

# Annual Report 2021



SISTEMUL MEDICAL  
**MedLife**



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# MEDLIFE GROUP IN FIGURES

## Consolidated Statement of Financial Position

RON	31-Dec-2021
Non-current assets	1,034,769,069
Current assets	382,833,158
<b>TOTAL ASSETS</b>	<b>1,417,602,227</b>
Current liabilities	414,565,928
Long term liabilities	598,072,124
Deferred tax liability	23,559,617
<b>TOTAL LIABILITIES</b>	<b>1,036,197,669</b>
Equity attributable to owners of the Group	338,109,409
Non-controlling interests	43,295,149
<b>TOTAL EQUITY</b>	<b>381,404,558</b>

## Pro-Forma Consolidated Statement of Profit and Loss

RON	2021
Revenue from contracts with customers	1,628,072,371
Other operating revenues	14,459,229
<b>OPERATING INCOME</b>	<b>1,642,531,600</b>
<b>OPERATING EXPENSES</b>	<b>(1,459,836,508)</b>
<b>OPERATING PROFIT</b>	<b>182,695,092</b>
<b>FINANCIAL RESULT</b>	<b>(40,645,799)</b>
<b>RESULT BEFORE TAXES</b>	<b>142,049,294</b>
Income tax expense	(23,586,065)
<b>NET RESULT</b>	<b>118,463,228</b>

## Operational data for 2021 financial year

Description	2021
Clinics visits	2,279,580
Stomatology visits	154,358
Laboratory analyses	8,541,036
Health Prevention Packages	742,739
Hospitals patients	100,230
Pharmacies transactions	361,236



## MIHAIL MARCU

### Chairman of the Board of Directors and Chief Executive Officer MedLife Group

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Dear shareholders,

2021 was marked by a dynamic expansion through acquisitions, while investments were directed towards major strategic objectives aimed at research, strengthening the area of oncology and radiotherapy, pharmacies division, amplifying the process of digitization and territorial expansion.

At the level of transactions, in 2021, besides Neolife, 4 other important partners joined MedLife Group, with the aim of consolidating the pharmacies division: CED Pharma, Leti Farm, Monix Pharm and Pharmachem Distribution.

In this second year of the pandemic we have combined our efforts to provide support for the authorities, rapid interventions for chronic and acute patients- in the context of limiting activity in state hospitals, intense activity in the clinics division for the monitoring of chronic pathologies and of patients who went through Covid. In addition, we supported the corporate segment by providing support to employers to conduct their business safely during the pandemic.

We can say that we have reached a level of maturity which confirms that MedLife is a sustainable and replicable business model, a performance recognized also by the inclusion of the company in the FTSE Russell indices. Overall, we are in an accelerated development pattern, well above the local private healthcare market.

In terms of trends, 2022 will be a year of transformation, consolidation and development. Transformation - because we will continue to accelerate innovation and digitization. Consolidation - from the perspective of ensuring a national network of medical units that provide equitable access to medical services, from education, prevention to treatment. Development - for shaping a more sustainable future for the medical system. In this context, we will invest in large projects - regional hospitals, radiotherapy network or mobile medical units. We believe a lot in the perspective of medical services that follow the patient / community, implicitly their needs and not the other way around.

Moreover, our concerns this year are focused on areas related to sustainability, as MedLife has made a long-term commitment to "Getting Romania well", and this will not be limited to the medical field only. For more than 10 years, MedLife has transformed its strategic approach, migrating from individual physical and mental health to an approach aimed at national wellbeing. A long-term intervention and investment, with concrete benefits at social level, for the environment and for a sustainable business, marked by good governance.

We will continue at the same sustained pace.

**Mihail Marcu**  
**President and CEO of MedLife Group**

# Significant events in the past twelve months 2021

In 2021, MedLife Group increased its participation in certain subsidiary companies, and also completed the acquisition of the following companies:

- 10% additional acquisition of non-controlling interest in Centrul Medical Panduri SA in June 2021;
- 29% additional acquisition of non-controlling interest in Dentist 4 Kids SRL (indirect control) in June 2021;
- 31% indirect control in the newly established company Dent Estet Ploiesti SA through organic development;
- 36% (indirect %) acquisition of shares in KronDent SRL; the control was obtained in December 2020 and the company was consolidated starting with January 2021;
- 100% acquisition of shares in Centrul Medical Matei Basarab SRL; the control was obtained in February 2021 and the company was consolidated starting with March 2021;
- 60% acquisition of shares in Medica SA; the control was obtained in April 2021 and the company was consolidated starting with May 2021;
- 100% acquisition of shares in CED Pharma Group of companies; the control was obtained in June 2021 and the group of 3 companies was consolidated starting with July 2021;
- 75% acquisition of shares in Pharmachem Distributie SRL; the control was obtained in July 2021 and the company was consolidated starting with August 2021;
- 36% (indirect %) acquisition of shares in Stomestet Group; the control was obtained in October 2021 and the group of 3 companies was consolidated starting with November 2021;
- 36% (indirect %) acquisition of shares in Costea Digital Dental (Oradent); the control was obtained in November 2021 and the company was consolidated starting with December 2021;
- 50% acquisition of shares in Neolife Medical Center Romania in October 2021; the acquisition was finalized in 2022 with the approval of the Competition Council and will be consolidated starting with 2022;
- 76% acquisition of shares in Expert Med Centrul Medical Irina in December 2021; the acquisition was finalized in 2022 and will be consolidated starting with 2022.

## **Additional acquisition of non-controlling interest**

### ***Increased participation in Panduri Medical Center***

In June 2021 MedLife SA completed an increase by 10% in Panduri Medical Center shareholding, marking the full acquisition of the package of shares. The majority stake of 90% was acquired 5 years ago, now the shareholding being completed up to 100%.

### ***Increased participation in Dentist 4 Kids SRL***

In June 2021 Dent Estet Clinic, part of MedLife Group, completed the acquisition of the entire package of shares of the dental clinic located in Timisoara (an increase from 52% to 100%).

Acquisition of subsidiaries

## **Organic growth**

- Dent Estet Clinic, part of the Group, founded a new company, Dent Estet Ploiesti SA with 51% participation;
- Opening of new hyper clinic in Sibiu following an investment of over 2.5 million EUR. The hyper clinic provides integrated medical services, focused on four areas of excellence: pediatrics, diabetes, breast health and medical recovery.

## **Acquisition of subsidiaries**

### ***Acquisition of KronDent SRL***

In December 2020, Dent Estet Clinic, part of MedLife Group, completed the acquisition for the majority stake of 60% of the shares of KronDent S.R.L, a periodontology-implantology and dentistry clinic, located in Brasov. KronDent S.R.L has been operating on the dental services market in Braşov since 2008.

### ***Acquisition of Matei Basarab Medical Center***

In February 2021, Anima Speciality Medical Services SRL, part of MedLife Group, completed the transaction for the acquisition of the entire shareholding package of Veridia Medical Center in Bucharest, known also as Basarab Medical Center. Veridia Medical Center has been operating on the private medical services market for 17 years. It started its activity with a medical analysis laboratory and later on consolidated its position by developing a large medical center that incorporates 20 medical offices and which provides specialized medical services, from general practitioner services, to consultations on different specialties, paraclinical investigations, treatments and minor surgeries. The center also includes four sampling points and since September 2020 it also includes a molecular biology laboratory for SARS-CoV-2 testing.

### ***Acquisition of Medica Sibiu***

In April 2021 Med Life SA completed the transaction for the acquisition of the majority stake of 60% in Medica Sibiu, one of the important providers of private medical services in Sibiu County. Medica Sibiu has been operating on the private medical services market since 2001 and consists of a large outpatient unit, a medical analysis laboratory and an occupational healthcare center. In addition, Medica Sibiu is one of the providers under contract with Sibiu County Health Insurance House (CJAS), covering a wide range of laboratory tests and medical consultations, for specialties such as endocrinology, internal medicine, neurology, psychiatry, clinical psychology.

### ***Acquisition of CED Pharma Group of companies***

In June 2021, Pharmalife Med SRL, part of MedLife Group, completed the acquisition of the full shareholding package of CED Pharma group of companies (CED Pharma SRL, Monix Pharm SRL and Leti Pharm 2000 SRL), the transaction being approved by the Competition Council. CED Pharma Group consists of 6 pharmacies, all located in Bucharest. The new pharmacies are located inside some hospital units and ensures continuity for the development strategy of the Group on the pharma segment, which is based on the interdependence between medical units and pharmacies.

### ***Acquisition of Pharmachem Distribuție SRL***

In July 2021 Med Life SA completed the acquisition of the majority stake of 75% of the distribution company Pharmachem Distribuție SRL, the transaction being approved by the Competition Council. It is one of the largest acquisitions performed by the Group in recent years. Pharmachem has been operating on the pharmaceutical distribution services market for 16 years, being an important player, with a network of warehouses in Bucharest and throughout the country.

### ***Acquisition of Stomestet Group of companies***

In October 2021, Dent Estet Clinic, part of MedLife Group, completed the acquisition of the majority stake of 60% of the shares in Stomestet Group (Stomestet SRL, Stomestet Plus SRL, The Lab Stomestet SRL). Stomestet Group, located in Cluj-Napoca, is one of the most performant private dental clinics from Transylvania and a recognized educational centre for future dental practitioners and specialists, organizing medical residency program, dedicated courses and conferences. Stomestet was founded in 2001 by two Romanian dental medical leaders, Assoc. Prof. Dr. Smaranda Buduru and Dr. Rares Buduru.

***Acquisition of Costea Digital Dental (Oradent)***

In November 2021, Dent Estet Clinic, part of the Group, completed the acquisition of the majority stake of 60% of the shares in Oradent clinic. With over 20 years of experience in general dentistry, 14 years in implantology and 10 years in dental aesthetics, the clinic from Oradea offers patients a full range of premium dental services (orthodontics, implantology, dental aesthetics, dental treatments for children and adults) and has its own digital dental radiology laboratory.

***Acquisition of Neolife Medical Center Romania***

In October 2021, MedLife announced the acquisition of 50% shares in Neolife Romania oncology centers, one of the most important players on the oncology segment in Romania and a reference name in Eastern Europe. Neolife Oncology Center Romania has been operating on the Romanian private healthcare market since 2014 when it successfully launched the first oncology center in Bucharest, providing diagnostic and treatment services. Neolife Medical Center Bucharest (Baneasa) is mainly equipped with two highly competitive Varian linear accelerators for Radiotherapy and Radiosurgery, a Brachytherapy system, a strong Nuclear Medicine department (PET-CT and Scintigraphy) and a high performance Chemotherapy section.

In 2016, the 2nd Neolife Oncology Center was opened in Iasi, offering the same range of diagnosis and treatment services. Three years later the 3rd center, Neolife Medical Center Brasov, the first nuclear medicine center (PET-CT) in Brasov was opened. Neolife opened its 4th Oncology Diagnostic and Treatment Center mid-2021, located in Enayati Medical City in Bucharest. In this center patients have access to PET-CT diagnosis and oncological radiotherapy treatment with Varian's innovative new and powerful platform, Halcyon 3.0.

Neolife Medical Center Romania acquisition has been approved by the Competition Council and the acquisition was finalized in February 2022. The Company will be consolidated starting with 2022.

***Acquisition of Expert Med Central Medical Irina***

In December 2021, Anima Speciality Medical Services SRL, part of the Group, announced the acquisition of the majority stake of 76% in Expert Med Central Medical Irina, the largest independent player on the private medical services market in Galați. Central Medical Irina was launched in 1999, with over 22 years of experience on the private medical services market. The company will be consolidated starting with 2022.

## MedLife Group commitment

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MedLife Group is 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, hospitals, laboratories, pharmacies, imaging, stomatology and healthcare prevention packages.

To your benefit, we bring the experience of our over 27 years of activity (considering the companies consolidated within Medlife Group) 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.

## GROUP PRESENTATION

MedLife Group is the largest private healthcare provider in Romania. The Group holds leadership position 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 providers in Central and Eastern Europe, based on the sales criterion, according to the Group’s review of public data.

MedLife 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 22 pharmacies in or near own outpatient units, but also next to state owned medical units.

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 60 medical facilities (including pharmacies) in Bucharest, making it the largest private healthcare network in the city, and a further 100 medical

facilities in the rest of Romania including in cities such as Arad, Craiova, Ploiești, Cluj Napoca, Brașov, Galați, Iași, Bacau, 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, with more than 3,000 doctors and 2,000 nurses as of 31 December 2021. 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 Group’s 27 years of activity on the Romanian healthcare services market, over 5.5 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 2021:

- 32 hyperclinics ;
- 48 clinics ;
- 10 hospitals;
- 34 laboratories;
- Approx. 180 sampling points;
- 17 dental offices;
- 22 pharmacies.



## Business Model

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

The Group divides its operations into six business lines:

**Corporate:** The Corporate business line offers HPPs (health prevention packages) to corporate clients as part of their employee benefit packages. These programs, 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 the Group as the Standard HPP. The Group has a portfolio of over 740,000 HPPs patients from over 5,000 different companies.

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

**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, while some of the clinics also offer day-inpatient services. The Group's clinics provide a wide range of services delivered mainly in two formats:

- Hyper clinics, a format pioneered by the Group in Romania, consisting of large facilities with more than 20 medical offices and surface areas of more than 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 inhabitants. Hyper clinics would usually include on site a broad range of imaging services such as radiology, bone density – DEXA,

CT, MRI, 2D-4D ultrasounds and Mammography; in the case of new openings, such services may be included in the hyper clinics' offering gradually. Hyper clinic locations also host the services of other business lines, such as sampling points for laboratories or pharmacies.

- 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, but also FFS patients and patients opting for services subsidized by the National Health Insurance House. 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 hyper 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 8.5 million laboratory analyzes were performed in 2021. As at December 31, 2021, the Group processed the samples taken in 34 laboratories and operated approximately 180 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 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 licenses 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 hyper clinics located in Iași, Craiova and Timișoara. The Hospitals business line derives its revenue predominantly from FFS patients. Treatment of State insured patients by the NHH, generally relates to maternity, gynecology, cardiology and oncology.

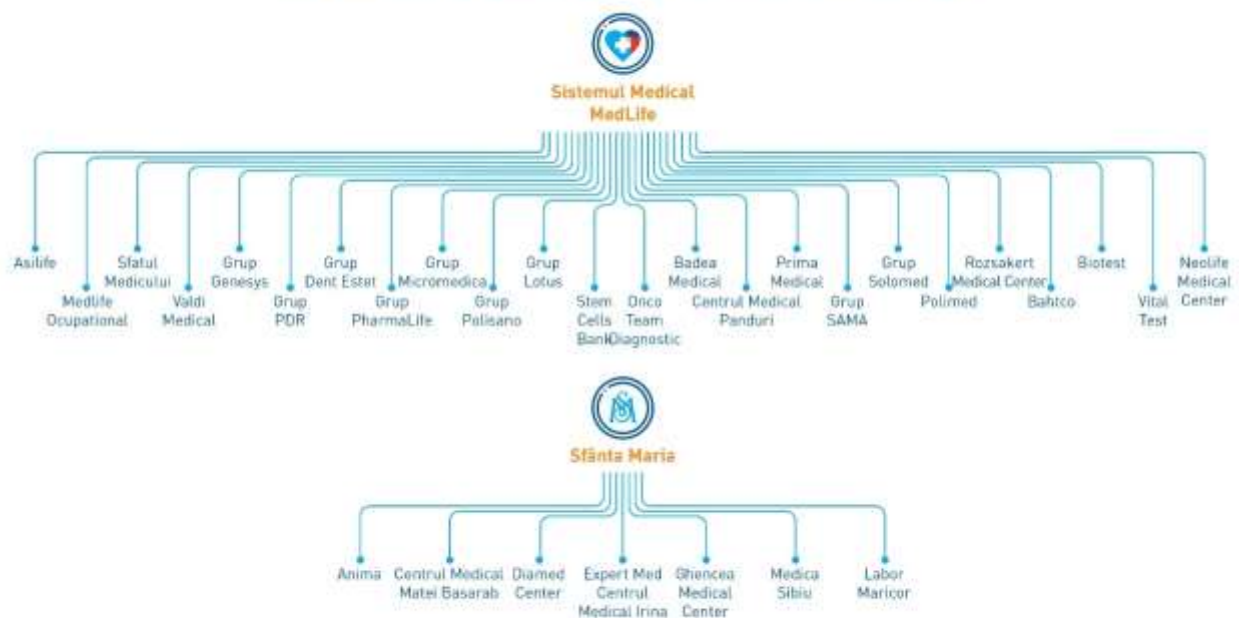
**Pharmacies:** The Pharmacies business line offers prescription, over the counter and other related medical products in 22 pharmacies belonging to the Group as at 31 December 2021.

**Stomatology:** The Stomatology business line provides a wide range of dental services from simple check-ups to complicated surgeries. As at 31 December 2021, the 17 dental offices in operation included 4 clinics focused on children in Timisoara, Bucharest and Sibiu, a clinic focused on teens, and 12 clinics for adults.

## MedLife Group structure as at 31 December 2021

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

### MedLife Group Organization Chart



MedLife Group integrates 63 companies, being the largest private medical operator in Romania. With national and international presence, 27 years of activity, over 5 million happy patients.

No.	Entity	Main activity	Location	December, 31 2021	January, 1 2021
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	83.01%	83.01%
2	Medapt SRL (indirect)**	Medical Services	Brasov, Romania	83.01%	83.01%
3	Histo SRL (indirect)**	Medical Services	Brasov, Romania	49.81%	49.81%
4	Policlinica de Diagnostic Rapid Medis SRL (indirect)**	Medical Services	Sfantu Gheorghe, Romania	66.41%	66.41%
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	73%	73%
10	Genesys Medical Clinic SRL (indirect)**	Medical Services	Bucharest, Romania	73%	73%
11	Bactro SRL (indirect)**	Medical Services	Deva, Romania	73%	73%
12	Transilvania Imagistica SA (indirect)**	Medical Services	Oradea, Romania	73%	73%
13	Biofarm Farmec SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
14	RUR Medical SA (indirect)**	Medical Services	Bucharest, Romania	83.01%	83.01%
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%	90%
18	Ultratest SA (direct si indirect)**	Medical Services	Craiova, Romania	76%	76%
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	60%	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	100%	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%
35	Solomed Plus SRL (indirect)**	Medical Services	Pitesti, Romania	80%	80%

No.	Entity	Main activity	Location	December, 31 2021	January, 1 2021
36	Ghencea Medical Center SA	Medical Services	Bucharest, Romania	100%	100%
37	Sfatul medicului SRL	Medical Platform	Bucharest, Romania	100%	100%
38	RMC Dentart (indirect)**	Dental healthcare	Budapest, Hungary	51%	51%
39	RMC Medical (indirect)**	Medical Services	Budapest, Hungary	51%	51%
40	RMC Medlife	Holding	Budapest, Hungary	51%	51%
41	Badea Medical SRL	Medical Services	Cluj, Romania	65%	65%
42	Oncoteam Diagnostic SA	Medical Services	Bucharest, Romania	75%	75%
43	Centrul medical Micromedica SRL	Medical Services	Piatra Neamt, Romania	100%	100%
44	Micromedica Targu Neamt SRL (indirect)**	Medical Services	Targu Neamt, Romania	100%	100%
45	Micromedica Bacau SRL (indirect)**	Medical Services	Bacau, Romania	100%	100%
46	Micromedica Roman SRL (indirect)**	Medical Services	Roman, Romania	100%	100%
47	Medrix Center SRL (indirect)**	Medical Services	Roznov, Romania	100%	100%
48	Spitalul Lotus SRL	Medical Services	Ploiesti, Romania	100%	100%
49	Labor Maricor SRL	Medical Services	Bacau, Romania	100%	100%
50	Centrul Medical Matei Basarab SRL (indirect)**	Medical Services	Bucharest, Romania	100%	0%
51	Pharmachem Distributie SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	75%	0%
52	CED Pharma SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
53	Leti Pharm 2000 SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
54	Monix Pharm SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
55	KronDent SRL (indirect)**	Dental healthcare	Brasov, Romania	36%	0%
56	Medica SA	Medical Services	Sibiu, Romania	60%	0%
57	Dent Estet Ploiesti SRL (indirect)**	Dental healthcare	Ploiesti, Romania	30.6%	0.0%
58	The Lab Stomestet SRL (indirect)**	Dental healthcare	Cluj, Romania	36%	0%
59	Stomestet SRL (indirect)**	Dental healthcare	Cluj, Romania	36%	0%
60	Stomestet Plus SRL (indirect)**	Dental healthcare	Cluj, Romania	36%	0%
61	Costea Digital Dental SRL (indirect)**	Dental healthcare	Oradea, Romania	36%	0%
62	Expert Med Centrul Medical Irina (indirect)*	Medical Services	Galati, Romania	76%	0%
63	Neolife Medical Center Romania*	Medical Services	Bucharest, Romania	50%	0%

\* The acquisitions of these companies was finalized in 2022 and will be consolidated starting with 2022.

\*\*These companies are subsidiaries of other subsidiaries in the Group and are included in the consolidation, as they are controlled by the entities which are subsidiaries of the ultimate parent.

## BOARD OF DIRECTORS

MedLife is managed in a unitary system by the Board of Directors ("BoD") consisting of 7 members appointed by the Ordinary General Shareholders Meeting ("OGSM") for a 4-year mandate, with the possibility to be reelected.

Considering the expiration of the director mandates for the members of the Company's Board of Directors starting with the date of 20 December 2020, the OGSM for the appointment of 7 members of the BoD was held on 15 December 2020. The duration of the newly appointed directors' mandate is of 4 years, starting with the date of 21 December 2020. Each of the chosen directors concluded a director agreement with the Company in the form approved by the Extraordinary General Meeting of the Shareholders no. 1 from 27 April 2017.

Of the 7 members of the BoD, 3 members are independent members. The BoD 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 BoD is responsible for all acts required and useful with a view to accomplish the scope of activity of MedLife, including the management of subsidiaries or investments of MedLife, except for the duties reserved by law to the GSM.

### Structure 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 authorized in this capacity by the National Bank of Romania. Earlier, Mihail Marcu held various positions in Credit Bank Romania S.A. and RoBank S.A., including credit inspector, head of credit unit, manager of the credit department, and manager of the corporate department. Mihail Marcu is also the founder of the Romanian Business Leaders Foundation, a community of Romanian entrepreneurs, managers and professionals in various fields. Since 2018, Mihail Marcu is also a member of the Board of Directors of Prutul SA.



#### 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.



### **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 MedLife, 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).

### **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 MedLife 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.

### **Voicu Cheța (1981) - Independent Member of the Board of Directors**

**Voicu Cheța** has been a member of the Board of Directors of MedLife since December 2020.

He is a lawyer in Bucharest Bar with over 16 years of legal experience. His specialized practice covers various fields such as high value litigation, commercial arbitration, insolvency and restructuring, labor contracts, public procurement, administrative disputes, debt collection and company law.

In the field of legal advice and representation before the courts and arbitral tribunals, he has acquired comprehensive vision and proven skills of handling legal issues and their impact on corporate and economic needs of companies.



### **Ovidiu Fer (1983) - Independent Member of the Board of Directors**

**Ovidiu Fer** has been a member of the Board of Directors of MedLife since December 2020.

He is a graduate of the Academy of Economic Studies in Bucharest, Faculty of Finance, Insurance, Banking and Stock Exchanges (2006) and holds an MBA from INSEAD (2014).

Starting with 2016, Ovidiu Fer founded the Alpha Quest Regional Investment Fund, as a founding member and is also a member of the Advisory Board of GapMinder VC Fund (since 2018). Previously, he was a member of the Investment Committee of the IJC Funds (2014-2016) and held the position of external advisor to Elliott Advisors (2013-2014). He also held the position of equity analyst, frontier markets expert and country manager at Wood & Company (2007-2013) and was a financial analyst for KTD Invest (2005-2007).



### **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 in 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 Raiffeisen Bank's Supervisory Board and member of the Board of Directors of Black Sea Oil and Gas and ICME.



## **EXECUTIVE COMMITTEE**

The Company's senior management team is led by Mr. Mihail Marcu, in his capacity of 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 presented 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 MedLife Executive Committee since December 16, 2016.



By decision of the Board of Directors adopted on 20 October 2020, the mandate was prolonged for a period of 4 years (namely for the period between 21 October 2020 to 21 October 2024).

