board of Directors structure

Mihail Marcu (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.



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.



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).



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.

**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.



EXECUTIVE COMMITTEE

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

Mihail Marcu, Chief Executive Officer

Nicolae Marcu, Chief Healthcare and Operations Officer

Dorin Preda, Chief Finance and Treasury

Adrian Lungu (1985), Chief Financial Officer

Adrian Lungu has been the chief financial officer of the Company since 2012. Adrian Lungu graduated in 2008 from the Academy of Economic Studies in Bucharest with a degree in business administration. He started working at MedLife in 2011 as Head of the Business Controlling Department. Previously, Adrian Lungu has worked at Ernst & Young Romania (2007-2010), in the Transactions and Advisory Services Department, as a senior consultant, and at KPMG Romania (2007) in the Financial Services Department (Audit) as a trainee. He has been appointed as a member of the MedLife Executive Committee since December 16, 2016.



Radu Petrescu (1980), Human Resources Director

Radu Petrescu is director of the Human Resources Department starting with September 2017. Radu Petrescu has extensive experience in the human resources field, coordinating large-scale projects of organizational development, performance management or talent management. Previously, he worked in the FMCG field and in the pharmaceutical field where he held the position of HR Operations Manager Europe at Pfizer, where he worked for a while at the headquarters in Berlin. In financial services, Radu Petrescu worked in the advisory team for PricewaterhouseCoopers (PWC). Graduate of the sociology faculty of the Bucharest University, Radu Petrescu also attended a master program at the same institution. He has been appointed as a member of the MedLife Executive Committee since September 13, 2017

**Geanina Nicoleta Durigu (1978), Laboratory Manager**

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

**Mariana Ilea-Brates (1967), Purchasing Manager**

Mariana Ilea-Brateş is the manager of the Supply Department of the Company since November 2004. Mariana Ilea-Brates graduated in 1992 from the Polytechnic Institute of Bucharest, Faculty of Inorganic Chemical Technology. Mariana Ilea-Brates is a graduate of several training courses in areas such as sales, management and accounting. During university, she worked as a laboratory chemist at the National Institute of Wood (1986-1992), and after graduation she was a chemical engineer at the same institution (1992-2000). Before joining MedLife team in 2004, she served as manager of procurement and management within Medicover S.R.L. (2000-2004). She has been appointed as a member of the MedLife Executive Committee since December 16, 2016.



Mirela Dogaru (1977), Corporate Manager

Mirela Dogaru is the manager of the Corporate department at Group level since 2014. Mirela Dogaru graduated the Polytechnic University of Bucharest, Faculty of Biochemistry (2003) and Executive Master program in Business Administration (EMBA) / ASEBUSS of Kenesaw University in Atlanta, Georgia, USA. Mirela joined the MedLife team in 2005 as coordinator of the corporate sales team (Corporate Sales Manager), a position she held until 2011 when she was appointed New Business Sales Manager. Prior to joining MedLife, Mirela Dogaru held the position of sales manager within Petchim S.A. (2004-2005) and Key Account Manager within Freshtex Textile Finishing S.R.L. (2003-2004). She has been appointed as a member of the MedLife Executive Committee since December 16, 2016.



Vera Firu (1959), Accounting and Tax Manager

Vera Firu is the Accounting and Tax Manager of the Company. Vera Firu graduated in 1985 the Academy of Economic Studies, Faculty of Industry, Construction and Transport Economics. Prior to joining MedLife team, Vera Firu served as chief financial officer of Unicom Holding S.A. (1996-2005) and previously, she was chief accountant within Romquartz S.A. She has been appointed as a member of the MedLife Executive Committee since December 16, 2016.



Larisa Chiriac (1969), Medical Director

Larisa Chiriac is the medical manager of the Group. Larisa graduated as a physician from Titu Maiorescu University of Bucharest, Faculty of Medicine and Pharmacy in 1998, being licensed as a doctor in 1998. Larisa worked at the Army Cardiovascular Diseases Emergency Center in Bucharest. Her professional experience includes the position of a specialist in family medicine with medical management and general ultrasound management capabilities, head of the triage office of the Army Cardiovascular Diseases Emergency Center in Bucharest, from May 2003 to June 2016. She has been appointed as a member of the MedLife Executive Committee since May 1, 2018.



COMPANY MANAGEMENT

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

opportunities in the business and review budget performance. Members of the 40+ group outside Bucharest usually attend by conference call.

The Group manages its business based on an annual budget, agreed on a bottom-up basis with the 40+ group, initially, and subsequently confirmed by the Group's Executive Committee and by the Board of the Directors. The budget includes detailed operational key

performance indicators as well as financial targets, represents the Group's operating and financial plan for a financial year, and sets the operational and financial targets at the unit level. Compensation of the members of the 40+ group is heavily linked to the achievement of the budget. Within their units, the managers have substantial autonomy to operate within the agreed budget framework.

Alongside the operational management, the Group implements a medical management system with the primary objective to ensure quality care and the

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

PEOPLE AND RESOURCES

The Group services patients through the largest private pool of doctors and nurses in Romania. As of 31 December 2019, the Group collaborated with a total of approximately 3,000 doctors and 2,000 qualified nurses across its business lines, including both employees working exclusively for the Group under individual employment contract and collaborators, providing services as independent contractors. Also, as at December 31, 2019, more than 1,700 full-time employees were operating as support staff and administrative staff.

The type of contractual arrangement between the Group and its medical staff depends on various criteria, such as the professional context or the time that the medical staff can allocate to services provided to the Group. Medical staff under services agreements are seen by the Group as commercial partners, providing services to the Group as independent contractors, in compliance with the applicable legislation.

The Group seeks to provide adequate compensation and incentives to doctors and other medical staff in exchange for quality medical care and commitments to promote the MedLife business model. The usual compensation package offered by the Group to its employees includes fixed remuneration, to which a variable remuneration is added, determined based on a

revenue sharing mechanism connected to the number of appointments and consultations. Collaborators are compensated based on the number of appointments and consultations.

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

As for the relationship with colleagues, the Group provides a safe working environment in which employees are treated fairly and with respect, and the differences between employees are accepted. The Group is committed to providing colleagues with the opportunity to excel and reach their full potential and reward them on a merit basis.

The group does not tolerate any discrimination, intimidation or harassment of colleagues or between them. The group encourages clear and open communication with and between colleagues. They can and must promptly express any concerns about any unethical or illegal behavior by presenting these concerns to the competent human resources department within the Group. The Group undertakes to investigate such concerns brought by good faith, maintaining the confidentiality of these steps.

MEDLIFE STRATEGIC OBJECTIVES AND DIRECTIONS

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

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

Competitive strengths

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

Development directions

Organic growth

The Company opened a number of new clinics and other facilities, particularly sampling points for its Laboratories business line. Many of these facilities are believed to still have the capacity to service greater numbers of patients, which should allow for the increase in their revenue and profit contribution, as they reach a higher utilization capacity. Further, the Group continues to optimize the mix of services offered at its other facilities to the specific local market conditions, seeking to improve the revenue and margins of each location. As a result, the continued and accelerated development of these facilities is expected to improve margins as well as deliver further sales growth. The Company often takes advantage of the base facilities resulting from an acquisition to further organically expand the business of the acquired company.

The recent acquisitions set out below provide new platforms for organic expansion of the business. For example, in 2016, the Group acquired Diamed Center,

which operates a network of laboratories and sampling points, mainly in Bucharest. Based on this acquisition, the Group further developed the second brand of laboratories under the brand "Sfânta Maria", which provides FFS laboratory tests at lower prices than in MedLife branded labs. Further, the Group continued to build on the existing contracts of Diamed Center with the NHIH, which did not result into a significant change in the overall exposure of the Group to NHIH contracts

as a percentage of its total sales. As of 31 December 2019, the Group had approx. 40 sampling points opened under "Sfânta Maria" laboratories brand, thus adding organic growth to its acquisition.

Selective acquisitions and integration of other market players

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



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

The Group's acquisition strategy envisages the full integration of the acquired units into the MedLife system, ensuring uniformity of service, branding and other standards across the business. The Group's support functions such as human resource management, accounting, marketing, public relations and purchasing are centralized, thus reducing the costs and increasing the efficiencies within such functions. The Group pays particular attention to its IT solutions, which are a critical part of increased client service, and seeks to transfer its accumulated know-how to the operation of the acquired business. The Group's 26 past acquisitions and integrations until December 31, 2019 provide a clear road map for further acquisitions.



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

In furtherance of this strategy, during the 12-month period ended on December 31, 2019, the Company completed the following acquisitions: Badea Medical, Onco Team Diagnostic, Lotus and Micromedica.

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

Perspectives

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

STATUTE OF CORPORATE GOVERNANCE

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



General Shareholders Meeting

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

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

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

- it has published on its website a Code for the Organization and Activity of the General Meetings of Shareholders which:
 - facilitates the participation of the shareholders in the workings of GSM and the exercise of their rights related to GSM, including the participation by representation (by proxy) or by correspondence;
 - indicates the set of documents that will be made available for the shareholders by MedLife for each individual GSM, including, without limitation to informative materials related to each item on the agenda of the GSM;
 - presents in an exhaustive manner the shareholders' rights related to the GSM;
 - present the voting procedure within GSM.

The Board of Directors

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

BD convenes whenever necessary, but at least one every 3 months. In 2019 6 BD meetings were held.

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

Consultative Committees

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

Audit Committee

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

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

In 2019 4 Audit Committee meetings were held.

The Investment Committee

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

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

The Nomination Committee

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

- will approve a description of the role and of the conditions of eligibility required for a certain position in the BD or in the Executive Committee;
- will identify the candidates for the position of administrator, if applicable;

Executive Committee

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

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

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



RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing

the return to stakeholders through the optimization of the debt and equity balance.

Foreign Exchange Risk

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

Operational Risk

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

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer

contract, leading to a financial loss. The Group seeks to limit the credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular analysis of debt service, ageing of receivables, etc. Counterparty limits are established in combination with credit terms. In respect to credit risk

arising from the Group's other financial assets, including cash and cash equivalents, its exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its credit risk with regard to other financial instruments by only dealing with banks believed to be reputable.

Liquidity Risk

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

Interest Rate Risk

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

Internal Control

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

Off-balance sheet arrangements

As of 31 December 2019, other than operating lease commitments and committed capital expenditure (as described above), the Group is not a party to any off-balance sheet obligations or arrangements.

Changes in Accounting Policies

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

MEDLIFE SHARES

Subscribed and paid in share capital

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

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

History of the share capital of the Company

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

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

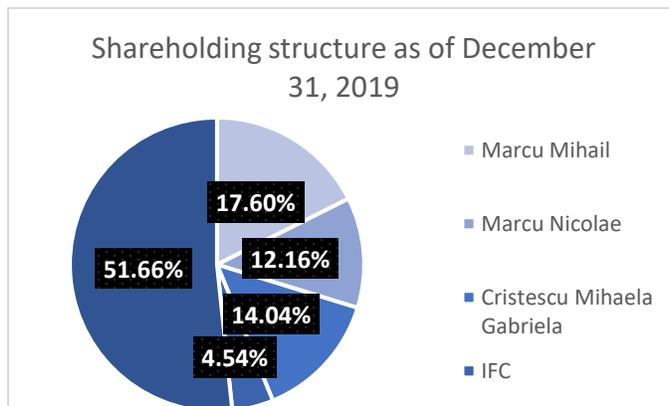
On December 19, 2017, the process of raising capital by issuing additional shares was completed. Thus, 753,082 shares were subscribed as a result of exercising the preference right of the shareholders registered in the shareholders' register on October 27, 2017. There are also other 1.3 million shares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

On November 9, 2018, the Company initiated the own share buy-back program. As of December 31, 2019, MedLife held 79,406 shares.

Shareholding structure of Med Life S.A. as at 31 December 2019

As at 31 December 2019, MedLife S.A. had the following shareholding structure: Marcu family (43.80%), International Finance Corporation (4.54%), with the remaining holding traded on the Bucharest Stock Exchange, at Premium Category. Around 130 legal entities, both from Romania, and abroad, and over 1,100 private individuals held approximately 51.66% of the free traded shares.

Shareholder	Number of shares
Marcu Mihail	3,897,920
Marcu Nicolae	2,692,400
Cristescu Mihaela Gabriela	3,110,115
IFC	1,004,600
Others	11,440,047



DIVIDENDS POLICY

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

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

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

The General Meetings of Shareholders approving the annual financial statements generally establishes also

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

Dividends may be paid on an optional quarterly basis within the time limit set by the general meeting of shareholders, by adjusting the differences resulting from the distribution of dividends during the year in the annual financial statements. Payment of settlement adjustments is made within 60 days of the date of approval by the General Meeting of Shareholders of the annual financial statements for the financial year ended. Otherwise, the Company or its shareholders, depending on the outcome of the settlement, owes after this term a penalty interest calculated according to the applicable legal provisions, if the decision of the general meeting of the shareholders approving the financial statements

of the concluded financial year did not set a higher interest rate. In the case of partial dividends being distributed among shareholders during a financial year, the annual financial statements will highlight dividends that are partially attributable and will properly adjust the resulting settlement differences.

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

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

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

According to the Company Law, the distribution of dividends from fictitious profits or from sources that cannot be distributed during the financial year on the

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

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

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



FINANCIAL ANALYSIS

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

The following table sets out the Group's consolidated statement of profit and loss and other comprehensive income for the periods ended 31 December 2017, 2018 and 2019 respectively:

	For the year ended 31 December,		
	2017	2018	2019
Sales	623,219,949	794,562,861	967.380.307
Other operating revenues	7,496,681	9,844,865	7.648.949
Operating income	630,716,630	804,407,726	975.029.256
Operating expenses	(595,857,844)	(766,014,417)	(918.594.743)
Operating profit	34,858,786	38,393,309	56.434.513
Finance cost	(14,201,686)	(17,567,816)	(19.186.950)
Other financial (expenses) / gains	(6,380,555)	3,008,389	(8.164.408)
Financial result	(20,582,241)	(14,559,427)	(27.351.358)
Result before taxes	14,276,545	23,833,882	29.083.155
Income tax expense	(5,544,920)	(7,051,245)	(8.930.702)
Net result	8,731,625	16,782,637	20.152.452
attributable to :			
Owners of the Group	4,382,702	13,370,348	16.547.851
Non-controlling interests	4,348,924	3,412,289	3.604.602
Other comprehensive income items that will not be reclassified to profit or loss			
Gain/Loss on revaluation of properties	-	-	655.437
Deferred tax on other comprehensive income components	-	-	(104.870)
Total other comprehensive income	-	-	550.567
attributable to :			
Owners of the Group	-	-	550.567
Non-controlling interests	-	-	-
Total comprehensive income	8,731,625	16,782,637	20.703.020

attributable to :

Owners of the Group	4,382,702	13,370,348	17.098.419
Non-controlling interests	4,348,924	3,412,289	3.604.602

Overview of the Group's sales streams

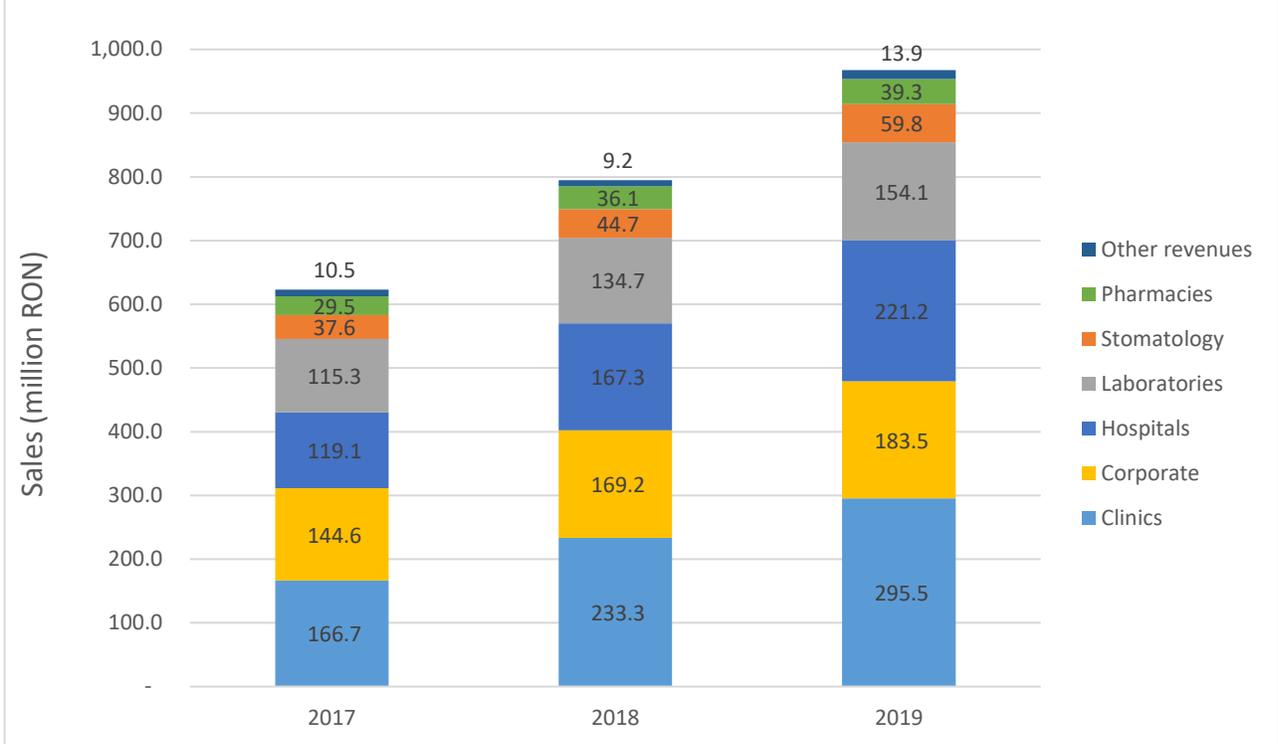
The Group's core activities are conducted through six business lines, providing a well-balanced business portfolio that covers all key segments of the private medical services market.

Sales for 2019 financial year amounted to RON 967,380,307, higher than the sales amount recorded in 2018 with RON 172,817,446 or 21.8%. 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.

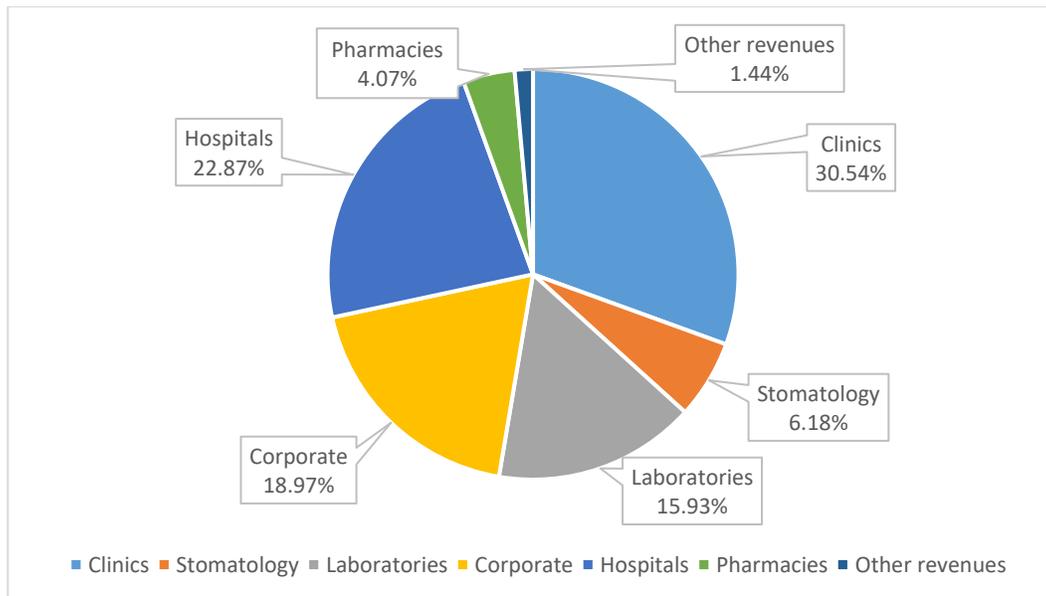
The following table sets out the sales for 2019 as compared to the sales recorded in 2018 and 2017 for each of the Group's business lines:

Sales (RON)	For the year ended 31 December			Change % 2018/2017	Change % 2019/2018
	2017	2018	2019		
	RON	RON	RON		
Clinics	166,650,648	233,339,171	295,465,223	40.0%	26.6%
Stomatology	37,565,681	44,733,559	59,817,358	19.1%	33.7%
Laboratories	115,259,329	134,680,878	154,135,274	16.9%	14.4%
Corporate	144,621,716	169,171,271	183,514,802	17.0%	8.5%
Hospitals	119,106,274	167,320,772	221,198,932	40.5%	32.2%
Pharmacies	29,526,655	36,111,885	39,341,136	22.3%	8.9%
Other revenues	10,489,646	9,205,325	13,907,692	(12.2)%	51.5%
TOTAL Sales	623,219,949	794,562,861	967,380,417	27.5%	21.8%

Sales evolution for 2017, 2018 and 2019



The Group's total consolidated sales amounting to RON 967,380,417 in the financial year 2019 were represented as follows:



Group sales evolution

For the year ended 31 December

	2017		2018		2019	
	RON	%	RON	%	RON	%
Clinics	166,650,648	26.7%	233,339,171	29.4%	295,465,223	30.5%
Stomatology	37,565,681	6.0%	44,733,559	5.6%	59,817,358	6.2%
Laboratories	115,259,329	18.5%	134,680,878	17.0%	154,135,274	15.9%
Corporate	144,621,716	23.2%	169,171,271	21.3%	183,514,802	19.0%
Hospitals	119,106,274	19.1%	167,320,772	21.1%	221,198,932	22.9%
Pharmacies	29,526,655	4.7%	36,111,885	4.5%	39,341,136	4.1%
Other revenues	10,489,646	1.7%	9,205,325	1.1%	13,907,692	1.4%
Total sales	623,219,949	100%	794,562,861	100%	967,380,417	100%

Business model independent of NHIH funding

The Group's business and revenue model focuses on the spending power of corporations and private individuals on medical services, while the State's contribution through the NHIH represents a complement, not the core revenue of MedLife's activities. In 2019, 81% of the Group's revenue came from corporations and private individuals. During the same period, only 19% of the Group's revenue came from providing services to patients insured by State programs. In 2017 and 2018, the Group's revenue from State insured patients represented 14%, and 19% respectively of the Group's total sales.