**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 MedLife Executive Committee since September 13, 2017.



By decision of the Board of Directors adopted on 20 October 2020, the mandate was prolonged for a period of 4 years (namely for the period between 21 October 2020 to 21 October 2024).

**Marius Petrila (1980), IT Director**

Marius Petrila has been the IT Director of MedLife since 2004. Marius Petrila graduated in 2002 from the Faculty of Internal and International Business and Financial-Banking Relations, in 2004 from the Master in Marketing and in 2010 from the Master in Information Systems. He also has the following international certifications: PRINCE2, ITIL, AgilePM.

He has been appointed as a member of MedLife Executive Committee since April 12, 2021.





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

Mariana Ilea-Brates is the director of the Procurement 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 MedLife Executive Committee since December 16, 2016.



By decision of the Board of Directors adopted on 20 October 2020, the mandate was prolonged for a period of 4 years (namely for the period between 21 October 2020 to 21 October 2024).

**Mirela Dogaru (1977), Corporate Manager**

**Mirela Dogaru** is the director of the Corporate Division 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 MedLife team in 2005 as coordinator of the corporate sales team (Corporate Sales Manager), a position she held until 2011 when she was appointed as 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 MedLife Executive Committee since December 16, 2016.



By decision of the Board of Directors adopted on 20 October 2020, the mandate was prolonged for a period of 4 years (namely for the period between 21 October 2020 to 21 October 2024).

**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 MedLife Executive Committee since December 16, 2016.



By decision of the Board of Directors adopted on 20 October 2020, the mandate was prolonged for a period of 4 years (namely for the period between 21 October 2020 to 21 October 2024).

**Larisa Chiriac (1969), Medical Director**

Larisa Chiriac is the Medical Director 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 MedLife Executive Committee since May 1, 2018.



By decision of the Board of Directors adopted on 20 October 2020, the mandate was prolonged for a period of 4 years (namely for the period between 21 October 2020 to 21 October 2024).

## COMPANY MANAGEMENT

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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 actual vs. 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 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 director. 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 settings, 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

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The Group services patients through the largest private pool of doctors and nurses in Romania. As of 31 December 2021, the Group collaborated with more than 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, 2021, 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 commitment to promote 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 provide 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

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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

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- The largest private healthcare provider in Romania and one of the larger 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 HPPs with low dependency on NHIH funding;
- The largest number of HPPs 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. For example, in 2016, the Group acquired Diamed Center, which was operating a network of laboratories and sampling points, mainly in Bucharest. Based on this acquisition, the Group further developed the second brand of laboratories and outpatient units 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 however 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 2021, the Group had approx. 25 sampling points opened under "Sfânta Maria" brand by adding organic growth and growth through further acquisitions.

### 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 MedLife Medical System, ensuring uniformity of services, branding and other standards across the business. The Group's support functions such as human resource management, financial, 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 38 announced acquisitions to date 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 medical units with which the Group has negotiated tariffs for the servicing of its HPP clients.

In pursuit of the expansion strategy, but also vertical integration, during the 12-month period ended on December 31, 2021, the Company announced the following acquisitions: KronDent in Brasov, Centrul Medical Matei Basarab in Bucharest, Medica Sibiu in Sibiu, CED Pharma Group in Bucharest, Pharmachem Distributie in Bucharest, Stomestet Group in Cluj, Costea Digital Dental (Oradent) in Oradea, Neolife Medical Center Romania in Bucharest, Iasi and Brasov and Expert Med Centrul Medical Irina in Galati. The Group has also completed the acquisition of the entire package of shares in Centrul Medical Panduri (from 90% shares to 100%) and Dentist 4 Kids SRL (from 52% shares to 100%). Also, in the in the first semester, Dent Estet Clinic, part of Medlife Group, founded a new company, Dent Estet Ploiesti SA with 51% participation.

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

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The Group expects that its financial results will continue to grow as traffic in its facilities will continue to grow in the post-pandemic period 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 Supervision Authority ("FSA") 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 Investor Relations, 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

As presented above, MedLife is managed in a unitary system by the Board of Directors ("BoD") consisting of 7 members appointed by the ordinary GSM for a 4-year mandate, with the possibility to be reelected, last appointment being made in December 2020. The BoD 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 BoD 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 or investments of MedLife, except for the duties reserved by law to the GSM.

BoD convenes whenever necessary, but at least one every 3 months. In 2021, 8 BoD meetings were held.

BoD 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 BoD may set up consultative committees made of at least 2 BoD members, who will formulate recommendations for the BoD in various fields.

#### **Audit Committee**

BoD created an Audit Committee which is made of 3 non-executive members of the BoD and approved the operating rules thereof. The Audit Committee has the following main duties:

- to examine and review the annual financial statements and the proposal for profit distribution (if the case);
- 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 related parties;
- to analyze and review the transactions made with related 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 BoD.

Three Audit Committee meetings were held in 2021.

#### **The Remuneration Committee**

BoD set up a Remuneration Committee made up of 3 non-executive members of the BoD. The remuneration committee has the following main duties:

- responsible for making decisions regarding the remuneration of the members of the Executive Committee and of the other non-executive directors of the Company, according to the decision of the Board of Directors. In making such decisions, the Remuneration Committee must take into account the long-term interests of the shareholders, investors and other participants in MedLife's business;
- implements the Decisions of the Board of Directors that fall within the scope of activity of the committee.

The Company has a remuneration policy in force and prepared a Remuneration Report for 2021.

#### **Executive Committee**

BoD has delegated the management of MedLife to the directors thereof, and the delimitation of the duties between the BoD 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 BoD.

The BoD appoints 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 BoD, 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 the organization and operation of the Executive Committee are set forth by the regulations of organization and operation of the Executive Committee approved by the BoD.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk exposure and risk management

The Group's Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Audit Committee is responsible for monitoring and addressing issues concerning the effectiveness and efficiency of the Group's internal controls, regulatory compliance and risk management. In the course of its business the Group is exposed to a number of financial risks, including credit, interest rate, liquidity and foreign currency risks.

The Group's objectives, policies and processes for managing these risks and methods used to measure risks are presented below. The central treasury function has an important role in managing the Group's financial risks with the aim to control and manage the Group's financial exposure and financial costs with a balance between risk and costs.

### Credit risk

Financial assets that potentially give rise to concentrations of credit risk consist principally of cash, short-term deposits, trade and other receivables. The Group's cash equivalents and short-term deposits are placed with reputable financial institutions with a high credit rating.

Trade receivables are represented net of the allowance for expected credit losses. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base,

which consists mainly of both individuals and companies. Approx. 62% of the total sales are cash-based with remaining being based on issuance of invoices. The financial condition of these customers in relation to their credit standing is evaluated on an ongoing basis. The Group has also developed certain procedures to assess legal entities as customers prior to signing contracts, aimed at providing healthcare prevention packages, and monitoring their ability to meet the payments during the course of contracts. Also, the Group has established an internal collection department which actively monitors encashments received from customers.

The gross carrying amounts of financial assets (before credit loss allowances) included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to these assets. The Group has only 18% of its sales during 2021 deriving from the treatment of NHIH insured patients (concentration of credit risk) – reliance on major customers.

At 31 December 2021, the Group did not consider there to be a significant concentration of credit risk.

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The higher risk is represented by funds borrowed in the national currency, because the interest rates are periodically repriced based on index variation. Lease contracts concluded in the national currency are also exposed due to the above repricing process, as the



discount rate in this case is linked to the internal borrowing rates for funds withdrawn in the national currency.

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Interest rate sensitivity analysis is also performed by management, using a 10% increase / 10% decrease in interest rates and monitored periodically. This assumption has not changed from previous years and represents management's assessment of the reasonably possible change in interest rates.

#### **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.

#### **Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Group is mainly exposed in respect of the exchange rate of the RON versus EUR. Sensitivity analysis is performed by management, using a 10% increase and decrease in RON against EUR and monitored

periodically. This assumption has not changed from previous years 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.

#### **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 2021, the Group is not part 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.

#### **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.

## **MEDLIFE SHARES**

### **Subscribed and paid in share capital**

The issued share capital in nominal terms consists of 132,870,492 ordinary shares as at 31 December 2021 (31 December 2020: 132,870,492) with a nominal value of RON 0.25 per share. The holders of ordinary shares are entitled to one vote per share in the shareholders' meetings of the Company, except for the treasury shares bought back by the Company as part of the share buy-back program. All shares rank equally and confer equal rights to the net assets of the Company, except for treasury shares.

In accordance with the Decision of the Extraordinary General Meeting of Shareholders of the Company dated 15.12.2020, the share capital of the Company was increased with RON 27,681,352.50, from RON 5,536,270.5 to RON 33,217,623, by issuance of a number of 110,725,410 new shares with a nominal value of RON 0.25 per share. The Share Capital Increase was made with the incorporation of share premium reserves, and the newly issued shares (5-for-1) were allocated without a monetary compensation to all shareholders registered in the shareholders' register of the Company as at 4 of January 2021 (Registration Date). The effects of the share capital increase were processed on 15 of February 2021 and the newly issued shares were allocated to shareholders. The total number of issued ordinary shares of the Company after the share capital increase was 132,870,492.

### **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 new 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 were also additional 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.

As at 31 December 2021, MedLife had an ongoing share buy-back program. The share buy-back program, which is the second such program carried out by the Company, was initiated as of July 7, 2020, by decision of the Board of Directors of the Company adopted on June 30, 2020 in accordance with the decision of the Extraordinary General Shareholders Meeting ("EGSM") no. 2 of April 23, 2020. By the EGSM Decision of April 23, 2020, it was approved the buy-back of a maximum number of 1,770,000 own shares for a maximum period of 18 months from the date of publication of the decision in the Official Gazette of Romania. Thus, MedLife was approved to buy-back a maximum number of 1,770,000 own shares with a nominal value of RON 0.25 / share, not exceeding the 10% threshold of the share capital of the Company. The own shares acquired under the Program are to be offered to former or current members of management or former or current employees of some of the subsidiaries of the Company in exchange for the shares held by them in the respective subsidiaries of the Company. The purchase price of shares under the Program was between RON 10 and RON 50, subject to the applicable legal provisions and restrictions. The maximum pecuniary value allocated to the Program was RON 88,500,000 (calculated as the maximum number of 1,770,000 own shares at a price per share of RON 50).

The share buy-back program had the following results during 2021:

1. Number of shares repurchased:
  - 163,769 shares in 2021 (0.1233% of the subscribed and paid-in share capital - after the Share Capital Increase)
2. Average buy-back price:
  - RON 22.3507 / share in 2021

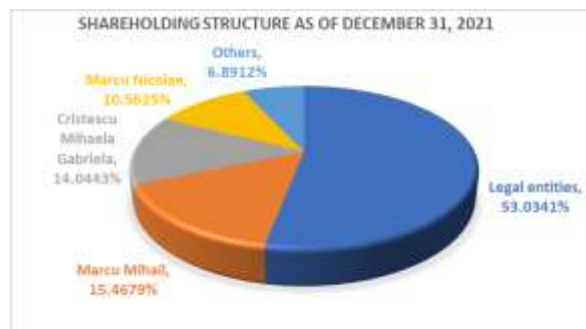
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium. During 2021, the Group reacquired own equity instruments (treasury shares) in a total amount of RON 3,669,511 and released shares in total value of RON 320,158, net of commissions. The difference between the fair value and cost of own shares when the change was made is in a total amount of RON 368,079 and was included as an increase on the share premium account.

### Shareholding structure of Med Life S.A. as at 31 December 2021

As at 31 December 2021, MedLife S.A. had the following shareholding structure:

Shareholder	Number of shares
Legal entities	70,466,706
Marcu Mihail	20,552,307
Cristescu Mihaela Gabriela	18,660,690
Marcu Nicolae	14,034,400
Others	9,156,389



## 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 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 2019, 2020 and 2021 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 Consolidated Audited 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 2019, 2020 and 2021 respectively:

	For the year ended 31 December,		
	2019 *Restated	2020	2021
<b>Revenue from contracts with customers</b>	<b>967,380,307</b>	<b>1,077,448,351</b>	<b>1,427,218,373</b>
Other operating revenues	7,648,949	9,274,762	10,362,989
<b>Operating income</b>	<b>975,029,256</b>	<b>1,086,723,113</b>	<b>1,437,581,362</b>
Consumable materials and repair materials	(158,167,211)	(189,975,286)	(234,425,408)
Third party expenses	(264,544,662)	(281,469,012)	(380,388,868)
Salary and related expenses	(291,414,807)	(277,035,208)	(333,837,004)
Social contributions	(10,526,204)	(10,767,730)	(12,214,486)
Depreciation and amortization	(90,481,076)	(102,897,388)	(113,760,199)
Impairment losses and gains (including reversals of impairment losses)	1,167,475	(10,888,049)	(5,269,269)
Commodities expenses	0	(35,649,736)	(106,225,169)
Other operating expenses	(103,719,253)	(68,929,576)	(79,609,056)
<b>Operating expenses</b>	<b>(917,685,738)</b>	<b>(977,611,985)</b>	<b>(1,265,729,459)</b>
<b>Operating Profit</b>	<b>57,343,518</b>	<b>109,111,128</b>	<b>171,851,903</b>
Finance cost	(20,646,561)	(23,252,552)	(27,451,079)
Other financial expenses	(11,574,446)	(7,307,417)	(8,981,263)
<b>Financial result</b>	<b>(32,221,007)</b>	<b>(30,559,969)</b>	<b>(36,432,342)</b>
<b>Result before taxes</b>	<b>25,122,512</b>	<b>78,551,159</b>	<b>135,419,561</b>
Income tax expense	(8,337,027)	(14,787,475)	(22,506,352)
<b>Net result</b>	<b>16,785,485</b>	<b>63,763,684</b>	<b>112,913,209</b>
attributable to :			
Owners of the Group	13,611,276	56,702,860	102,613,932
Non-controlling interests	3,174,209	7,060,824	10,299,277
<b>Other comprehensive income items that will not be reclassified to profit or loss</b>			
Gain on revaluation of equity instruments	655,437	-	-
Deferred tax on other comprehensive income components	(104,870)	-	-
<b>Total other comprehensive income</b>	<b>550,567</b>	<b>-</b>	<b>-</b>
attributable to :			
Owners of the Group	550,567	-	-
Non-controlling interests	-	-	-
<b>Total comprehensive income</b>	<b>17,336,052</b>	<b>63,763,684</b>	<b>112,913,209</b>
attributable to :			
<b>Owners of the Group</b>	<b>14,161,843</b>	<b>56,702,860</b>	<b>102,613,932</b>
<b>Non-controlling interests</b>	<b>3,174,209</b>	<b>7,060,824</b>	<b>10,299,277</b>

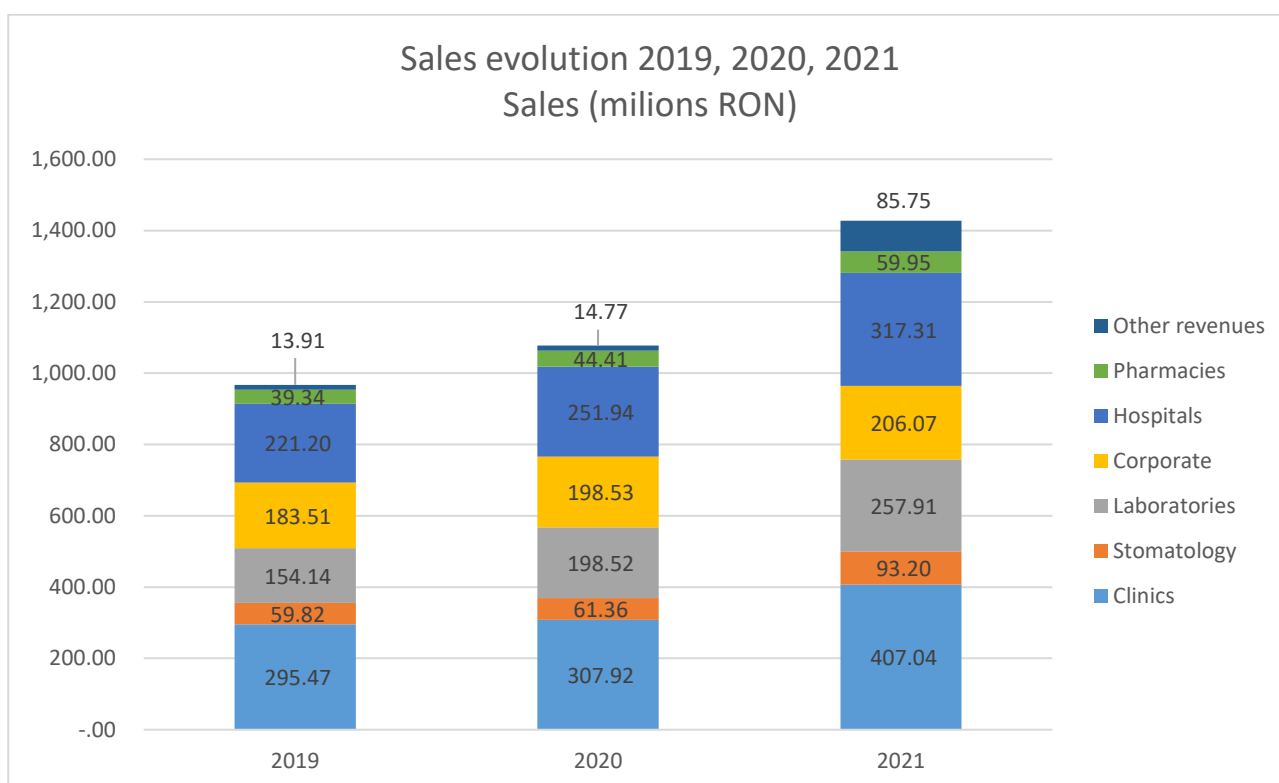
## Overview of the Group's sales streams

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 2021 financial year amounted to RON 1,427,218,373, higher than the sales amount recorded in 2020 with RON 1,077,448,351 or by 32.5%. This increase is mainly explained by upward trend in all business lines, with notable performances for the division of laboratories, clinics, hospitals, but also for dentistry and pharmacies, as well as the impact of the acquisitions completed by the Group in 2020 and 2021. During 2021 the Group focused on quick access to medical interventions for chronic and acute patients in the context of limiting activity in state hospitals. Intense activity was recorded also in the outpatient line of business related to monitoring of chronic pathologies and patients who went through Covid. In this context, the activity of the corporate division was consistent and dynamic, being focused on the support offered to large companies, SMEs and start-ups for the safety and health of employees during the pandemic.

The following table sets out the sales for 2021 as compared to the sales recorded in 2019 and 2020 for each of the Group's business lines:

For the year ended 31 December					
	2019	2020	2021	Change % 2020/2019	Change % 2021/2020
Clinics	295,465,223	307,919,487	407,035,457	4.2%	32.2%
Stomatology	59,817,358	61,363,524	93,204,531	2.6%	51.9%
Laboratories	154,135,274	198,519,202	257,907,412	28.8%	29.9%
Corporate	183,514,802	198,530,858	206,070,519	8.2%	3.8%
Hospitals	221,198,932	251,943,388	317,305,322	13.9%	25.9%
Pharmacies	39,341,136	44,405,803	59,949,420	12.9%	35.0%
Other revenues	13,907,582	14,766,089	85,745,712	6.2%	480.7%
<b>TOTAL Sales</b>	<b>967,380,307</b>	<b>1,077,448,351</b>	<b>1,427,218,373</b>	<b>11.4%</b>	<b>32.5%</b>



The Group's total consolidated sales amounting to RON 1,427,218,373 in the financial year 2021 were represented as follows:



### Group sales evolution

	For the year ended 31 December					
	2019	%	2020	%	2021	%
Clinics	295,465,223	31%	307,919,487	29%	407,035,457	29%
Stomatology	59,817,358	6%	61,363,524	6%	93,204,531	7%
Laboratories	154,135,274	16%	198,519,202	18%	257,907,412	18%
Corporate	183,514,802	19%	198,530,858	18%	206,070,519	14%
Hospitals	221,198,932	23%	251,943,388	23%	317,305,322	22%
Pharmacies	39,341,136	4%	44,405,803	4%	59,949,420	4%
Other revenues	13,907,582	1%	14,766,089	1%	85,745,712	6%
<b>Total sales</b>	<b>967,380,307</b>	<b>100%</b>	<b>1,077,448,351</b>	<b>100%</b>	<b>1,427,218,373</b>	<b>100%</b>

### 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 2021, 82% of the Group's revenue came from corporations and private individuals. During the same period, only 18% of the Group's revenue came from providing services to patients insured by State programs. In 2019 and 2020, the Group's revenue from State insured patients represented 19% and respectively 20% of the Group's total sales.

	For the year ended 31 December					
	2019		2020		2021	
	RON	%	RON	%	RON	%
Corporations and Private Individuals for HPP and fee-for service payments	781,653,297	81%	857,913,712	80%	1,166,037,411	82%
State insured patients paid by the NHIH	185,727,010	19%	219,534,639	20%	261,180,962	18%
<b>TOTAL</b>	<b>967,380,307</b>		<b>1,077,448,351</b>		<b>1,427,218,373</b>	

## Clinics

The core of the Group's operations is the network of ambulatory clinics throughout Romania. The business line comprises a network of 80 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:



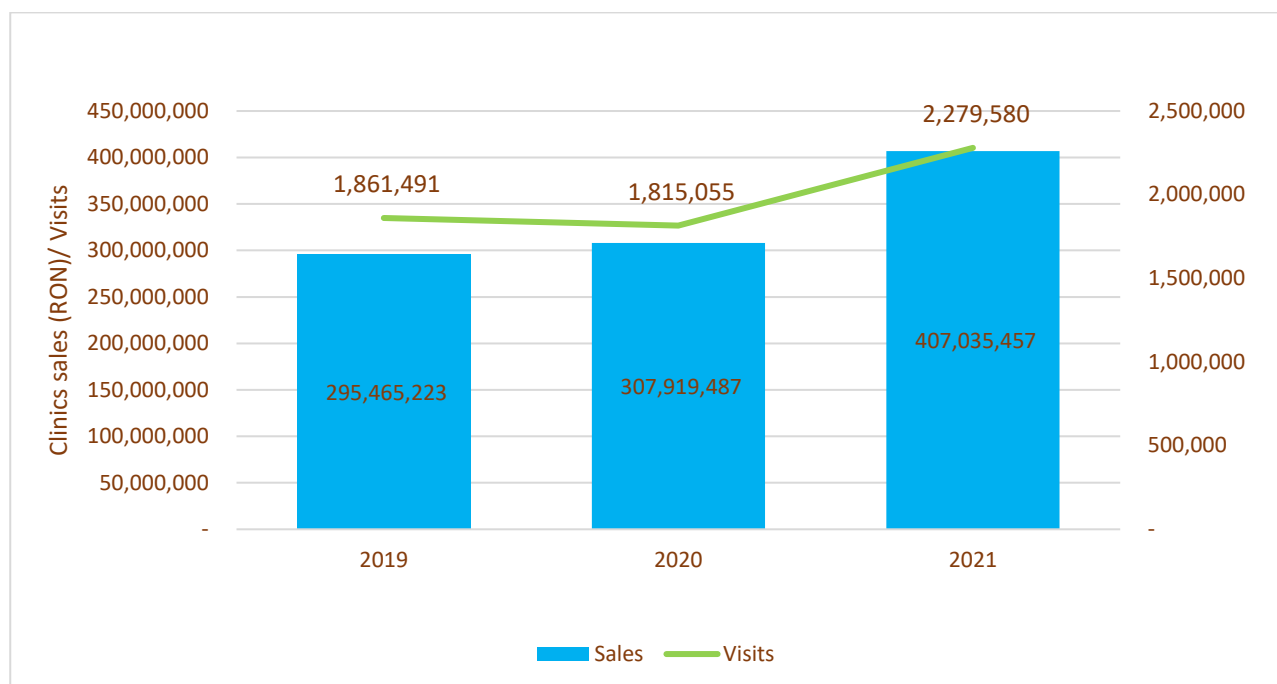
- **Hyperclinics**, a format pioneered by MedLife in Romania, consisting of large facilities with more than 20 medical offices and surface areas in excess of 1,000 sqm. It is a one-stop-shop for clinical examinations and imaging. This format is designed for larger urban areas, with a population over 175,000 inhabitants. 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 2021, the Group operated 32 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. As of 31 December 2021, the Group operated 48 clinics throughout Romania and 1 clinic in Budapest, Hungary.