For the year ended 31 December

	2017		2018		2019	
	RON	%	RON	%	RON	%
Corporations and Private Individuals for HPP and fee-for service payments	533,056,205	86%	644,272,707	81%	781,653,297	81%
State insured patients paid by the NHIH	90,163,744	14%	150,280,581	19%	185,727,120	19%
TOTAL	623,219,949		794,553,288		967,380,417	

Clinics

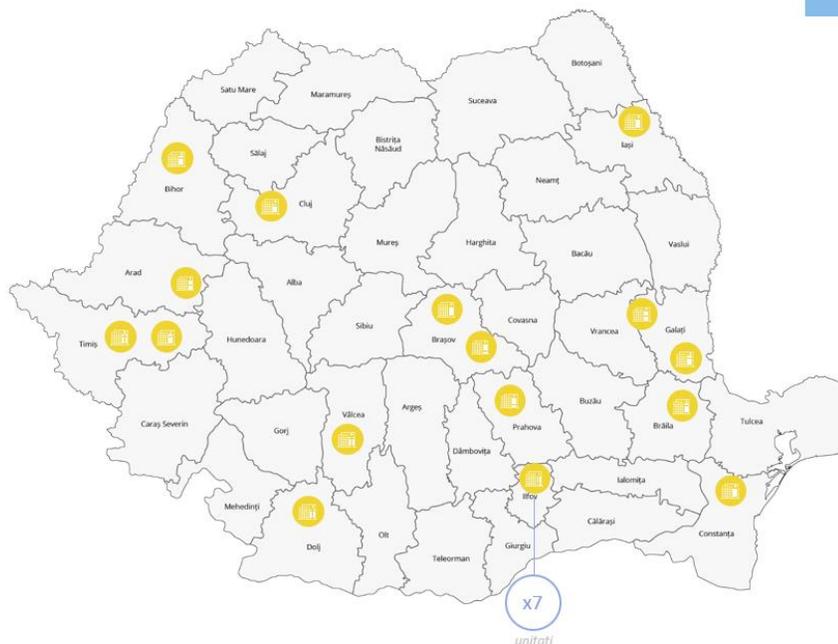
The core of the Group's operations is the network of ambulatory clinics throughout Romania. The business line comprises a network of 78 facilities, which offer a wide range of outpatient services covering a broad range of medical specialties. The Group's diagnostic imaging services provided to clients other than hospital inpatients also form part of this business line.



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

- Hyperclinics, a format pioneered by MedLife in Romania, consisting of large facilities with at least 20 medical offices and surface areas in excess of 1,000 sqm. It is a one-stop-shop for clinical examinations and imaging. This format is designed for larger urban areas, with a population over 175,000. Hyperclinics would usually include a broad range of imaging services on site including radiology, bone density – DEXA, CT, MRI 3T, 2D-4D ultrasounds and Mammography; in the case of new openings, such services may be included in the hyperclinics' offering gradually. Hyperclinic locations also host the services of other business lines, such as pharmacies or sampling points for laboratories. As of 31 December 2019, the Group operated 22 hyperclinics throughout Romania.
- Clinics, offering a range of treatments from general practitioner services to specialists, are aimed at servicing the core needs of the Group's HPP patients and FFS clients. The Group's clinics typically have between 5 and 12 medical offices, although smaller satellite clinics are in operation to address specific market situations. Clinics are designed for smaller cities or to serve specific concentrations of patients. Clinics, with limited capacity and generally limited imaging services, act as feeder networks for the more specialized services located in the hyperclinics. Certain clinics are fully specialized, such as Mindcare and the Obor and Paediatrics hospitals, which also have dedicated outpatient units.

Clinics network national distribution



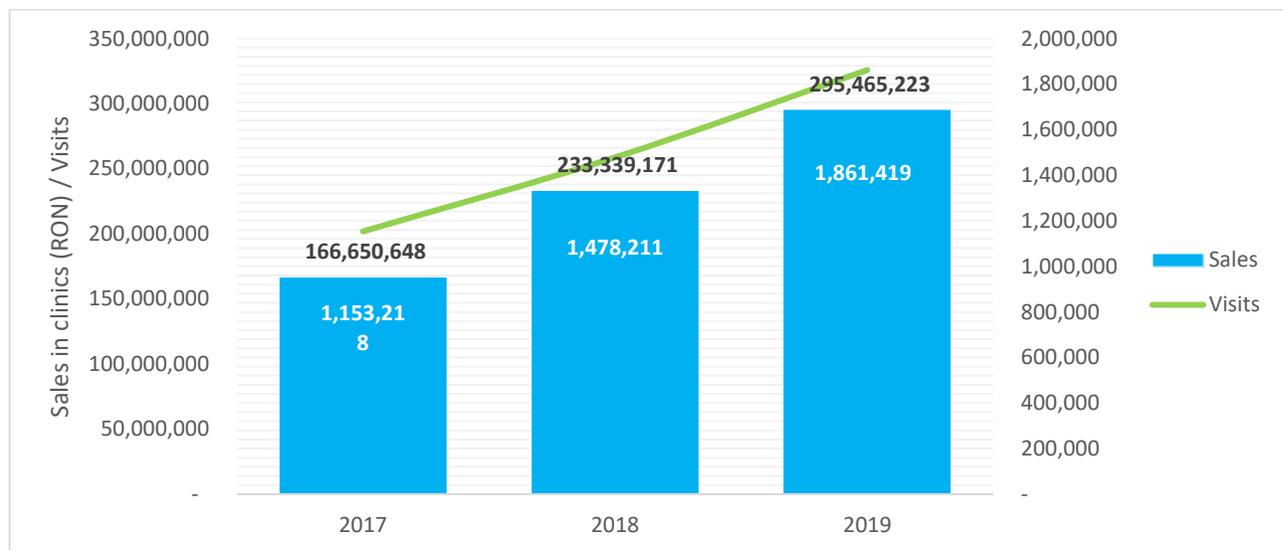
Analysis of clinics business line 2019 evolution

The sales of the Clinics business line increased in 2019 by RON 62,126,052 or by 26.6%, from RON 233,339,171 in 2018 to RON 295,465,223 in 2019. The increase was due to a 25.9% increase in the number of visits, from approximate 1,478,000 in 2018 to approximate 1,861,000 in 2019. The increase in the number of visits were driven by the continued growth of customer numbers in the Group's clinics opened before 2019, as well as due to acquisitions made during the year. The average fee per visit recorded an increase of 0.5% from 157.9 RON/visit in 2018 to 158.97 RON/visit in 2019. The increase was caused by the change in the mix of services accessed by the group's clients, as well as an increase in prices.

Business line sales do not reflect sales of services provided to HPP patients as part of the packages, but include sales paid as FFS by the HPP patients in the Group's clinics.

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

The Clinics business line derives its revenue predominately from FFS clients. Treatment for State insured patients through NHIH, mainly relating to diagnostic imaging services, represented 14%, 23% and 23% of the business line's sales in 2017, 2018 and 2019, respectively.



Corporate

The Corporate business line offers HPPs on a subscription basis, generally to corporate clients, as part of the benefit packages for their employees. These programs, which focus on prevention, such as regular checkups and access to diagnostic services, complement the legally required occupational health services that corporate clients contract from MedLife as the Standard HPP.



MedLife has a portfolio of over 700,000 HPPs patients from over 5,000 different companies. The Group has the largest base of individuals benefiting from HPP in Romania, according to the 2019 PMR Report.

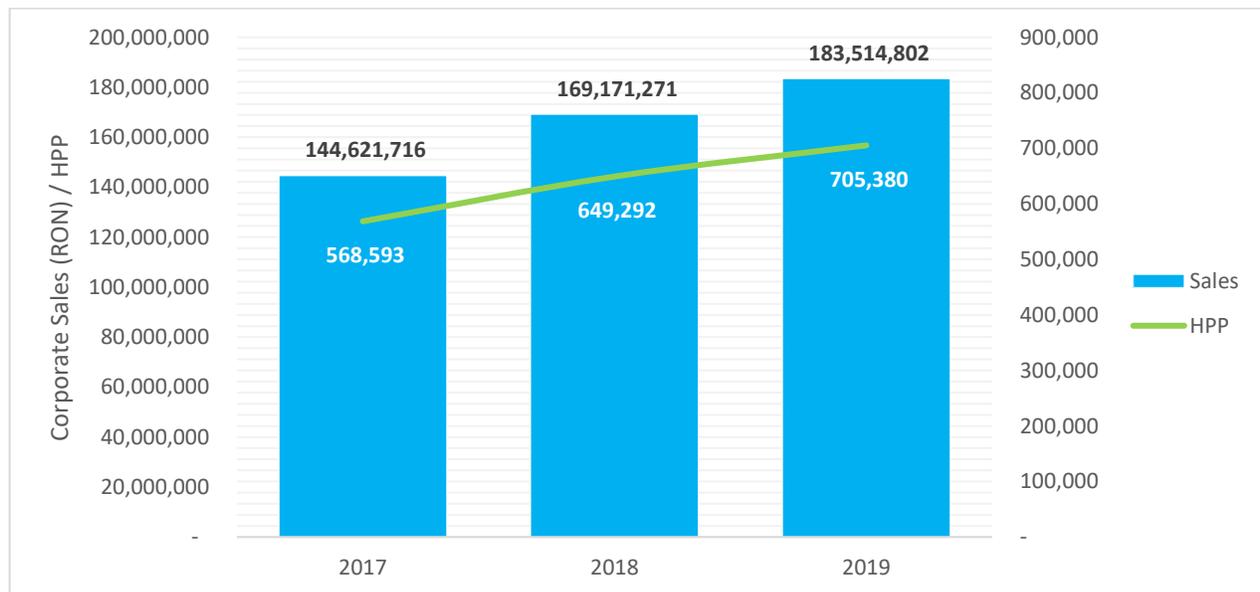
The HPPs offered by the Group consist of the following:

- Mandatory occupational health services, which mainly include the provision of annual employee check-ups and more specific services depending on the client's industry. Many companies begin by purchasing occupational health services under the "Standard" HPP and then add benefits under broader HPPs from the same provider for certain or all of their employees, providing an upselling opportunity for the occupational health provider.
- More general, "prevention oriented" health plans, providing expanded access to general practitioners and certain specialists in the Group's clinics and as well as specified laboratory tests and diagnostic imaging for higher end packages. The specific services vary depending on the type of package.

Analysis of corporate business line 2019 evolution

For the year ended at 31 December 2019, MedLife increased its revenues from HPP sales by 8.5%, as compared to the previous financial year. This was achieved by consistently growing the number of corporate clients and implicitly the number of its individual subscribers, while focusing on the retention and up-sale of existing clients.

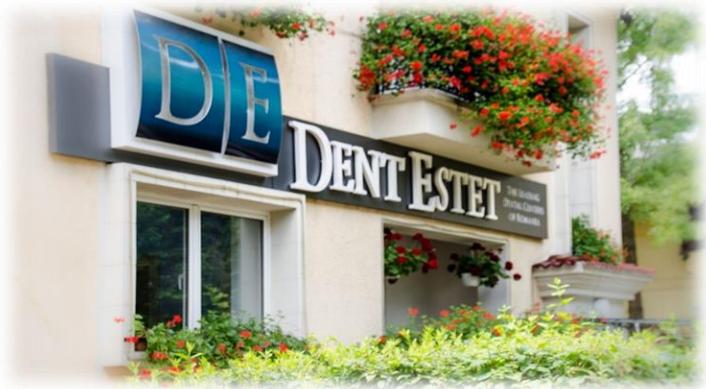
The expansion of the Group's footprint outside Bucharest has enabled access to new potential clients as the Group's own branded Clinics and other facilities offer a local solution directly under the MedLife brand. The Group has increased its regional sales teams to address this market.



Stomatology

The Group opened its first standalone stomatology clinic under the DentaLife brand in Bucharest in 2015 in leased premises, with the plan to expand the network further within Bucharest and across the country.

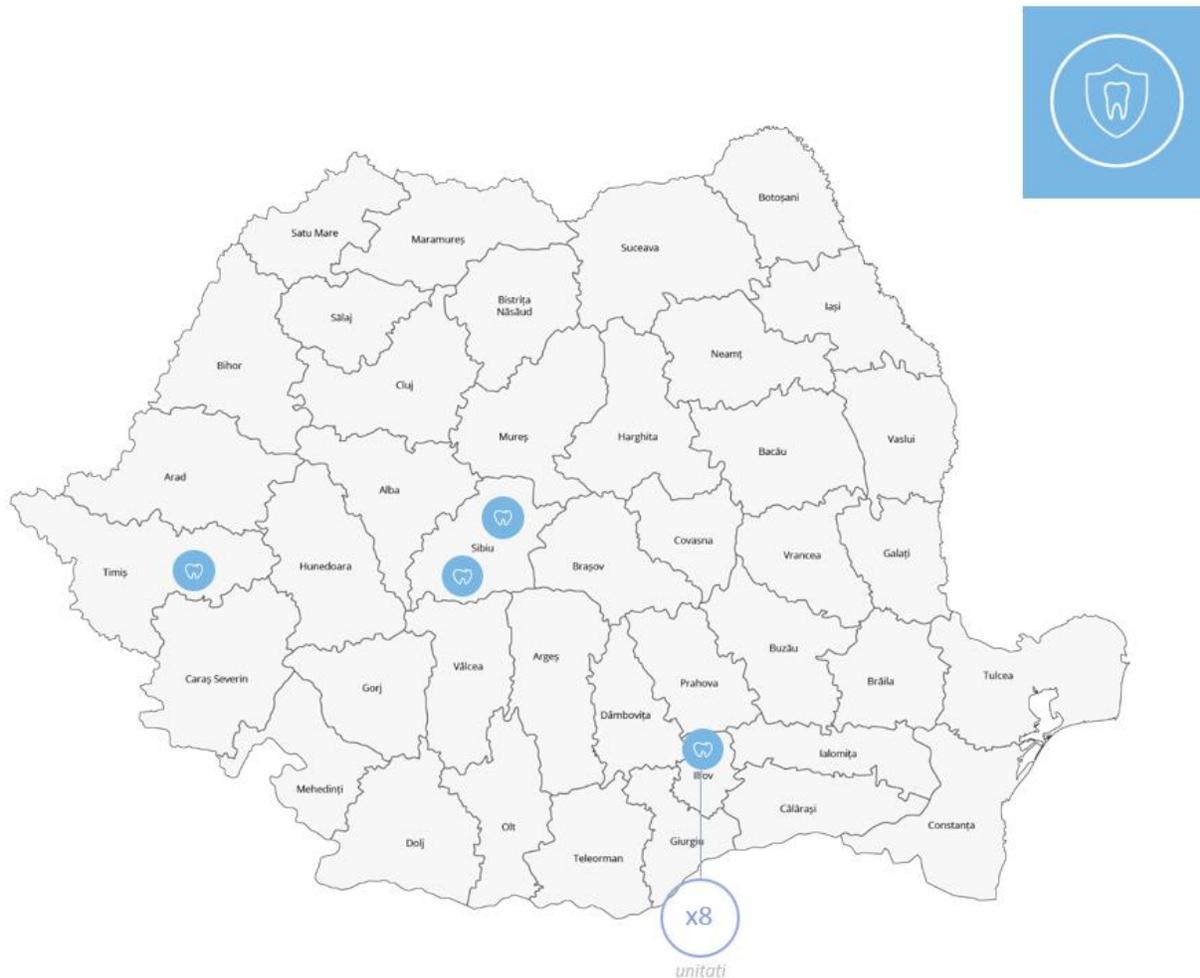
On July 11, 2016, the Group completed the acquisition of Dent Estet, the most important player on the dental services market in Romania. The acquisition of Dent Estet has propelled the Group into a leading position in the dental services market, which continues to be a highly fragmented market.



Following the acquisition of Dent Estet, the Group continued to expand its segment under the Dent Estet brand, consolidating its already well-defined position in the market. The Group's Dentistry business line offers a full range of services, ranging from medical examinations to surgery, implants or orthodontic services.

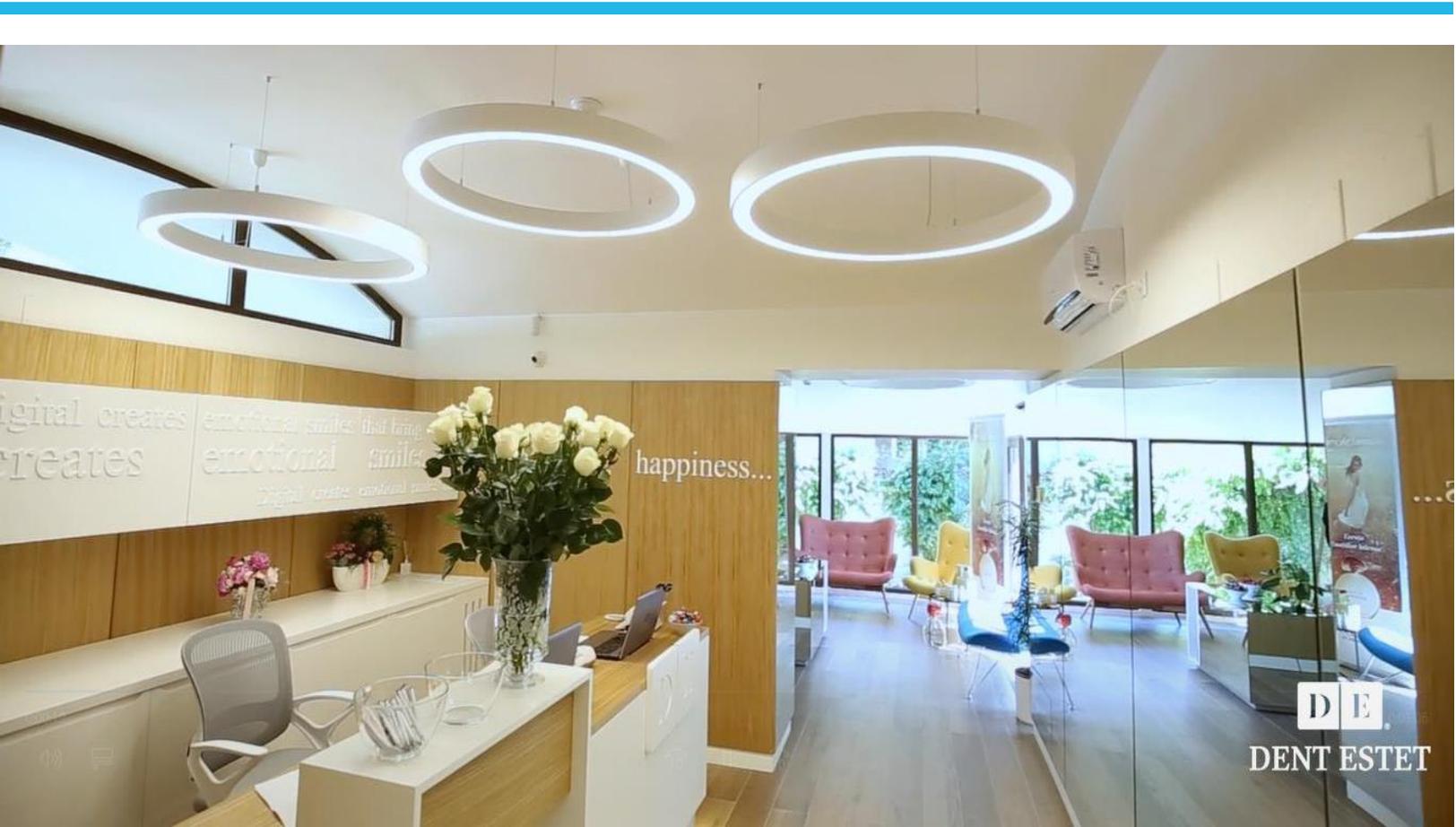
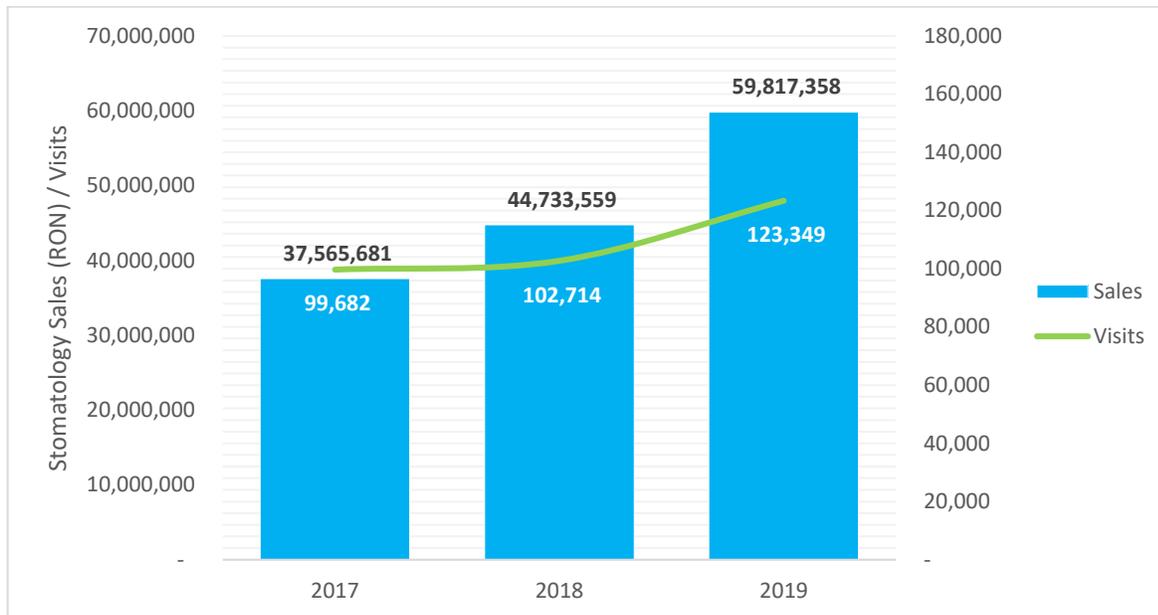
As of December 31, 2019, the MedLife Group included 12 dental clinics, of which 10 within the Dent Estet Group (five for adults and five for children and adolescents), DentaLife in Bucharest and RMC DentArt in Budapest.

Dental clinics national footprint



Analysis of stomatology business line 2019 evolution

Stomatology business line sales increased in 2019 by RON 15,083,799 or 33.7%, from RON 44,733,559 in 2018 to RON 59,817,358 in 2019. Stomatology business line is not subject to NHIH allocations; all of the sales are fee for service (“FFS”) based.



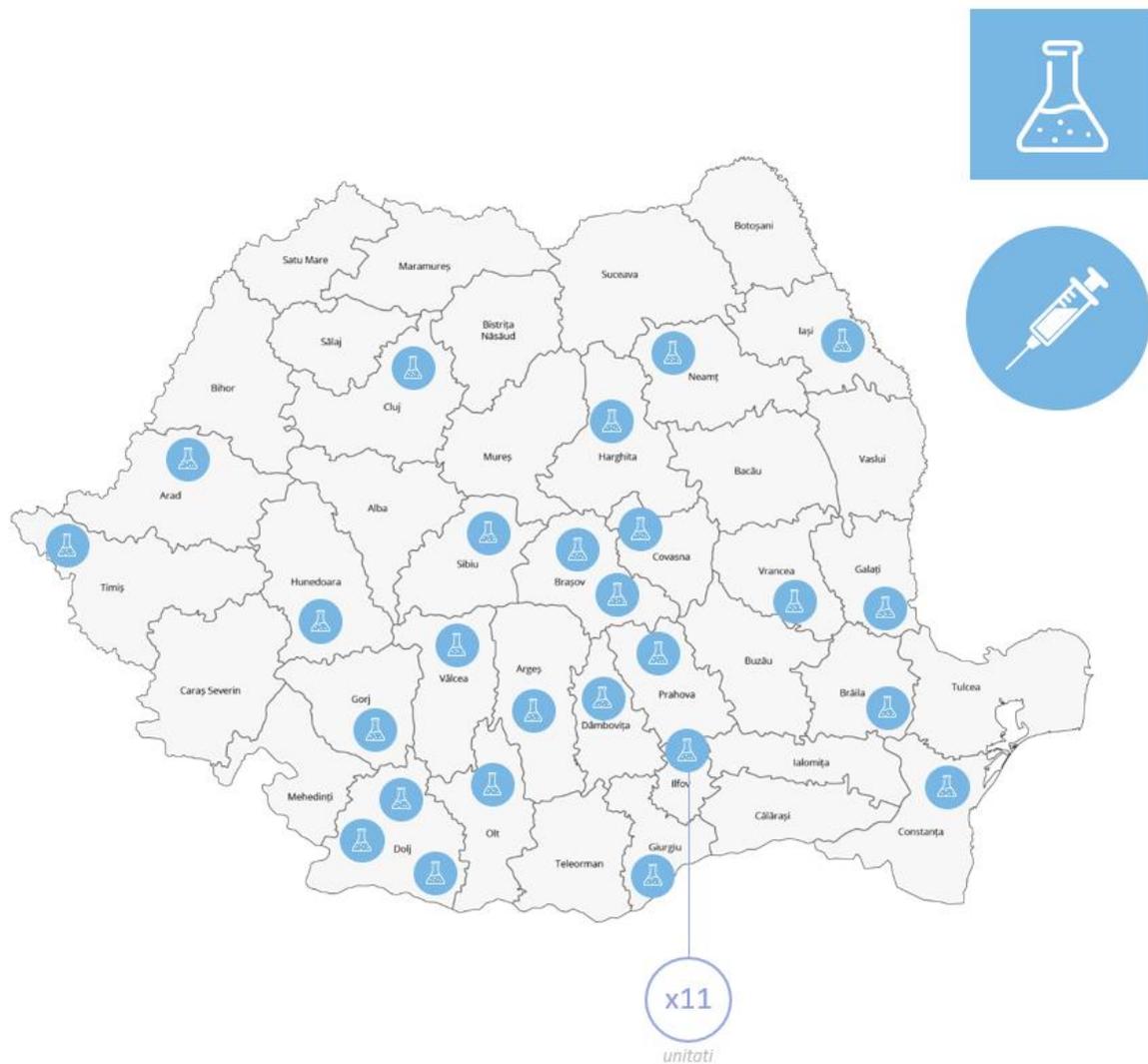
Laboratories

The Group is a leading player in the field of laboratories, where the Group has been active since 1999. The Group is currently the leading laboratory chain focused on the private market, according to the 2019 PMR Report. The Laboratories business line provides the following range of services: biochemistry, pathological anatomy (cytology and histology), molecular biology and genetics, hematology, immunology, microbiology and toxicology.



The Group operates 36 laboratories under both MedLife brand and Sfanta Maria brand, ranging from the large, state-of-the-art Grivita lab facility to smaller regional facilities. As of 31 December 2019, the Group also operated approximately 200 sampling points throughout Romania, under both brands of the Group. Sampling points are locations where the Group collects blood and other samples from patients.

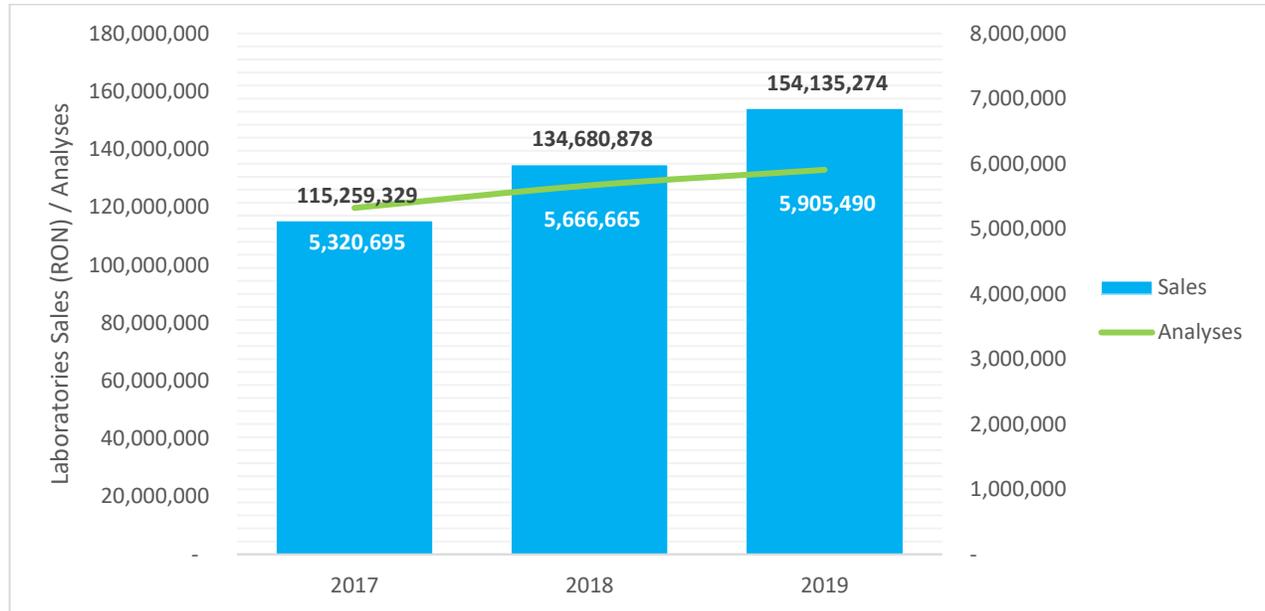
Laboratories and Sampling Points national footprint



Analysis of laboratories business line 2019 evolution

Laboratories sales increased in 2019 by RON 19,454,396 or 14.4%, from RON 134,680,878 in 2018 to RON 154,135,274 in 2019. The increase was due to an increase by 4.2% in the number of laboratory tests performed in 2019 as compared to 2018, from approximately 5,666,665 laboratory tests in 2018 to 5,905,490 laboratory tests in 2019, and due to an increase by 9.7% in the average fee per test, from 23,8 RON/lab test in 2018 to 26,1 RON/lab test in 2019. The changes in average fees are due to changes in the mix of laboratory tests performed by patients as well as due to an increase in the price of particular lab test.

The Laboratories business line sources the bulk of its revenue from FFS clients. In 2017, 2018 and 2019 only 16% of the business line's revenue came from servicing NHIH patients.



Hospitals

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

Between 2010-2019, the Group developed five new hospitals and acquired and integrated five existing hospital units:

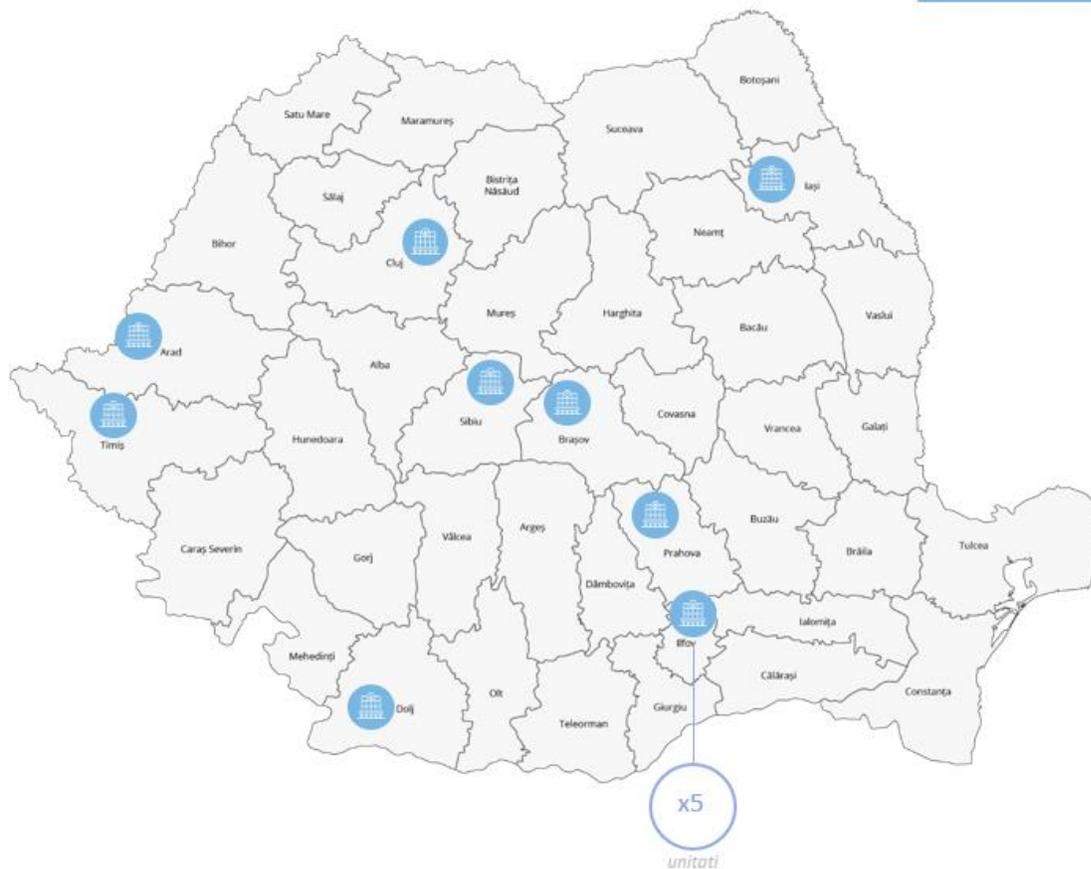
- MedLife Pediatric Hospital in Bucharest, opened in 2011. The hospital aims to care for hospitalized patients and surgery for pediatric patients and hosts a specialized clinic, a pharmacy and a laboratory (which operates according to their fields of activity). The hospital has authorization for 132 beds and has 2 operating theatres. Diagnostic imaging equipment is installed in this unit, which includes ultrasound and X-ray equipment. The hospital was a brownfield development on land owned by the Group.
- Genesys Arad was bought in 2011 and operates as a general hospital in Arad, in the western part of Romania. The hospital has authorization for 59 beds and 3 operating rooms. The hospital itself was established in 2009 and owns the land and the building in which it operates.
- PDR Hospital in Brasov was developed and expanded by the Group following the acquisition of PDR in 2011, which included the land and building in which the hospital operates. This generalist hospital is licensed for 132 beds and has 6 operating theatres.
- Orthopedics Obor, located in central Bucharest in leased facilities, opened in 2012. It is licensed as an external section of LMH with 36 beds and 3 operating theatres. The section specializes in orthopedic surgery and since 2016 has become the center for the Group's development of a neurological surgery center of excellence.
- Titan Day Patient facility was established in 2015 in rented facilities above the existing MedLife Titan clinic. It is licensed as an external section of LMH and has 29 beds and one operating theatre.
- Interventional Cardiology Centre was established as an external section of LMH in rented facilities next to the LMH site. Opened in 2015, the Centre has 9 beds and one operating theatre, focusing on the treatment of heart disease through laparoscopic procedures. The development of the Interventional Cardiology Center reflects the Group's ongoing focus on niche opportunities where specialist medical teams can be recruited to serve the Group's patient base.
- Humanitas Hospital was acquired in 2017 and functions as a generalist hospital in Cluj. The hospital has licensed 13 beds and 2 operating theatres.
- The Polissano Hospital in Sibiu was acquired in 2018 - includes the Polissano European Hospital - recognized as one of the most modern and performing hospital units in Romania and the largest private maternity hospital in Transylvania. The hospital has 207 beds and 3 operating theatres.
- Lotus Hospital in Ploiești was bought in 2019. The hospital comprises 32 beds (of which 10 have day care) and an operating theatre with 2 operating rooms.



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

	ATI	Neonatology	Patients with continuous hospitalization	Patients with day care hospitalization	TOTAL
Paediatrics Hospital	10	-	96	26	132
LMH	18	43	157	14	232
Angio	3	-	6	-	9
Orthopaedics Hospital	11	-	25	-	36
Titan Hospital	4	-	6	19	29
Turnului Hospital (including Eva Maternity)	16	18	72	26	132
Genesys Hospital	4	10	41	4	59
Iași day care	1	-	-	6	7
Timișoara day care	2	-	-	8	10
Craiova day care	-	-	-	21	21
Humanitas	2	-	11	-	13
Polisano	15	32	152	8	207
Lotus	4	7	11	10	32
TOTAL	90	110	577	142	919

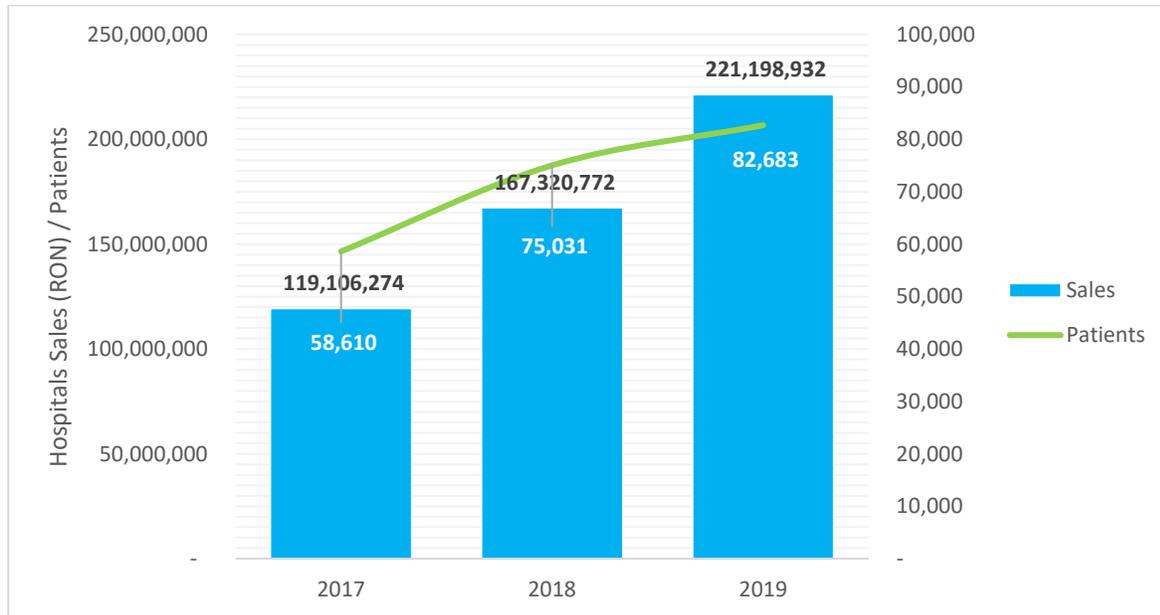
Hospitals national footprint



Analysis of hospitals business line 2019 evolution

The Hospitals business line's total sales increased in 2019 by RON 53,878,160 or 32.2%, from RON 167,320,772 in 2018 to RON 221,198,932 in 2019. The increase in 2019 was mainly due an increase of 10.2% in the number of patients from approximately 75,000 in 2018 to approximately 83,000 in 2019. Also, in 2019 the average price per patient recorded an increase of 20% from RON 2,230 in 2018 to RON 2,675.3 in 2019. The average price per patient increase was driven by the much higher complexity of the surgeries undertaken, but also due to the increase in prices for certain interventions.

The Hospitals business line derives its revenue predominantly from FFS patients. Treatment of State insured patients for the NHIH, generally relating to maternity, gynecology, cardiology and oncology represented 27%, 33% and 33% of the business line's sales in 2017, 2018 and 2019.

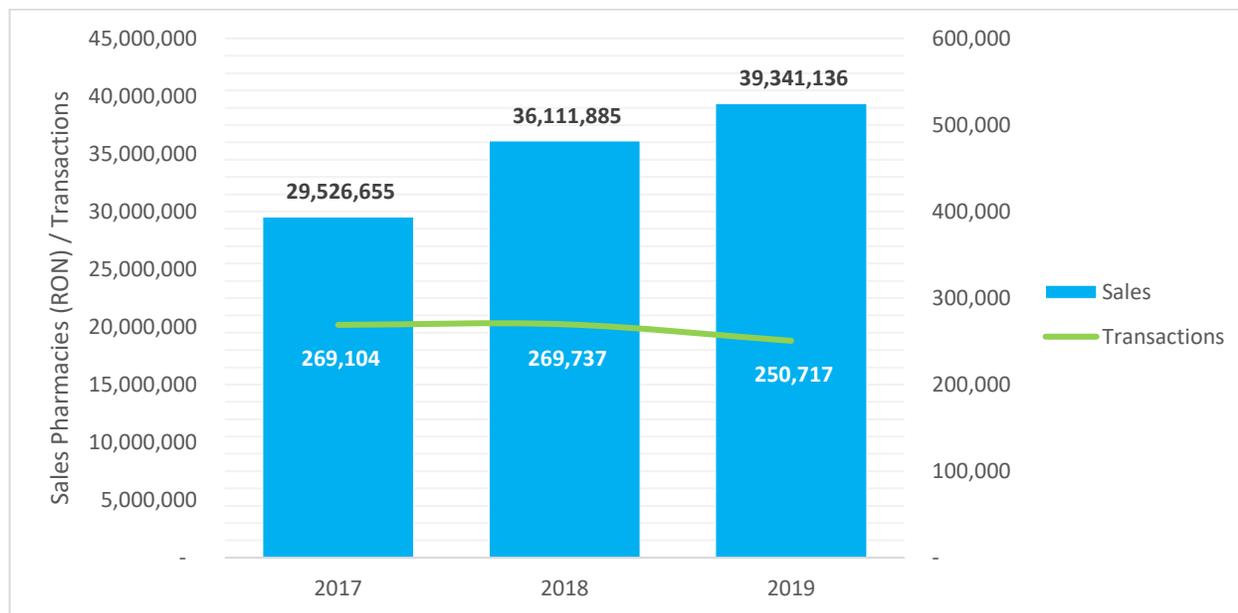


Pharmacies

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

As at 31 December 2019, 10 pharmacies were in operation, providing patients with prescription and over-the-counter healthcare products, including products under own brand named Doctor Life.

Analysis of pharmacies business line 2019 evolution



The sales of the Pharmacies business line increased in 2019 by RON 3,229,251 or 8.9%, from RON 36,111,885 in 2018 to RON 39,341,136 in 2019. The increase was mainly due to an increase of 17.2% of the average value of each transaction from RON 133.9 per transaction in 2018 to 156.9 RON per transaction in 2019.