## Sales and Visits in Clinics in the period 2019-2021



## 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 check-ups 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 742,000 HPPs patients from over 5,000 different companies. The Group has the largest base of individuals benefiting from HPPs in Romania, according to publicly available data.



The HPPs offered by the Group consist of the following:

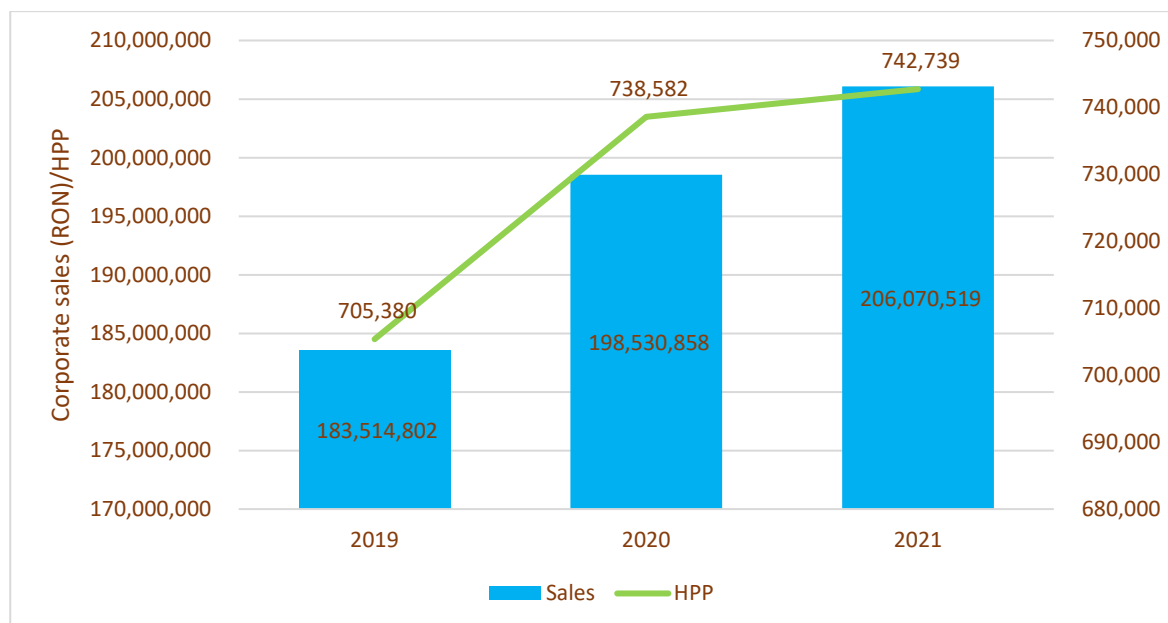
- Mandatory occupational health services, which mainly include the provision of annual employee check-ups and more specific services depending on the client's industry. Many companies begin by purchasing occupational health services under the "Standard" HPP and then add benefits under broader HPPs from 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 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 2021 evolution

For the year ended 31 December 2021, MedLife increased its revenues from HPPs by 3.8%, as compared to the previous financial year. This was achieved by sustainably 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. MedLife also developed dedicated programs for the corporate segment, as employers become more and more concerned about the health of their employees.

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 consolidated its regional sales teams to address this market.

### Corporate Sales and subscriptions in the period 2019-2021



## 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.

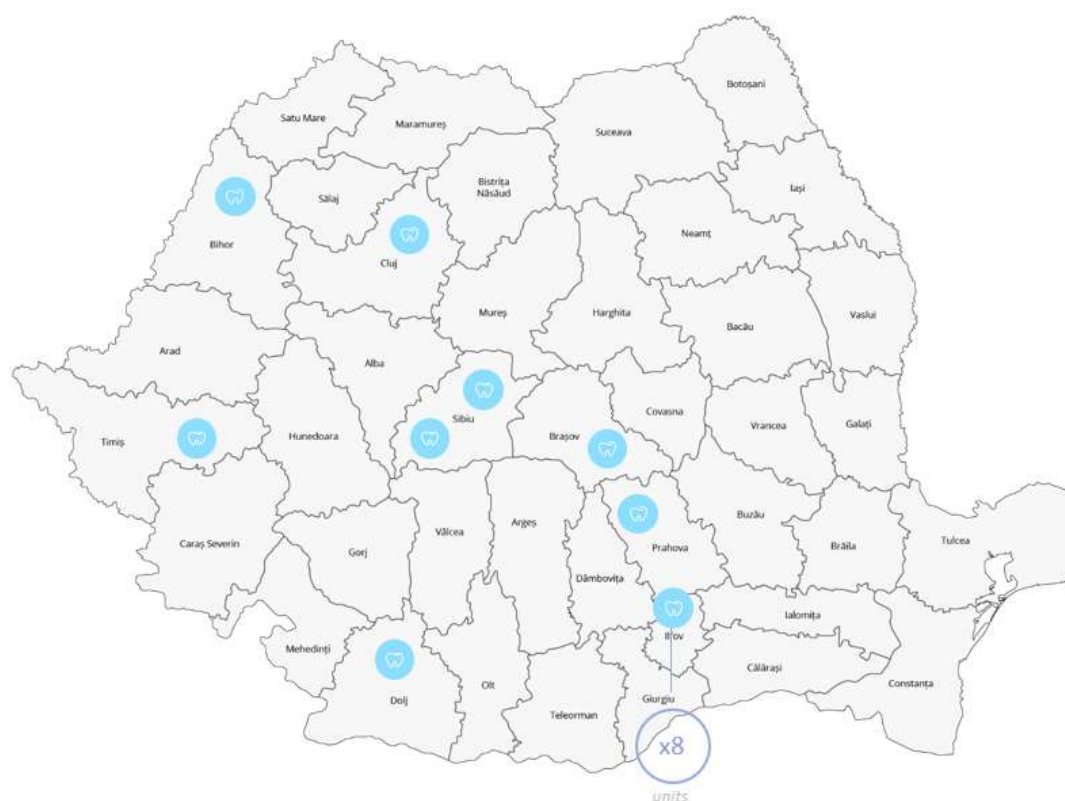
On July 11, 2016, the Group completed the acquisition of Dent Estet, the most important player on the dental services market in Romania. The acquisition of Dent Estet has propelled the Group into a leading position in the dental services market, which continues to be a highly fragmented market.

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, 2021, MedLife Group included 17 dental clinics, of which 15 within Dent Estet Group, DentaLife in Bucharest and RMC DentArt in Budapest. During the year, Dent Estet Clinic opened a new dental clinic in Ploiesti, completed the acquisition of Krondent stomatology center in Brasov, Stomestet Group in Cluj Napoca and Costea Digital Dental in Oradea, leading to a total of 15 dental clinics.

## Stomatology national distribution

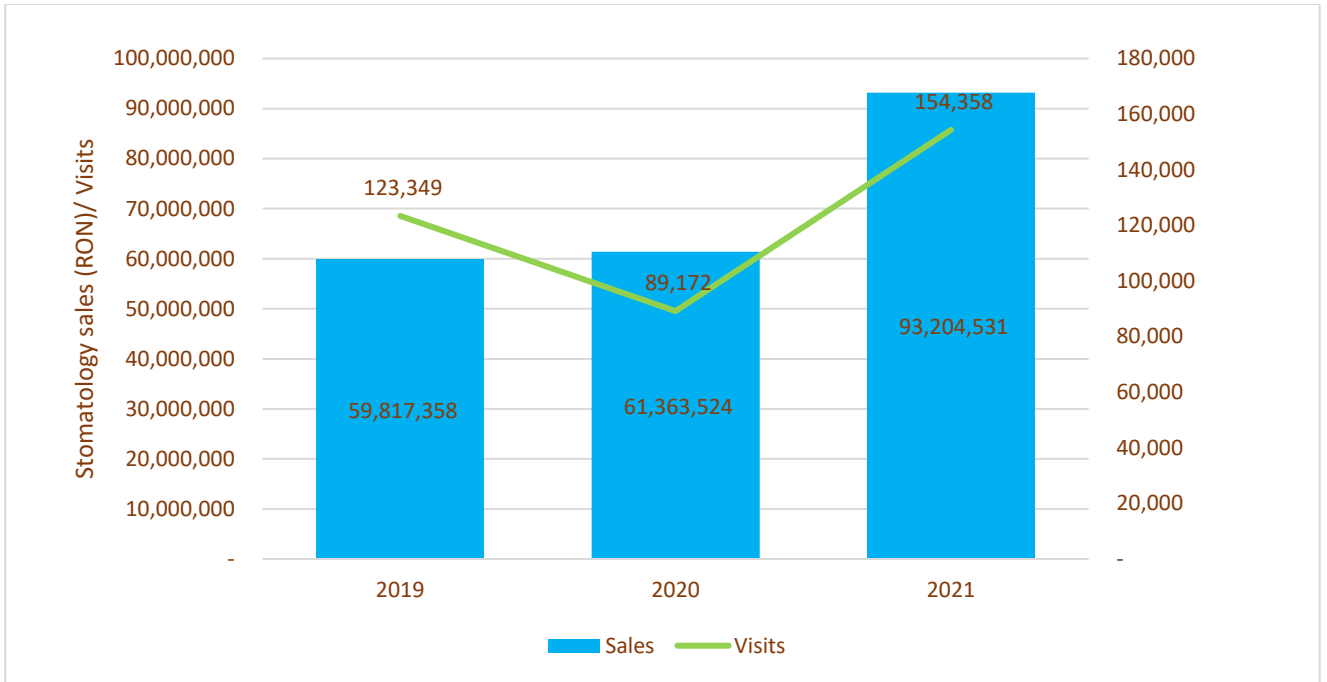


### Analysis of stomatology business line 2021 evolution

Stomatology business line sales increased in 2021 with RON 31,841,007 or by 51.9%, from RON 61,363,524 in 2020 to RON 93,004,531 in 2021. The increase was mainly driven by the increase in number of visits by 73.1%, from 89,172 visits in 2020 to 154,358 visits in 2021. This increase is also justified by the acquisitions completed during the year. In terms of average fee per visit, a contraction was noted in 2021 by 12.3% due to the change in the mix of services provided following the integration of the newly acquired companies.

Stomatology business line is not subject to NHIH allocations; all of the sales are fee for service (“FFS”) based.

Sales and Visits in Stomatology business line in the period 2019-2021



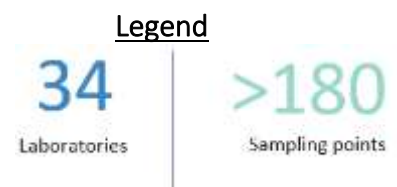
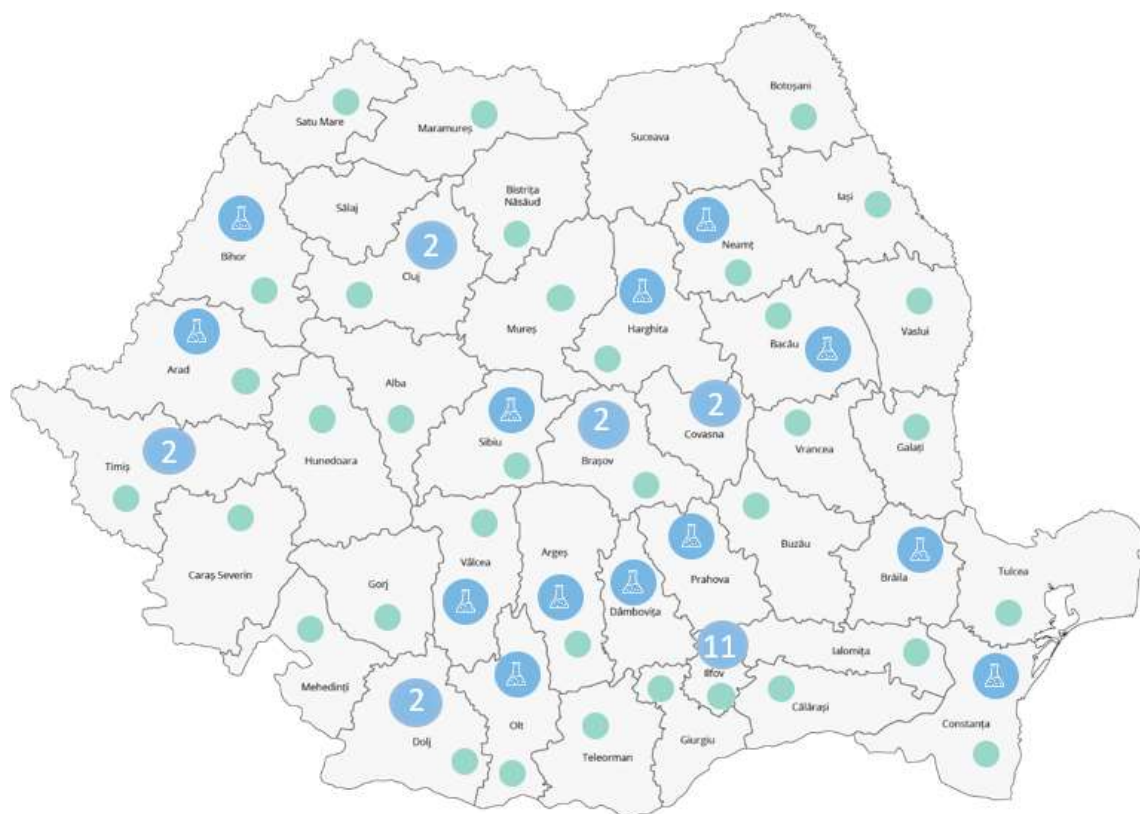
## Laboratories

The Group is currently one of the leading laboratory chains focused on the private market in Romania. 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 34 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 2021, the Group also operated approximately 180 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 distribution



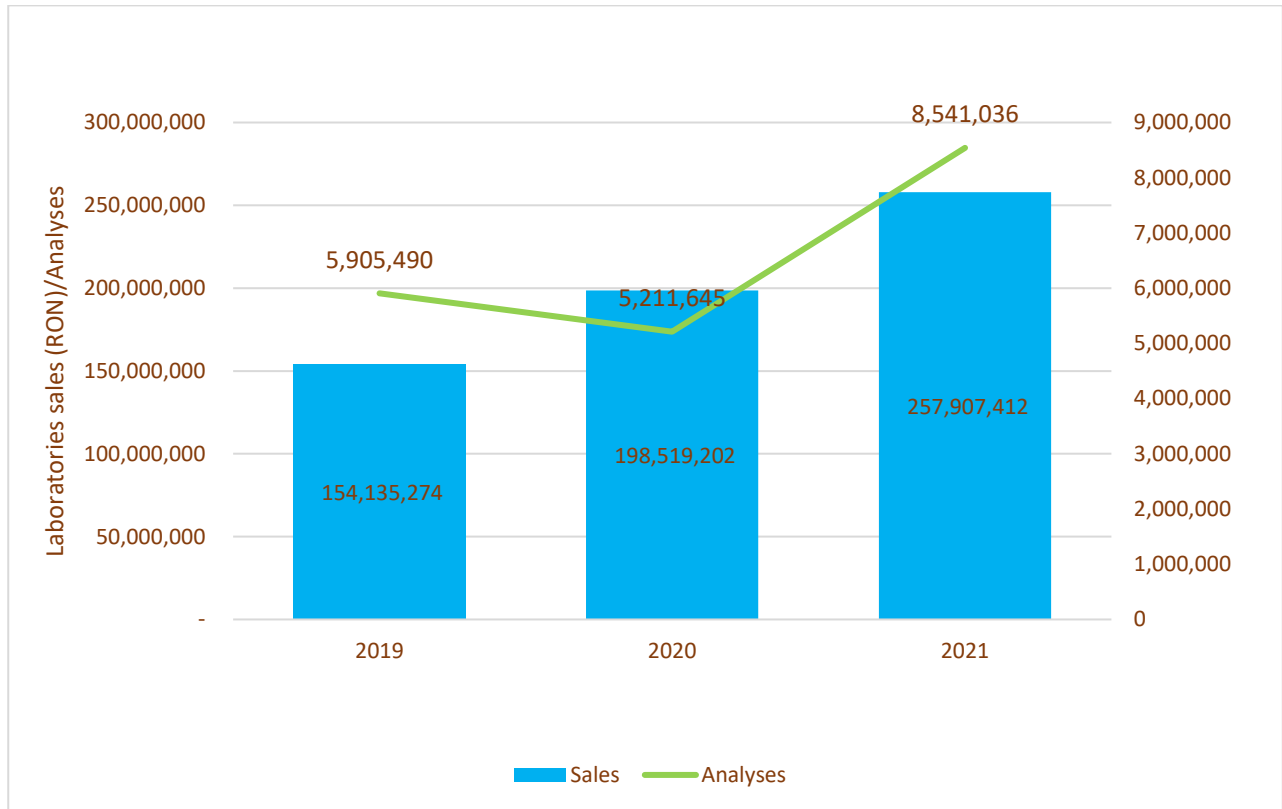
## Analysis of laboratories business line 2021 evolution

Laboratories sales increased in 2021 with RON 59,388,210 or by 29.9%, from RON 198,519,202 in 2020 to RON 257,907,412 in 2021. The increase was due to an increase by 63.9% in the number of analyses performed, from 5,211,645 analyses in 2020 to 8,541,036 analyses in 2021 due to increase in the number of laboratories by setting up the covid laboratories & increase in number of standard lab. tests in the post lockdown period. In terms of average fee per analyses performed, a decrease by 20.7% was registered in 2021 as compared to 2020, from RON 38.1 in 2020 to RON 30.2 in

2021, due to the change in the mix of analyses performed, with the number of PCR tests declining as share in total tests performed.

The Laboratories business line sources the bulk of its revenue from FFS clients. In 2019 only 16% of the business line's revenue came from servicing NHH patients, while in 2020, 12% and in 2021 only 8.7%.

### Sales and Analyses performed in Laboratories in the period 2019-2021



## 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 17 operating theatres with 38 operating rooms.



Between 2010-2021, 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 one operating theater with 2 operating rooms. 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 69 beds and 3 operating theatres with 4 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 2010, which included the land and building in which the hospital operates. This generalist hospital is licensed for 132 beds and has 2 operating theatres with 4 operating rooms.
- **Orthopedics Obor Hospital**, located in central Bucharest in leased facilities, opened in 2012. It is licensed as an external section of LMH with 36 beds and 1 operating theatre with 3 operating rooms and it is specialized in orthopedic surgery.
- **Titan Hospital** was established in 2015 in rented facilities above the existing MedLife Titan outpatient unit. It is licensed as an external section of LMH and has 29 beds and one operating theatre with one operating room.
- **Interventional Cardiology Centre (Angiolife)** was established as an external section of LMH next to the LMH site. Opened in 2015, the Centre has 12 beds and one operating theatre with one operating room, 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 57 beds and 3 operating theatres with 5 operating rooms.
- **The Polisano Hospital** in Sibiu was acquired in 2018 - includes the Polisano European Hospital - recognized as one of the most modern and performing hospital units in Romania and the largest private maternity hospital in Transylvania. The hospital has 195 beds and 3 operating theatres with 9 operating rooms.
- **Lotus Hospital** in Ploiești was bought in 2019. The hospital comprises 25 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	156	14	231
Angio	3	-	9	-	12
Orthopaedics Hospital	11	-	25	-	36
Titan Hospital	4	-	6	19	29
Turnului Hospital (including Eva Maternity)	15	18	72	27	132
Genesys Hospital	4	2	59	4	69
Iași day care	1	-	-	6	7
Timișoara day care	2	-	-	8	10
Craiova day care	1	-	-	39	40
Humanitas	6	-	42	9	57
Polisano	21	18	144	12	195
Lotus	3	-	12	10	25
<b>TOTAL</b>	<b>99</b>	<b>81</b>	<b>621</b>	<b>174</b>	<b>975</b>

### Hospitals national distribution



### Analysis of hospitals business line 2021 evolution

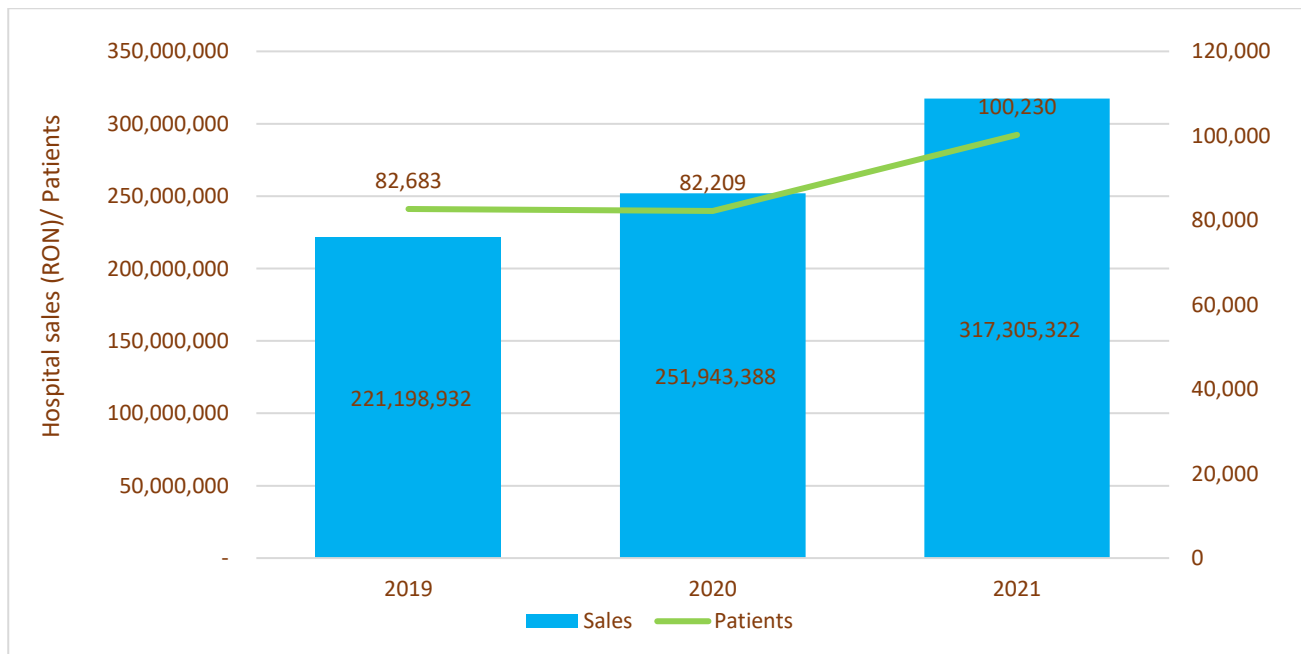
The Hospitals business line's total sales increased in 2021 with RON 65,361,934 or by 25.9% from RON 251,943,388 in 2020 to RON 317,305,322 in 2021. The increase is due to the increase in the average fee per patient with 3.3%, from RON 3,064.7 in 2020 to RON 3,165.8 in 2021. The average fee per patient increase was driven by a change in the mix of services

as well as increase in prices. The number of patients has also increased in 2021 by 21.9%, from 82,209 patients in 2020 to 100,230 patients in 2021 as more and more Romanians have taken care of their health and benefited from investigations and surgeries, most likely due to postponed surgeries during the lockdown period.

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 34%, 36% and 33% of the business line’s sales in 2019, 2020 and 2021.