In 2019, 41% of the PharmaLife sales were cash-based, rather than NHIH-subsidized. In 2018 cash-based sales represented 41% out of total pharmacies business line, while in 2017, 48%.

Other revenues

Other revenues include mostly sales brokerage commissions pertaining to the insurances intermediated by the Group's insurance broker and revenue from Stem Cells Bank's stem cell collection and storage services. Other revenues increased in 2019 by RON 4,702,257 or 51.1%, from RON 9,205,325 in 2018 to RON 13,907,582 in 2019.

Analysis of the other items of the profit and loss account

Other operating revenues

Other operating revenues decreased in 2019 by RON 2,195,916 or 22.3%, from RON 9,844,865 in 2018 to RON 7,648,949 in 2019. This item mainly includes subsidy operating income in total amount of RON 2,217,257, the capitalized costs of

intangible assets as a result of the Group's investment of its own resources in the further development of its IT platform in total amount of RON 3,789,152, and other operating revenues in total amount of RON 1,642,540.

Operating expenses

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide the Group's services. The Group's operating expenses as a percentage of sales were 95.6% in 2017 and 96.4% in 2018 and 95.0% in 2019. Main operating expenses categories are detailed below.

Operating expenses evolution 2016, 2017 and 2018

Description	For the period ended 31 December					
	2017		2018		2019	
	RON	%	RON	%	RON	%
Consumable materials and repair materials	97,974,250	16%	126,048,830	17%	158,167,211	17%
Commodities expenses	24,115,025	4%	29,367,048	4%	30,649,995	3%
Utilities	6,573,637	1%	9,056,380	1%	11,854,596	1%
Repairs maintenance	6,435,809	1%	8,984,186	1%	11,895,850	1%
Rent	38,281,750	6%	41,986,204	6%	8,655,617	1%
Insurance premiums	2,103,123	0%	2,538,221	0%	3,122,303	0%
Promotion expense	10,976,803	2%	15,011,240	2%	14,207,313	2%
Communications	3,326,050	1%	3,748,038	0%	3,962,770	0%
Third party expenses	165,638,063	28%	206,077,081	27%	264,544,662	29%
Salary and related expenses	152,403,119	26%	245,139,121	32%	291,414,807	32%
Social contributions	34,608,368	6%	8,136,171	1%	10,526,204	1%
Other administration and operating expenses	10,343,226	2%	12,939,652	2%	16,289,629	2%
Depreciation	43,078,621	7%	56,982,245	7%	93,303,786	10%
TOTAL	595,857,844	100%	766,014,417	100%	918,594,743	100%

Salary and related expenses and social contributions

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

The Group's salaries and social contributions increased in 2019 by RON 48,665,719 or 19.2%, from RON 253,275,292 in 2018 to RON 301,941,011 in 2019, mainly due to the effect from companies acquisitions and increase in the Group's activities.

This category of expense as a percentage of the Group's sales represented 30.0% in 2017, 31.9% in 2018 and 31.2% in 2019.

Consumables, materials and repair materials

These expenses include various medical supplies and other goods used by the Group's business lines, including laboratory reagents, surgery and consultation sterilized consumables, and cleaning supplies. The Group's expense for consumables, materials and repair materials increased in 2019 by RON 32,118,381 or 25.5%, from RON 126,048,830 in 2018 to RON 158,167,211 in 2019. The increase is due to the general increase in volumes as the number of units grew through openings and acquisitions and their increased activity.

This category of expenses as a percentage of the Group's sales represented 15.7% in 2017, 15.9% in 2018 and 16.4% in 2019.

Rent and utilities

These expenses include the rent for the locations where the Group's units and headquarters operate that are not owned by the Group, the expenses with operating leases and the utilities paid for all units. The Group's expense for rent and utilities decreased in 2019 by RON 30,532,371 or 59.8%, from RON 51,042,584 in 2018 to RON 20,510,213 in 2019. The decrease in rent expenses from 2018 to 2019 was due to the adoption of the IFRS 16 standard, which involves the reclassification of rent expenses into depreciation and financial cost.

This category of expense as a percentage of the Group's sales represented 7.2% in 2017, 6.4% in 2018 and 2.1% in 2019.

Commodities expenses

These expenses mainly include the cost of the pharmaceutical products sold by the Group's pharmacies. Commodities expenses increased in 2019 by RON 1,282,947 or 4.4%, from RON 29,367,048 in 2018 to RON 30,649,995 in 2019. The increase was due due to increased sales of pharmaceuticals.

This category of expense as a percentage of the Group's sales represented 3.9% in 2017, 3.7% in 2018 and 3.2% in 2019.

Promotion expense

These expenses include the Group's advertising campaigns in various media, public relations activities and other marketing related expenses. The promotion expenses decreased in 2019 by RON 803,927 or 5.4%, from RON 15,011,240 in 2018 to RON 14,207,313 in 2019.

This category of expense as a percentage of the Group's sales represented 1.8% in 2017, 1.9% in 2018 and 1.5% in 2019.

Insurance premiums and communication

These expenses include communication related expenses (internet, telephone) and both medical and nonmedical insurance premiums, including policies for malpractice, third party liability, motor vehicles third party and facultative, and property insurance. The expense for insurance premiums and communication increased in 2019 by RON 798,814 or 12.7%, from RON 6,286,259 in 2018 to RON 7,085,073 in 2019. The increase was related to the general increase of Group's operations (increased fleet, number of units, phone subscriptions, etc.). This category of expense as a percentage of the Group's sales represented 0.9% in 2017, 0.8% in 2018 and 0.7% in 2019.

Third party expenses (including doctors' agreements)

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

The Group's third party expense increased in 2019 by RON 58,467,581 or 28.4%, from RON 206,077,081 in 2018 to RON 264,544,662 in 2019. This increase was largely due to the increase in the services provided by doctors contracted by the Group as independent service providers, to reflect the expansion of the Group's activities and as a result of the Group's acquisitions completed in 2019. This category of expenses as a share in the Group's turnover represented 26.6% in 2017, 25.9% in 2018 and 27.3% in 2019.

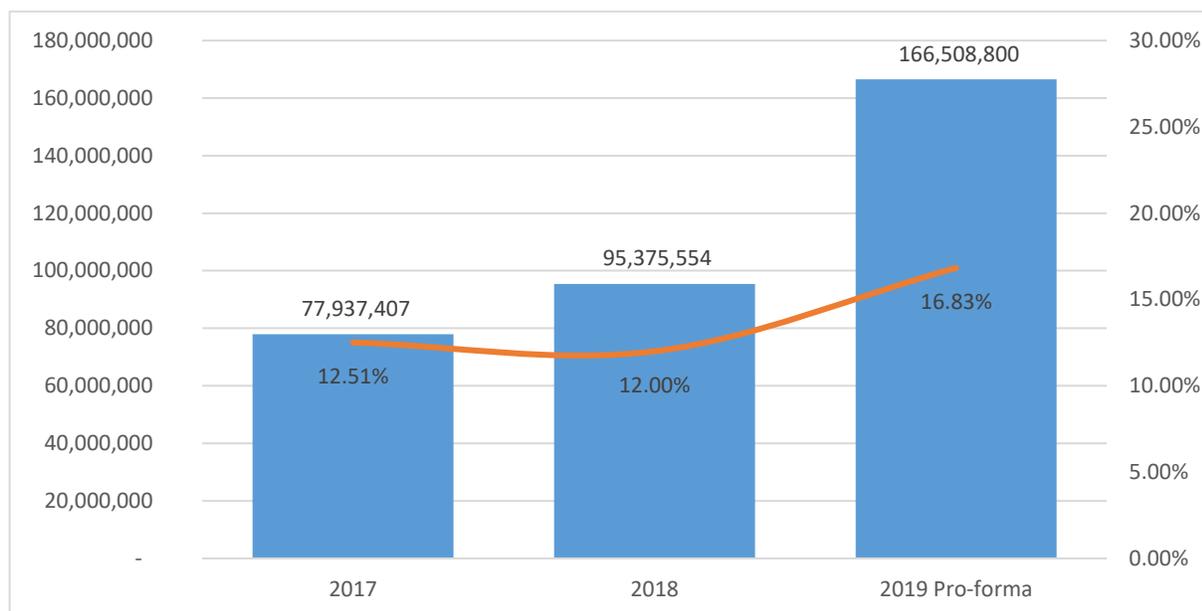
Depreciation

Depreciation and amortization expenses increased in 2019 by RON 36,321,541 or 63.7%, from RON 56,982,245 in 2018 to RON 93,303,786 in 2019. The increase is due to due to increased investments in non-current assets and acquisitions completed in 2019, as well as a result of the implementation of IFRS 16.

EBITDA PRO-FORMA

Adjusted EBITDA, presented in the Pro Forma Financial Information for the year ended December 31, 2019, recorded an increase of 74.6% or 71,133,246 RON, as compared to the EBITDA for the year ended December 31, 2018, from RON 95,375,554 in 2018, to RON 166,508,800 in 2019. Please refer to the "Pro-forma financial information for the 12 month period ended December 31, 2019" annex for more details in regards to Pro Forma financial information.



Proforma EBITDA and Proforma EBITDA Margin evolution 2017-2019 (figures for 2019 being Pro-forma)**Operating Profit**

Operating profit increased in 2019 by RON 18,041,204 or 47.0%, from RON 38,393,309 in 2018 to RON 56,434,513 in 2019.

Financial result

Financial loss increased in 2019 by RON 12,791,931, or 87.9%, from RON 14,559,427 in 2018 to RON 27,351,358 in 2019.

Net interest expense

Net interest expense increased in 2019 by RON 1,619,134 or 9.2%, from RON 17,567,816 in 2018 to RON 19,186,950 in 2019. The increase in net interest expense was due to the increase in interest bearing debt from one period to the other.

Net foreign exchange (losses) / gains

Net foreign exchange losses increased in 2019 by RON 6,890,546, from RON 1,409,293 RON in 2018, to RON 8,299,839 in 2019.

Net other financial income / (expenses)

Net financial income decreased by RON 3,626,816, from net financial income of RON 4,417,684 in 2018, to a net financial income of RON 790,868 in 2019. The decrease was mainly due to a financial haircut on acquisitions in amount of RON 3.5 million received in 2018.

Result before taxes

As a result of the factors discussed above, the result before taxes increased in 2019 by RON 5,249,273, from RON 23,833,882 in 2018, to RON 29,083,155 in 2019.

Tax on income

Tax on income increased in 2019 by RON 1,879,457 or 26.7%, from RON 7,051,245 in 2018, to RON 8,930,702 in 2019, as a result of the increase in deferred tax.

Net result for the year

Net result increased in 2019 by RON 3,369,815 as compared to 2018, or by 20.1%, from a net result of RON 16,782,637 in 2018, to a net result of RON 20,152,452 in 2019. This increase is the consequence of the increase of operating profit figure in the net result.



Consolidated statement of financial position

The following table sets out the Group's consolidated statement of financial position for the periods ended 31 December 2017, 2018 and 2019 respectively.

	For the year ended 31 December,		
	2017	2018	2019
NON-CURRENT ASSETS			
Goodwill	66,035,963	82,378,647	96,007,730
Intangible assets	34,299,738	39,647,014	43,275,568
Tangible fixed assets	325,845,288	458,033,010	491,151,660
Right-of-use asset	-	-	101,388,393
Financial fixed assets	6,161,678	10,115,776	79,773,620
TOTAL NON-CURRENT ASSETS	432,342,667	590,174,447	811,596,971
CURRENT ASSETS			
Inventories	20,325,330	31,070,480	43,390,267
Receivables	58,450,406	78,957,879	100,323,815
Other receivables	5,549,527	13,117,114	20,770,400
Cash at bank and in hand	79,227,766	34,206,159	38,886,218
	163,553,029	157,351,632	203,370,700
Assets classified as held for sale	381,665	381,665	381,665
PREPAYMENTS	7,068,126	6,186,462	7,224,106
TOTAL CURRENT ASSETS	171,002,820	163,919,759	210,976,471
TOTAL ASSETS	603,345,487	754,094,206	1,022,573,442
CURRENT LIABILITIES			
Trade accounts payable	103,839,523	140,970,528	172,829,534
Overdraft	2,013,469	30,911,018	29,011,944
Current portion of lease liability	3,177,961	8,949,472	46,742,639
Current portion of long term debt	36,642,740	23,162,490	24,802,015
Current tax liabilities	1,112,707	729,572	308,391
Provisions	-	2,458,957	1,749,188
Other liabilities	20,232,973	37,605,544	65,134,937
Liabilities directly associated with assets classified as held for sale	558,370	458,785	363,318
TOTAL CURRENT LIABILITIES	167,577,743	245,246,366	340,941,966
LONG TERM DEBT			
Lease liability	10,111,452	26,525,231	99,007,320
Other long term debt	-	-	6,650,000
Long term debt	242,797,699	287,013,365	345,952,241
TOTAL LONG-TERM LIABILITIES	252,909,151	313,538,596	451,609,561
Deferred tax liability	15,196,634	16,436,342	19,756,346
TOTAL LIABILITIES	435,683,528	575,221,304	812,307,874
SHAREHOLDER'S EQUITY			
Issued capital	81,495,470	81,495,470	81,495,470
Treasury shares	-	(6,056,105)	(2,699,804)
Reserves	93,181,880	93,906,109	108,709,302
Retained earnings	(22,640,779)	(9,994,660)	(419,910)
Equity attributable to owners of the Group	152,036,571	159,350,814	187,085,058
Non-controlling interests	15,625,388	19,522,088	23,180,511
TOTAL EQUITY	167,661,959	178,872,902	210,265,569
TOTAL LIABILITIES AND EQUITY	603,345,487	754,094,206	1,022,573,442

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

Non-current assets

Non-current assets amount to RON 811,596,971 as at December 31, 2019, recording an increase by RON 221,422,524, or by 37.5% as compared to December 31, 2018. The increase was mainly due to the acquisitions made, as well as a result of IFRS 16 implementation.

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

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

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

As at 31 December 2019, the Group had the following structure of tangible and intangible assets:

Cost	Intangibles	Land	Constructions	Vehicles and equipment	Construction in progress	TOTAL
01 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
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
Accumulated depreciation						
01 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
31 December 2019	47,131,621	84,120	83,514,570	260,409,202	-	391,139,513
Net book value						
01 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

Current Assets

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

Inventories

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

	For the year ended 31 December,		
	2017	2018	2019
Consumables	10,981,134	20,132,101	25,187,152
Materials in the form of inventory items	112,671	254,463	319,603
Commodities	9,230,143	10,682,477	17,880,962
Inventory in transit	1,382	1,439	2,550
TOTAL	20,325,330	31,070,480	43,390,267

Receivables

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

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

	For the year ended 31 December,		
	2017	2018	2019
Customers	71,761,034	91,081,445	109,517,379
Advances to suppliers	3,581,967	5,285,312	7,047,839
Bad debt provisions	(16,892,595)	(17,408,878)	(16,241,403)
TOTAL	58,450,406	78,957,879	100,323,815

Current Liabilities

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

Group suppliers

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

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

The Group acquires their pharmaceutical products from local distributors of pharmaceuticals and the main suppliers in 2019 were Mediplus Exim S.R.L., Farmexpert D.C.I. S.R.L., Farmexim S.A., Romastru Trading S.R.L. and Farmaceutica Remedia S.A. The largest non-medical suppliers of the Group are Telekom Romania for communication solutions and property leases and Capital Fleet Management for operational leasing. Other non-medical purchases include information technology and information systems hardware and software, office equipment, stationery, furniture. In addition, various services such as medical waste disposal, laundry, security, catering are outsourced by the Group to third party companies.

Current liabilities increased by 22.6% in 2019 as compared with 2018, from RON 140,970,528 as at December 31, 2018, to RON 172,829,534 as at December 31, 2019.

Financial Debt

Interest bearing debt increased by RON 175,604,584, or by 47%, from RON 376,561,576 as at December 31, 2018, to RON 552,166,160 as at December 31, 2019.

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

The table below summarizes the Group's debts from loan and leasing contracts as at 31 December 2017, 2018 and 2019:

Loan agreements	For the year ended 31 December,		
	2017	2018	2019
Current portion of loans (Overdraft inclusive)	38,656,209	54,073,508	53,813,959
Non-current portion of loans	242,797,699	287,013,365	345,952,241
TOTAL	281,453,908	341,086,873	399,766,200

Financial leasing	For the year ended 31 December,		
	2017	2018	2019
Current portion of lease liability	3,177,961	8,949,472	46,742,639
Long-term lease liability	10,111,452	26,525,231	99,007,320
TOTAL	13,289,413	35,474,703	145,749,960

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 Polissano 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;
- 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 31 December 2019 is of RON 140,979;
- an overdraft facility between Unicredit Tirioc 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 Almira Trading S.A., with a balance outstanding at December 31, 2019 of RON 113,408;
- a guaranteed loan concluded between Bancpost and Med Life Occupational 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 Polissano 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.

Liquidity and Capital Resources

The following table sets out the Group's summary cash flow information for the periods ended 31 December 2017, 2018 and 2019:

	For the year ended 31 December,		
	2017	2018	2019
Cash flow from operating activities			
Profit / Loss before tax	14,276,545	23,833,883	29,083,155
Adjustments for:			
Depreciation	43,078,621	56,982,245	93,303,786
Provisions for risks and charges	-	(260,399)	(709,768)
Interest expense	14,201,686	17,567,816	19,186,950
Interest income	(613,193)	(813,677)	(69,900)
Allowance for doubtful debts and receivables written-off	(485,889)	(161,589)	(1,270,169)
Financial discounts	-	(6,983)	5
Unrealized exchange gain/loss	7,102,716	1,407,018	8,299,783
Other non-monetary gains	(4,561,947)	(6,549,809)	(5,503,274)
Bargain gain	(729,165)	-	-
Operating cash flow before working capital changes	72,269,374	91,998,505	142,320,568
(Increase) in accounts receivable	(18,029,348)	(20,931,344)	(15,999,381)
(Increase) in inventories	(2,718,311)	(5,902,259)	(2,044,361)
Decrease/(Increase) in prepayments	(155,089)	1,889,895	(725,989)
Increase in accounts payable	2,380,649	8,257,035	9,494,857
Cash generated from operations	53,747,275	75,311,832	133,045,694
Income tax paid	(5,058,217)	(6,194,673)	(6,134,448)
Interest paid	(13,455,456)	(18,165,105)	(16,340,776)
Interest received	613,193	813,677	69,899
Net cash flow from operating activities	35,846,795	51,765,731	110,640,369
Cash flow from investing activities			
Investments in business combinations	(29,388,050)	(16,985,373)	(53,182,778)
Additional participation interest acquired	(2,401,752)	-	(1,532,500)
Purchase of intangible assets	(1,534,853)	(2,396,311)	(3,020,776)
Purchase of property, plant and equipment	(40,626,665)	(49,923,781)	(50,681,033)
Net cash used in investing activities	(73,951,320)	(69,305,465)	(108,417,087)
Cash flow from financing activities			
Share capital contribution	67,563,436	-	-
Increase in loans	65,257,781	46,683,462	63,121,293
Payment of loans	(21,661,647)	(58,474,480)	(14,533,110)
Payments of financial leasing	(14,218,842)	(9,341,826)	(10,494,142)
Payments for leases – IFRS 16	-	-	(33,194,452)
Dividend paid to NCI	(310,287)	(292,924)	(186,698)
Payments for acquisition of treasury shares	-	(6,056,105)	(2,256,114)
Net cash generated by financing activity	96,630,441	(27,481,873)	2,456,778
Net change in cash and cash equivalents	58,525,916	(45,021,607)	4,680,059
Cash and cash equivalents opening balance	20,701,850	79,227,766	34,206,159
Cash and cash equivalents closing balance	79,227,766	34,206,159	38,886,218

Net cash generated from operating activities

Net cash generated from operations increased in 2019 by RON 58,874,638 or 114%, from RON 51,765,731 in 2018, to RON 110,640,369 in 2019. This increase was mainly due to the increase in the activity of the Group, both through organic development and acquisitions.

Net cash used in investing activities

Net cash used in investing activities increased by RON 39,111,622 or 56%, from RON 69,305,465 in 2018, to RON 108,417,087 in 2019. The increase is mainly due to an increase in cash for business combinations, from RON 16,985,373 in 2018, to RON 53,182,778 in 2019. On the other hand, cash outflows for investments in non-current assets (intangibles and property plant and equipment) were RON 53,701,809, increasing with RON 1,381,717 as compared to 2018. Last but not least, the additional acquisitions of participations amounted to RON 1,532,500 in 2019.

Net cash used in financing activities

Net cash generated from financing activities increased by RON 29,938,651, from cash used in financing activities in amount of RON 27,481,873 in 2018, to cash generated from financing activities in amount of RON 2,456,778 in 2019. In 2019, the Group's cash outflows to repay loans and financial leasing, including leases classified under IFRS 16, amounted to RON 58,221,704, while cash inflows from loan drawdowns to finance the acquisitions and increase working capital lines to support growth were of RON 63,121,293. Payments for the purchase of treasury shares amounted to RON 2,256,114.

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 protection 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 disinfection 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 working, 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.

ANNEXES

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	
<p>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.</p> <p>As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> >> Revenue growth >> Operating margins and >> The discount rates applied to the projected future cash flows. <p>Accordingly, the impairment test of these assets is considered to be a key audit matter.</p> <p>Management have engaged specialists to assist with the determination of the discount rates for the significant Cash Generating Units to which the goodwill relates.</p>	<p>We focused our testing of the impairment of goodwill on the key assumptions made by management.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> >> Engaging our internal specialists to assist with: <ul style="list-style-type: none"> -- 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)

CONTENTS:	PAGE:
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF CASH FLOWS	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5 – 6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7 – 43
ADMINISTRATORS' REPORT	1 – 21

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

MED LIFE GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
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
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

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		Treasury shares	Share premium	General reserves and other reserves	Revaluation Reserve	Accumulated Results	Attributable to owners of the parent	Non-controlling interests	Total Equity
	Paid and registered	Paid, registered after year end								
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

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

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

	Share Capital		Treasury shares	Share premium	General reserves and other reserves	Revaluation Reserve*	Accumulated Results	Attributable to owners of the parent	Non-controlling interests	Total Equity
	Paid and registered	Paid, registered after year end**								
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

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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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.

Medlife'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 Occupational SRL	Medical Services	Bucharest, Romania	100%	100%
7	Pharmalife-Med SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
8	Med Life Broker de Asigurare si Reasigurare SRL	Insurance broker	Bucharest, Romania	99%	99%
9	Accipiens SA	Rental activities	Bucharest, Romania	61%	58%
10	Genesys Medical Clinic SRL (indirectly)	Medical services	Bucharest, Romania	61%	58%
11	Bactro SRL (indirectly)	Medical services	Deva, Romania	61%	58%
12	Transilvania Imagistica SA (indirectly)	Medical services	Oradea, Romania	61%	58%
13	Biofarm Farmec SRL (indirectly)	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	58%
14	RUR Medical SA	Medical services	Bucharest, Romania	100%	100%

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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%

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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).

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

(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.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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 valuers 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:

	<u>Years</u>
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

Free translation from the original Romanian version.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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.

Free translation from the original Romanian version.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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:

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	1 January
	2019	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	1 January
	2019	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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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:

	<u>Intangibles</u>	<u>Land</u>	<u>Construction</u>	<u>Vehicles and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
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.

	<u>Intangibles</u>	<u>Land</u>	<u>Construction</u>	<u>Vehicles and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
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

Free translation from the original Romanian version.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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:

	<u>Intangibles</u>	<u>Land</u>	<u>Constructions</u>	<u>Vehicles and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
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.

	<u>Intangibles</u>	<u>Land</u>	<u>Constructions</u>	<u>Vehicles and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
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

Free translation from the original Romanian version.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 valutors 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
	<u> </u>	<u> </u>
Land	4,705,086	4,705,086
Buildings	<u>204,803,645</u>	<u>186,320,397</u>
TOTAL	<u>209,508,731</u>	<u>191,025,483</u>

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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

5.5. Financial assets

Carrying amount	December 31, <u>2019</u>	January 1, <u>2019</u>
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	<u>553,507</u>	<u>2,270</u>
TOTAL	<u>79,773,620</u>	<u>10,115,776</u>

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

6. INVENTORIES

	31 December <u>2019</u>	1 January <u>2019</u>
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	<u>43,390,267</u>	<u>31,070,480</u>

7. ACCOUNTS RECEIVABLE

	31 December <u>2019</u>	1 January <u>2019</u>
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	<u>100,323,815</u>	<u>78,957,879</u>

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.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 doubtful 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
Impairment 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.

Aging of receivables due but not impaired	31 December 2019	1 January 2019
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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

8. CASH AND BANKS

	31 December	1 January
	2019	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	1 January
	2018	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	1 January
	2019	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	1 January
	2019	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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

13. LEASING LIABILITIES

	31 December	1 January
	2019	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	1 January
	2019	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	1 January
	2019	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	January 1
	2019	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 Polissano 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;

Free translation from the original Romanian version.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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%

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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

	December 31 2019	January 1 2019
General reserves and other reserves		
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).

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	-

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

25. TAXATION

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Profit / (loss) before tax	<u>29,083,155</u>	<u>23,833,882</u>
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	<u>2,621,460</u>	<u>1,239,708</u>
Income tax expense recognized in profit or loss	<u>8,930,702</u>	<u>7,051,245</u>
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	<u>31 December 2019</u>	<u>Change in deferred tax</u>	<u>1 January 2019</u>
Deferred tax assets			
Non-current assets	-	-	-
Trade receivables	<u>1,332,184</u>	-	<u>1,332,184</u>
Total deferred tax asset	<u>1,332,184</u>	<u>-</u>	<u>1,332,184</u>
Deferred tax liability	<u>31 December 2019</u>	<u>Modificări în impozitul amânat</u>	<u>1 January 2019</u>
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.	<u>593,674</u>	<u>593,675</u>	<u>-</u>
Total deferred tax liability	<u>21,088,530</u>	<u>3,320,005</u>	<u>17,768,526</u>
Net deferred tax liability	<u>19,756,346</u>	<u>3,320,005</u>	<u>16,436,342</u>

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

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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

	December 31, 2018	Change in deferred tax	January 1, 2018
Deferred tax liability			
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 (Accipients) 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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, Bicaș, Roznov and Târgu Neamț, all equipped with high-quality medical equipment.

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

<i>Assets acquired and liabilities recognized at the date of acquisition</i>	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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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:

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	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

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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

Free translation from the original Romanian version.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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.

MED LIFE GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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 protection 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 disinfection 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 working, 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,
CEO

Vera Firu,
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 Occupational SRL	Medical Services	Bucharest, Romania	100%	100%
7	Pharmalife-Med SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
8	Med Life Broker de Asigurare si Reasigurare SRL	Insurance broker	Bucharest, Romania	99%	99%
9	Accipiens SA	Rental activities	Bucharest, Romania	61%	58%
10	Genesys Medical Clinic SRL (indirectly)	Medical services	Bucharest, Romania	61%	58%
11	Bactro SRL (indirectly)	Medical services	Deva, Romania	61%	58%
12	Transilvania Imagistica SA (indirectly)	Medical services	Oradea, Romania	61%	58%
13	Biofarm Farmec SRL (indirectly)	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	58%
14	RUR Medical SA	Medical services	Bucharest, Romania	100%	100%
15	Biotest Med SRL	Medical services	Bucharest, Romania	100%	100%
16	Vital Test SRL	Medical services	Bucharest, Romania	100%	100%
17	Centrul Medical Sama SA	Medical Services	Craiova, Romania	90%	55%
18	Ultratest SA (directly and indirectly)	Medical services	Craiova, Romania	76%	55%
19	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
20	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%
21	Stem Cells Bank SA	Medical Services	Timisoara, Romania	100%	100%
22	Dent Estet Clinic SA	Dental healthcare activities	Bucharest, Romania	60%	60%
23	Green Dental Clinic SRL (indirectly)	Dental healthcare activities	Bucharest, Romania	31%	31%

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

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

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

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

Acquisition of Rozsakert Medical Center Group, Hungary

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

Acquisition of Badea Medica

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

Acquisition of Onco Team Diagnostic

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

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

Acquisition of Lotus Hospital

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

Acquisition of Micromedica Medical Center

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

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 Polissano 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,		Variation
		2019	2018	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	12 months ended
		December 31, 2019	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

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

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

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

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

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 purpose of ensuring the execution of routine governmental action.

The group has a zero tolerance policy regarding bribery and corruption. Group Policy prohibits promising, offering or paying bribes, as well as requesting, accepting or receiving bribes.

The group also forbids colleagues to accept gifts, hospitality, or gifts that are intended to influence business decisions.

Corporate Social Responsibility

Medlife values include:

- **Responsibility:** The Medlife Group guides its actions according to what is important to people's lives and health;
- **Professionalism:** The Medlife Group reunites for 3,000 doctors, professors, lecturers, doctors in medicine who work day by day with dedication and professionalism;
- **Innovation:** The Medlife Group has a constant concern about methods, technology and organization that will result in better and more effective medical solutions;
- **Care and respect:** Every patient is important and respected, and everyone's needs are treated with care and attention.

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

MedLife concept "We Make Romania Well" started with the desire to bring good in Romania in as many forms, not just in health and in the medical system. Thus, Medlife Group has developed and supported a number of projects, events and ideas for the well-being of employees or healthcare professionals at the

beginning. The company also organized or participated in medical events where doctors from the country or from abroad had the opportunity to share new knowledge, technologies or procedures.

InfoLine magazine

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

Blood donation campaign

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

Pro-bono cases

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

The MedLive platform

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

Good for the Environment - The Green Project for Romania

The Green project, together with every action taken by MedLife, is the essence of the brand. And this time, besides respecting the promise of a quality medical act and excellence proven to every patient, the campaign is MedLife's desire to get even more involved in the future of new generations.

Therefore, the project requires that for each child born in MedLife's maternity clinics, the company plans to plant a tree in a deforested area of the Fagaras Mountains through the FCC (Conservation Carpathia Foundation).

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

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

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 Committee

The Executive Committee is headed by Mr. Mihail Marcu, member of the Board of Directors and General Manager, Nicolae Marcu, Member of the Board of Directors and Director of Health and Operations, Dorin Preda, member of the Board of Directors and responsible for Finance and Treasury. Under the guidance of the above-mentioned key managers, there is a group of executive managers, many of whom have a solid experience within the Group, which manages functions, business lines and headquarters. These professionals have a significant degree of independence and freedom in implementing the budgets established for units and business lines. The composition of the Executive Committee is detailed below:

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 protection 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 disinfection 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 working, 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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
MED LIFE S.A.

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of MED LIFE S.A. ("the Company"), with registered office in (address), identified by unique tax registration code 8422035, which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.
2. The financial statements as at December 31, 2019 are identified as follows:
 - Net assets/ Equity RON 164.492.491
 - Net profit for the financial year RON 5.022.439
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

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

Key Audit Matters

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

KEY AUDIT MATTER	How our audit addressed the key audit matter
Valuation of investments	
<p>Investments in other companies represent 32% of the total assets of the Company.</p> <p>Management conducts impairment tests on an annual basis or whenever there is an indication of impairment to assess the recoverability of the carrying value of investments at standalone level. This is performed using discounted cash flow models.</p> <p>As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> >> Revenue growth >> Operating margins and >> The discount rates applied to the projected future cash flows. <p>Accordingly, the impairment test of these assets is considered to be a key audit matter.</p> <p>Management have engaged specialists to assist with the determination of the discount rates for the significant Cash Generating Units to which the cost of investment relates.</p>	<p>We focused our testing of the impairment of cost of investments on the key assumptions made by management.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> >> Engaging our internal specialists to assist with: <ul style="list-style-type: none"> -- Critically evaluating whether the model used by management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36 Impairment of Assets. -- Evaluating the appropriateness of the assumptions used to calculate the discount rates and recalculating these rates. >> We evaluated the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the Cash Generating Unit. >> We subjected the key assumptions to sensitivity analyses. >> We compared the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to evaluate reasonableness of management's projections.

Other information- Administrator's Report

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

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

In connection with our audit of the financial statements for the year ended December 31, 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 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 Financial Statements

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on April 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.

Clădirea The Mark, Calea Griviței nr. 84-98 și 100-102, etajul 8 și etajul 9, Sector 1

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

Bucharest, Romania
March 23, 2020

MED LIFE S.A.

**INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

CONTENTS:**PAGE:**

INDIVIDUAL STATEMENT OF FINANCIAL POSITION	2
INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME	3
INDIVIDUAL STATEMENT OF CASH FLOWS	4
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY	5 - 6
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS	7 - 40
ADMINISTRATORS' REPORT	1 - 20

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

	Note	December 31, 2019	December 31, 2018
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	5	11,739,823	7,701,244
Tangible assets	5	203,527,953	183,020,161
Right-of-use asset (IFRS 16)	3.31	59,318,528	-
Financial assets	4	233,023,412	147,899,593
TOTAL NON-CURRENT ASSETS		507,609,716	338,620,998
Current Assets			
Inventories	6	6,887,412	6,533,910
Receivables	7	57,944,885	47,146,208
Receivables with group companies	21	84,409,169	74,915,161
Other receivables		13,782,629	3,944,995
Cash and cash equivalents	8	12,854,754	21,758,563
		175,878,849	154,298,837
Prepayments	9	2,793,639	2,204,277
TOTAL CURRENT ASSETS		178,672,488	156,503,114
TOTAL ASSETS		686,282,204	495,124,112
LIABILITIES & SHAREHOLDER'S EQUITY			
Current Liabilities			
Trade accounts payable	10	95,879,220	75,848,191
Overdraft		9,558,600	9,327,799
Current portion of lease liability	12	26,879,902	2,252,331
Current portion of long term debt	13	16,434,233	14,669,616
Intercompany payables	21	1,707,947	2,754,866
Current tax liabilities		395,661	312,992
Provisions		524,431	0
Other liabilities	11	33,924,206	6,388,289
TOTAL CURRENT LIABILITIES		185,304,200	111,554,084
Long Term Liability			
Lease liability	12	52,532,728	15,161,217
Other long term liabilities		6,650,000	0
Long term debt	13	265,437,273	205,624,681
TOTAL LONG-TERM LIABILITIES		324,620,001	220,785,898
Deferred tax liability	22	11,865,511	10,785,523
TOTAL LIABILITIES		521,789,713	343,125,505
SHAREHOLDER'S EQUITY			
Issued capital	14	81,495,470	81,495,470
Treasury shares		(2,699,804)	(6,056,105)
Reserves	15	76,661,823	73,097,247
Retained earnings		9,035,002	3,461,995
TOTAL EQUITY		164,492,491	151,998,607
TOTAL LIABILITIES AND EQUITY		686,282,204	495,124,112

Approved by the Board of Directors on the date of March 23, 2020 and signed on behalf of by:

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

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

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

Approved by the Board of Directors on the date of March 23, 2020 and signed on behalf of by:

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

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

MED LIFE S.A.
INDIVIDUAL STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

		12 Months ended December 31,	
	Note	2019	2018
Net income before taxes		6,828,944	6,083,531
Adjustments for			
Depreciation	5, 18	45,914,443	29,102,249
Interest expense	20	11,027,079	11,238,160
Allowance for doubtful debts and receivables written-off	7	(1,524,207)	-
Provision for other current assets		524,431	-
Other non-monetary gains	17	(3,042,137)	(2,240,604)
Unrealised exchange gain / loss on interest bearing obligations		5,691,210	662,274
Interest revenue	20	(2,183,488)	(1,900,485)
Operating cash flow before working capital changes		63,236,275	42,945,125
Decrease / (increase) in accounts receivable		(15,803,731)	(13,557,819)
Decrease / (increase) in inventories		(353,502)	134,112
Decrease / (increase) in prepayments		(589,362)	355,174
Increase / (decrease) in accounts payable		23,010,291	7,593,132
Cash generated from WC changes		6,263,696	(5,475,401)
Cash generated from operations		69,499,971	37,469,724
Income tax paid		(748,718)	(1,997,404)
Interest received		2,183,489	1,900,485
Interest paid		(9,436,063)	(11,804,040)
Net cash from operating activities		61,498,680	25,568,765
Purchase of investments	4	(53,295,424)	(15,084,370)
Purchase of intangible assets	5	(6,263,964)	(1,575,793)
Purchase of property, plant and equipment	5	(31,226,847)	(24,702,025)
Loans granted	21	(9,494,008)	(43,474,443)
Net cash used in investing activities		(100,280,243)	(84,836,631)
Cash flow from financing activities			
Share capital contribution		-	-
Payment of loans		(8,005,257)	(20,225,319)
(Payments)/Increase of financial leasing		(1,648,793)	(2,239,072)
Payment of the lease liability - IFRS 16		(20,852,596)	-
Increase in loans		63,687,433	39,640,225
Payments for purchase of treasury shares		(2,256,114)	(6,056,105)
Decrease in loans granted to group companies	21	(1,046,919)	(100,831)
Net cash from financing activities		29,877,754	11,018,898
Net change in cash and cash equivalents		(8,903,809)	(48,248,968)
Cash and cash equivalents beginning of the year	8	21,758,563	70,007,531
Cash and cash equivalents end of the year	8	12,854,754	21,758,563

Approved by the Board of Directors on the date of March 23, 2020 and signed on behalf of by:

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

MED LIFE S.A.
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

	Share Capital		Treasury shares	Share premium	General reserves and other reserves	Revaluation Reserve	Accumulated Results	Total Equity
	Paid and registered	Paid, registered after year end						
Balance as at January 1, 2019	5,023,000	513,271	(6,056,105)	75,959,199	10,072,949	63,024,298	3,461,995	151,998,607
Share capital contribution	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	4,011,738	-	-	-	-	4,011,738
Increase from own shares valuation	-	-	(655,437)	-	-	-	-	(655,437)
Other reserves, including revaluation reserve	-	-	-	-	-	3,564,576	-	3,564,576
Total comprehensive income	-	-	-	-	-	-	5,573,007	5,573,007
Gain/loss from revaluation	-	-	-	-	-	-	-	-
Deferred tax related to other comprehensive income	-	-	-	-	-	-	-	-
Profit of the year (loss)	-	-	-	-	-	-	5,573,007	5,573,007
Balance as at Dec 31, 2019	5,023,000	513,271	(2,699,804)	75,959,199	10,072,949	66,588,874	9,035,002	164,492,491

Approved by the Board of Directors on the date of March 23, 2020 and signed on behalf of by:

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

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

MED LIFE S.A.
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 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	Total Equity
Balance as at January 1, 2018	5,023,000	513,271	-	75,959,199	9,684,470	63,024,298	(295,965)	153,944,273
Share capital contribution	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	(6,056,105)	-	-	-	-	(6,056,105)
Legal reserve fund	-	-	-	-	388,479	-	(388,479)	-
Total comprehensive income	-	-	-	-	-	-	4,110,439	4,110,439
Gain/loss from revaluation	-	-	-	-	-	-	-	-
Deferred tax related to other comprehensive income	-	-	-	-	-	-	-	-
Profit of the year (loss)	-	-	-	-	-	-	4,110,439	4,110,439
Balance as at Dec 31, 2018	5,023,000	513,271	(6,056,105)	75,959,199	10,072,949	63,024,298	3,461,995	151,988,607

Approved by the Board of Directors on the date of March 23, 2020 and signed on behalf of by:

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

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

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

1. DESCRIPTION OF THE BUSINESS

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

Med Life is one of the leading health care services providers in Romania, having a significant market share at a national level. The registered office of Med Life is located in Bucharest, Calea Grivitei, no. 365. Details of Med Life SA's subsidiaries at December 31, 2019 and January 1, 2019 are as follows:

	Name of subsidiary	Main activity	Location	December 31, 2019	January 1, 2019
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	83.01%	80.01%
2	Medapt SRL (indirect)	Medical Services	Brasov, Romania	83.01%	80.01%
3	Histo SRL (indirect)	Medical Services	Brasov, Romania	49.81%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL (indirect)	Medical Services	Sfantu Gheorghe, 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 (indirect)	Medical Services	Bucharest, Romania	61%	58%
11	Bactro SRL (indirect)	Medical Services	Deva, Romania	61%	58%
12	Transilvania Imagistica SA (indirect)	Medical Services	Oradea, Romania	61%	58%
13	Biofarm Farmec SRL (indirect)	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	Bucharest, Romania	60%	60%
23	Green Dental Clinic SRL (indirect)	Dental healthcare	Bucharest, Romania	31%	31%
24	Dentist 4 Kids SRL (indirect)	Dental healthcare	Bucharest, Romania	31%	31%
25	Dent A Porter SRL (indirect)	Dental healthcare	Bucharest, Romania	31%	31%
26	Dentestet Kids SRL (indirect)	Dental healthcare	Bucharest, Romania	32%	32%
27	Aspen Laborator Dentar SRL (indirect)	Dental healthcare	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 (indirect)	Medical Services	Bucharest, Romania	100%	100%
32	Valdi Medica SA	Medical Services	Cluj, Romania	55%	55%
33	Clinica Polissano SRL	Medical Services	Sibiu, Romania	100%	100%
34	Solomed Clinic SA	Medical Services	Pitesti, Romania	80%	80%

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

35	Solomed Plus SRL (indirect)	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 (indirect)	Dental healthcare	Budapest, Hungary	51%	0%
39	RMC Medical (indirect)	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 (indirect)*	Medical Services	Targu Neamt, Romania	100%	0%
45	Micromedica Bacau SRL (indirect)*	Medical Services	Bacau, Romania	100%	0%
46	Micromedica Roman SRL (indirect)*	Medical Services	Roman, Romania	100%	0%
47	Medrix Center SRL (indirect)*	Medical Services	Roznov, Romania	100%	0%
48	Spitalul Lotus SRL*	Medical Services	Ploiesti, Romania	100%	0%

* The control over these companies was obtained in December 2019, and will be consolidated starting with January 2020.

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 Company expects that the adoption of these new standards and amendments to existing standards will not have a material impact on the Company'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 the Company, 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 the Company:

- **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),

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Statement of compliance

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

The accounting policies applied in these financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2018, except for the adoption of new standards effective as of January 1st 2019.

Starting with January 1, 2019, the Company has applied for the first time the new IFRS 16 "Leasing Contracts" standard.

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

3.2 Basis of preparation

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

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

3.3 Going concern

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

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 Accounting estimates and judgments

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

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.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

3.5 Foreign currency translation

Functional and presentation currency

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

Exchange rates on December 31, 2019 were RON 4.2608 for 1 USD (December 31, 2018: RON 4.0736 for 1 USD); 4.7793 RON for 1 EUR (31 December 2018: 4.6639 RON for 1 EUR), respectively 1.4459 RON for 100 HUF.

The average exchange rates for the 12 months 2019 were RON 4.2392 for 1 USD (12 months 2018: RON 3.9416 for 1 USD); 4.7454 RON for 1 EUR (12 months 2018: 4.6535 RON for 1 EUR), respectively 1.4589 RON 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.