### Sales and Patients in Hospitals in the period 2019-2021

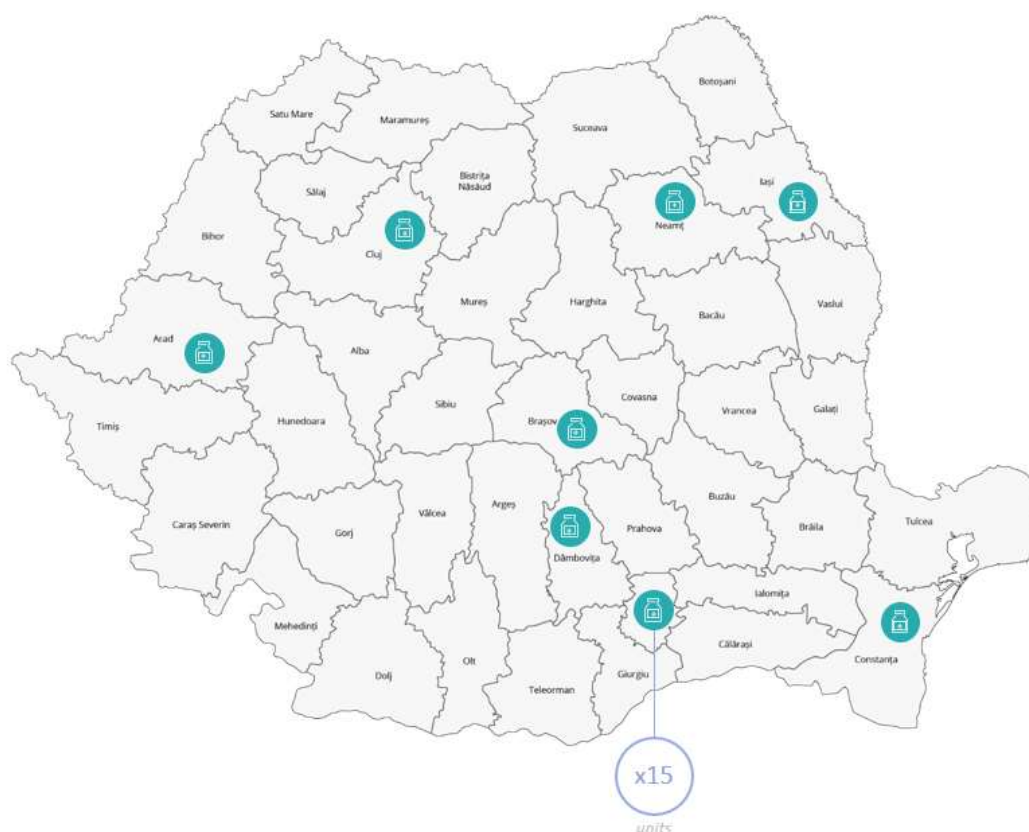


## Pharmacies

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 2021, 22 pharmacies were in operation, providing patients with prescription and over-the-counter healthcare products, including products under own brand named Doctor Life.

### Pharmacies national distribution

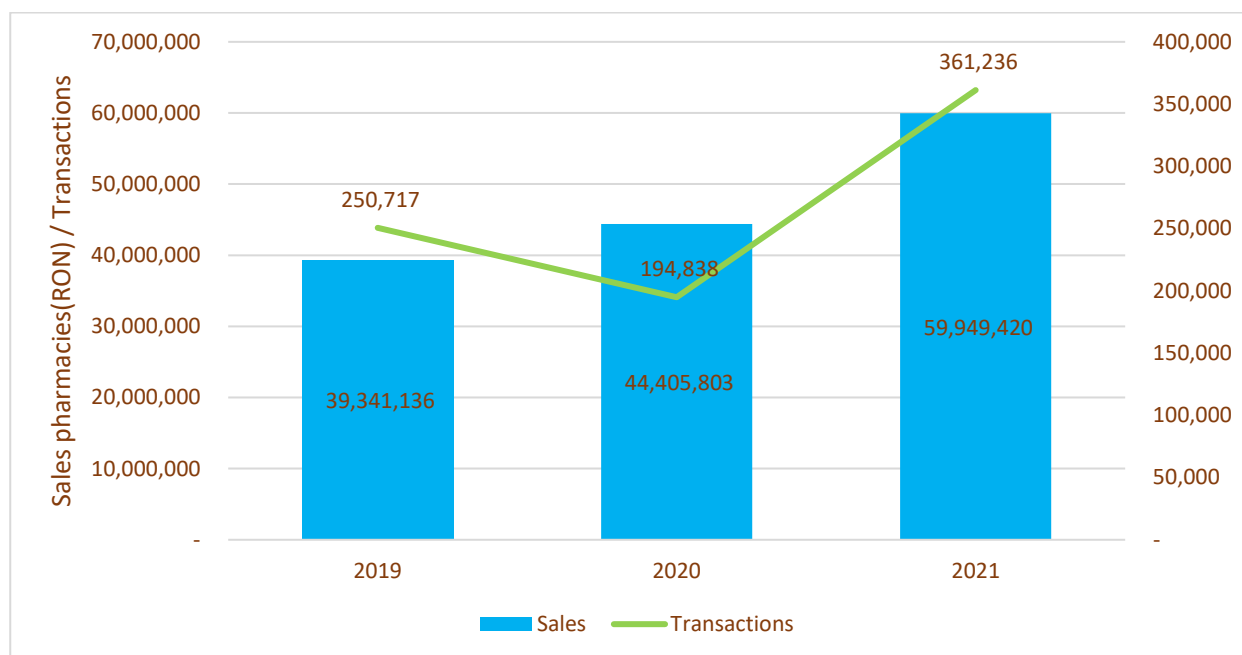


### Analysis of pharmacies business line 2021 evolution

The sales of the Pharmacies business line increased in 2021 with RON 15,543,617 or by 35.0%, from RON 44,405,803 in 2020 to RON 59,949,420 in 2021. The increase was mainly due to an increase of 85.4% in the number of clients, from 194,838 clients in 2020 to 361,236 in 2021 with the integration of CED Pharma group of pharmacies and the expansion of the product portfolio. Decrease by 27.2% was noted in the average value of each transaction performed by clients, from RON 227,9 in 2020 to 166,0 in 2021, mainly due to the change in the mix of products sold following the integration of the newly acquired pharmacies which addresses to a different client profile.

In 2021, 43.2% of the PharmaLife sales were cash-based, the difference being NHIH-subsidized. In 2019 and 2020 cash-based sales represented 41%, respectively 34.4% out of total pharmacies business line.

## Sales and transactions (clients) in pharmacies in the period 2019-2021



### Other revenues

Other revenues include sales brokerage commissions pertaining to the insurances intermediated by the Group's insurance broker, revenue from Stem Cells Bank's stem cell collection & storage services and revenue from the newly acquired wholesale company – Pharmachem Distributie. Other revenues increased in 2021 with RON 70,979,623 or by 480.7%, from 14.766.089 RON in 2020 to RON 85,745,712 in 2021 due to the consolidation of Pharmachem Distributie.

## Analysis of the other items of the profit and loss account

### Other operating revenues

Other operating revenues increased in 2021 with RON 1,088,227 or by 11.7%, from RON 9,274,762 in 2020 to RON 10,362,989 in 2021. This item mainly includes income from operating grants in total amount of RON 2,628,211, the capitalized costs of intangible assets as a result of the Group's investment of its own resources in the further development of IT platforms in total amount of RON 4,535,441, and other operating revenues in total amount of RON 3,199,337.

### 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 94.9% in 2019 and 90.7% in 2020 and 88.7% in 2021. Main operating expenses categories are detailed below.

## Operating expenses evolution 2019, 2020 and 2021

Description	For the period ended 31 December					
	2019		2020		2021	
	RON	%	RON	%	RON	%
Consumable materials and repair materials	158,167,211	17.2%	189,975,286	19.4%	234,425,408	18.5%
Third party expenses (including doctor's agreements)	264,544,662	28.8%	281,469,012	29%	380,388,868	30%
Salary and related expenses	291,414,807	32%	277,035,208	28%	333,837,004	26%
Social contributions	10,526,204	1%	10,767,730	1%	12,214,486	1%
Depreciation	90,481,076	10%	102,897,388	11%	113,760,199	9%
Impairment losses and gains (including reversals of impairment losses)	(1,167,475)	0%	10,888,049	1%	5,269,269	0%
<b>Other expenses, out of which:</b>	<b>103,719,253</b>		<b>104,579,312</b>		<b>185,834,225</b>	
Utilities	11,854,596	1%	12,634,324	1%	15,441,386	1%
Commodities	30,649,995	3%	35,649,736	4%	106,225,169	8%
Repairs maintenance	11,895,850	1%	11,549,854	1%	14,703,501	1%
Rent	10,569,322	1%	6,520,160	1%	7,698,479	1%
Insurance premiums	3,122,303	0%	3,002,708	0%	3,651,389	0%
Promotion expense	14,207,313	2%	13,508,044	1%	15,138,844	1%
Communications	3,962,770	0%	4,236,791	0%	4,907,836	0%
Other administration and operating expenses	17,457,104	2%	17,477,695	2%	18,067,621	1%
<b>TOTAL</b>	<b>917,685,738</b>	<b>100%</b>	<b>977,611,985</b>	<b>100%</b>	<b>1,265,729,459</b>	<b>100%</b>

### Consumable 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 consumable materials and repair materials increased in 2021 with RON 44,450,122 or by 23.4%, from RON 189,975,286 in 2020 to RON 234,425,408 in 2021. The increase is mainly linked to the increase in laboratories and hospitals business lines. This category of expenses as a percentage of the Group's sales represented 16.4% in 2019, 17.6% in 2020 and 16.4% in 2021.

### 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. The Group's salaries and social contributions increased in 2021 with RON 58,248,552 or by 20.2%, from RON 287,802,938 in 2020 to RON 346,051,490 in 2021, linked to increased and dynamic activity in all business lines. This category of expenses as a percentage of the Group's sales represented 31.2% in 2019, 26.7% in 2020 and 24.2% in 2021.

### 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 expenses increased in 2021 with RON 98,919,856 or by 35.1%, from RON 281,469,012 in 2020 to RON 380,388,868 in 2021. This increase was largely due to the increase in the services provided by doctors contracted by the Group as independent service providers, in line with the increase in the Group's activity. This category of expenses as a share in the Group's sales represented 27.3% in 2019, 26.1% in 2020 and 26.7% in 2021.

### Depreciation

Depreciation and amortization expenses increased in 2021 with RON 10,862,811 or by 10.6%, from RON 102,897,388 in 2020 to RON 113,760,199 in 2021. The increase is due to the increase in the asset base of the Group as well as the effect of IFRS 16. This category of expenses as a share in the Group's sales represented 9.4% in 2019, 9.6% in 2020 and 8.0% in 2021.

### Commodities expenses

These expenses mainly include the cost of the pharmaceutical products sold by the Group's pharmacies as well as the pharmaceutical products sold by Pharmachem Distributie following its consolidation within the Group. As a consequence,

commodities expenses increased in 2021 with RON 70,575,433 or by 198.0%, from RON 35,649,736 in 2020 to RON 106,225,169 in 2021.

This category of expense as a percentage of the Group's sales represented 3.2% in 2019, 3.3% in 2020 and 7.4% in 2021.

### Other operating expenses

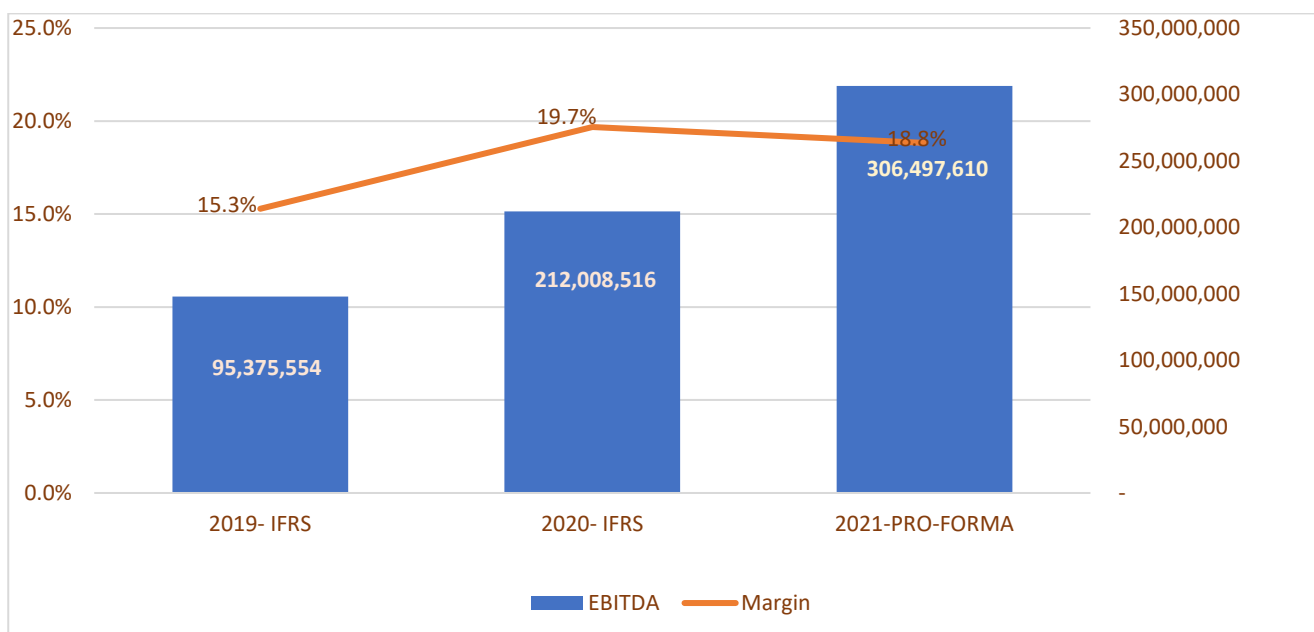
Other operating expenses include promotion expenses, repairs maintenance, utilities, rent, insurance premiums, communications and other administration and operating expenses. Other operating expenses increased in 2021 with RON 10,679,480 or by 15.5%, from RON 68,929,576 in 2020 to RON 79,609,056 in 2021.

This category of expense as a percentage of the Group's sales represented 6.4% in 2020 and 5.6% in 2021.

### EBITDA PRO-FORMA

Adjusted EBITDA, presented in the Pro-Forma Financial Information for the year ended December 31, 2021, recorded an increase of 44.6% or 94,489,094 RON, as compared to the EBITDA for the year ended December 31, 2020, from RON 212,008,516 in 2020, to RON 306,497,610 in 2021.

### Pro-forma EBITDA and Pro-forma EBITDA Margin evolution for the period 2019-2021



### Operating Profit

Operating profit increased in 2021 with RON 62,740,775 or by 57.5%, from RON 109,111,128 in 2020 to RON 171,851,903 in 2021; the increase was mainly triggered by good operating performance in all business lines as well as cost-cutting measures implemented during 2020 with short, but also medium to long term effects.

### Financial result

Financial loss increased in 2021 with RON 5,872,372 or by 19.2%, from RON 30,559,969 in 2020 to RON 36,432,342 in 2021. The increase was mainly due to increase in finance cost following increase in interest bearing debt from one period to the other.

### Result before taxes

As a result of the factors presented above, the result before taxes increased in 2021 with RON 56,868,403 or by 72.4%, from RON 78,551,159 in 2020, to RON 135,419,561 in 2021.

### Income tax expense

Income tax expense increased in 2021 by RON 7,718,877 or by 52.2 %, from RON 14,787,475 in 2020, to RON 22,506,352 in 2021.

### Net result for the year

Net result increased in 2021 with RON 49,149,526 as compared to 2020, or by 77.1%, from a profit of RON 63,763,684 in 2020, to a profit of RON 112,913,209 in 2021. 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 2019, 2020 and 2021 respectively.

	For the year ended 31 December,		
	2019 *Restated	2020	2021
<b>NON-CURRENT ASSETS</b>			
Goodwill	96,007,730	147,256,824	199,679,613
Intangible assets	43,275,568	46,755,678	60,556,655
Property, plant and equipment	491,151,660	535,672,488	552,206,613
Right-of-use asset	133,169,294	146,821,194	190,715,602
Other financial assets	80,970,942	27,940,022	31,610,586
<b>TOTAL NON-CURRENT ASSETS</b>	<b>844,575,194</b>	<b>904,446,206</b>	<b>1,034,769,069</b>
<b>CURRENT ASSETS</b>			
Inventories	43,390,267	53,058,518	74,229,585
Trade Receivables	100,323,815	121,079,030	140,356,238
Other assets	20,770,400	15,822,146	24,357,734
Cash and cash equivalents	37,688,896	81,970,397	135,858,888
Assets classified as held for sale	381,665	-	-
<b>PREPAYMENTS</b>	<b>7,224,106</b>	<b>7,117,566</b>	<b>8,030,713</b>
<b>TOTAL CURRENT ASSETS</b>	<b>209,779,149</b>	<b>279,047,657</b>	<b>382,833,158</b>
<b>TOTAL ASSETS</b>	<b>1,054,354,343</b>	<b>1,183,493,863</b>	<b>1,417,602,227</b>
<b>LONG TERM DEBT</b>			
Lease liability	141,065,745	147,097,180	149,685,246
Other long term debt	22,851,746	18,119,743	7,546,394
Interest-bearing loans and borrowings	345,952,241	414,696,592	440,840,484
Deferred tax liability	19,162,671	20,345,799	23,559,617
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>529,032,403</b>	<b>600,259,314</b>	<b>621,631,741</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	165,133,428	151,690,134	224,242,318
Overdraft	29,011,944	27,127,907	25,493,223
Current portion of lease liability	40,425,758	41,166,069	52,586,827
Current portion of interest-bearing loans and borrowings	24,802,015	46,436,217	58,455,422
Current tax liabilities	308,391	5,467,450	1,467,625
Provisions	1,749,188	7,209,494	7,992,337
Other non financial liabilities	56,629,297	35,230,733	44,328,176
Liabilities directly associated with assets classified as held for sale	363,318	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>318,423,339</b>	<b>314,328,004</b>	<b>414,565,928</b>
<b>TOTAL LIABILITIES</b>	<b>847,455,742</b>	<b>914,587,319</b>	<b>1,036,197,669</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital and Share premium	81,495,470	82,027,012	82,395,091
Treasury shares	(2,699,804)	(666,624)	(4,015,977)
Reserves	108,709,302	124,211,557	137,335,499
Retained earnings	(3,356,485)	35,701,579	122,394,796
<b>Equity attributable to owners of the Group</b>	<b>184,148,483</b>	<b>241,273,524</b>	<b>338,109,409</b>
Non-controlling interests	22,750,118	27,633,021	43,295,149
<b>TOTAL EQUITY</b>	<b>206,898,601</b>	<b>268,906,545</b>	<b>381,404,558</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,054,354,343</b>	<b>1,183,493,863</b>	<b>1,417,602,227</b>

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

### Non-current assets

Non-current assets amount to RON 1,034,769,069 as at December 31, 2021, recording an increase with RON 130,322,863, or by 14.4% as compared to December 31, 2020. The increase was mainly due to the acquisitions made.

The Group's fixed tangible assets comprise mainly of vehicles and equipment, buildings and lands, which are used for its private healthcare network. The Group companies own some of the buildings in which it operate, especially for hospitals business line. Most of the owned properties are subject to immovable mortgages to secure borrowings granted by the Group's creditors.

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.

	<i>Intangible assets</i>			<i>Property, plant and equipment</i>		Total fixed assets	Total
	Intangibles	Land	Construction	Vehicles and equipment	Construction in progress		
<b>1 January 2021</b>	<b>103,865,851</b>	<b>31,842,685</b>	<b>388,333,790</b>	<b>496,170,548</b>	<b>24,007,225</b>	<b>940,354,248</b>	<b>1,044,220,099</b>
Additions	9,920,491	-	9,366,757	63,952,621	23,618,155	96,937,534	106,858,025
Transfers	-	-	12,550,491	773,070	(13,323,561)	-	-
Disposals	(27,974)	-	(181,707)	(13,409,556)	(120,324)	(13,711,588)	(13,739,562)
Additions from business combinations	17,387,430	-	1,534,198	9,383,916	879,350	11,797,464	29,184,894
Reclassifications during the year	-	-	-	(49,525,779)	-	(49,525,779)	(49,525,779)
Disposals from business combinations	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
<b>31 December 2021</b>	<b>131,145,798</b>	<b>31,842,685</b>	<b>411,603,528</b>	<b>507,344,820</b>	<b>35,060,845</b>	<b>985,851,878</b>	<b>1,116,997,676</b>
	Intangibles	Land	Construction	Vehicles and equipment	Construction in progress	Total fixed assets	Total
<b>Depreciation</b>							
<b>1 January 2021</b>	<b>57,110,173</b>	<b>84,120</b>	<b>97,484,283</b>	<b>307,113,355</b>	<b>-</b>	<b>404,681,758</b>	<b>461,791,932</b>
Charge of the year	13,506,944	-	14,410,030	40,537,184	-	54,947,215	68,454,159
Disposals	(27,974)	-	(181,707)	(13,409,556)	-	(13,591,262)	(13,619,236)
Reclassifications during the year	-	-	-	(12,392,445)	-	(12,392,445)	(12,392,445)
<b>31 December 2021</b>	<b>70,589,143</b>	<b>84,120</b>	<b>111,712,607</b>	<b>321,848,538</b>	<b>-</b>	<b>433,645,265</b>	<b>504,234,408</b>
<b>Net Book Value</b>							
<b>1 January 2021</b>	<b>46,755,678</b>	<b>31,758,565</b>	<b>290,849,507</b>	<b>189,057,193</b>	<b>24,007,225</b>	<b>535,672,490</b>	<b>582,428,168</b>
<b>31 December 2021</b>	<b>60,556,655</b>	<b>31,758,565</b>	<b>299,890,922</b>	<b>185,496,281</b>	<b>35,060,845</b>	<b>552,206,613</b>	<b>612,763,268</b>

## Current Assets

Current assets increased with RON 103,785,501 or by 37.2%, from RON 279,047,657 as at December 31, 2020, to RON 382,833,158 as at December 31, 2021.

## 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.

	<b>For the year ended 31 December,</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Consumables	25,187,152	30,365,966	30,688,305
Materials in the form of inventory items	319,603	634,230	658,855
Merchandise	17,880,962	22,057,554	42,879,249
Inventory in transit	2,550	768	3,176
<b>TOTAL</b>	<b>43,390,267</b>	<b>53,058,518</b>	<b>74,229,585</b>

## Receivables

Receivables are measured in the balance sheet at the estimated amount to be realized. Group receivables cover a wide range of clients. As the customer base of the Group is very diverse, there are generally no large concentrations of credit risk.

The average receivable period for the services offered is 95 days. There is no interest on commercial receivables within the first 95 days from the date of issue of the invoice, which also represents the average contractual term.



	For the year ended 31 December,		
	2019	2020	2021
Customers	109,517,379	126,765,253	158,827,295
Accrued income	7,047,839	14,474,781	14,817,862
Advances to suppliers	-	6,968,448	-
Allowance for doubtful receivables	(16,241,403)	(27,129,452)	(33,288,919)
<b>TOTAL</b>	<b>100,323,815</b>	<b>121,079,030</b>	<b>140,356,238</b>

## Current Liabilities

Current liabilities (excluding interest bearing liabilities) increased with RON 78,432,644, or by 39.3%, from RON 199,597,812 as at December 31, 2020, to RON 278,030,456 as at December 31, 2021.

## Financial Debt

Interest bearing debt increased with RON 50,537,238, or by 7.5%, from RON 676,523,965 as at December 31, 2020, to RON 727,061,202 as at December 31, 2021.

As at 31 December 2021, 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 needs.

The table below summarizes the Group's debts from loan and leasing contracts as at 31 December 2019, 2020 and 2021:

Loan agreements	For the year ended 31 December,		
	2019	2020	2021
Current portion of interest-bearing loans and borrowings	53,813,959	73,564,124	83,948,645
Non-current portion of Interest-bearing loans and borrowings	345,952,241	414,696,592	440,840,484
<b>TOTAL</b>	<b>399,766,200</b>	<b>488,260,716</b>	<b>524,789,129</b>

Financial leasing	For the year ended 31 December,		
	2019	2020	2021
Current portion – Leasing	40,425,758	41,166,069	52,586,827
Long term portion – Leasing	141,065,745	147,097,180	149,685,246
<b>TOTAL</b>	<b>181,491,503</b>	<b>188,263,249</b>	<b>202,272,073</b>

As at December 31, 2021, 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, Accapiens SA, Genesys Medical Clinic SRL, Clinica Polisano SRL, Centrul Medical Sama SA, Dent Estet Clinic SA and Valdi Medica SRL) signed with Banca Comerciala Romana, Raiffeisen Bank, BRD Groupe Societe Generale and 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. On 15 May 2020, this facility was extended with 20 million euro.

## Increases in credit facility during 2021

On 29 April 2021, the Group increased the existing facilities by 40 million euros by signing a syndicated loan in total amount of approximately 143 million euros. The syndicate of banks which signed the new syndicated loan consists of Banca Comercială Română, as coordinator, mandated lead arranger, documentation agent, facility & security agent and lender, Raiffeisen Bank, BRD Groupe Société Générale and Banca Transilvania, as lead arrangers and lenders. The new funds will be dedicated to consolidating and expanding the group at national level, through the development of regional hospitals, where the patient will benefit from a 360-degree approach both in terms of the complexity of the medical act and the quality of complementary services. The expansion of the medical infrastructure and the M&A program are also a priority, and moreover, the Group will continue intensely its research efforts, aiming to intensify them through new investments during the year.