3.6 Comparative information

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

3.7 Investments in other companies

Med Life has significant investments in other companies. The investments are presented at cost less impairment. Management conducts annual testing or whenever there is an indication of impairment to assess whether any impairment losses should be recognized.

3.8 Property, plant and equipment

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

The lands and constructions held for sale for the provision of services or for administrative purposes are recorded in the balance sheet at the revalued amount, which is the fair value at the date of the revaluation, less accumulated depreciation and accumulated impairment losses. The value of the land and constructions held presented in these financial statements is established on the basis of the evaluation reports prepared on December 31, 2019 by independent evaluators certified by ANEVAR. The reassessment is carried out with sufficient regularity to ensure that the Company presents the land and buildings at fair value in the financial statements.

Expenses for repairs and maintenance are recognized in the profit or loss account at the time of their execution. Costs with capital repairs are included in the book value of the asset when it is probable that future economic benefits above the initially evaluated standard of performance of the existing asset will be transferred to the Company. Capital renovations are depreciated over the remaining useful period of the respective asset. The land is not depreciated.

Installations and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses.

The depreciation is calculated at the values of the tangible assets by the linear method up to the estimated residual values of the assets. Estimated useful lives, residual values and depreciation method are reviewed at the end of each year, and the effects of changes in estimates are recorded retroactively.

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

	<u>Years</u>
Buildings	10 – 50 years
Plant and equipment	3 – 15 years
Fixtures and fittings	3 – 15 years

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

3.9 Assets held under finance leases

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

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

3.10 Intangible assets

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

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

De-recognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

3.11 Inventories

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

3.12 Trade receivables

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

3.13 Cash and cash equivalents

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

3.14 Financial instruments

Non-derivative financial instruments 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.

3.15 Accounts payable

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

3.16 Leasing

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

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. 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.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

3.17 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.

3.18 Taxation

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

Current tax

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

Deferred tax

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

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

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

Current and deferred tax for the period

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

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

3.19 Share capital

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

3.20 Share premiums

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

3.21 Revaluation reserve

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

3.22 Provisions for risks and charges

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

3.23 Revenue recognition

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

Rendering of services

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

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

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.

3.24 Employee benefits

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

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

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

3.25 Related parties

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

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

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

3.26 Fair value

As described above, certain accounting policies of the Company and information presentation criteria require determination of the fair value both for the assets and the liabilities of the Company. In determining the fair value of assets and liabilities, the Company uses as much as possible observable market values. Fair values are classified on various levels based on inputs used in valuation techniques, as follows:

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

The fair values were assessed for evaluation or presentation of information based on the methods and techniques described below. Fair value was assessed for land and buildings owned as of December 31, 2019 based on evaluators reports. The fair value of land was established based on market value approach. The fair value for buildings was established based on cost of replacement approach.

3.27 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, as the application would not have a significant impact on the financial statements.

3.28 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.

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

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

3.29 IFRS 9 „Financial instruments“

IFRS 9 "Financial Instruments" introduces changes to the recognition and measurement of financial assets and it results in the prior recognition of non-performing debt allowances for debts.

Being allowed as a standard, the Company adopted IFRS 9 as of January 1, 2018, using the modified retrospective method, with cumulative adjustments from the initial application recognized in equity starting January 1, 2018, and without disclosing the figures for the comparative period.

3.30 IFRS 15 „Revenues from contracts with customers“

IFRS 15 „Revenues from contracts with customers“ introduces a comprehensive model for revenue recognition and measurement. The standard replaces the existing criteria for revenue recognition, replacing the standards IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". Under the new standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Company is expected to be entitled to receive in exchange of those goods or services.

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

In respect to the timing of the revenue recognition, all of the Company's services provided are transferred to the customer when the services are rendered. Based on internal assessment of the possible impact resulting from the application of IFRS 15 not significant effect was identified on these financial statements. Also, a number of other amendments and interpretations have been effective starting with January 1st 2018, but do not have a significant effect on these financial statements.

3.31 IFRS 16 „Leases“

As of January 1, 2019, the Company has adopted the new IFRS 16 "Leasing" standard. IFRS 16 is in effect for annual periods beginning on or after January 1, 2019. IFRS 16 replaces existing lease instructions, including IAS 17 Leasing, IFRIC 4 Determining whether an agreement contains a lease, SIC-15 Operational Leasing - Stimulants and SIC-27 Valuation of the transactions fund that involves the legal form of a lease.

The company has rented several assets including buildings and land for commercial purposes. The average rental period is 4 years (2018: 4 years). All rental contracts contain extension or termination clauses.

For a better understanding of the impact following the adoption of IFRS 16 "Leasing Contracts" on the Company's financial statements, see the table below:

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	338,620,998	52,394,578	391,015,576	507,609,716
TOTAL CURRENT ASSETS	156,503,114	-	156,503,114	178,672,488
TOTAL ASSETS	495,124,112	52,394,578	547,518,690	686,282,204
TOTAL CURRENT LIABILITIES	111,554,084	20,884,910	132,438,994	185,304,200
TOTAL LONG-TERM LIABILITIES	220,785,898	32,561,170	253,347,068	324,620,001
Deferred tax liability	10,785,523	382,228	11,167,751	11,865,511
TOTAL LIABILITIES	343,125,505	53,828,307	396,953,812	521,789,713
TOTAL EQUITY	151,998,607	(1,433,729)	150,564,878	164,492,491
TOTAL LIABILITIES AND EQUITY	495,124,112	52,394,578	547,518,690	686,282,204

	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	422,329,617	-	422,329,617	460,513,761
Operating expenses	(406,246,137)	1,337,424	(404,908,713)	(439,150,017)
Operating Profit	16,083,480	1,337,424	17,420,904	21,363,744
Financial result	(9,999,949)	(2,388,925)	(12,388,874)	(14,534,800)
Result Before Taxes	6,083,531	(1,051,501)	5,032,030	6,828,944
Net Result	4,110,439	(1,433,729)	2,676,710	5,022,439

	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	6,083,531	(1,051,501)	5,032,030	7,484,382
Operating cash flow before working capital changes	42,945,125	20,217,414	63,162,539	63,236,275
Cash generated from operations	37,469,724	20,217,414	57,687,138	69,499,971
Net cash from / (used in) operating activities	25,568,765	19,262,218	44,830,983	61,498,680
Net cash used in investing activities	(84,836,631)	-	(84,836,631)	(100,280,243)
Net cash from used in financing activities	11,018,898	(19,262,218)	(8,243,320)	29,877,754
Cash and cash equivalents end of the period	21,758,563	-	21,758,563	12,854,754

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

Right-of-use asset	Constructions	Vehicles / Equipment	Total
Cost			
Value as of 1 January 2019	69,166,856	12,160,659	81,327,515
Increases	-	-	-
Value as of 31 December 2019	69,166,856	12,160,659	81,327,515
Accumulated depreciation			
Value as of 1 January 2019	-	-	-
Increases	18,077,749	3,931,238	22,008,987
Value as of 31 December 2019	18,077,749	3,931,238	22,008,987
Net value	51,089,106	8,229,421	59,318,528

Leasing	Constructions	Vehicles / Equipment	Total
Opening balance	69,166,856	12,160,659	81,327,515
Increases	1,917,376	633,240	2,550,616
Decreases	(19,079,559)	(4,323,652)	(23,403,211)
Closing balance	52,004,672	8,470,247	60,474,919

Due dates	Repayment	
Years	2019	
	1	22,135,069
	2	20,413,404
	3	15,343,363
	4	1,837,101
	5	745,981
Total	60,474,919	

3.32 Subsequent events

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

4. FINANCIAL ASSETS

The Company holds significant investments in other companies.

Carrying amount	31 December 2019	31 December 2018
Cost of investments in other companies	219,441,742	135,043,779
Long-term loans granted to group companies	12,072,552	11,191,914
Other financial assets	1,509,118	1,663,900
TOTAL	233,023,412	147,899,593

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

Investments in other companies

Investments in other companies represent 32% of the total assets of the Company.

Movement in cost of investments

	December 31, 2019	December 31, 2018
Balance at the beginning of the year	135,043,779	120,447,736
Acquisition of social parts in other companies	84,397,963	14,596,043
Disposal of subsidiaries	-	-
Balance at year end	219,441,742	135,043,779

The group signed the sale contract for the purchase of shares in the capital of the following companies:

- 35% of the share capital of SAMA;
- 3% of the share capital of the company PDR Brasov (Policlinica de Diagnostic Rapid);
- 3% of the share capital of the company Accipiens SA;
- 51% of the share capital of Rózsakert Medical Center;
- 65% of the share capital of Badea Medica;
- 75% of the share capital of Onco Team Diagnostic;
- 100% of the share capital of Lotus Hospital;
- 100% of the share capital of the company Micromedica Medical Center;
- 100% of the share capital of the company OncoCard Brasov.

Management conducts impairment tests on an annual basis or whenever there is an indication of impairment to assess the recoverability of the carrying value of investments at individual level. This is performed using discounted cash flow models.

There are a number of key sensitive judgements made in determining the inputs into these models which include:

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

Management have engaged specialists to assist with the determination of the discount rates for the significant Cash Generating Units to which the cost of investment relates.

Long-term loans granted to other Group companies

As of December 31, 2019, the Company presents long-term loans granted to Bahtco Invest SA and Medlife Occupational SRL of RON 11,439,873 (January 1, 2019: RON 11,191,914).

Other financial assets

Other financial assets represent mainly rent deposits with a maturity longer than one year.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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 Company's tangible and intangible assets' structure was the following:

	<u>Intangibles</u>	<u>Land</u>	<u>Constructions</u>	<u>Vehicles and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost						
1 January 2019	31,194,347	13,429,395	153,078,974	152,453,145	8,310,154	358,466,015
Additions	8,149,709	-	18,431,430	11,677,171	6,684,887	44,943,197
Transfers	-	-	2,562,388	-	(2,562,388)	-
Disposals	-	-	-	(253,259)	-	(253,259)
Revaluation	-	(636,615)	3,785,498	393,563	-	3,542,446
31 December 2019	39,344,056	12,792,780	177,858,290	164,270,619	12,432,653	406,698,399
Depreciation						
1 January 2019	23,493,103	-	47,435,376	96,816,131	-	167,744,610
Charge of the year	4,111,130	-	5,568,580	14,225,623	-	23,905,334
Disposals	-	-	-	(219,322)	-	(219,322)
Revaluation	-	-	-	-	-	-
31 December 2019	27,604,233	-	53,003,956	110,822,433	-	191,430,622
Net Book Values						
1 January 2019	7,701,244	13,429,395	105,643,598	55,637,014	8,310,154	190,721,405
31 December 2019	11,739,823	12,792,780	124,854,334	53,448,187	12,432,653	215,267,776

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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

	<u>Intangibles</u>	<u>Land</u>	<u>Constructions</u>	<u>Vehicles and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost						
January 1, 2018	27,377,950	13,429,395	146,599,753	119,984,785	7,796,971	315,188,854
Additions	3,816,397	-	-	32,574,677	6,992,404	43,383,478
Transfers	-	-	6,479,221	-	(6,479,221)	-
Disposals	-	-	-	(106,317)	-	(106,317)
Revaluation	-	-	-	-	-	-
December 31, 2018	31,194,347	13,429,395	153,078,974	152,453,145	8,310,154	358,466,015
Depreciation						
January 1, 2018	19,717,165	-	37,248,302	81,700,668	-	138,666,135
Charge of the year	3,775,938	-	10,187,074	15,139,237	-	29,102,249
Disposals	-	-	-	(23,774)	-	(23,774)
Revaluation	-	-	-	-	-	-
December 31, 2018	23,493,103	-	47,435,376	96,816,131	-	167,744,610
Net Book Values						
January 1, 2018	7,660,785	13,429,395	109,351,451	38,284,117	7,796,971	176,522,719
December 31, 2018	7,701,244	13,429,395	105,643,598	55,637,014	8,310,154	190,721,405

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

5.1. Land and buildings carried at fair value

The value of the lands and constructions related to Med Life presented in the financial statements are based on the evaluation reports prepared on December 31, 2019 by independent evaluators certified by ANEVAR.

The lands subject to the revaluation reports were evaluated by applying the market price comparison method as well as the residual method. The resulting value was based on the market comparison method.

The constructions were evaluated using both the cost approach and the revenue based approach (capitalizing the net income from rents). The final value that resulted is the one that derives from the application of the method by cost.

If the lands and buildings of the Company had been valued at historical cost, their book value would have been the one presented below:

Carrying amount without revaluation	December 31, 2019	January 1, 2019
Land	1,346,998	1,346,998
Buildings	60,468,311	42,036,881
TOTAL	61,815,309	43,383,879

5.2. Assets pledged as securities

The lands and constructions were pledged to guarantee the Company's loans (see Note 13). The company cannot deposit these assets as collateral for other loans nor sell them to other entities.

6. INVENTORIES

	31 December 2019	31 December 2018
Consumable	6,842,340	6,513,579
Materials in the form of inventory items	42,522	18,892
Inventory in transit	2,550	1,439
TOTAL	6,887,412	6,533,910

7. ACCOUNTS RECEIVABLE

	31 December 2019	31 December 2018
Customers	69,111,488	60,587,456
Advances to suppliers	3,505,840	2,755,402
Allowance for bad debt	(14,672,443)	(16,196,650)
TOTAL	57,944,885	47,146,208

Trade receivables as of December 31, 2019 and December 31, 2018 include a debt of RON 7,365,835 which represents amounts receivable from the Health Insurance House of the Municipality of Bucharest, not yet invoiced. The company has commenced court proceedings against the Health Insurance House of Bucharest. The management of the Company is confident that the amount will be recovered in the end, but considering the unfavorable decisions of the courts in similar cases, the Company has decided to register a value adjustment for the entire amount.

The trade receivables presented above are classified as receivables and are therefore valued at amortized cost.

The average receivable period for the services offered is 90 days. There is no interest on commercial receivables within the first 90 days from the date of issue of the invoice.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

As of December 31, 2019, the Company's management carried out an assessment on the recoverability of the debts - an adjustment of value of RON 14,672,443 (amount which also includes the amount of RON 7,365,835 to be collected from the Health Insurance House of the Municipality of Bucharest mentioned above), this being the best estimate of the management regarding the receivables that will not be collected.

The estimate takes into account the debt collection behavior over a four-year historical period. The company monitors the quality of its clients' credit on a recurring basis. The credit risk is eliminated due to a large population of clients and the Company is not dependent on the receivables from a limited number of clients.

Ageing of past due but not impaired	December 31, 2019	January 1, 2019
90 - 180 days	254,073	104,517
180 days - 270 days	68,136	279,460
270 - 365 days	68,075	268,931
Over 365 days	<u>2,551,108</u>	<u>2,411,302</u>
TOTAL	<u>2,941,391</u>	<u>3,064,209</u>
Average age (days)	90	90

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

Movement in the allowance for doubtful debts	December 31, 2019	December 31, 2018
Balance at the beginning of the year	16,196,650	16,196,650
Reversals recognized on receivables	<u>(1,524,207)</u>	<u>-</u>
TOTAL	<u>14,672,443</u>	<u>16,196,650</u>

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Ageing of impaired trade receivables	December 31, 2019	January 1, 2019
0 zile	92,270	79,813
0-30 zile	89,856	49,848
31-90 zile	75,353	71,304
91-180 zile	133,008	162,552
181-270 zile	164,241	143,224
270-365 days	145,158	171,899
Over 365 days	<u>6,606,722</u>	<u>7,652,176</u>
TOTAL GENERAL	<u>7,306,608</u>	<u>8,830,815</u>
Other allowance (described above)	<u>7,365,835</u>	<u>7,365,835</u>
TOTAL	<u>14,672,443</u>	<u>16,196,650</u>

8. CASH AND BANKS

	31 December 2019	31 December 2018
Cash in bank	<u>10,484,676</u>	<u>19,397,886</u>
Cash in hand	898,503	1,032,328
Cash equivalents	<u>1,471,575</u>	<u>1,328,349</u>
TOTAL	<u>12,854,754</u>	<u>21,758,563</u>

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

9. PREPAYMENTS

As of December 31, 2019 the Company has prepayments in amount of RON 2,793,639 (RON 2,204,277 as of January 1, 2019). The prepayments balance as of December 31, 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.

10. ACCOUNTS PAYABLE

	31 December 2019	31 December 2018
Suppliers	80,812,869	66,821,334
Fixed assets suppliers	10,148,099	7,810,360
Advances paid by customers	4,918,252	1,216,497
TOTAL	95,879,220	75,848,191

The balance of the suppliers account consists of debts for the acquisition of reagents, laboratory equipment, office equipment, stationery, cleaning products and food.

11. OTHER SHORT TERM LIABILITIES

	31 December 2019	31 December 2018
Salary and related liabilities (incl. contributions)	8,805,986	5,937,202
Other liabilities	25,118,220	451,087
TOTAL	33,924,206	6,388,289

12. LEASING LIABILITIES

	December 31, 2019	January 1, 2019
Non-current portion – Leasing	52,532,728	15,161,217
Current portion – Leasing	26,879,902	2,252,331
TOTAL	79,412,630	17,413,548
Obligations under finance lease	December 31, 2019	January 1, 2019
Minimum Lease Payments		
Long-term (between 2 and 5 years)	54,692,573	17,793,501
Short-term (less than one year)	27,679,773	3,038,731
Total	82,372,346	20,832,232
Less: future finance charges	(2,959,716)	(3,418,684)
Present value of lease obligations		
Analysed as follows:		
Maturing within one year	52,532,728	15,161,217
Maturing after more than one year but not later than five year	26,879,902	2,252,331
TOTAL	79,412,630	17,413,548

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

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

13. FINANCIAL DEBT

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

At December 31, 2019, the Company's financing facilities, drawn and not drawn up, included the following:

- On September 24, 2019 Med Life SA (together with the co-debtors Policlinica de Rapid Diagnostic SA, Bahtco Invest SA, Accapiens SA, Genesys Medical Clinic SRL, Clinica Polisano SRL, Medical Center Sama SA, Dent Estet Clinic SA and Valdi Medica SRL) signed with the Banca Comerciala Romana, Raiffeisen Bank, BRD Groupe Societe Generale and Banca Transilvania the refinancing of the existing facilities, the extension of the financing period, the rearrangement of the terms and conditions, as well as for an additional credit limit of EUR 28 million, which will be in the form a term facility, being used by Medlife, along with other liquidities of the Company, for possible new purchasing opportunities in the market.
- a guaranteed overdraft facility concluded between Garanti Bank S.A. and Med Life S.A., the amount drawn on December 31, 2019 is RON 9,558,600.

The interest rate for each loan for each interest period is the rate per year that is the sum of the applicable margin and depending on the currency of each loan, EURIBOR for the amounts in EUR or ROBOR for the amounts in RON.

The following guarantees have been requested, within the credit agreement at the level of the whole Group:

- real estate mortgage on the land located in Calea Grivitei no. 365 sector 1 Bucharest Romania (cadastral no. 13183/1) and of the related constructions
- real estate mortgage on the land and constructions that make up the Pediatric Hospital in Bucharest. str. Zagazului no. 7 - CF 218010
- real estate mortgage on the land and constructions that make up the PDR Clinic and Hospital located in Brasov str. Turnului no. 5 - CF 127854
- movable mortgage on certain movable assets (medical equipment) owned by each company - Med Life, Bahtco Invest SA and Policlinica de Diagnostic Rapid SA
- movable mortgage on future medical equipment to be purchased by the debtor and co-borrowers created in favor of the Financing Parties; or of those acquired by the Company as a result of financing the leasing debts through the syndicated loan
- movable mortgage on the insurances of each debtor regarding the mortgaged tangible assets in favor of the Financing Parties
- mortgage on the shares held by the Company in the share capital of the initial debtors and of the companies Medical Center Sama SA, Ultratest SA, Rur Medical SA etc, and any other significant company or any future debtor if appropriate.
- movable mortgage on the bank accounts of the initial and new borrowers
- mortgage on certain commercial debts of Med Life (including debts related to the National House of Health Insurance or any other similar entities and the debts that resulted from significant commercial contracts)
- a movable mortgage on the actions of the sponsors of the debtor which will be created on the basis of a contract of movable mortgage on the shares, concluded between the sponsors and the creditors.
- real estate mortgage on the land owned by Accapiens, located in Dr. Cornel Radu street, no. 3, Arad (cadastral no. 301842) and the related constructions
- real estate mortgage on the land owned by the Sama Medical Center, located in str. Infratirii, no. 5A, Craiova (cadastral no. 204837) and related constructions.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

14. ISSUED CAPITAL

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

ISSUED CAPITAL

	Number of shares	%
Marcu Mihail	3,897,920	17.6%
Cristescu Mihaela Gabriela	3,110,115	14.0%
Marcu Nicolae	2,692,400	12.2%
Others	12,444,647	56.2%
TOTAL	22,145,082	100.0%

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

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

Result per share

	2019	2018
Profit for the period	5,022,439	4,110,439
Number of ordinary shares at the beginning and end of the period	22,145,082	22,145,082
Result per share (Ron /share)	0.2268	0.1856

15. RESERVES

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

	31 December 2019	31 December 2018
General reserves	1,004,600	1,004,600
Other reserves	9,068,349	9,068,349
Revaluation reserves	66,588,874	63,024,298
TOTAL	76,661,823	73,097,247

As of December 31, 2014, Med Life S.A. used a fiscal facility available from 2014 for the reinvested profit and increased its reserves according to the fiscal norms, by RON 4,933,776 based on the profit obtained in 2014. As of December 31, 2015, Med Life S.A. used the fiscal facility for reinvested profit and increased its reserves by RON 3,705,398. These amounts can be found in the balance of other reserves as of December 31, 2019 and January 1, 2019. This reserve will be taxed when used in any form.