Also, on 6 December 2021, the Group signed a new increase for the syndicated loan for an additional 50 million euros in order to consolidate its position on the market, funds that will be used to accelerate the acquisition program.

- a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn on December 31, 2021, is of RON 9,896,200;
- 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 December 31, 2021;
- 2 guaranteed loan facilities concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L.; the balance outstanding at December 31, 2021 is RON 4,697,029;
- an overdraft facility concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L. within 1,500,000 RON; on December 31, 2021 the amount drawn is RON 48,748;
- a guaranteed loan concluded between Bancpost and Med Life Ocupational S.R.L. worth EUR 225,000; the balance outstanding at December 31, 2021 is RON 132,390;
- 1 guaranteed loan contract concluded between Banca Transilvania S.A. and Ghencea Medical Center, the balance outstanding at December 31, 2021 is RON 563,389;
- a loan agreement and a guaranteed overdraft facility between CEC Bank S.A. and Clinic Polisano S.R.L., the balance outstanding at December 31, 2021 is RON 30,713,112;
- an overdraft facility between Banca Transilvania S.A. and Onco Team Diagnostic S.A., the balance outstanding at December 31, 2021 is RON 355,757;
- a loan agreement concluded between Banca Transilvania S.A. and Micromedica Roman S.R.L., the balance outstanding at December 31, 2021 is RON 1,471,842;
- two loan agreements concluded between Banca Transilvania S.A. and Centrul Medical Micromedica S.R.L., the balance outstanding at December 31, 2021 is RON 1,619,786;
- a loan agreement concluded between Raiffeisen Bank and Krondent SA, the balance outstanding at December 31, 2021 is RON 168,901;
- three loan agreements concluded between Vista Bank and Ced Pharma SRL, the balance outstanding at December 31, 2021 is RON 2,668,867;
- an overdraft facility concluded between ING Bank and Leti-Pharm 2000 SRL, the balance outstanding at December 31, 2021 is RON 20,000;
- a loan agreement concluded between Banca Transilvania and Dent Estet Ploiesti SRL, the balance outstanding at December 31, 2021 is RON 2,401,862;
- a loan agreement concluded between Banca Transilvania and Stomestet SRL, the balance outstanding at December 31, 2021 is RON 284,094 and an overdraft of RON 120,803.

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.

As at 31 December 2021, in relation to the syndicated loan with balance of RON 468.391.291, the Group has pledged the property, plant and equipment with a carrying value of RON 270.374.442. The Group has also pledged cash in a total amount of RON 62.993.608 and pledged receivables of RON 38.907.083 at 31 December 2021.

The Group has pledged shares in relation with the companies it acquired until December 31, 2021 and pledged assets in relation to the other loans presented in Note 14 in Consolidated Financial Statements.

As at December 31, 2021 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 2019, 2020 and 2021:

	For the year ended 31 December,		
	2019	2020	2021
	*Restated		
<b>Net profit before taxes</b>	<b>25,122,512</b>	<b>78,551,159</b>	<b>135,419,561</b>
<b>Adjustments for:</b>			
Depreciation and amortization	90,481,076	102,897,388	113,760,199
Provisions for liabilities and charges	(709,768)	5,460,306	782,843
Interest revenue	(69,900)	(50,893)	(149,944)
Interest expense	20,646,561	23,252,552	27,451,079
Allowance for doubtful debts and receivables written-off	(1,167,475)	10,888,049	5,269,269
Financial Discounts	5	-	-
Other non-monetary gains	(3,789,152)	(3,712,076)	(4,464,820)
Unrealized exchange gain / loss	9,260,113	7,392,342	9,076,658
Goodwill impairment	-	90,706	-
<b>Operating cash flow before working capital changes</b>	<b>139,773,971</b>	<b>224,769,533</b>	<b>287,144,845</b>
Decrease / (increase) in accounts receivable	(16,815,577)	(35,539,764)	(6,506,380)
Decrease / (increase) in inventories	(2,044,361)	(9,968,002)	(5,902,852)
Decrease / (increase) in prepayments	(725,989)	1,018,264	(863,594)
Increase / (decrease) in accounts payable	11,944,565	(19,743,767)	8,752,697
<b>Cash generated from working capital changes</b>	<b>(7,641,362)</b>	<b>(64,233,269)</b>	<b>(4,520,129)</b>
<b>Cash generated from operations</b>	<b>132,132,609</b>	<b>160,536,264</b>	<b>282,624,716</b>
Income Tax Paid	(6,134,448)	(9,716,112)	(26,557,162)
Interest Paid	(19,514,509)	(22,207,210)	(28,820,100)
Interest received	69,899	50,893	149,944
<b>Net cash from operating activities</b>	<b>106,553,551</b>	<b>128,663,835</b>	<b>227,397,398</b>
Acquisition of subsidiaries, net of cash acquired	(53,182,778)	(23,769,813)	(52,504,735)
Additional participation interest acquired	(1,532,500)	-	(1,661,990)
Purchase of intangible assets	(3,020,776)	(5,962,689)	(5,385,050)
Purchase of property, plant and equipment	(50,681,033)	(83,116,171)	(91,525,535)
<b>Net cash used in investing activities</b>	<b>(108,417,087)</b>	<b>(112,848,673)</b>	<b>(151,077,310)</b>
<b>Cash flow from financing activities</b>			
Proceeds from loans	63,121,293	101,692,813	84,203,084
Payment of loans	(14,533,110)	(25,118,546)	(56,241,155)
Lease payments	(40,315,278)	(43,857,062)	(46,653,956)
Dividends paid to NCI	(186,698)	(701,987)	(70,000)
Payments for purchase of treasury shares	(2,256,114)	(3,548,879)	(3,669,570)
<b>Net cash from/(used in) financing activity</b>	<b>5,830,093</b>	<b>28,466,339</b>	<b>(22,431,597)</b>
<b>Net change in cash and cash equivalents</b>	<b>3,966,557</b>	<b>44,281,501</b>	<b>53,888,491</b>
Cash and cash equivalents beginning of the period	33,722,339	37,688,896	81,970,397
<b>Cash and cash equivalents end of the period</b>	<b>37,688,896</b>	<b>81,970,397</b>	<b>135,858,888</b>

### Net cash generated from operating activities

Net cash generated from operating activities increased in 2021 with RON 98,733,563 or 76.7%, from RON 128,663,835 in 2020, to RON 227,397,398 in 2021. 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 with RON 38,228,637, or by 33.9%, from RON 112,848,673 in 2020 to RON 151,077,310 in 2021. The increase is determined on one hand by an increase in cash used in business combinations, from RON 23,769,813 in 2020, to RON 52,504,735 in 2021. On the other hand, cash outflows for investments in non-current assets (intangibles and property plant and equipment) were RON 96,910,585, increasing with RON 7,831,725 as compared to 2020.

### Net cash (used in)/ generated from financing activities

Net cash used in financing activities decreased with RON 50,897,936, from RON 28,466,339 net cash from financing activities in 2020, to RON 22,431,597 net cash used in financing activities in 2021.

In 2021, the Group's cash outflows to repay loans and financial leasing, including leases classified under IFRS 16, amounted to RON 102,895,111, exceeding proceeds from loans in amount of RON 84,203,084. Proceeds from loans represent mainly cash inflows from loan drawdowns to finance the acquisitions performed during the year. Payments for the purchase of treasury shares amounted to RON 3,669,570.

## SUBSEQUENT EVENTS

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### Russia – Ukraine conflict

In the context of the conflict between Russia and Ukraine, started on February 24, 2022, the European Union, the United States of America, United Kingdom and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals.

Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

It is expected that these events may affect the activities in various sectors of the economy, could result in further increases in European energy prices and increased risk of supply chain disturbances.

The Group does not have direct exposures to related parties and/or key customers or suppliers from those countries.

The Group regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Group's management is analysing the possible impact of changing micro- and macroeconomic conditions on the Group's financial position and results of operations.

### Increased participation in Genesys Medical Clinic SRL

MedLife Group increases by 10% its shareholding in Genesys Medical Clinic, one of the largest private medical services providers in western Romania, thus reaching a stake of 83%. Genesys Medical Clinic has been part of MedLife Group since 2011, when representatives announced the acquisition of 55% of its shares.

### Increased participation in Almina Trading SA

MedLife Group announces the acquisition of additional 10% shares in Almina Trading, reaching a stake of 90%. In 2017, MedLife Group acquired a majority stake of 80% in Almina Trading, a company consisting of eight medical centers and two laboratories, located in Dambovita and Ilfov counties.

There were no other significant events after December 31, 2021.

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Med Life SA

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Med Life SA (the Company) and its subsidiaries (together referred to as "the Group") with official head office in Calea Grivitei no.365, district 1, Bucharest, identified by sole fiscal registration number 8422035, which comprise the consolidated statement of financial position as at December 31, 2021, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 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

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 consolidated the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### Description of each key audit matter and our procedures performed to address the matter

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment testing of goodwill</b></p> <p>The carrying value of goodwill as of 31 December 2021 is of 199.7 million RON. Under the International Financial Reporting Standards, an entity is required to test at least annually the goodwill for impairment or whenever there is an indication of impairment.</p> <p>Impairment testing of goodwill is performed at the level of 28 cash-generating units (“CGU”), using a discounted cash flow model. Management estimates the cash flows for the cash-generating units to which goodwill is allocated, in order to determine the recoverable amount of each GCU.</p> <p>As disclosed in Note 4 to the consolidated financial statements, in calculating the recoverable amount, the management makes judgements and significant estimates in determining revenue and operating margin growth assumptions and the discount rate to be applied to the expected cash flows.</p> <p>In light of the judgements and estimates used by the management in the determination of future cash flow projections which are based on assumptions that are affected by expected future market conditions in Romania,</p>	<p>We analysed the management’s assessment of the recoverability of the carrying value of goodwill with a focus on the key assumptions made by management.</p> <p>Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>• Performed a detailed understanding of the Group’s internal process and related documentation flow and key controls associated with the goodwill impairment testing process;</li> <li>• Assessed the determination of CGUs by management;</li> <li>• For a sample of CGUs with significant goodwill: <ul style="list-style-type: none"> <li>○ reconciled the assumptions used within the future cash flow models to approved business plans;</li> <li>○ involved our internal valuation specialists to assist us in evaluating the appropriateness of the methodology used to estimate the recoverable amount of CGUs and its conformity with the requirements of the International Financial Reporting Standards; and in testing the mathematical accuracy of the discounted cash flow model as well as evaluating for reasonableness the discount rates used for discounting future cash flows for each CGU and key macroeconomic assumptions;</li> </ul> </li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p>uncertainties regarding current economic environment and significance of the carrying value of goodwill this matter is considered a key audit matter. The Group's disclosures about goodwill and the related impairment testing are included in Note 3.6 (Significant judgements, estimates and assumptions) and in Note 4 (Goodwill) to the consolidated financial statements.</p>	<ul style="list-style-type: none"> <li>○ Assessed the assumptions used in the estimated future cashflows against historic performance to determine the reasonability of the management's estimates.</li> <li>○ Assessed the management's sensitivity analysis over key assumptions and performed additional independent sensitivity analysis in order to assess the impact of possible changes of assumptions on the impairment testing;</li> <li>• Assessed the competence of management's external specialists and their objectivity and independence, to consider whether they were appropriately qualified to carry out the impairment assessments.</li> <li>• Assessed the relevant disclosures included in the consolidated financial statements.</li> </ul>

### Other matters

The consolidated financial statements for the year ended 31 December 2020 were audited by another auditor that issued an unmodified audit opinion on 13 April 2021.

### Other information

The other information comprises the Consolidated Administrators' Report, the Annual Remuneration Report, the Annual Report and the Sustainability Report, but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Consolidated Administrator's Report and the Annual Remuneration report, prior to the date of our auditor's report, and we expect to obtain the Annual Report and the Sustainability Report, as part of separate reports, after the date of our auditor's report. Management is responsible for the other information.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, 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.

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.

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**

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 auditors' 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.

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 auditors' 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 auditors' 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.

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.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

## **Report on Other Legal and Regulatory Requirements**

### **Reporting on Information Other than the Consolidated Financial Statements and Our Auditors' Report Thereon**

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Consolidated Administrators' Report and the Annual Remuneration Report, we have read these reports and report that:

- a) in the Consolidated Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at December 31, 2021;

- b) the Consolidated Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 - 19 and 26-27;
- c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of consolidated financial statements as at December 31, 2021, we have not identified information included in the Consolidated Administrators' Report that contains a material misstatement of fact.
- d) The Annual Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

**Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council**

**Appointment and Approval of Auditor**

We were appointed as auditors of the Group by the General Meeting of Shareholders on 29 September 2021 to audit the consolidated financial statements for the financial year end December 31, 2021. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 1 year, covering the financial period ended December 31, 2021.

**Consistency with Additional Report to the Audit Committee**

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.

**Provision of Non-audit Services**

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated financial statements, no other services which were provided by us to the Company, and its controlled undertakings.

## **Report on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation**

We have performed a reasonable assurance engagement on the compliance of the electronic format of the consolidated financial statements of Med Life SA (the Company) and its subsidiaries (together referred to as "the Group") for the year ended December 31, 2021, included in the attached electronic file „254900RJWPQ4SLGCP185-2021-12-31-en.zip" (identified with the key b632fdafb0e11d557e15bd9d80739239f071d05f2279d370ae6a2173fe2bf2d3) with the requirements of the Commission Delegated Regulation (EU) 2019 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation). Our opinion is expressed only in relation to the electronic format of the consolidated financial statements.

### **Description of the subject matter and the applicable criteria**

The Management has prepared electronic format of consolidated financial statements of the Group for the year ended December 31, 2021 in accordance and to comply with ESEF Regulation requirements.

The requirements for the preparation of the consolidated financial statements in ESEF format are specified in the ESEF Regulation and represent, in our opinion, applicable criteria for us to express an opinion providing reasonable assurance.

### **Responsibilities of the Management and Those Charged with Governance**

The Management of the Group is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the consolidated financial statements in XHTML format. Such responsibility includes the selection and application of appropriate iXBRL tags using the taxonomy specified in the ESEF Regulation, ensuring consistency between the human-readable layer of electronic format of the consolidated financial statements and the audited consolidated financial statements. The responsibility of Group's Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the consolidated financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process for the preparation of consolidated financial statements of the Group, including the application of the ESEF Regulation.

## **Auditor's Responsibility**

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation.

We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the consolidated financial statements of the Group is prepared, in all material respects, in accordance with the applicable criteria, specified above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

## **Our Independence and Quality Control**

We apply International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements to the registered auditors in Romania.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

## **Summary of procedures performed**

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the consolidated financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic (XHTML) reporting format of the consolidated financial statements of the Group, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the consolidated financial statements of the Group, including the preparation of the consolidated financial statements of the Group in XHTML format and its tagging in machine readable language (iXBR);

- tested the validity of the applied XHTML format;
- checked whether the human-readable layer of electronic format of the consolidated financial statements (XHTML) corresponds to the audited consolidated financial statements;
- assessed the completeness of the tagging of information in the consolidated financial statements while using the machine-readable language (iXBRL) under the requirements of the ESEF Regulation;
- assessed the appropriateness of the applied iXBRL tags selected from the core taxonomy and the creation of extensions to the elements in the extended taxonomy specified in the ESEF Regulation when there were no suitable elements in the core taxonomy;
- evaluated the anchoring of the taxonomy extensions to the elements in the extended taxonomy specified by the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Opinion on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation**

Based on the procedures performed, in our opinion, the electronic format of the consolidated financial statements of the Group for the year ended 31 December 2021 is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

On behalf of,

**Ernst & Young Assurance Services SRL**  
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Registered in the electronic Public Register under No. FA77

Name of the Auditor/ Partner: Ivanovici Alice Andreea  
Registered in the electronic Public Register under No. AF3617

Autoritatea pentru Supravegherea Publică a  
Activității de Audit Statutar (ASPAAS)  
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.  
Registrul Public Electronic: FA77

Autoritatea pentru Supravegherea Publică a  
Activității de Audit Statutar (ASPAAS)  
Auditor financiar: **Ivanovici Alice Andreea**  
Registrul Public Electronic: **AF3617**



Bucharest, Romania  
24 March 2022



SISTEMUL MEDICAL  
**MedLife**

## **MED LIFE GROUP**

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS  
ADOPTED BY EUROPEAN UNION (TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AND  
CONSOLIDATED ADMINISTRATORS' REPORT)

**Name of the issuing company:** MED LIFE S.A.  
**Registered Office:** Bucharest, 365 Calea Griviței, district 1, Romania  
**Fax no.:** 0040 374 180 470  
**Unique Registration Code at the National Office of Trade Registry:** 8422035  
**Order number on the Trade Registry:** J40/3709/1996  
**Subscribed and paid-in share capital:** RON 33,217,623  
**Regulated market on which the issued securities are traded:** Bucharest Stock Exchange

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	Note	December 31, 2021	January 1, 2021
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Goodwill	4	199,679,613	147,256,824
Intangible assets	5	60,556,655	46,755,678
Property, plant and equipment	5	552,206,613	535,672,488
Right-of-use asset	13	190,715,602	146,821,194
Other financial assets	5.4	31,610,586	27,940,022
<b>Total Non-Current Assets</b>		<b>1,034,769,069</b>	<b>904,446,206</b>
<b>Current Assets</b>			
Inventories	6	74,229,585	53,058,518
Trade Receivables	7	140,356,238	121,079,030
Other assets		24,357,734	15,822,146
Cash and cash equivalents	8	135,858,888	81,970,397
Prepayments	9	8,030,713	7,117,566
<b>Total Current Assets</b>		<b>382,833,158</b>	<b>279,047,657</b>
<b>TOTAL ASSETS</b>		<b>1,417,602,227</b>	<b>1,183,493,863</b>
<b>LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>			
<b>Non-Current Liabilities</b>			
Lease liability	13,14	149,685,246	147,097,180
Other long term debt		7,546,394	18,119,743
Interest-bearing loans and borrowings	14	440,840,484	414,696,592
Deferred tax liability	26	23,559,617	20,345,799
<b>Total Non-Current Liabilities</b>		<b>621,631,741</b>	<b>600,259,314</b>
<b>Current Liabilities</b>			
Trade and other payables	10	224,242,318	151,690,134
Overdraft	14	25,493,223	27,127,907
Current portion of lease liability	13,14	52,586,827	41,166,069
Current portion of interest-bearing loans and borrowings	14	58,455,422	46,436,217
Current tax liabilities	26	1,467,625	5,467,450
Provisions	12	7,992,337	7,209,494
Other non-financial liabilities	11	44,328,176	35,230,733
<b>Total Current Liabilities</b>		<b>414,565,928</b>	<b>314,328,004</b>
<b>TOTAL LIABILITIES</b>		<b>1,036,197,669</b>	<b>914,587,318</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital and Share premium	15	82,395,091	82,027,012
Treasury shares		(4,015,977)	(666,624)
Reserves	17	137,335,499	124,211,557
Retained earnings		122,394,796	35,701,579
<b>Equity attributable to owners of the Group</b>		<b>338,109,409</b>	<b>241,273,524</b>
Non-controlling interests	18	43,295,149	27,633,021
<b>TOTAL EQUITY</b>		<b>381,404,558</b>	<b>268,906,545</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,417,602,227</b>	<b>1,183,493,863</b>

**Mihail Marcu,**  
CEO

**Adrian Lungu,**  
CFO



		<b>12 months ended December 31,</b>	
		<b>2021</b>	<b>2020</b>
	<b>Note</b>		
Revenue from contracts with customers	19	1,427,218,373	1,077,448,351
Other operating revenues	20	10,362,989	9,274,762
<b>Operating Income</b>		<b>1,437,581,362</b>	<b>1,086,723,113</b>
Consumable materials and repair materials		(234,425,408)	(189,975,286)
Third party expenses	21	(380,388,868)	(281,469,012)
Salary and related expenses	23	(333,837,004)	(277,035,208)
Social contributions	23	(12,214,486)	(10,767,730)
Depreciation and amortization	5,13	(113,760,199)	(102,897,388)
Impairment losses and gains (including reversals of impairment losses)	7	(5,269,269)	(10,888,049)
Commodities expenses	2	(106,225,169)	(35,649,736)
Other operating expenses	22	(79,609,056)	(68,929,576)
<b>Operating expenses</b>		<b>(1,265,729,459)</b>	<b>(977,611,985)</b>
<b>Operating Profit</b>		<b>171,851,903</b>	<b>109,111,128</b>
Finance cost	24	(27,451,079)	(23,252,552)
Other financial expenses	24	(8,981,263)	(7,307,417)
<b>Financial result</b>	24	<b>(36,432,342)</b>	<b>(30,559,969)</b>
<b>Result Before Taxes</b>		<b>135,419,561</b>	<b>78,551,159</b>
Income tax expense	26	(22,506,352)	(14,787,475)
<b>Net Result</b>		<b>112,913,209</b>	<b>63,763,684</b>
Owners of the Group		102,613,932	56,702,860
Non-controlling interests	18	10,299,277	7,060,824
<b>Earnings per share</b>			
Basic and diluted earnings per share	16	0.77	0.43
<b>Other comprehensive income items that will not be reclassified to profit or loss</b>			
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>Total other comprehensive income attributable to:</b>			
Owners of the Group		-	-
Non-controlling interests		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>112,913,209</b>	<b>63,763,684</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Group		102,613,932	56,702,860
Non-controlling interests	18	10,299,277	7,060,824

**Mihail Marcu,**  
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CFO

**MED LIFE GROUP**  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
*(all amounts are expressed in RON, unless otherwise specified)*



	Note	<b>12 months ended December 31,</b>	
		<b>2021</b>	<b>2020</b>
<b>Net profit before taxes</b>	26	<b>135,419,561</b>	<b>78,551,159</b>
<b>Adjustments for</b>			
Depreciation and amortization	5,13	113,760,199	102,897,388
Provisions for liabilities and charges	12	782,843	5,460,306
Interest revenue	24	(149,944)	(50,893)
Interest expense	24	27,451,079	23,252,552
Allowance for doubtful debts and receivables written-off	7	5,269,269	10,888,049
Other non-monetary gains	20	(4,464,820)	(3,712,076)
Unrealized exchange loss		9,076,658	7,392,342
Goodwill impairment	4	-	90,706
<b>Operating cash flow before working capital changes</b>		<b>287,144,845</b>	<b>224,769,533</b>
Decrease / (increase) in accounts receivable		(6,506,380)	(35,539,764)
Decrease / (increase) in inventories		(5,902,852)	(9,968,002)
Decrease / (increase) in prepayments		(863,594)	1,018,264
Increase / (decrease) in accounts payable		8,752,697	(19,743,767)
<b>Cash generated from working capital changes</b>		<b>(4,520,129)</b>	<b>(64,233,269)</b>
<b>Cash generated from operations</b>		<b>282,624,716</b>	<b>160,536,264</b>
Income Tax Paid		(26,557,162)	(9,716,112)
Interest Paid		(28,820,100)	(22,207,210)
Interest received		149,944	50,893
<b>Net cash from operating activities</b>		<b>227,397,398</b>	<b>128,663,835</b>
Acquisition of subsidiaries, net of cash acquired	4,27	(52,504,735)	(23,769,813)
Additional participation interest acquired	4,27	(1,661,990)	-
Purchase of intangible assets	5	(5,385,050)	(5,962,689)
Purchase of property, plant and equipment	5	(91,525,535)	(83,116,171)
<b>Net cash used in investing activities</b>		<b>(151,077,310)</b>	<b>(112,848,673)</b>
Proceeds from loans	14	84,203,084	101,692,813
Payment of loans	14	(56,241,155)	(25,118,546)
Lease payments		(46,653,956)	(43,857,062)
Dividends paid to NCI	18	(70,000)	(701,987)
Payments for purchase of treasury shares		(3,669,570)	(3,548,879)
<b>Net cash from/(used in) financing activities</b>		<b>(22,431,597)</b>	<b>28,466,339</b>
<b>Net change in cash and cash equivalents</b>		<b>53,888,491</b>	<b>44,281,501</b>
Cash and cash equivalents beginning of the period		81,970,397	37,688,896
<b>Cash and cash equivalents end of the period</b>	8	<b>135,858,888</b>	<b>81,970,397</b>

**Mihail Marcu,**  
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**MED LIFE GROUP**  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021  
*(all amounts are expressed in RON, unless otherwise specified)*