General reserves and other reserves	December 31, 2019	January 1, 2019
Balance at beginning of the year	10,072,949	9,684,470
Movements	-	388,479
Balance at the end of the year	10,072,949	10,072,949

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

Revaluation reserves	December 31, 2019	January 1, 2019
Balance at beginning of the year	63,024,298	63,024,298
Decrease arising revaluation correction	-	-
Increase due to revaluation	3,564,575	-
Balance at the end of the year	66,588,873	63,024,298

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

The effects of taxes on income, if any, resulting from the revaluation of property, plant and equipment are recognized and disclosed in accordance with IAS 12 Income Taxes (please see note 22).

16. SALES

Turnover for the year ended December 31, 2019 is of RON 456,165,019 (for the year ended December 31, 2018 - RON 419,850,605) consisting 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.

17. OTHER OPERATING REVENUES

Other operating revenues caption comprises:

	12 months 2019	12 months 2018
Other operating revenues	2,462,997	238,408
Capitalized cost of intangible assets	1,885,745	2,240,604
TOTAL	4,348,742	2,479,012

18. OPERATING EXPENSES

	12 months 2019	12 months 2018
Consumable materials and repair materials	66,396,142	59,946,982
Commodities	-	-
Utilities	4,746,958	3,983,523
Repairs maintenance	5,491,322	4,498,745
Rent	5,427,579	27,032,741
Insurance premiums	2,042,402	1,659,470
Promotion expense	7,898,505	11,067,790
Communications	2,063,051	2,250,779
Third party expenses (including doctor's agreements)	140,605,350	125,700,488
Salary and related expenses	145,006,773	129,176,575
Social contributions	5,259,030	4,525,621
Depreciation	45,914,443	29,102,249
Impairment of fixed assets	-	-
Other administration and operating expenses	8,298,462	7,301,174
TOTAL	439,150,017	406,246,137

19. KEY MANAGEMENT PERSONNEL EXPENSES

The structure of Med Life personnel is described below:

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

	December 31, 2019	December 31, 2018
Management	44	66
Staff	2,156	2,127
Total	2,200	2,193

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

	December 31, 2019	December 31, 2018
Management	18,122,853	18,748,535
Staff	126,883,920	110,428,040
Total	145,006,773	129,176,575

20. NET FINANCIAL RESULT

	12 months 2019	12 months 2018
Other financial expenses	-	-
(Loss)/Gain from foreign exchange rate impact	(5,691,210)	(662,274)
Finance cost	(11,027,079)	(11,238,160)
Other income	(0)	-
Interest income	2,183,489	1,900,485
FINANCIAL NET LOSS	(14,534,800)	(9,999,949)

21. RELATED PARTIES

The related parties identified are all the companies in Med Life Group, Nautic Life SRL, DR. CRISTESCU I. MIHAELA-GABRIELA and Marcu Nicolae (shareholder).

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

Closing balances	December 31, 2019	January 1, 2019
Payables		
Almina Trading SRL	211,550	166,066
ANIMA SPECIALITY MEDICAL SERVICES SRL	1,205,251	759,830
NAUTIC LIFE	2,616	-
DR. CRISTESCU I. MIHAELA-GABRIELA	4,839	49,804
MARCU NICOLAE	7,402	-
Pharmalife Med SRL	8,667	13,885
Policlinica de Diagnostic Rapid SA	4,572,269	2,366,809
Policlinica de Diagnostic Rapid Medis SRL	877,996	738,728
BAHTCO INVEST SA	1,072,467	654,154
Medapt SRL	832,033	832,033
RUR Medical SA	1,134,616	1,008,445
Genesys Medical Clinic SRL	2,811,864	2,486,199
Histo SRL	189,112	148,030
Biofarm Farmec SRL	8,887	8,887
Bactro	107,048	59,555
BIOTEST MED SRL	3,540,539	3,251,049
VITAL TEST SRL	2,452,839	2,484,147
Centrul Medical Sama	2,513,729	1,552,326
Ultratest Craiova SA	5,106	5,106
Prima Medical SRL	178,500	137,423
Diamed Center SRL	36,039	56,371
Dent Estet Clinic SA	9,139	7,220
Aspen Laborator Dentar SRL	2,395	2,295
Centrul Medical Panduri SA	505,374	148,296
Clinica Polisano SRL	868,707	284,482
Solomed Clinic SA	675,068	169,375
Solomed Plus SRL	263,620	59,965
Transilvania Imagistica SRL	24,049	-
Total	24,121,722	17,450,480

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

Closing balances	December 31, 2019	January 1, 2019
Receivables		
Centrul Medical Panduri SA	291,439	119,109
Almina Trading SRL	192,014	33,779
DR. CRISTESCU I. MIHAELA-GABRIELA	58,400	-
ANIMA SPECIALITY MEDICAL SERVICES SRL	534,201	531,464
Pharmalife Med SRL	1	1
Policlinica de Diagnostic Rapid SA	3,162,096	1,469,234
Histo SRL	70	70
Genesys Medical SRL	922,134	2,491,443
Policlinica de Diagnostic Rapid Medis SRL	257,810	66,953
Accipients SA	6,692	6,692
BIOTEST MED SRL	178,472	-
VITAL TEST SRL	170,442	-
Centrul Medical Sama SA	2,371,164	1,874,035
Ultratest Craiova SA	62,803	18,139
RUR Medical SA	244,108	130,889
Diamed Center SRL	1,673,698	971,623
Stem Cells Bank SA	329,058	178,062
Dent Estet Clinic SA	7,186	13,884
Medlife Ocupational SRL	55,990	24,830
Solomed Clinic SA	418,069	44,391
Clinica Polisano SRL	1,048,850	-
Prima Medical SRL	36,583	-
ASPEN LABORATOR DENTAR SRL	72	-
Total	12,021,353	7,974,598

Transactions during the year	December 31, 2019	December 31, 2018
Expenses		
NAUTIC LIFE	-	-
MARCU NICOLAE	-	-
DR. CRISTESCU I. MIHAELA-GABRIELA	700,800	642,400
Policlinica de Diagnostic Rapid SA	2,204,311	2,085,252
Policlinica de Diagnostic Rapid Medis SRL	139,268	176,005
BAHTCO INVEST SA	4,921,882	2,658,803
Histo SRL	48,730	54,452
RUR Medical SA	126,171	174,556
Genesys Medical Clinic SRL	1,995,710	1,581,780
Bactro SRL	47,494	55,474
BIOTEST MED SRL	2,931,988	3,446,719
VITAL TEST SRL	2,740,994	2,809,287
Centrul Medical Sama SA	1,717,286	2,002,409
Ultratest Craiova SA	-	-
Prima Medical SRL	72,184	89,983
Diamed Center SRL	355,264	455,896
ASPEN LABORATOR DENTAR SRL	3,320	8,592
ALMINA TRADING S.A.	531,869	512,650
Centrul Medical Panduri	627,410	148,296
Dentestet Clinic	96,914	54,160
GIE	776	2,698,127
Clinica Polisano SRL	590,151	284,482
Solomed Clinic	478,375	169,375
Solomed Plus	244,924	64,065
ANIMA SPECIALITY MEDICAL SERVICES SRL	2,195,421	1,098,852
Pharmalife Med SRL	13,407	-
Transilvania Imagistica SRL	22,387	-
Total	22,807,037	21,271,615

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

	December 31, 2019	December 31, 2018
Acquisition of inventories		
Pharmalife Med SRL	22,014	9,662
BAHTCO INVEST SA	9,086,200	8,882,651
Biofarm Farmec SRL	-	-
Total	9,108,215	8,892,313

	December 31, 2019	December 31, 2018
Transactions during the year		
Sales		
Marcu Nicolae	1,633	-
Centrul Medical Panduri SA	403,936	280,134
Almina Trading SA	567,481	477,689
ANIMA SPECIALITY MEDICAL SERVICES SRL	883,213	572,503
Policlinica de Diagnostic Rapid SA	1,542,811	1,762,302
Policlinica de Diagnostic Rapid Medis SRL	190,854	101,119
Genesys Medical Clinic SRL	1,054,664	1,478,690
BIOTEST MED SRL	77,704	27,550
VITAL TEST SRL	78,139	37,600
Centrul Medical Sama SA	412,668	1,516,670
Ultratest Craiova SA	44,661	-
Diamed Center SRL	702,075	639,730
Stem Cells Bank SA	150,999	115,973
Dentestet 4 Kids	13,449	11,346
Dentestet Clinic	53,164	47,356
Green Dental	1,848	1,708
Medlife Ocupational	-	50,912
Solomed Clinic	348,876	44,391
Valdi Medica	156,031	69,095
Clinica Polisano SRL	1,050,418	-
Sfatul Medicului	5,175	-
Total	7,739,799	7,234,768

	December 31, 2019	January 1, 2019
Loans granted		
Valdi Medica	1,910,524	937,518
PDR SA	11,078	10,591
BAHTCO INVEST SA	44,585,052	43,442,423
MedLife Ocupational SRL	2,037,794	2,095,722
Vital Test SRL	269	269
Stem Cells Bank SA	5,228,145	3,156,334
Clinica Polisano SRL	30,657,927	29,923,416
Diamed Center SRL	8,878,487	6,540,800
Ghencea Medical Center	153,590	-
Sfatul Medicului SRL	143,916	-
Pharmalife Med SRL	2,874,938	-
Total	96,481,721	86,107,073

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

	December 31, 2019	January 1, 2019
Loans obtained		
Pharmalife Med SRL	145,672	1,226,934
PDR SA	405,205	395,632
Policlinica de Diagnostic Medis SRL	673,308	657,308
Asilife SA	188,428	184,449
Prima Medical SRL	295,334	288,585
Total	1,707,947	2,752,908

22. TAXATION

	December 31, 2019	December 31, 2018
Current income tax expense	1,239,486	1,973,092
Deferred tax expense	567,019	-
Total income tax expense	1,806,505	1,973,092
Profit / (Loss) before tax	6,828,944	6,083,531
Income tax expense calculated at 16%	-	-
Effect of expenses that are not deductible in determining taxable profit	1,239,486	1,973,092
Effect of temporary differences	567,019	-
Income tax expense recognized in profit or loss	1,806,505	1,973,092
Effective tax rate	26.5%	32.4%

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	December 31 2019	Modificări în impozitul amânat	1 January 2019
Deferred tax assets			
Non-current assets	-	-	-
Trade receivables	1,258,534	-	1,258,534
Total deferred tax asset	1,258,534	-	1,258,534
Deferred tax liability			
Deferred tax liability as a result of IFRS 16 application	408,099	408,099	-
Non-current assets new acquisitions	567,019	567,019	-
Revaluation reserve	12,148,926	104,870	12,044,056
Total deferred tax liability	13,124,044	1,079,988	12,044,056
Net deferred tax liability	11,865,511	1,079,988	10,785,523

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

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

Components of deferred tax	December 31, 2018	Change in deferred tax	January 1, 2018
Deferred tax assets			
Non-current assets	-	-	-
Trade receivables	1,258,534	-	1,258,534
Total deferred tax asset	1,258,534	-	1,258,534
Deferred tax liability			
Receivables	-	-	-
Non-current assets	-	-	-
Revaluation reserve	12,044,056	-	12,044,056
Total deferred tax liability	12,044,056	-	12,044,056
Net deferred tax liability	10,785,523	-	10,785,523

The 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.

23. FINANCIAL INSTRUMENTS (IFRS 7)

(a) Capital risk management

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

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 13, cash and cash equivalents disclosed in note 8 and equity, comprising issued capital, reserves and retained earnings as disclosed in notes 14 and 15.

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

(b) Significant accounting policies

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

(c) Financial risk management objectives

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

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

(d) Market risk

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

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

(e) Interest rate risk management

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

(f) Liquidity risk management

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

(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 Company's maximum exposure to credit risk for existing receivables.

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

	2019	1 EUR = 4.7793 RON	Total
	RON	RON	RON
ASSETS			
Cash and cash equivalents	12,854,754	-	12,854,754
Trade receivables	57,944,885	-	57,944,885
Receivables from group companies	74,141,066	10,268,103	84,409,169
Long-term loans to group companies	1,509,118	12,072,552	13,581,670
LIABILITIES			
Trade payables	95,879,220	-	95,879,220
Overdraft	-	9,558,600	9,558,600
Other long term debt	-	6,650,000	6,650,000
Short-Term and Long-Term portions of loans	10,000,000	271,871,506	281,871,506
Short-Term and Long-Term portions of financial leasing	-	79,412,630	79,412,630
Payables to group companies	1,707,947	-	1,707,947

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at 31 December 2018 are as follows:

2018	1 EUR = RON 4.6639	EUR	Total
ASSETS			
Cash and cash equivalents	21,758,563	-	21,758,563
Trade receivables	47,146,208	-	47,146,208
Receivables from group companies	65,123,808	9,791,353	74,915,161
Long-term loans to group companies	188,931	11,002,982	11,191,914
LIABILITIES			
Trade payables	75,848,191	-	75,848,191
Overdraft	-	9,327,799	9,327,799
Short-Term and Long-Term portions of loans	10,000,000	210,294,297	220,294,297
Short-Term and Long-Term portions of financial leasing	-	17,413,548	17,413,548
Payables to group companies	2,754,866	-	2,754,866

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

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

	December 31, 2019	December 31, 2018
Profit or loss	30,628,943	21,624,131

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

The following table details the Company'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 Company can be required to pay, The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
Non-interest bearing instruments					
Trade payables		95,879,220	95,879,220	-	-
Interest bearing instruments					
Overdraft		9,558,600	9,558,600	-	-
Club Loan	EURIBOR / ROBOR + margin	281,871,506	16,434,233	265,437,273	-
Lease contracts		79,412,630	26,879,902	52,532,728	-
Total		466,721,956	148,751,955	317,970,001	-

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

The following table details the Company's remaining contractual maturity for financial liabilities as of January 1, 2019. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay, The table includes both interest and principal cash flows.

	<u>Weighted average effective interest rate</u>	<u>Carrying amount</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
Non-interest bearing instruments					
Trade payables		75,848,191	75,848,191	-	-
Interest bearing instruments					
Overdraft		9,327,799	9,327,799	-	-
Club Loan	EURIBOR / ROBOR + relevant spread %	220,294,297	14,026,810	206,267,487	-
Lease contracts		<u>17,413,548</u>	<u>2,252,331</u>	<u>15,161,217</u>	-
Total		<u>322,883,835</u>	<u>101,455,131</u>	<u>221,428,704</u>	-

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

24. COMMITMENTS AND CONTINGENCIES

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

Club loan related commitments

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 Med Life SA holds insurance policies to cover possible liabilities towards doctors for malpractice as well as insurance contracts related to buildings and medical equipment.

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

BCR issued letters of warranties in the favor of Med Life S,A, in amount of RON 2,631,819, out of which in EUR 404,646 as of December 31, 2019 (December 31, 2018 : RON 2,138,270, out of which 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 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 Company is confident that, if required, they will submit the necessary information in due time to the fiscal authorities. The transactions with related parties and group companies are performed based on the market value principle.

Litigation

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

26. AUDITORS 'FEES

The auditor of the Group is Deloitte Audit SRL.

The fee for the audit of the consolidated financial statements as of December 31, 2019 of the Group prepared in accordance with IFRS as adopted by EU and the individual financial statements as of December 31, 2019 of the Group prepared in accordance with IFRS as adopted by EU of Med Life SA was EUR 91,000, excluding VAT and out of pocket expenses.

The fee for other audit related services performed in 2019 (in accordance with ISAE 3000 and ISAE 3240) was EUR 12,000, excluding VAT.

MED LIFE S.A.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all the amounts are expressed in RON, unless otherwise specified)

27. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

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

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

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

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

Approved by the Board of Directors on the date of March 23, 2020 and signed on behalf of by:

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

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

YEAR ENDED DECEMBER 31, 2019

1. Presentation of the Company

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

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

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

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

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

	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 Occupational SRL	Medical Services	Bucharest, Romania	100%	100%
7	Pharmalife-Med SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
8	Med Life Broker de Asigurare si Reasigurare SRL	Insurance broker	Bucharest, Romania	99%	99%
9	Accipiens SA	Rental activities	Bucharest, Romania	61%	58%
10	Genesys Medical Clinic SRL (indirectly)	Medical services	Bucharest, Romania	61%	58%
11	Bactro SRL (indirectly)	Medical services	Deva, Romania	61%	58%
12	Transilvania Imagistica SA (indirectly)	Medical services	Oradea, Romania	61%	58%
13	Biofarm Farmec SRL (indirectly)	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	58%
14	RUR Medical SA	Medical services	Bucharest, Romania	100%	100%
15	Biotest Med SRL	Medical services	Bucharest, Romania	100%	100%
16	Vital Test SRL	Medical services	Bucharest, Romania	100%	100%
17	Centrul Medical Sama SA	Medical Services	Craiova, Romania	90%	55%
18	Ultratest SA (directly and indirectly)	Medical services	Craiova, Romania	76%	55%
19	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
20	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%

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

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

The Company divides its operations into 4 business lines:

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

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

2. 2019 Developments

2.1. Acquisitions completed in 2019

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

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

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

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

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

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

Acquisition of Rozsakert Medical Center Group, Hungary

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

Acquisition of Badea Medica

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

Acquisition of Onco Team Diagnostic

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

Acquisition of Lotus Hospital

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

Acquisition of Micromedica Medical Center

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

2.2. Organic growth

Inauguration of Floreasca Hyperclinic in Bucharest and Galati Hyperclinic

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

2.3. Expansion Plans of Existing Medical Units

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

3. Credit facilities contracted by the Company

FINANCIAL DEBT

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

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

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

4. Financial Analysis

Analysis of the standalone profit and loss statement

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

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

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

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide services. Med Life SA recorded operating expenses of RON 439,150,017 during 12 months 2019, representing an increase of 8.1%, or RON 32,903,880, as compared to 12 months 2018. The increase is mainly linked to overall business increase.

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

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

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

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

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

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

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

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

5. Main financial ratios of Med Life SA

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

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

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

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

6. Non-financial information

Overview

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

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

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

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

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

Business Model

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

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

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

The largest number of HPP clients in Romania

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

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

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

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

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

Strategy and results

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

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

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

Organic growth

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

People and resources

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

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

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

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

The group invests in human resources programs such as the Life Academy, Good Practice- Nurses School, the Medlife National Conference. These training programs are designed to ensure the professional continuation of its employees, both those in support and administrative staff, as well as those in the medical setting.

As for the relationship with colleagues, the Group provides a safe working environment in which employees are treated fairly and with respect, and the differences between employees are accepted. The Group is committed to providing colleagues with the opportunity to excel and reach their full potential and reward them on a merit basis.

The group does not tolerate any discrimination, intimidation or harassment of colleagues or between them. The group encourages clear and open communication with and between colleagues. They can and must promptly express any concerns about any unethical or illegal behaviour by presenting these concerns to the human resources department within the Group. The Group undertakes to investigate such concerns brought to good faith, maintaining the confidentiality of these steps.

Quality Standards

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

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

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

Health, Safety, Security and Environment

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

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

Equipment and Technology

The Group purchases medical equipment to ensure professionally qualified to the highest standards medical services to every client. These devices include, but are not limited to: optical coherence tomography systems, magnetic resonance imaging equipment, computerized tomography equipment, bone density measuring instruments, imaging and identification systems used in dermatoscopy, measurement equipment hepatic rigidity, laser, vacuum systems to reduce fat deposits by cryolysis (LipoCryo), video capsule endoscopy systems.

Medlife laboratories also feature state-of-the-art equipment such as the Abbot Accelerator A3600 automatic line placed in MedLife Grivita laboratory, the first in Romania and in Eastern Europe. Significantly contributes to increasing the accuracy of analyses, reducing execution time, and better traceability and tracking of each patient's samples.

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

Information Technology

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

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

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

Principles for respecting human rights

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

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

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

Anti-Bribery and Anti-Corruption principles

In accordance with the Articles of Incorporation, all payments made by MedLife to public authorities, in the jurisdictions in which MedLife is operating, are in comply with all applicable legal provisions and are made exclusively for the purpose of ensuring the execution of routine governmental action.

The group has a zero tolerance policy regarding bribery and corruption. Group Policy prohibits promising, offering or paying bribes, as well as requesting, accepting or receiving bribes.

The group also forbids colleagues to accept gifts, hospitality, or gifts that are intended to influence business decisions.

Corporate Social Responsibility

Medlife values include:

- Responsibility: The Medlife Group guides its actions according to what is important to people's lives and health;
- Professionalism: The Medlife Group reunites for 3,000 doctors, professors, lecturers, doctors in medicine who work day by day with dedication and professionalism;
- Innovation: The Medlife Group has a constant concern about methods, technology and organization that will result in better and more effective medical solutions;
- Care and respect: Every patient is important and respected, and everyone's needs are treated with care and attention.

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

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

InfoLine magazine

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

Blood donation campaign

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

Pro-bono cases

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

The MedLive platform

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

Good for the Environment - The Green Project for Romania

The Green project, together with every action taken by MedLife, is the essence of the brand. And this time, besides respecting the promise of a quality medical act and excellence proven to every patient, the campaign is MedLife's desire to get even more involved in the future of new generations.

Therefore, the project requires that for each child born in MedLife's maternity clinics, the company plans to plant a tree in a deforested area of the Fagaras Mountains through the FCC (Conservation Carpathia Foundation).