	Share Capital	Treasury shares	Share premium	Legal reserves and other reserves	Revaluation Reserve	Accumulated Results	Attributable to owners of the parent	Non-controlling interests	Total Equity
<b>Balance as at December 31, 2020</b>	<b>33,217,623</b>	<b>(666,624)</b>	<b>48,809,388</b>	<b>28,726,817</b>	<b>95,484,740</b>	<b>35,701,579</b>	<b>241,273,524</b>	<b>27,633,022</b>	<b>268,906,545</b>
Recognition of other reserves for fiscal purposes	-	-	-	4,129,505	-	(4,129,505)	-	-	-
Recognition of legal reserves	-	-	-	8,994,437	-	(8,994,437)	-	-	-
Additional NCI arising as of result of business combinations (Note 18)	-	-	-	-	-	-	-	7,445,708	7,445,708
Subsequent acquisition of NCI (Note 18)	-	-	-	-	-	(2,796,773)	(2,796,773)	(1,865,109)	(4,661,882)
Distribution of dividends (Note 18)	-	-	-	-	-	-	-	(217,749)	(217,749)
Increase from own shares acquisition (Note 15)	-	(3,669,511)	-	-	-	-	(3,669,511)	-	(3,669,511)
Net release of own shares used for acquiring additional NCI (Note 15)	-	320,158	-	-	-	-	320,158	-	320,158
Increase in premiums due to difference between fair value and cost of own shares when the exchange was made (Note 15)	-	-	368,080	-	-	-	368,080	-	368,080
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,613,933</b>	<b>102,613,933</b>	<b>10,299,277</b>	<b>112,913,209</b>
Profit of the year	-	-	-	-	-	102,613,933	102,613,933	10,299,277	112,913,209
<b>Balance as at December 31, 2021</b>	<b>33,217,623</b>	<b>(4,015,977)</b>	<b>49,177,468</b>	<b>41,850,759</b>	<b>95,484,740</b>	<b>122,394,796</b>	<b>338,109,410</b>	<b>43,295,149</b>	<b>381,404,558</b>

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**MED LIFE GROUP**  
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021  
 (all amounts are expressed in RON, unless otherwise specified)



	Share capital	Treasury shares	Share premium	Legal reserves and other reserves	Revaluation Reserve	Accumulated Results	Attributable to owners of the parent	Non-controlling interests	Total Equity
<b>Balance as at 1 January 2020</b>	<b>5,536,271</b>	<b>(2,699,804)</b>	<b>75,959,199</b>	<b>13,406,769</b>	<b>95,302,534</b>	<b>(3,356,485)</b>	<b>184,148,483</b>	<b>22,750,118</b>	<b>206,898,601</b>
Recognition of other reserves for fiscal purposes	-	-	-	661,005	-	(661,005)	-	-	-
Recognition of other reserves	-	-	-	14,659,044	182,206	(14,659,044)	182,206	-	182,206
Increase in share capital through incorporation of reserves	27,681,352	-	(27,681,352)	-	-	-	-	-	-
Subsequent acquisition of NCI	-	-	-	-	-	(2,324,748)	(2,324,748)	(1,475,933)	(3,800,681)
Distribution of dividends	-	-	-	-	-	-	-	(701,987)	(701,987)
Net release of own shares used for acquiring additional NCI	-	2,033,180	-	-	-	-	2,033,180	-	2,033,180
Increase in premiums due to difference between fair value and cost of own shares when the exchange was made	-	-	531,542	-	-	-	531,542	-	531,542
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,702,860</b>	<b>56,702,860</b>	<b>7,060,824</b>	<b>63,763,684</b>
Profit of the year	-	-	-	-	-	56,702,860	56,702,860	7,060,824	63,763,684
<b>Balance as at December 31, 2020</b>	<b>33,217,623</b>	<b>(666,624)</b>	<b>48,809,388</b>	<b>28,726,817</b>	<b>95,484,740</b>	<b>35,701,579</b>	<b>241,273,524</b>	<b>27,633,022</b>	<b>268,906,545</b>

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## 1. DESCRIPTION OF THE BUSINESS

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

Med Life and its subsidiaries (collectively, "the Group" or "Medlife") is offering a large range of medical service having opened 32 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Braila, Sibiu, Cluj, Constanta and Oradea, 48 Clinics, 11 hospitals – located in Bucharest, Sibiu, Arad, Brasov and Cluj, 34 Laboratories, 22 Pharmacies and 17 Dental Clinics. The Group has also more than 170 private Clinic partners around Romania.

Medlife is one of the largest providers of medical services 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.

In accordance with the provisions of the Law no. 129/2019, the Group has identified two ultimate groups of controlling parties:

### A. The Marcu family:

- Mr. Mihail Marcu, considering his quality of shareholder of the company, which holds a percentage of 15.4679% of its share capital;
- Mr. Nicolae Marcu, considering its quality of shareholder of the company, which holds a percentage of 10.5625% of its share capital;
- Mrs. Mihaela Gabriela Cristescu, considering its quality of shareholder of the company, which holds a percentage of 14.0443% of its share capital.

Considering the family relations between them, Mr. Mihail Marcu and Mr. Nicolae Marcu being the sons of Mrs. Mihaela Gabriela Cristescu and the fact that they hold together a percentage of over 25% of the total share capital of the company: therefore, to pursue the purpose of the law, even if it refers to the individual, the expression of the law does not exclude the hypothesis of individuals acting together, insofar as it is determined that they control the company together and are the ultimate beneficiaries of its activity.

### B. Board of Directors:

- Mr. Mihail Marcu, considering his quality of General Manager and President and Member of the Board of Directors of the company;
- Mr. Nicolae Marcu, considering his quality of Member in the Board of Directors of the company;
- Mr. Dorin Preda, considering his quality of Member in the Board of Directors of the company;
- Mr. Dumitru-Pelinescu Onciul, considering his quality of Member in the Board of Directors of the company;
- Mrs. Ana Maria Mihaescu, considering its quality of Member in the Board of Directors of the company;
- Mr. Ovidiu Fer, considering its quality of Member in the Board of Directors of the company;
- Mr. Voicu Cheta, considering its quality of Member in the Board of Directors of the company.

In this case, the person who ensures the administration of the company has been identified, taking into account both the provisions of Law no. 129/2019, as well as the instructions issued by the Trade Register regarding the registration of the real beneficiary, which indicates the holding of a percentage of 25% + 1 of the number of shares as a unit and does not mention the concerted action or the control held together with another person, in the idea that, in the end, the interest is to identify that the person (if any) who controls the company by his own will (ie without having to align his interests with another person).

The interpretation of the phrase of indirect exercise of the property right refers to the chain holdings and not the situation in which several persons act in concert. Therefore, under this interpretation of the law, the real beneficiary would be the persons who ensure the management of the company, who, in this case, are the persons identified in point B.1. - B.7.

List of the entities part of Med Life Group as at December 31, 2021 and January 1, 2021 are as follows (ownership percentage):

No.	Entity	Main activity	Location	December, 31 2021	January, 1 2021
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	83.01%	83.01%
2	Medapt SRL (indirect)**	Medical Services	Brasov, Romania	83.01%	83.01%
3	Histo SRL (indirect)**	Medical Services	Brasov, Romania	49.81%	49.81%
4	Policlinica de Diagnostic Rapid Medis SRL (indirect)**	Medical Services	Sfantu Gheorghe, Romania	66.41%	66.41%
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	73%	73%
10	Genesys Medical Clinic SRL (indirect)**	Medical Services	Bucharest, Romania	73%	73%
11	Bactro SRL (indirect)**	Medical Services	Deva, Romania	73%	73%
12	Transilvania Imagistica SA (indirect)**	Medical Services	Oradea, Romania	73%	73%
13	Biofarm Farmec SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
14	RUR Medical SA (indirect)**	Medical Services	Bucharest, Romania	83.01%	83.01%
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%	90%
18	Ultratest SA (direct si indirect)**	Medical Services	Craiova, Romania	76%	76%
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	60%	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	100%	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 Polisano SRL	Medical Services	Sibiu, Romania	100%	100%
34	Solomed Clinic SA	Medical Services	Pitesti, Romania	80%	80%
35	Solomed Plus SRL (indirect)**	Medical Services	Pitesti, Romania	80%	80%
36	Ghencea Medical Center SA	Medical Services	Bucharest, Romania	100%	100%
37	Sfatul medicului SRL	Medical Platform	Bucharest, Romania	100%	100%
38	RMC Dentart (indirect)**	Dental healthcare	Budapest, Hungary	51%	51%
39	RMC Medical (indirect)**	Medical Services	Budapest, Hungary	51%	51%
40	RMC Medlife	Holding	Budapest, Hungary	51%	51%
41	Badea Medical SRL	Medical Services	Cluj, Romania	65%	65%
42	Oncoteam Diagnostic SA	Medical Services	Bucharest, Romania	75%	75%

No.	Entity	Main activity	Location	December, 31 2021	January, 1 2021
43	Centrul medical Micromedica SRL	Medical Services	Piatra Neamt, Romania	100%	100%
44	Micromedica Targu Neamt SRL (indirect)**	Medical Services	Targu Neamt, Romania	100%	100%
45	Micromedica Bacau SRL (indirect)**	Medical Services	Bacau, Romania	100%	100%
46	Micromedica Roman SRL (indirect)**	Medical Services	Roman, Romania	100%	100%
47	Medrix Center SRL (indirect)**	Medical Services	Roznov, Romania	100%	100%
48	Spitalul Lotus SRL	Medical Services	Ploiesti, Romania	100%	100%
49	Labor Maricor SRL	Medical Services	Bacau, Romania	100%	100%
50	Centrul Medical Matei Basarab SRL (indirect)**	Medical Services	Bucharest, Romania	100%	0%
51	Pharmachem Distributie SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	75%	0%
52	CED Pharma SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
53	Leti Pharm 2000 SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
54	Monix Pharm SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
55	KronDent SRL (indirect)**	Dental healthcare	Brasov, Romania	36%	0%
56	Medica SA	Medical Services	Sibiu, Romania	60%	0%
57	Dent Estet Ploiesti SRL (indirect)**	Dental healthcare	Ploiesti, Romania	30.6%	0.0%
58	The Lab Stomestet SRL (indirect)**	Dental healthcare	Cluj, Romania	36%	0%
59	Stomestet SRL (indirect)**	Dental healthcare	Cluj, Romania	36%	0%
60	Stomestet Plus SRL (indirect)**	Dental healthcare	Cluj, Romania	36%	0%
61	Costea Digital Dental SRL (indirect)**	Dental healthcare	Oradea, Romania	36%	0%
62	Expert Med Centrul Medical Irina (indirect)*	Medical Services	Galati, Romania	76%	0%
63	Neolife Medical Center Romania*	Medical Services	Bucharest, Romania	50%	0%

\* The acquisitions of these companies will be finalized in 2022 and will be consolidated starting with 2022.

\*\*These companies are subsidiaries of other subsidiaries in the Group and are included in the consolidation, as they are controlled by the entities which are subsidiaries of the ultimate parent.

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

### 2.1 Changes in accounting policies and adoption of revised/amended IFRS

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2021:

#### - Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. The amendments had no material impact on the financial statements of the Group.

#### - Change in presentation of expenditure

Starting with 2021, expenses related to commodities are reported on a separate line in the Consolidated Statement of comprehensive income, as opposed to 2020, when they were presented under "Other operating expenses". As the business related to sale of merchandise gradually increased in the Group, following acquisitions of new entities that operate in this field, the Group considers that presenting such expenditure on a separate line provides better

information to the users of financial statements. The values reported in the previous year were presented separately, taking into account the new structure.  
 The change in presentation has no effect on operating profit.

**SEPARATE PRESENTATION IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>2020 (audited)</b>	<b>Reclassification</b>	<b>2020 (new presentation)</b>
Commodities expenses	-	(35,649,736)	(35,649,736)
Other operating expenses	(104,579,312)	35,649,736	(68,929,576)
<b>TOTAL</b>	<b>(104,579,312)</b>	<b>-</b>	<b>(104,579,312)</b>

**2.2 New standards and amendments to the existing standards issued but not yet effective and not early adopted**

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 31 December 2021:

- **Amendment in 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**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are



added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU.

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 the 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**

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) 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 2020, except for the adoption of new standards effective as of January 1st 2021.

The financial year corresponds to the calendar year.

#### **3.2 Basis of preparation**

The consolidated financial statements of Medlife Group, hereinafter referred to also as "the Group", are presented in RON ("Romanian Leu"), using going concern principles. All values are rounded to the nearest two decimals. The consolidated financial statements have been prepared on the historical cost basis, except for certain items that have been measured at fair value, such as certain non-current assets and financial instruments, as presented in the notes to the financial statements.

The Group maintains the accounting books in accordance with the Regulations on Accounting and Reporting issued by the Ministry of Finance in Romania.

#### **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.

For the purposes of assessing liquidity and going concern, the Group has modelled scenarios reflecting suitable assumptions over the next 12-month period that serve to inform the decisions the Group takes regarding future cost savings, cash generation, debt covenants and levels of investment. The Group's financial performance to date in 2022 across all divisions has been in line with the modelled scenarios.

In addition, due to the proactive response taken by the Group to improve its liquidity position, since the beginning of the pandemic crisis, the cashflows of the Group have remained stable, demonstrating the financial discipline across the Group and the conservative approach taken when modelling scenarios. Cash and available facilities have remained strong at RON 135.9m at year-end, compared to RON 81.9m at 31 December 2020.

All measures taken have been decided upon having in mind the Group's strategy to better position itself to all the new market changes, on the long term. As a consequence, the management focused on increasing efficiency of its operations in order to obtain better flexibility over capitalizing market opportunities.

For the covenant testing periods ending June 2022 and December 2022, the Board of Directors are confident that the Group has sufficient headroom to stay within the covenants levels, with the mitigations available (which would include management of working capital and constrained levels of capital investment), even in its severe but plausible downside scenarios.

Based on the Group's current financial position and the modelled scenarios, the directors have concluded that the Group has sufficient liquidity to meet all its obligations for at least the twelve months from the date of this report and the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

### **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 when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns. Generally, there is a presumption that a majority of voting rights results in control.

To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 assets and liabilities, equity, income, expenses and cashflows related to transactions between members of the Group 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 cost of acquisition is measured at the aggregate of the consideration transferred which is measured at the acquisition date fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being 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 the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of 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.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

After initial recognition, goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

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

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

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

### **3.6 Significant judgements, estimates and assumptions**

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.

#### **3.6.1. Judgements**

In the process of applying the Group's accounting policies, the following judgments were made, particularly with respect to the following:

##### ***Determining the lease term of contracts with renewal and termination options – Group as a lessee***

Medlife Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has lease contracts which include extension and termination options.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. When determining the lease term to be used for the measurement of the lease, the Group takes into account all the relevant facts and circumstances that create an economic incentive for exercising either the extension or termination option of the lease term.

For leases of buildings, cars and equipment, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.
- If the Group considers that some of the lease agreement shall be terminated earlier, then the assumption of the tenor shall be reassessed accordingly in order to fairly represent the management's view of the leased asset's impact to the financial statements.
- In case of lease term in relation to indefinite lease contracts the assumption applied was that the lease term will be similar to other contracts signed with the same provider or based on the relevant period beyond which the exercise of any option becomes uncertain.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Please see note 13.

##### ***Intangible assets with indefinite useful life***

The Group's management normally uses judgement to assess whether its intangible assets have a definite or indefinite life and should revise periodically this estimate. Please see note 4.

### **Cash generating units**

Management exercises judgement in determining the appropriate level of grouping assets into CGUs, based on the fact that they share significant common infrastructure.

### **Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. Please see note 31.

### **Control over subsidiaries**

The Group assesses whether or not it has control over the acquired companies based on whether it has the practical ability to direct the relevant activities of the targets, immediately after acquisition. Please see note 27.

### **3.6.2. Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### **Impairment of non-financial assets**

Please refer to Note 5.

The Group accounts for land and building using the fair value approach based on market comparative valuations performed by certified ANEVAR professional as per revaluation reports concluded as at 31 December 2019. The valuations conform to International Valuation Standards. As at 31 December 2021, the management has not identified any indication that would conclude the need of revaluating its land and buildings for any impairment.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five or six years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Notes.

### **Allowance for expected credit losses of trade receivables and contract assets**

The Group always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

In determining adjustments for impairment of receivables, management incorporates forward-looking information, exercises professional judgement and uses estimates and assumptions. Estimation of expected credit risk losses involved forecasting future macroeconomic conditions for the next 2 years. More details on the assumptions, scenarios used and the weights assigned to each scenario can be found in Note 7 dedicated to receivables.

The incorporation of forward-looking elements reflects the expectations of the Group and involves the creation of scenarios, including an assessment of the probabilities of materialization of each scenario. Please see note 7.

### **Leases - Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rates to measure lease liabilities. These incremental borrowing rates were determined taking into consideration factors such as the credit risk, currency in which the lease was denominated and economic environment.

### **Provision for untaken holidays**

In order to mitigate the effects generated by COVID 19, the Group took a series of measures to protect the business and address potential liquidity management risks by applying a series of cost cutting measures in relation to personnel costs and enrolled a significant number of its personnel into technical unemployment procedures. As a side effect, but also generated by the long period of lock down measures applied by the Romanian government the demand for vacation leaves has decreased significantly within the Group during 2020 and later on, in 2021. The amount of the obligation was therefore determined to be equal to the number of unused leave multiplied by the relevant employee's gross salary at the reporting date. Please see note 12.

### 3.7 Foreign currency and 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 almost all of the companies of the Group operate (their "functional currency"). The functional currency of the foreign operations is generally their local currency.

The exchange rates as announced by the National Bank of Romania on December 31, 2021 were RON 4.9481 for EUR 1 (December 31, 2020: RON 4.8694 for EUR 1), respectively 1.3391 for HUF 100 (December 31, 2020: RON 1.3356 for 100 HUF).

The average exchange rates for the period of 12 months 2021 were 4.9208 RON for 1 EUR (12 months 2020: 4.8276 RON for 1 EUR), respectively 1.3730 RON for 100 HUF (12 months 2020: 1.3777 for 100 HUF).

#### **Translation of foreign currencies**

Transactions in foreign currencies are translated to the respective functional currency of the Group at the exchange rate ruling at the time of the transaction. Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the reporting date. The foreign exchange differences arising on these translations are recognised as other financial income/expense in the income statement.

#### **Translation of foreign operations**

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Foreign exchange differences arising on translation are recognised in equity through the statement of comprehensive income.

### 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 fair value, being the revalued amount at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The value of land and buildings owned presented in these consolidated financial statements is based on the valuation reports which were prepared as of December 31, 2019 by independent valuers certified by ANEVAR. The revaluation is performed with sufficient frequency as to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Expenses for repairs and maintenance are recognized in the profit or loss account when incurred. Costs with capital repairs are included in the carrying amount 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 Group. Capital repairs are depreciated over the remaining useful period of the respective asset. The land is not depreciated.

Installations and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Assets under construction are recorded at cost, less accumulated impairment losses and depreciated once they become available for use.

Depreciation is calculated on a straight-line basis over the estimated useful lives 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 prospectively.

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

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

The Group transfers the revaluation surplus included in equity in respect of an item of property, plant and equipment directly to retained earnings when the asset is derecognised (i.e. retired or disposed of).

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

### 3.9 Intangible assets

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are stated 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.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The Group's intangible assets are represented by software licenses, concessions, patents and other intangibles which are amortized straight-line over a period of 3 years. Additionally, the group has trademarks with indefinite useful lives and customer lists and customers advantages with finite useful lives acquired as part of business combinations that are further presented under Note 5.2.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

#### **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 non-financial assets**

At the end of each reporting period, the Group reviews whether there is an indication that an asset may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated.

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 that are 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. The Group bases its impairment calculation on most recent budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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 asset is previously revalued with the revaluation taken to OCI, in which case the impairment loss is recognized in OCI up to the amount of any previous revaluation

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. 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.

### **3.10 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. 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.

### **3.11 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 maturities of three months or less.

### **3.12 Government grants**

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

The Group has chosen to present grants related to income to be deducted in reporting the related expense.

The Group has elected to present government grants relating to the purchase of property, plant and equipment in the consolidated statement of financial position as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset.

### **3.13 Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **3.13.1 Financial assets**

##### **Initial recognition and classification**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

This classification on initial recognition depends on the Group's business model with regard to the management of financial assets and on the financial asset's contractual cash flows characteristics.

With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price as disclosed in Note 3.20 Revenue from contracts with customers recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

A financial asset is measured at amortized cost if both of the following conditions are met:

- the financial asset is held using a business model that aims to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely repayments of principal and interest on the principal outstanding.

The Group has only recognised and subsequently measured financial assets at amortised cost.

##### **Subsequent measurement**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial sets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in profit or loss.

The Group's financial assets at amortised cost includes mainly the following: trade receivables and other receivables. These assets are short-term in nature, which is why they are recognised at nominal amounts without discounting.

##### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The contractual rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment**

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are over 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows, when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The Group recognises an impairment gain or loss in profit or loss for all trade receivables with a corresponding adjustment to their carrying amount through a loss allowance account.

During the pandemic, the Group observed that the medical crisis has determined a slowdown in collection of its receivables as a result of the working capital challenges encountered by its clients.

In order to counter this risk, the management decided to apply a prudent approach to future cashflows and recognized an additional allowance for bad and doubtful debts.

### **3.13.2 Equity instruments and financial liabilities**

#### **Classification as equity or debt**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### **a) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### **b) Financial liabilities**

##### **Initial recognition and classification**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.



The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, other long term debt.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. A contingent consideration classified as a financial liability is subsequently remeasured to fair value with the changes in fair value recognised in profit or loss.

#### **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified as financial liabilities at amortised cost. The Group has not designated any financial liability as at fair value through profit or loss.

This is the category most relevant to the Group and it includes loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### **3.14 Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

#### **3.15 Taxation**

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

##### **Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 temporary 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

#### **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.

#### **3.16 Share capital**

Ordinary shares are classified as equity. The Group presents the amount of dividends recognised as distributions to owners during the period in the statement of changes in equity, and the related amount of dividends per share in the notes to the financial statements.

#### **3.17 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.

#### **3.18 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. The revaluation reserve is transferred to retained earnings upon disposal of assets.

#### **3.19 Provisions for risks and charges**

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Liabilities provided for legal matters** require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ from those estimated at the reporting date.

**Liabilities for compensated absences** refer to the entitlement for employees to accumulate vested leave benefits. The Group recognises a liability for compensated absences as it has an obligation to compensate employees for future absences attributable to employees' services already rendered, the obligation relates to rights that accumulate from period to period, it is probable that the amount will be paid and a reliable estimate can be made of the amount of the obligation.

A vesting obligation is where employees are entitled to a cash payment for unused leave entitled upon leaving the entity. The amount of the obligation will therefore be equal to the number of unused leave multiplied by the relevant employee's gross salary at the reporting date.

The obligation is initially recognised during the vesting period based on the best available estimate of the accumulated leave expected to vest. The estimate is revised each period end if subsequent information indicates that the accumulated leave expected to vest differs from previous estimates. On vesting date, the Group revises its estimate to equal the accumulated leave that ultimately vested.

#### **3.20 Revenue from contracts with customers recognition**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue is recognised over time where (i) there is a continuous transfer of control to the customer in the case of goods provided or the consumption of the benefits for the services provided takes place over time; or (ii) there is no alternative use for any asset created and there is an enforceable right to payment for performance completed to date. Other revenue

contracts are recognised at a point in time when control of the goods transfers to the customer, or in the case of services provided, when the customer receives and consumes the benefits provided.

The Group provides health care medical services to corporate and retail customers, in which one performance obligation is a promise to transfer distinct services to the beneficiary. Another business line that is continuously being developed in the Group in close relationship with the medical act is the delivery of goods (mainly generic medicines) under contractual conditions. The moment the client acquires control over the goods is considered to be substantially the same for most of the Group's contracts under IFRS 15.

### **Group's core activities**

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. Disaggregation of revenue from contracts with customers by business line comprises the following major categories: clinics, stomatology, hospitals, laboratories, pharmacies and corporate.

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 National Health Insurance House ("NHIH") represents a complement, not the core revenue of Group's activities. However, the National Health Insurance House is considered to be one major customer that goes across multiple sectors such as: clinics, hospitals and laboratories, and from which the Group receives the consideration based on reaching pre-established ceilings, for the medical services provided to the State's insured patients, which are the end users of the healthcare medical services. The revenue in relation with NHIH is recognised at the end of the month, when the Group has an enforceable right to receive payment for performance completed up to date, as the end user receives and consumes the benefits provided by the entity's performance as the entity performs.

### **Clinics**

The core of the Group's operations is the network of ambulatory clinics. The business line comprises a network of 80 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:

- **Hyper clinics**, a format pioneered by the Group 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. Hyper clinics would usually include a broad range of imaging services on site including radiology, bone density – DEXA, CT, MRI, 2D-4D ultrasounds and Mammography; in the case of new openings, such services may be included in the hyper clinics' offering gradually. Hyper clinic locations also host the services of other business lines, such as sampling points for laboratories.
- **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 hyper clinics.

The revenues are recognised at a point in time when the customer receives and consumes the benefits provided.

### **Stomatology**

The Group's Dentistry business line offers a full range of services, ranging from medical examinations to surgery, implants or orthodontic services.

Stomatology business line is not subject to NHIH allocations. All of the sales are fee for service ("FFS") based, and the revenue is recognised at a point in time, when the performance obligation is satisfied.

### **Laboratories**

The Laboratories business line provides the following range of services: biochemistry, pathological anatomy (cytology and histology), molecular biology and genetics, haematology, immunology, microbiology and toxicology. Sampling points are locations where the Group collects blood and other samples from patients. The Laboratories business line sources the bulk of its revenue from FFS clients, and the revenue is recognised at a point in time, when the performance obligation is satisfied.

One exception is when the Group provides laboratory tests to other companies' employees and the revenue is recognised at the end of the month, not immediately after the laboratory tests are performed, when the Group has an enforceable right to payment for performance completed up to date. From IFRS 15 perspective, the revenue is recognised at a point in time (at the end of the month).

### **Hospitals**

Hospital services provided to patients are regarded as a bundle of services which comprise medical services, accommodation, meals, use of equipment, pharmacy stock and nursing services. This is considered to be a single performance obligation as the medical procedures cannot be performed without one of the above elements.

Revenue is recorded during the period in which the hospital service is provided and is based on the amounts due from patients. Fees are calculated and billed based on various tariff agreements.

The Hospitals business line derives its revenue predominantly from FFS patients. Treatment of State insured patients for the NHIH, generally relates to maternity, gynecology, cardiology and oncology. The revenues are recognised at a point in time, when the consumption of the benefits for the services provided is accomplished.

The Group does not expect to have any contracts where the period between the transfer of the promised service to the patient and the payment by the patient exceeds one year. Consequently, the Group does not adjust any of the transaction prices for time value of money.

### **Pharmacies**

This business line is continuously being developed in the Group in close relationship with the medical act, and refers to the delivery of goods (mainly generic medicines) to customers.

In 2010, the Group launched its Pharmalife brand of pharmacies in order to capture additional revenue from the existing patient traffic in the Group's clinics. Pharmalife operates pharmacies only in the Group's own units, where the space, authorization and sales option allow, but also in the proximity of the units.

As of December 31, 2020, there were 16 functional pharmacies, offering patients both prescription and over-the-counter products, including Doctor Life's own branded products.

During 2021, the pharmacy network expanded with the acquisition of the Ced Pharma group of companies, which brought 6 more pharmacies in the Group.

### **Corporate**

The Corporate business line offers HPPs (health prevention packages) 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 check-ups and access to diagnostic services, complement the legally required occupational health services that corporate clients contract from the Group as the Standard HPP.

The Group has a portfolio of over 700,000 HPPs patients from over 5,000 different companies.

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.

The revenue in relation with corporate customers is recognized over time. Under the output method, the entity would measure completion of the total performance obligation either in relation to the total obligation that has been satisfied or in relation to what remains to be satisfied, based on health prevention packages delivered.

### **Principal versus agent considerations**

The Group has concluded that they are the principal in all of their revenue arrangements since they are the primary obligor in all the revenue arrangements, have pricing latitude and are also exposed to inventory, in the case of medicines sold.

### **Contract assets and liabilities**

A contract asset (accrued income) is the right to consideration in exchange for services transferred to the customer. Where the Group transfers services to a customer over time before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration to date under the contract. Contract assets are presented within trade and other receivables (Note 7) on the Group Consolidated Statement of Financial Position and are expected to be realized in less than one year.

A contract liability (deferred income) is the obligation to transfer services to a customer for which the Group has received consideration from the customer. Where the customer pays consideration before the Group transfers services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. Contract liabilities are presented within trade and other payables (Note 10) on the Consolidated Statement of Financial Position.

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised service to the customer and when the customer pays for that service will be one year or less. All the contracts are under one year.

Contracts are for periods of less than one year or are billed based on services incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## **3.21 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 statement of comprehensive income 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.

### **Bonus schemes**

The Group recognizes a liability and an expense where a contractual obligation exists for short-term incentives. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

### **3.22 Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Further information about the assumptions made in measuring fair values is included in the Note 5.1, Note 5.3, Note 5.4 and Note 4.

### **3.23 Segment information**

The core business activity of the Group refers to the provision of healthcare services, as a result of completion of the medical act. This process usually involves multiple stages, starting from physical examinations, laboratory tests, set-up of a diagnosis, offering treatment, supply of medical equipment, surgeries and other medical interventions, nursing care, follow-up in the recovery process.

In close relationship with the provision of healthcare services, the Group has also developed two channels for the sale of goods: (i) sale of pharmaceutical products to a pool of patients majority of which are the same consumers who benefit from the healthcare services provided, considering that most of the group's pharmacies are located in the hyperclinics; (ii) starting with August 2021, as a result of the acquisition of the subsidiary named Pharmachem Distribuție, distribution of generic medicine from large drugs producers to a list of pharmacies, including the ones owned by the Group; however, this channel of revenue stream is not considered to be material in terms of results obtained, therefore it was included in the seventh business line as "Other".

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 has identified six core business lines, which comprise the following major categories: clinics, stomatology, hospitals, laboratories, pharmacies and corporate. For further details on disaggregation of revenue streams, please refer to Note 3.20 Revenue from contracts with customers.

The core purpose of the Group is to enhance the quality of life for individuals, the ultimate end users of healthcare services, therefore setting the patient as first priority in all activities performed.

According to IFRS 8, segment information on operating segments is to be presented in accordance with the internal reporting to the chief operating decision maker (management approach).

In determining the Group's operating segments, management has primarily considered the financial information in internal reports that are reviewed and used by the Board of Directors (who together are the chief operating decision maker of Medlife Group) in assessing performance and in determining the allocation of resources.

The Board of Directors represents the chief decision-making body, in which the strategic decisions are made for the entire Group and to which the key parameters of performance are reported.

Each reporting made to the Board of Directors includes the six business lines. Group managements costs are fully distributed to the operative business lines. The monthly target-to-actual and actual-to-actual comparison in the report to the Board of Directors serves to control the targets published in the Group's annual forecast, in particular the total revenue figure and EBITDA margin.

Given our understanding of an integrated healthcare services offering, we do not make any distinction in control by whether the services as defined in Romanian social insurance legislation are attributed to the inpatient or the outpatient

sector, for example in the hospitals business line. All expenses and income which are directly or indirectly related to patients are included under the operating segments.

The characteristics of healthcare services are around physical facilities staffed by professionals in direct contact with patients, diagnosing, monitoring and treating patients. The payment for these services are either direct payment by the patient or indirect via an employer paid benefit/insurance and in much smaller degree by public health funds. In all these cases the beneficiary of the service is always the individual patient. Because of the specific nature of the source of funds that finance the provision of medical services to the end users (i.e. patients) the correct allocation of profitability for each business line is limited considering that they are complementary in servicing the patient: one would originate whereas the other might render the medical services. In this respect, the business lines could not operate on their own, proving, once again, their high interdependent nature.

The following operating segments are aggregated into one reporting segment, being the provision of healthcare services, since they exhibit similar economic characteristics: clinics, stomatology, hospitals, laboratories and corporate. As a result of the same structural framework conditions, the operations of the Group with the healthcare services provided are characterised by a similar risk and rewards profile whose economic environment is largely regulated by legislation. It is thus possible for the operations to achieve similar EBITDA margins on the long term. We thus continue to have only one reportable segment that aggregates the above mentioned operating segments.

The Group generates most of all revenues for all areas of activity in Romania, with only a small share of revenues (below 3%) being generated from operations held in Hungary. Although there are locations in different countries, the executive management assumes that the resulting differences in the billing logic do not entail any material different opportunities and risks and these therefore do not conflict with aggregating the healthcare services into a single segment.

The other business line (i.e. sale of goods such as sale of pharmaceutical products and distribution of generic medicine), which is further included in the business line named "other", does not meet the definition of an operating segment or do not exceed, individually and in total, the quantitative thresholds set in IFRS 8 in order to qualify as a reportable segment.

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 (please see Note 19 - Revenue from contracts with customers).

### **3.24 Leases**

Given its large and complex operations, the Group leases a significant number of assets including buildings and land for operational activities, medical equipment and vehicles. Contractual periods differ, depending on the lease type and the leased asset, the driver being the strategic point of view the Group has into further managing its asset portfolio.

As a result of the pandemic crisis, the Group commenced the process of securing its strategic facilities under lease agreements, for longer periods of time. Accordingly, several major lease agreements have been renegotiated with focus on better commercial conditions for the Group, in terms of both pricing and better security over extension options for the lease agreements.

In this respect, the management has evaluated its options for early termination as well as the existence of the Group's single triggered decision to extend the lease term, on a case-by-case basis. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or to exercise a termination option, are considered.

The Group leases various buildings, equipment, vehicles and other assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The Group's assesses whether a contract is or contains a lease, at inception of the contract. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group - except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments to be made over the lease term:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option;
- Amounts expected to be paid under residual value guarantees;
- Lease payments to be made over the contractual lease term, if there are extension options included.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received by the lessee as a starting point and adjusts the rate to reflect changes in financing conditions since the third-party financing was received.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives;
- Any initial direct costs; and
- Restoration costs.

After initial recognition, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

The following useful lives on average are used in the calculation of depreciation for right-of-use assets, determined based on the lease term of the contractual agreements:

	<u>Years</u>
Buildings	6 – 10 years
Medical equipment	3 – 4 years
Vehicles	3 – 5 years

### 3.25 Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

### 3.26 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

## 4. GOODWILL

The Group records goodwill resulting from business combinations. Please see below the goodwill recorded as of December 31, 2021 and December 31, 2020 (carrying amount):

	<b>December 31,</b>	<b>January 1,</b>
	<b>2021</b>	<b>2021</b>
Group Policlinica de Diagnostic Rapid	11,281,899	11,281,899
Group Accipiens (including Bactro and Transilvania Imagistica)	10,930,535	10,930,535
Group Sama (including Ultratest)	1,502,344	1,502,344
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
Group Dent Estet Clinic	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
Group Anima (including Anima Promovare)	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 SA	4,693,895	4,693,895
Group Solomed (including Solomed Plus)	6,066,602	6,066,602
Sfatul medicului SRL	1,503,438	1,503,438
Badea Medical SRL	1,881,349	1,881,349
Group RMC Ungaria	8,452,114	8,452,114
Onco Team Diagnostic SRL	1,366,312	1,366,312
Spital Lotus SRL	25,670,864	25,670,864
Group Micromedica	25,653,196	25,653,196
Pharmalife Med SRL	138,997	138,997
Biotest Med SRL	215,289	215,289
Laborator Maricor SRL	15,740	15,740
Krondent SA	9,642,317	-
Centrul Medical Matei Basarab SRL	600,271	-
Medica SA	1,961,763	-
Group CED Pharma (including Monix si Leti)	16,773,526	-
Pharmachem Distributie SRL	10,763,546	-
Group Stomestet	11,560,195	-
Costea Digital Dental SRL	1,121,170	-
Other	1,929,308	1,929,308
<b>TOTAL</b>	<b>199,679,613</b>	<b>147,256,824</b>

#### Movement in Goodwill

	<b>December 31,</b>	<b>January 1,</b>
	<b>2021</b>	<b>2021</b>
Balance at the beginning of the year	147,256,824	96,007,730
Goodwill recognized during the year	52,422,789	51,339,800
Impairment	-	(90,706)
<b>TOTAL</b>	<b>199,679,613</b>	<b>147,256,824</b>

During the year ended December 31, 2021, the Group obtained control over various companies and recorded a goodwill of RON 52,422,789. For further details on business combinations acquired during the year ended December 31, 2021 and the year ended December 31, 2020, please see Note 27.

Accumulated impairment over Goodwill amounts to RON 313,506 as of 31 December 2021 (RON 313,506 as of 31 December 2020).

For the purpose of impairment testing, goodwill is allocated to the cash generating unit (CGU) which is expected to benefit from the synergies of the business combination. 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, at each individual level. No impaired goodwill was identified in this context.

The recoverable amount is based on fair value less cost of disposal (FVL COD) of the underlying assets. There are 28 CGUs included in the valuation process, as the remaining ones have a carrying amount that is not considered to be significant in comparison with the Group's total carrying amount of goodwill.

The discounted future Cash flows of the CGUs, using the DCF method, are determined on the basis of the approved business plans for 2022 that forecast financial position and results of operations and take into account historical values



and estimated performance. Cash flows are estimated in RON, having a nominal value. The results are then extrapolated for six additional years using bottom-up, six-year planning that reflects the future development of the CGUs under current conditions.

After the six-year time period, a perpetuity value is calculated using a conservative Group-wide growth rate. To determine the present value of future Cash flows, a discount rate based on the weighted average cost of capital (WACC) is applied.

The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. There are a number of key sensitive judgements made in determining the inputs into these models which include:

- Revenue growth considered for the next years and also the perpetual growth rate
- Operating margins and
- The discount rates applied to the projected future cash flows.

The following data provides information on key assumptions used to compile corporate planning:

- Expected development of sales revenue (new customers, market development in general); Group's own estimates referring to past experiences and expected market trends, market potential analysis. External market studies are also used, if available.
- Application of current and historical organic growth rates for business units or business areas.
- Consideration of regulatory changes affecting the development of business units.
- Development of purchased services based on current circumstances (e.g., contractual basis, strategic business model) and the anticipated development of sales activities (expected revenue situation).
- Expected development of personnel expenses and other operating expenses, based on demand analyses, contractual framework and statistical procedures (e.g., inflation).

The estimated future Cash flows are derived from the business plans approved by the responsible bodies. The assumptions underlying the main planning parameters take into account not only past experience and aspects arising from the operating business, but also the particular circumstances of the COVID-19- pandemic.

The operating margin results from the application of the assumed planning assumptions. For the subsequent years, an average of the operating margins are assumed (continuation planning period), adding a slight increase.

Cash flows beyond the six-year period are extrapolated using an estimated growth rate, which is consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the CGU. WACC (weighted average cost of capital) is used to estimate the rate. The discount rate is independent of the Group's capital structure and how the Group financed the purchase of the asset, because future cash flows expected to arise from an asset do not depend on how the Group financed the purchase of that asset.

In the case of CGUs subject to the impairment test, the discount rates considered are higher than the average industry-level data in emerging European countries to take into account country risk, currency risk, and CGU's size. On average, depending on the particularities of each CGU, the discount rate varies, for the most significant entities in the Group, between 8.6% and 12%, depending on the specific risks associated with each CGU.

Estimates of future cash flow management are based on the most recent 6-year forecasts (2022-2027).

The estimation of the terminal value was made based on the hypothesis of continuing the activity. The final value is given by the capitalization of the available cash flow with the capitalization rate which has in view a perpetual increase in close relation with the GDP growth and inflation forecast for Romania.

The analysis of the results shows that for the CGUs subject to the impairment test, the related recoverable amount is higher than their net book value, with sufficient headroom and, therefore, there will be no impairment of goodwill recorded on the reporting date.

The sensitivity analysis that evaluates the sensitivity of the recoverable amount was performed according to the changes of the main factors: WACC discount rate plus 2 percent, operating margin decrease with 20 percent and perpetual growth rate decrease with 1 percent.

In performing the sensitivity analysis, an increase in WACC of 2 percent would give rise to a reduction in the Group-wide surplus with 29%.

A decrease in the operating margin of 20 percent would give rise to a reduction in the Group-wide surplus with 29%. A decrease with 1 percentage point in the perpetual growth rate would give rise to a reduction in the Group-wide surplus with 11%.

Management has engaged external specialists to assist with the impairment analysis, the entire valuation process being performed by certified ANEVAR valuers. There were no changes in the valuation techniques compared to prior year.

## 5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

As of December 31, 2021 the Group's property, plant and equipment and intangible assets' structure was the following. For details regarding additions from business combinations – please see further details in Note 27.

	<i>Intangible assets</i>	<i>Property, plant and equipment</i>					<b>Total</b>
	<b>Intangibles</b>	<b>Land</b>	<b>Construction</b>	<b>Vehicles and equipment</b>	<b>Construction in progress</b>	<b>Total fixed assets</b>	
<b>1 January 2021</b>	<b>103,865,851</b>	<b>31,842,685</b>	<b>388,333,790</b>	<b>496,170,548</b>	<b>24,007,225</b>	<b>940,354,248</b>	<b>1,044,220,099</b>
Additions	9,920,491	-	9,366,757	63,952,621	23,618,155	96,937,534	106,858,025
Transfers	-	-	12,550,491	773,070	(13,323,561)	-	-
Disposals	(27,974)	-	(181,707)	(13,409,556)	(120,324)	(13,711,588)	(13,739,562)
Additions from business combinations	17,387,430	-	1,534,198	9,383,916	879,350	11,797,464	29,184,894
Reclassifications during the year	-	-	-	(49,525,779)	-	(49,525,779)	(49,525,779)
<b>31 December 2021</b>	<b>131,145,798</b>	<b>31,842,685</b>	<b>411,603,528</b>	<b>507,344,820</b>	<b>35,060,845</b>	<b>985,851,878</b>	<b>1,116,997,676</b>
	<b>Intangibles</b>	<b>Land</b>	<b>Construction</b>	<b>Vehicles and equipment</b>	<b>Construction in progress</b>	<b>Total fixed assets</b>	<b>Total</b>
<b>Depreciation</b>							
<b>1 January 2021</b>	<b>57,110,173</b>	<b>84,120</b>	<b>97,484,283</b>	<b>307,113,355</b>	<b>-</b>	<b>404,681,758</b>	<b>461,791,932</b>
Charge of the year	13,506,944	-	14,410,030	40,537,184	-	54,947,215	68,454,159
Disposals	(27,974)	-	(181,707)	(13,409,556)	-	(13,591,262)	(13,619,236)
Reclassifications during the year	-	-	-	(12,392,445)	-	(12,392,445)	(12,392,445)
<b>31 December 2021</b>	<b>70,589,143</b>	<b>84,120</b>	<b>111,712,607</b>	<b>321,848,538</b>	<b>-</b>	<b>433,645,265</b>	<b>504,234,408</b>
<b>Net Book Value</b>							
<b>1 January 2021</b>	<b>46,755,678</b>	<b>31,758,565</b>	<b>290,849,507</b>	<b>189,057,193</b>	<b>24,007,225</b>	<b>535,672,490</b>	<b>582,428,168</b>
<b>31 December 2021</b>	<b>60,556,655</b>	<b>31,758,565</b>	<b>299,890,922</b>	<b>185,496,281</b>	<b>35,060,845</b>	<b>552,206,613</b>	<b>612,763,268</b>

The amortization of intangible assets is presented in the line depreciation and amortization in the statement of profit or loss.

During 2021, the Group has reclassified leased assets with a total net carrying amount of RON 32,194,888 to Right-of-use assets from Property, plant and equipment. No changes were made in the presentation for the financial year ended as of 31 December 2020. The net carrying amount of leased assets presented as Property, plant and equipment as of 31 December 2020 was RON 30,895,333.

The Group has made this reclassification for a proper presentation of Right-of-use assets in accordance with the requirements of IFRS 16.

The change in presentation has no effect on other items stated on the consolidated statement of financial position or in the consolidated statement of comprehensive income for the year ended December 31, 2021.

As of December 31, 2020 the Group's tangible and intangible assets' structure was the following:

	<b>Intangible assets</b>	<b>Property, plant and equipment</b>				<b>Total Property, plant and equipment</b>	<b>TOTAL</b>
	<b>Intangibles</b>	<b>Land</b>	<b>Construction</b>	<b>Vehicles and equipment</b>	<b>Construction in progress</b>		
<b>1 January 2020</b>	<b>90,407,188</b>	<b>29,353,962</b>	<b>348,065,764</b>	<b>437,799,343</b>	<b>19,940,484</b>	<b>835,159,553</b>	<b>925,566,742</b>
Additions	9,702,862	-	37,503,262	32,072,444	10,625,075	80,200,780	89,903,642
Transfers	-	-	3,196,963	1,662,301	(4,859,264)	-	-
Disposals	(17,296)	-	(4,055)	(7,204,313)	(1,699,070)	(8,907,438)	(8,924,735)
Additions from business combinations	3,773,097	2,338,215	71,691	31,309,240	-	33,719,147	37,492,243
Revaluation	-	150,508	(499,835)	531,533	-	182,206	182,206
<b>31 December 2020</b>	<b>103,865,851</b>	<b>31,842,685</b>	<b>388,333,790</b>	<b>496,170,548</b>	<b>24,007,225</b>	<b>940,354,248</b>	<b>1,044,220,099</b>
	<b>Intangibles</b>	<b>Land</b>	<b>Construction</b>	<b>Vehicles and equipment</b>	<b>Construction in progress</b>	<b>Total Property, plant and equipment</b>	<b>TOTAL</b>
<b>Depreciation</b>							
<b>1 January 2020</b>	<b>47,131,621</b>	<b>84,120</b>	<b>83,514,570</b>	<b>260,409,202</b>	<b>-</b>	<b>344,007,893</b>	<b>391,139,513</b>
Charge of the year	9,963,555	-	13,898,022	42,371,980	-	56,270,002	66,233,557
Disposals	(9,573)	-	-	(7,746,206)	-	(7,746,206)	(7,755,779)
Additions from business combinations	24,571	-	71,691	12,078,379	-	12,150,070	12,174,641
<b>31 December 2020</b>	<b>57,110,173</b>	<b>84,120</b>	<b>97,484,283</b>	<b>307,113,355</b>	<b>-</b>	<b>404,681,759</b>	<b>461,791,932</b>
<b>Net Book Value</b>							
<b>1 January 2020</b>	<b>43,275,568</b>	<b>29,269,842</b>	<b>264,551,193</b>	<b>177,390,141</b>	<b>19,940,484</b>	<b>491,151,661</b>	<b>534,427,228</b>
<b>31 December 2020</b>	<b>46,755,678</b>	<b>31,758,565</b>	<b>290,849,507</b>	<b>189,057,193</b>	<b>24,007,225</b>	<b>535,672,490</b>	<b>582,428,167</b>

### 5.1. Land and buildings carried at fair value

The value of land and buildings of the Group are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 31 December 2019 were performed by independent valuers not related to the Group. They are certified by ANEVAR and have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

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

<b>Carrying amount without revaluation</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Land	4,705,086	4,705,086
Buildings	253,279,553	242,378,598
<b>TOTAL</b>	<b>257,984,639</b>	<b>247,083,684</b>

During 2021, there were no indicators of impairment, therefore no impairment testing was performed specifically on property, plant and equipment. Part of these items are included in the cash-generating units established for the Group and annually tested for impairment as part of the goodwill impairment testing, please refer to Note 4 for more details. For the carrying value of property, plant and equipment pledged to secure the borrowings please refer to Note 14.

### 5.2. Intangible assets

<b>Carrying amount</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Customer lists	12,583,524	6,022,310
Contract advantage	4,110,233	4,992,463
Trademark	30,106,819	21,713,819
Concessions, patents, licenses, trademarks and similar rights and assets and other intangible assets	15,666,226	14,027,086
<b>TOTAL</b>	<b>62,466,801</b>	<b>46,755,678</b>

At initial recognition, trademarks resulted from business combinations, used to identify and distinguish the medical services, customer list, contract advantages had an indefinite useful life. Starting with 2021, the Group has decided to allocate a definite useful life for both customer lists and contract advantages. Under IFRS, this change in estimate is made on a prospective basis.

#### Trademarks

The Group intends to use these intangibles continuously and evidence supports its ability to do so. An analysis of market and competitive trends provides evidence that the services will generate net cash inflows for the group for an indefinite period. Therefore, the intangibles are carried at cost without amortisation, but are annually tested for impairment.