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

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

1. Corporate Governance

The corporate governance statement

MedLife and its board members comply with the corporate governance regime established by the Companies Law with the following exceptions:

- Because some members of the Board of Directors and some executive managers hold various positions in the administration, management or control bodies in the subsidiaries of the Company, any lending by the Company to such subsidiaries can be considered a loan by the Company to its directors which is prohibited under the Companies Law;
- Because some members of the Board of Directors and some executive managers hold various positions in the administration, management or control bodies in the subsidiaries of the Company and other positions within the Company (e.g. executive managers, legal advisors, employees) there is the possibility of occurrence of conflicts of interests.

Starting with January 4, 2016, a new corporate governance code issued by the Bucharest Stock Exchange has entered into force and is applicable to all issuers of securities traded on the regulated spot market of the Bucharest Stock Exchange.

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

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

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 Committee

The Executive Committee is headed by Mr. Mihail Marcu, member of the Board of Directors and General Manager, Nicolae Marcu, Member of the Board of Directors and Director of Health and Operations, Dorin Preda, member of the Board of Directors and responsible for Finance and Treasury. Under the guidance of the above-mentioned key managers, there is a group of executive managers, many of whom have a solid experience within the Group, which manages functions, business lines and headquarters. These

professionals have a significant degree of independence and freedom in implementing the budgets established for units and business lines. The composition of the Executive Committee is detailed below:

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.

2. Risk exposures

Capital risk

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

The capital structure of the Group consists of debt, which includes borrowings from bank and IFC and also financial leasing, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

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

Financial risk management objectives

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

Market risk

The Group's activities expose it primarily to foreign exchange rate risks. There were no changes in the Group's exposure to market risks or the way they manage and assess their risk.

Foreign exchange rate risk

The Group operates and carries out transactions denominated in various currencies. The management analyses the exposure to currency risk and takes the necessary measures to protect itself.

Interest rate risk

The management of the Group analyses the financial costs of borrowing from banks and financial leasing and takes the necessary measures to protect itself against interest rate risk.

Credit risk

The financial assets that might expose the Group to a credit risk concentration mainly consist of receivables (trade receivables and similar receivables). Given the large number of clients of the Group, credit risk is rather limited.

The Group has also developed certain procedures to assess legal entities as customers prior to signing contracts, aimed at providing preventive and prophylactic health care packages (PPMs) and monitoring their ability to meet the payments during the course of contracts.

Liquidity risk/ cash flow risk

The Group's policy is to maintain sufficient liquidities to pay for its obligations when such become due.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has set up an appropriate liquidity risk management framework to manage short, medium and long-term funding requirements and liquidity management.

The Group manages liquidity risk by maintaining reserves, continuously monitoring the estimated and effective cash flows and reconciling the maturities of financial assets and liabilities.

Fiscal environment

The taxation system in Romania is still developing and is subject to various interpretations and constant changes, which may sometimes be retroactive. Although the actual tax due for a transaction may be minimum, delay interests may be significant, as they can be calculated at the value of the transaction and at a rate of 0.02% per day (interest) and 0.01% (penalties) per day in 2019.

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

Transfer pricing

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

management's assessment and, as a result, they may impose additional fiscal obligations as a result of adjusting transfer prices. The management of the Group is confident that, if required, they will submit the necessary information in due time to the fiscal authorities. The transactions with related parties and group companies are performed based on the market value principle.

Litigation

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

7. Subsequent events

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

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

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

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

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

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

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

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

Administrators

Declaration of management of MedLife SA

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

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

**THE STATE OF CONFORMITY WITH THE CORPOARTE GOVERNANCE CODE OF BVB
VALID ON THE DATE OF PUBLISHING THE HEREBY REPORT FOR THE COMPANY
MED LIFE S.A.
(hereby referred to as the “Company”)**

SECTION A. RESPONSIBILITIES

Provisions to be complied with:

1.All companies should have an internal regulation of the Board that includes the reference terms/responsibilities of the Board and the key management positions of the company and that applies, among others, the General principles in the hereby Section of the BVB Corporate Governance Code.

MedLife Corporate Governance Statute adopted and published on the Company's website on February 28, 2017 (Investor Relations section, Corporate Governance subsection, Corporate Governance Documents), is based on the provisions of the Company's Articles of Association, updated with the Board of Directors Decisions (hereinafter referred to as “BD”) of November 21 and December 21, 2016, which establishes the responsibilities of the BD and those of the Executive Committee (the Articles of Association are also published on the Company's website at Investor Relations section, Corporate Governance subsection, Constitutive Act).

MedLife is administered in a unitary system by the BD consisting of 7 members appointed by the ordinary GMS for a term of 4 years, with the possibility of being re-elected. The BD is responsible for the management of the Company, acting in the interest of the Company and protecting the general interests of its shareholders by ensuring a sustainable development of the Company. According to the Articles of Association, the BD is responsible for all useful and necessary acts in order to fulfill the object of activity of MedLife, including the administration of MedLife subsidiaries or investments, except for the attributions that are by law assigned to the GMS.

The BD approved the Internal Regulations of the BD on February 28, 2017. This document is an internal document. Also, the BD approved and published on February 28, 2017 on the Company's website a Code of Ethics and Conduct, a code referred to in the Company's Corporate Governance Statute and which establishes standards of conduct that must be adhered to within MedLife and its subsidiaries at all levels:

directors, executives, managers, employees, suppliers and subcontractors or consultants, whether they are employed permanently or temporarily.

2. Provisions to handle conflicts of interests should be included in the Board's Internal Regulation. In any case, the members of the Board must notify the Board of any conflicts of interest which have arisen or may arise and refrain from participating in discussions (including by non-attendance, unless non-attendance would prevent the formation of a quorum) and to vote on a decision on the matter giving rise to the conflict of interests.

The members of the Board of Directors have, according to the law, duties of diligence and loyalty to the Company, provided in the Articles of Association of the Company and in the Internal Regulations of the BD. Provisions for the management of conflicts of interest can be found both in the Code of Ethics and Conduct, and in the Internal Regulations of the BD mentioned above.

3. The Board of directors must comprise at least five members.

The BD of the Company consists of 7 members elected by the Ordinary GMS, in accordance with the provisions of the Articles of Association of the Company.

4. The majority of the Board of directors' members should not have an executive position.

In case of companies of the Premium Category, no less than two non-executive members of the Board of Directors have to be independent. Each independent member of the Board of directors has to file a statement at the moment of their nomination in view of election or re-election, as well as when any change in their status occurs, indicating the elements based on which they are considered to be independent from the perspective of their character and judgement and according to the criteria of the Corporate Governance Code of BVB.

MedLife meets this requirement. According to the Articles of Association of the Company, the majority of the members of the BD are non-executive (4 members out of 7). On the occasion of each (re) appointment of a member of the BD, the Company performs an assessment of the independence of members based on the independence criteria provided by the Corporate Governance Code (which are essentially similar to those provided by the Companies Law). In 2019 there were two independent board members.

5. Other commitments and relatively permanent professional obligations of a member of the Board, including executive and non-executive offices in the Board of non-profit companies and institutions, shall be revealed to the shareholders and potential investors prior to nomination and in the course of their mandate.

The biographies of the BD members are published on the Company's website, each member having the responsibility to keep their professional biography up to date.

6. Any member of the Board must present to the Board information on any report with a shareholder that holds directly or indirectly, shares representing over 5% of all voting rights.

MedLife meets this requirement. The members of the BD have, according to the law, duties of diligence and loyalty to the Company, provided both in the Articles of Association of the Company and in the Internal Regulations of the BD. The company has implemented internal regulations on how to address situations of conflict of interest. There are professional relations between the members of the Board and the Chairman of the Board, who holds more than 5% of the voting rights, but these do not affect and have not affected the position of the board members regarding issues decided by the Board.

7. The company shall assign a secretary of the Board responsible with supporting the activity of the Board.

MedLife fulfils this requirement. The company has a General Secretary, a lawyer by profession, that reports, from a functional perspective, towards the BD.

8. The statement on corporate governance shall inform whether there has been an evaluation of the BD under the leadership of the president or of the nominating committee and, in case so, shall brief the key measures and resulting changes. The company should have a policy / guide regarding evaluation of the Board comprising the purpose, criteria and frequency of the evaluation process.

MedLife meets this requirement. The company has a self-assessment guide that sets out the purpose, criteria and frequency of such assessment. This guide is an internal document. The CA performs an annual self-assessment process. As a consequence, the members of the BD went through a process of self-evaluation for the activity within the year 2019. Following the BOD evaluation process, no key measures or changes were made.

9. The Statement on corporate governance shall contain information on the number of meetings of the BOD and of the committees, in the course of the last year, the attendance of the directors (in person and in absence) and a report of the BD and of the committees, regarding their activities.

The Company's Executive Committee meets regularly (at least once every two weeks, but usually once a week), and the BD meets whenever necessary, but at least once every three months. In 2019, 6 Board meetings and 4 meetings of the Audit Committee took place. More details on committee meetings are included in the Board Report and the Corporate Governance Report.

10. The Statement regarding corporate governance must include information regarding the exact number of independent members of the Board of directors.

Out of the 4 non-executive members of the BOD, a number of 2 members are independent.

11. The Board of directors from the Premium Category shall establish a nomination committee, formed from non-executive members, that shall lead the procedure to nominate new members in the BOD and shall make recommendations to the BOD regarding appointment and revocation of the General Manager and of the management team, the Majority of the members of the nominating committee should be independent.

MedLife partially meets this requirement. The members of the Board of Directors are appointed by the Ordinary GMS, based on a transparent proposal procedure and with a majority of shareholders' votes, as stipulated in the Articles of Association of the Company and by the applicable laws. Prior to the Ordinary GMS, their CVs are available for consultation by shareholders. Shareholders can supplement the list of candidates for the position of board member. The members of the Executive Committee are appointed by the decision of the Board of Directors with the majority of votes, according to the Articles of Association of the Company. On February 28, 2017, the Nominating Committee was established by the Board of Directors and is composed of 2 non-executive and independent members of the Board of Directors and one member of the Executive Committee. The composition of this Committee is published on the company's website, Investor Relations section, Corporate Governance subsection, Consultative Committees. The main role of the Nominating Committee is to make recommendations on the nomination of candidates for appointment to the Board.

Section B

Risk management and internal controlling system

1. The Board shall establish an audit committee, in which at least one member shall be an independent non-executive director. The majority of members, including the president, shall be proven as having the relevant adequate qualification for the committee's functions and responsibilities. At least one member of the audit committee shall have the proven and appropriate audit or accounting experience. In case of companies from the Premium Category, the audit committee shall be formed of at least three members and the majority of the members of the audit committee shall be independent.

MedLife meets this requirement. MedLife's Articles of Incorporation, in conjunction with the Corporate Governance Statute, provide for the existence of the Audit Committee, its structure, as well as its responsibilities. The committee consists of 3 non-executive members, of which 2 are independent. The BD approved the Regulation of this committee.

2. The president of the audit committee shall be an independent non-executive member.

In 2017, the Board of Directors elected as chairman of the Audit Committee Mr. Marius Leonard Gherghina, independent non-executive board member.

3. Within its responsibilities, the audit committee shall perform an annual evaluation of the internal control system.

4. The evaluation shall consider the efficiency and inclusion of the internal audit function, the degree of adequacy of risk management and internal control reports presented by the audit committee of the Board, the expediency and efficiency with which the executive leadership solves deficiencies or weaknesses identified pursuant to internal control and the presentation of relevant reports to the attention of the Board.

5. The Audit Committee shall evaluate conflicts of interests in connection to the companies' transactions and those of its subsidiaries with affiliated parties.

6. The Audit Committee shall evaluate the efficiency of the internal control system and of the risk management system.

7. The Audit Committee shall monitor application of legal standards and of generally accepted internal audit standards. The Audit Committee shall receive and evaluate the reports of the internal audit team.

The BD set up an Audit Committee and approved its Regulation. The audit committee has mainly the following responsibilities:

- to examine and review the individual and consolidated annual financial statements and the profit distribution proposal;
- to carry out annual evaluations of the internal control system;
- to evaluate the effectiveness of the internal control system and the risk management system;
- to monitor the application of generally accepted legal standards and internal audit standards;
- to assess conflicts of interest in related party transactions;
- to analyze and review transactions with related parties that exceed or can be expected to exceed 5% of the company's net assets in the previous financial year;
- to make recommendations to the BD

The Internal Audit Department assessed the effectiveness of the internal control system for MedLife at the time of this report, and currently provides consultancy in order to increase the effectiveness of this system. The evaluation report for 2019 was presented to and discussed by the members of the Audit Committee.

8. Anytime the Code mentions reports or analyses initiated by the Audit Committee, these shall be followed by periodic reportings (at least annual) or ad-hoc that shall be subsequently forwarded to the BOD.

The Audit Committee periodically sends to the BD reports on the specific issues assigned to it, as appropriate.

9. None of the shareholders may be granted preferential treatment with respect to other shareholders, in connection to transactions and agreements concluded by the company with shareholders and their affiliates.

MedLife meets this requirement. The Company adopted a Code of Ethics and Conduct on February 28, 2017, which is available on the Company's website. The company applies equal treatment to all its shareholders.

10. The Board shall adopt a policy by which to insure that any transaction of the company, with any of the companies with which it has close relations, the value of which is equal to or higher than 5% of the net assets of the company (as per the latest financial report) is approved by the BOD, pursuant to a mandatory opinion of the audit committee and correctly revealed to the shareholders and potential investors.

to the extent in which these transactions fall under the category of events that make the object of reporting requirements.

The Company has implemented an internal Related Party Transaction Policy, which sets out the key principles for reviewing, approving and disclosing related party transactions, in accordance with applicable regulations and the Company's corporate documents, including that the Company's related party transactions exceed or it is estimated that they may exceed, individually or in aggregate, an annual value of 5% of the Company's net assets in the previous financial year, must be approved by the Board following their approval by the Executive Committee and based on the opinion of the Audit Committee.

The Company also periodically submits reports on related party transactions to the Financial Supervisory Authority and the Bucharest Stock Exchange. These reports are reviewed semi-annually by the independent financial auditor in accordance with the relevant legislation in force.

11. Internal audit shall be performed by a structurally separate division (internal audit department) within the company or by hiring an independent third-party entity.

The internal audit is performed by a separate division within the Company, respectively by the Internal Audit Department.

12. In order to insure fulfilling the main functions of the internal audit department, the latter shall report, from a functional standpoint, towards the BD, by means of the Audit Committee. For administrative purposes and within the leadership's obligations to monitor and reduce risks, the former shall report directly to the General Manager.

The Internal Audit Department reports to the BD from a functional standpoint, by means of the Audit Committee, and administratively, towards the General Manager.

Section C. Appropriate reward and incentive

1. The company shall publish on its internet webpage the remuneration policy and shall include, in the annual report, a statement regarding the implementation of the remuneration policy within the course of the annual period that is object of the analysis.

The remuneration policy shall be drafted such that it allows shareholders to understand the principles and arguments that form the basis of the remuneration for members of the BOD and of the General Manager, as well as of members of the Directorate, in a dualist system. The former shall describe the method of process management and decision making regarding remuneration, shall detail the component of remuneration of the executive leadership (such as salaries, annual bonuses, long term incentives related connected to the value of shares, benefits in kind, pensions and others) and to describe the purpose, principles and assumptions that underline the base of each component (including the general performance criteria subsequent to each variable remuneration form). Furthermore, the remuneration policy shall specify the duration of the contract for the executive manager and the period of prior notice provided in the agreement, as well as any compensation for revocation without just cause.

The report regarding remuneration shall present implementation of the remuneration policy for individuals identified in the remuneration policy, in the course of the annual period that is object of the analysis.

Any essential change arisen in the remuneration policy shall be published in due time on the company's webpage.

MedLife does not meet this requirement at the date of this report. The company does not have a remuneration policy in place. However, the amount of the remuneration of the members of the BD 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 Ordinary GMS. The development of a remuneration policy is currently being considered.

Section D Adding value by investor relations

D1. The company shall organise a service of Investor Relations – indicating to the general public the individual/individuals responsible or the organization unit. Outside of the mandatory information as per legal provisions, the company shall include on its webpage a section dedicated to Investor Relations, in Romanian and English language, with all the relevant information of interest to investors, including:

D.1.1. The main corporate regulations: constitutive document, procedures regarding general meetings of the shareholders;

D.1.2. Professional resumes of the members of the company's leadership bodies, other professional commitments of the members of the Board, including executive and non-executive offices in boards of directors in companies or non-profit institutions;

D.1.3. Current reports and periodical reports (quarterly, semestrial and annual);

D.1.4. Information regarding the general meetings of the shareholders;

D.1.5. Information regarding corporate events;

D.1.6. Names and contact details of an individual that may provide relevant information, on demand;

D.1.7. Company presentations (such as presentations for investors, presentations on quarterly results etc.), financial statements (quarterly, semestrial, annual), audit reports and annual reports.

The company has both a department dedicated to Investor Relations, which can be contacted at the email address investors@medlife.ro, and a section dedicated to investor relations on its website, both in Romanian ([www.medlife.ro/relatia -with-investors](http://www.medlife.ro/relatia-with-investors)), as well as in English (www.medlifeinternational.com/investor-relations). This section contains all relevant information of interest to investors and shareholders, including the above.

D2. The company shall have a policy regarding annual distribution of dividends or other benefits towards the shareholders, proposed by the General Manager or by the Executive Committee and adopted by the BOD, under the form of a set of guidelines which the company intends to follow regarding distribution of the net profit. The principles of annual distribution policy towards the shareholders shall be published on the company's webpage.

The objective of the Board of Directors is to create value for the Company's shareholders. Thus, the Board of Directors, focused on the continuous expansion of the Group's profitability for the benefit of shareholders, proposes not to distribute dividends to shareholders, as long as the Group's growth rate is in line with historical evolution.

The Company's Dividend Policy is detailed in the Annual Report.

D3. The company shall adopt a policy in connection to the forecasts, whether they are made public or nor. The forecasts refer to quantified conclusions of studies targeting stability of the global impact of a number of factors regarding a future period (so-called hypotheses). By its nature, such projection holds a high level of uncertainty, as the actual results may vary significantly from the initially presented forecasts. The policy regarding forecasts shall establish the frequency, considered period and content of forecasts. If published, forecasts may be included only in the annual, semestrial or quarterly reports. The policy regarding forecasts shall be published on the company's webpage.

The Company has implemented a Forecast policy, which is published on its website, in the Investor Relations section, Corporate Governance subsection, Corporate Governance Documents.

D4. Rules of the general meetings of the shareholders shall not limit participation of shareholders to the general meetings and exercise of their rights. Amendments of rules shall enter into effect, at the earliest, starting with the following meeting of the shareholders.

The rules of the general meeting of the shareholders are mentioned in each summoning notice, published as per legal requirements, at least 30 days before each meeting. The rules for organizing general meetings are included in the Procedure for organizing and holding General Shareholders' Meetings, published on the company's website, in the Investor Relations section, Corporate Governance subsection, Corporate Governance Documents.

D5. External auditors shall be present at the general meeting of the shareholders when their reports are presented within the respective meetings.

Independent external financial auditors usually participate in the Ordinary GMS in which the individual and consolidated annual financial statements are submitted for approval, and their reports are presented. In the current epidemiological context, the presence at the GMS was kept to a minimum, at the GMS participating the Chairman of the Board and the technical secretaries of the meeting.

D6. The Board shall present to the annual general meeting of the shareholders a brief evaluation on the internal control and significant risks management systems, as well as opinions on matters subjected to the decision of the general meeting.

The company meets this requirement. The individual and consolidated annual financial statements present a brief assessment of the internal control and significant risk management systems and are subject to the approval of the GMS at least 30 days before the date of the GMS meeting.

D7. Any specialist, consultant, expert or financial analyst may attend the meeting of the shareholders, based on a prior invitation by the BOD. Accredited journalists may also attend the general meeting of the shareholders, with the approval of the President of the BOD.

The company meets this requirement. Any specialist, consultant, expert or financial analyst can participate in the GMS based on a prior invitation from the Board. Accredited journalists may also participate in the GMS, unless the Chairman of the Board decides otherwise. These provisions are included in the Procedure for organizing and holding General Shareholders' Meetings, published on the company's website, in the Investor Relations section, Corporate Governance subsection, Corporate Governance Documents.

D8. Quarterly and semestrial financial reports shall include information both in Romanian, as well as in English, regarding key factors that influence amendments at the level of sales, of operational profit, net profit and of other relevant financial indicators, both from one quarter to another, as well as from one year to another.

The company meets this requirement. The quarterly and half-yearly financial reports include information in both Romanian and English on key factors that determine changes in sales, operating profit, net profit and other relevant financial indicators, both on a quarterly on quarterly basis, as well as from one year to another.

D9. A company shall organize at least two hearings / teleconferences with analysts and investors every year. The information presented on such occasions shall be published in the section investor relations of the company's webpage on the date of the hearings / teleconferences.

MedLife meets this requirement. The company organizes quarterly teleconferences with analysts and investors to present financial results. The presentations made during the teleconferences are published on the company's website.

D10. In case a company supports various forms of artistic and cultural expression, sporting activities, educational or scientific activities and considers that their impact on the company's innovating nature and its competitiveness are part of its development mission and strategy, it shall publish the policy regarding its activity in such field.

The Company carries out various activities related to education, social responsibility, environment and governance, supporting the local communities in which the Company operates. More information is presented in the Board of Directors' Report, as part of the Company's non-financial statement. Also, the Company has implemented a social responsibility code, which can be found on the company's website, in the Investor Relations section, Corporate Governance subsection, Corporate Governance Documents.