The following factors were considered in determining the indefinite useful life for the above intangible assets, including:

- the indefinite useful life of an asset means that the asset's usefulness to the business is not limited by age, legal or regulatory obligations, contracts, or any other factor;
- also, the useful life cannot be reasonably estimated as to determine a precise period over which the asset will generate benefits to the Group through the continuous use.

The useful life for trademarks cannot be reasonably estimated as they are intended to generate future benefits over the period which the company is expected to continue its activity.

#### Customer lists and contracts advantages

Starting with 2021, the Group has allocated the following useful lives for:

	<b>Years</b>
Customer lists	10 years
Contract advantages	5 years

These intangibles are depreciated on a straight-line basis.

### Other intangibles

All the other intangibles are depreciated on a straight-line basis, over a period of 3 years. The capitalized cost for intangible assets recognized during the year is already included in the other intangible assets on the balance sheet – for further details please see Note 20.

#### 5.3. Intangible assets acquired in a business combination

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

Subsidiary	Customer List	Contract Advantage	Trademark	Total
Policlinica de Diagnostic Rapid (2010)	2,335,446	282,163	-	2,617,609
Med Life Occupational (2010)	10,427	64,546	-	74,973
Genesys Clinic (2011)	631,221	-	-	631,221
Vital Test (2014)	-	8,462	-	8,462
Biotest (2014)	-	25,579	-	25,579
Diamed (2016)	-	839,438	605,153	1,444,591
Prima Medical (2016)	-	115,865	688,850	804,715
Stem Cells Bank (2016)	338,056	-	-	338,056
Dent Estet Clinic (2016)	930,189	-	9,654,592	10,584,781
Centrul Medical Panduri (2016)	-	318,179	-	318,179
Almina Trading SRL (2017)	-	632,000	321,000	953,000
Anima S (2017)	1,130,000	1,150,000	1,288,000	3,568,000
Anima P (2017)	-	870,567	-	870,567
Valdi Medica SRL (2017)	-	-	98,000	98,000
Clinica Polisano (2018)	-	-	2,076,000	2,076,000
Ghencea Medical Center (2018)	-	600,000	280,000	880,000
Grupul Solomed (2018)	-	170,000	157,000	327,000
Sfatul medicului (2018)	2,338,781	-	235,000	2,573,781
Transilvania Imagistica (2018)	-	134,000	49,000	183,000
Badea Medical (2019)	-	-	73,000	73,000
Oncoteam Diagnostic (2019)	-	-	541,000	541,000
Rozsakert Medical Center Ungaria (2019)	-	-	2,011,624	2,011,624
Spital Lotus SRL (2020)	-	-	2,387,000	2,387,000
Grupul Micromedica (2020)	-	-	1,243,000	1,243,000
Laborator Maricor SRL (2020)	-	-	7,600	7,600
Krondent SA (2021)	-	-	410,000	410,000
Centrul Medical Matei Basarab SRL (2021)	-	-	298,000	298,000
Medica SA (2021)	-	-	201,000	201,000
Grupul CED Pharma (inclusiv Monix si Leti) (2021)	-	-	536,000	536,000
Pharmachem Distributie SRL (2021)	6,278,000	-	5,820,000	12,098,000
Grupul Stomestet (2021)	-	-	871,000	871,000
Costea Digital Dental SRL (2021)	-	-	255,000	255,000
<b>Total</b>	<b>13,992,120</b>	<b>5,210,799</b>	<b>30,106,819</b>	<b>49,309,738</b>

The fair value of intangible assets was measured using level 3 fair value measurements.

In 2021, for trademarks measurement, the royalty relief valuation technique was used, with the following inputs: i) Royalty Rate between 0.5% and 1% and ii) Capitalization Rate between 8.7% and 14.4%.

For customer lists measurement, the multi-period surplus economic benefits valuation technique was used, with a return rate for customers above 90%, returns on contributing assets ranging between 5.5% and 12% and a discount rate which reflects the specific risks of the intangible asset of 12%.

#### 5.4. OTHER FINANCIAL ASSETS

Carrying amount	December 31, 2021	January 1, 2021
Long-term receivables for stem cells processing	30,220,311	20,894,194
Other receivables	1,390,275	7,045,828
<b>TOTAL</b>	<b>31,610,586</b>	<b>27,940,022</b>

## 6. INVENTORIES

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Consumables	30,688,305	30,365,966
Materials in the form of inventory items	658,855	634,230
Merchandise	42,879,249	22,057,554
Inventory in transit	3,176	768
<b>TOTAL</b>	<b>74,229,585</b>	<b>53,058,518</b>

The cost of inventories recognised as an expense includes RON 827,296 (2020: RON 498,518) in respect of write-downs of inventory to net realisable value.

## 7. TRADE RECEIVABLES

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Customers	158,827,295	126,765,253
Accrued income	14,817,862	14,474,781
Advances to suppliers	-	6,968,448
Allowance for doubtful receivables	(33,288,919)	(27,129,452)
<b>TOTAL</b>	<b>140,356,238</b>	<b>121,079,030</b>

Credit risk for MedLife Group primarily relates to trade receivables in the ordinary course of business. Customers' compliance with agreed credit terms is monitored regularly and closely. Where payments are delayed by customers, steps are taken to restrict access to services or contracts are terminated.

Certain customers, which are public or quasi-public institutions, or subsidiaries of MedLife, may have longer payment terms and services may continue to be delivered when amounts are overdue, based on management's assessment of a lower credit risk.

The average receivable period for the services offered is 95 days. There is no interest on commercial receivables within the first 95 days from the date of issue of the invoice, which also represents the average contractual term.

The carrying amount of financial assets, measured at amortised cost, represents the maximum credit exposure. There are no credit enhancements or collateral held that would offset such amounts. As the customer base of the Group is very diverse, there are generally no large concentrations of credit risk.

Based on the assessed credit risk of the customers, Group's trade receivables are split between individually assessed and collectively assessed.

<b>December 31, 2021</b>	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>Total</b>
Customers	57,234,029	101,593,265	158,827,295
Accrued income	14,817,862	-	14,817,862
Advances to suppliers	-	-	-
Allowance for doubtful receivables	(10,732,439)	(22,556,481)	(33,288,919)
<b>Total</b>	<b>61,319,453</b>	<b>79,036,784</b>	<b>140,356,238</b>

<b>January 1, 2021</b>	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>Total</b>
Customers	67,350,222	59,415,031	126,765,253
Accrued income	14,474,781	-	14,474,781
Advances to suppliers	6,968,448	-	6,968,448
Allowance for doubtful receivables	(8,740,410)	(18,389,042)	(27,129,452)
<b>Total</b>	<b>80,053,042</b>	<b>41,025,989</b>	<b>121,079,030</b>

Individually assessed trade receivables include mainly accrued income and trade receivables from National Health Insurance House for which due to management's assessment of a lower credit risk, no allowance for doubtful receivables in deemed necessary.

As an exception, in accrued income, in 2020 and 2021, it is included an amount of RON 7,365,835 which represents amounts receivable by MedLife S.A. 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 unfavourable decisions of the courts in similar cases, the Company has decided to register a value adjustment for the entire amount. Remaining amounts recorded in accrued income represent services rendered, for which the invoices were not yet issued as at year end.

The allowance for doubtful receivables for individually assessed trade receivables include the value adjustment aforementioned as well as allowance for certain customers for which management assessed high credit risk and computed allowance for doubtful receivables for the entire amount.

The Group applies the simplified approach for providing for expected credit losses (ECL) prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables which are collectively analysed.

A provision matrix was prepared based on historical observed default rates over the expected life of trade receivables resulting in an ECL reflecting the predictive risk by type of customer. Changes in economic conditions were also considered as part of forward-looking information.

Estimating adjustments for doubtful receivables involves forecasting future macroeconomic conditions for the next 2 years. The incorporation of forward-looking elements reflects the Groups expectations and involves the creation of scenarios (baseline, optimistic, pessimistic), including an assessment of the probability of materialization of each scenario. The applied macroeconomic scenarios were modified compared to those used in 2020 to reflect the worsening macroeconomic outlook amid the COVID-19 pandemic.

The scenarios used were: the baseline scenario, the optimistic scenario and the pessimistic scenario. The scenario coefficients are determined based on the management's expectations, taking into account the possible representative results for each scenario. GDP (Gross Domestic Product) was used as a macroeconomic factor considered statistically relevant for the analysed trade receivables.

	Base case 25%	Pessimistic 60%	Optimistic 15%
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The allowance for doubtful receivables collectively assessed based on the Group's provision matrix arising from the ECL was determined as follows:

<b>December 31, 2021</b>	<b>Current</b>	<b>&lt;30 days</b>	<b>&lt; 90 days</b>	<b>&lt; 180 days</b>	<b>&lt; 365 days</b>	<b>&gt; 365 days</b>	<b>Total</b>
Expected credit loss rate	0.35%	2.33%	10.61%	20.44%	41.12%	67.53%	
Customers	59,474,058	4,878,680	2,320,280	1,819,165	2,785,714	30,315,368	101,593,265
Allowance for doubtful receivables	(207,821)	(113,705)	(246,115)	(371,874)	(1,145,428)	(20,471,538)	(22,556,481)
<b>TOTAL</b>	<b>59,266,237</b>	<b>4,764,975</b>	<b>2,074,165</b>	<b>1,447,292</b>	<b>1,640,287</b>	<b>9,843,831</b>	<b>79,036,784</b>

<b>January 1, 2021</b>	<b>Current</b>	<b>&lt;30 days</b>	<b>&lt; 90 days</b>	<b>&lt;180 days</b>	<b>&lt;365 days</b>	<b>&gt;365 days</b>	<b>Total</b>
Expected credit loss rate	0.7%	21.9%	28.9%	36.4%	42.9%	62.7%	
Gross carrying amount	27,064,207	1,877,231	1,676,899	1,196,388	2,153,123	25,447,182	59,415,031
<b>Loss allowance</b>	<b>179,667</b>	<b>410,962</b>	<b>484,756</b>	<b>435,646</b>	<b>924,499</b>	<b>15,953,511</b>	<b>18,389,042</b>

A reconciliation of the allowance for doubtful receivables is presented as follows:

	<b>2021</b>	<b>2020</b>
<b>As at 1 January</b>	<b>27,129,452</b>	<b>16,241,403</b>
Business combinations	890,199	-
Recognised in income statement	5,269,269	10,888,049
Amounts written off	-	-
<b>As at 31 December</b>	<b>33,288,919</b>	<b>27,129,452</b>

For the carrying value of trade receivables pledged to secure the borrowings please refer to Note 14.

## 8. CASH AND BANKS

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Cash in bank	130,733,309	78,177,086
Cash in hand	2,367,682	2,230,022
Cash equivalents	2,757,898	1,563,289
<b>TOTAL</b>	<b>135,858,888</b>	<b>81,970,397</b>

Maternal vouchers are part of a financial support program granted to pregnant women in Bucharest, by the Capital City Hall. The Group has reclassified them from Cash equivalents to Other receivables starting with 2021 (31 December 2020: Financial assets) due to the fact that their convertibility in cash exceeds more than three months. The amount reclassified in 2021 was RON 1,000,773 (31 December 2020: RON 1,004,612).

For the carrying value of cash pledged to secure the borrowings please refer to Note 14.

## 9. PREPAYMENTS

As of December 31, 2021 the Group has prepayments in amount of RON 8,030,713 (RON 7,117,566 as of December 31, 2020). The prepayments balance as of December 31, 2021 and December 31, 2020 consists mainly of deferred commissions for financing related to the Club loan for undrawn facilities and other amounts such as insurance policies for professionals and tangible assets.

**10. TRADE AND OTHER PAYABLES**

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Suppliers	197,070,870	132,306,159
Fixed assets suppliers	22,723,765	15,573,776
Advances paid by customers (contract liabilities)	4,447,683	3,810,199
<b>TOTAL</b>	<b>224,242,318</b>	<b>151,690,134</b>

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 LIABILITIES**

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Salary and related liabilities (incl. contributions)	17,305,119	14,322,373
Other liabilities	27,023,056	20,908,360
<b>TOTAL</b>	<b>44,328,176</b>	<b>35,230,733</b>

Other liabilities include the current portion of government grants of RON 2,020,718, while the non-current portion is presented as Other long term debt. Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants. Also, other liabilities include a deferred revenue in the amount of RON 10,604,820, which refers mainly to future income in relation with National Health Programme, in which the Group is involved.

**12. PROVISIONS**

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Carrying amount at start of year	7,209,494	1,749,188
Acquired through business combination	-	-
Additional provision charged to plant and equipment	-	-
Charged/(credited) to profit or loss		
- additional provisions recognised	2,803,850	7,307,889
- unused amounts reversed	(36,173)	(403,364)
Amounts used during the year	(1,984,834)	(1,444,219)
<b>Carrying amount at end of year</b>	<b>7,992,337</b>	<b>7,209,494</b>

Provisions booked as of 31 December 2021 and 31 December 2020 refer mainly to provisions related to untaken holidays, which covers above 95% from total balance.

**13. LEASES**

Leasing facilities refer to buildings, vehicles and medical equipment.



**Amounts recognised in the balance sheet**

<b>Right-of-use asset</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost</b>				
<b>Value at 1 January 2021</b>	<b>189,613,192</b>	<b>14,900,625</b>	<b>4,911,465</b>	<b>209,425,283</b>
Additions	32,927,345	3,340,952	202,476	<b>36,470,773</b>
Business combinations	16,796,409	-	-	<b>16,796,409</b>
Reclassifications during the year	-	2,428,373	47,466,067	<b>49,894,439</b>
Disposals	(3,950,353)	-	-	<b>(3,950,353)</b>
<b>Value at 31 December 2021</b>	<b>235,386,593</b>	<b>20,669,950</b>	<b>52,580,007</b>	<b>308,636,550</b>
<b>Accumulated depreciation</b>				
<b>Value at 1 January 2021</b>	<b>58,225,226</b>	<b>2,368,434</b>	<b>2,010,428</b>	<b>62,604,088</b>
Charge for the year	35,281,617	4,363,473	5,660,951	<b>45,306,040</b>
Reclassifications during the year	-	1,010,072	11,382,373	<b>12,392,445</b>
Disposals	(2,373,259)	(8,366)	-	<b>(2,381,625)</b>
<b>Value at 31 December 2021</b>	<b>91,133,584</b>	<b>7,733,613</b>	<b>19,053,751</b>	<b>117,920,949</b>
<b>Carrying amount</b>				
<b>At 1 January 2021</b>	<b>131,387,966</b>	<b>12,532,191</b>	<b>2,901,038</b>	<b>146,821,194</b>
<b>At 31 December 2021</b>	<b>144,253,009</b>	<b>12,936,337</b>	<b>33,526,256</b>	<b>190,715,602</b>
	<b>December 31,</b>	<b>January 1,</b>		
	<b>2021</b>	<b>2021</b>		
Non-current - Lease Liabilities	149,685,246	147,097,180		
Current portion - Lease Liabilities	52,586,827	41,166,069		
<b>TOTAL</b>	<b>202,272,073</b>	<b>188,263,249</b>		

**Amounts recognised in the balance sheet**

<b>Right-of-use asset</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost</b>				
<b>Value at 1 January 2020 *restated</b>	<b>151,681,960</b>	<b>2,714,495</b>	<b>10,858,702</b>	<b>165,255,157</b>
Additions	28,608,208	12,295,328	1,663,734	<b>42,567,271</b>
Business combinations	13,594,917	-	-	<b>13,594,917</b>
Disposals	(4,271,893)	(109,198)	(7,610,972)	<b>(11,992,062)</b>
<b>Value at 31 December 2020</b>	<b>189,613,192</b>	<b>14,900,625</b>	<b>4,911,465</b>	<b>209,425,283</b>
<b>Accumulated depreciation</b>				
<b>Value at 1 January 2020 *restated</b>	<b>27,741,931</b>	<b>843,553</b>	<b>3,500,379</b>	<b>32,085,864</b>
Charge for the year	32,912,995	1,634,078	2,116,758	<b>36,663,831</b>
Disposals	(2,429,700)	(109,198)	(3,606,710)	<b>(6,145,607)</b>
<b>Value at 31 December 2020</b>	<b>58,225,226</b>	<b>2,368,434</b>	<b>2,010,428</b>	<b>62,604,088</b>
<b>Carrying amount</b>				
<b>At 1 January 2020*restated</b>	<b>123,940,029</b>	<b>1,870,942</b>	<b>7,358,323</b>	<b>133,169,294</b>
<b>At 31 December 2020</b>	<b>131,387,966</b>	<b>12,532,191</b>	<b>2,901,038</b>	<b>146,821,194</b>

For movement during the period please refer to Note 14 where a reconciliation of cash and non-cash movements of lease liabilities is provided.

**Amounts recognised in the statement of profit or loss**

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Depreciation charge of right-of-use assets	45,306,040	36,663,831
Interest expense on lease liabilities for rent contracts that fall under IFRS 16 (included in finance cost)	6,390,308	5,584,132
Covid (Gain) Foregiveness amount	-	(2,344,386)
PL (Gain) from contracts terminated earlier	70,621	(319,382)
Foreign exchange loss for rent contracts that fall under IFRS 16 in relation with Lease Liabilities	2,860,234	2,546,808
Expense relating to short-term leases (included in rent expenses)	715,761	709,563
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in rent expenses)	1,076,996	5,810,597
Other categories	5,905,722	-

The total cash outflow for leases amount to RON 53,044,264 (2020: RON 49,441,194) for contracts that fall under IFRS 16 (which refer to rental of buildings, vehicles and equipment), out of which RON 46,653,956 refer to payments of principal and RON 6,390,308 refer to payments of interest.

**Extension and termination options**

Extension and termination options are only included in the lease term when the Group has the right to unilaterally extend/terminate and judges that this right is reasonably certain to be exercised. For some of the Group's lease agreements with extension options, these criteria are considered met and the extension option is therefore included in the lease term.

Some of the real estate leases within the Group contain termination options with a purpose to achieve operational flexibility. For most of these agreements, the Group is reasonably certain that the termination option will be exercised. Consequently, the lease liability does not include future rental payments in the period after the earliest termination date.

#### 14. NET FINANCIAL DEBT

	December 31, 2021	January 1, 2021
Current portion of interest-bearing loans and borrowings	83,948,645	73,564,124
Non-current portion of Interest-bearing loans and borrowings	440,840,484	414,696,592
<b>TOTAL</b>	<b>524,789,129</b>	<b>488,260,716</b>

	December 31, 2021	January 1, 2021
Cash and cash equivalents	135,858,888	81,970,397
Borrowings (including overdraft)	(524,789,129)	(488,260,716)
Lease liabilities	(202,272,073)	(188,263,249)
<b>Net debt</b>	<b>(591,202,314)</b>	<b>(594,553,567)</b>

Overdraft	(25,493,223)	(27,127,907)
Current portion of lease liability	(52,586,827)	(41,166,069)
Current portion of long term debt	(58,455,422)	(46,436,217)

#### Long Term Debt

Lease liability	(149,685,246)	(147,097,180)
Long term debt	(440,840,484)	(414,696,592)

As at December 31, 2021, 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, Acciciens SA, Genesys Medical Clinic SRL, Clinica Polisano SRL, Centrul Medical Sama SA, Dent Estet Clinic SA and Valdi Medica SRL) signed with the Banca Comerciala Romana, 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. On 15 May 2020, this facility was extended with 20 million euro.

#### Increases in credit facility during 2021

On 29 April 2021, the Group increased the existing facilities by 40 million euros by signing a syndicated loan in the total amount of approximately 143 million euros. To this increase will be added, as appropriate, other important liquidities of the company. The syndicate of banks which signed the new syndicated loan consists of Banca Comercială Română, as coordinator, mandated lead arranger, documentation agent, facility & security agent and lender, Raiffeisen Bank, BRD Groupe Société Générale and Banca Transilvania, as lead arrangers and lenders. The new funds will be dedicated to consolidating and expanding the group at national level, through the development of regional hospitals, where the patient will benefit from a 360-degree approach both in terms of the complexity of the medical act and the quality of complementary services. The expansion of the medical infrastructure and the M&A program are also a priority, and moreover, the Group will continue intensely its research efforts, aiming to intensify them through new investments during the year.

Also, on 6 December 2021, the Group signed a new increase for the syndicated loan for an additional 50 million euros in order to consolidate its position on the market, funds that will be used to accelerate the acquisition program.

- a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn on December 31, 2021, is of RON 9,896,200;
- 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 December 31, 2021;
- 2 guaranteed loan facilities concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L; the balance outstanding at December 31, 2021 is RON 4,697,029;
- an overdraft facility concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L within 1,500,000 RON; on December 31, 2021 the amount drawn is RON 48,748;
- a guaranteed loan concluded between Bancpost and Med Life Ocupational S.R.L. worth EUR 225,000; the balance outstanding at December 31, 2021 is RON 132,390;
- 1 guaranteed loan contract concluded between Banca Transilvania S.A. and Ghencea Medical Center, the balance outstanding at December 31, 2021 is RON 563,389;

- a loan agreement and a guaranteed overdraft facility between CEC Bank S.A. and Clinic Polissano S.R.L., the balance outstanding at December 31, 2021 is RON 30,713,112;
- an overdraft facility between Banca Transilvania S.A. and Onco Team Diagnostic S.A., the balance outstanding at December 31, 2021 is RON 355,757;
- a loan agreement concluded between Banca Transilvania S.A. and Micromedica Roman S.R.L., the balance outstanding at December 31, 2021 is RON 1,471,842;
- two loan agreements concluded between Banca Transilvania S.A. and Centrul Medical Micromedica S.R.L., the balance outstanding at December 31, 2021 is RON 1,619,786;
- a loan agreement concluded between Raiffeisen Bank and KronDent SA, the balance outstanding at December 31, 2021 is RON 168,901;
- three loan agreements concluded between Vista Bank and Ced Pharma SRL, the balance outstanding at December 31, 2021 is RON 2,668,867;
- an overdraft facility concluded between ING Bank and Leti-Pharm 2000 SRL, the balance outstanding at December 31, 2021 is RON 20,000;
- a loan agreement concluded between Banca Transilvania and Dent Estet Ploiesti SRL, the balance outstanding at December 31, 2021 is RON 2,401,862;
- a loan agreement concluded between Banca Transilvania and Stomestet SRL, the balance outstanding at December 31, 2021 is RON 284,094 and an overdraft of RON 120,803.

<b>Company</b>	<b>Bank</b>	<b>Currency</b>	<b>Maturity</b>
Group loan *	Club **	EUR	22-Sep-28
Clinica Polissano SRL	CEC Bank	RON	29-Mar-33
Anima Specialty Medical Services SRL	Garanti Bank	RON	2-Apr-25
Ghencea Medical Center SA	Banca Transilvania	RON	29-Jun-28
Micromedica Roman SRL	Banca Transilvania	RON	30-Jun-25
Centrul medical Micromedica SRL	Banca Transilvania	RON	30-Jun-24
Centrul medical Micromedica SRL	Banca Transilvania	RON	30-Jun-25
KronDent SRL	Raiffeisen Bank	RON	13-Jul-23
CED Pharma SRL	Vista Bank	RON	23-Apr-23
CED Pharma SRL	Vista Bank	RON	24-Jun-23
Dent Estet Ploiesti SRL	Banca Transilvania	RON	11-Oct-28
Stomestet SRL	Banca Transilvania	EUR	18-Jun-33

\* The companies that are part of the Group loan are: Medlife S.A., Bahtco S.A., Policlinica de Diagnostic Rapid S.R.L., Accpiens S.A., Centrul Medical Sama S.A., Genesys Medical Clinic S.R.L., Pharmalife-Med S.R.L., Valdi Medica S.A., Dent Estet Clinic S.A., Prima Medical S.R.L., Clinica Polissano S.R.L.

\*\* The bank union that signs the Club loan consists of the Banca Comerciala Romana, Raiffeisen Bank, BRD Groupe Société Générale and Banca Transilvania.

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 6M for the amounts in EUR or ROBOR 6M for the amounts in RON.

As at 31 December 2021, in relation to the syndicated loan with balance of RON 468.391.291, the Group has pledged the property, plant and equipment with a carrying value of RON 270.374.442. The Group has also pledged cash in a total amount of RON 62.993.608 and pledged receivables of RON 38.907.083 at 31 December 2021.

The Group has pledged shares in relation with the companies he acquired until December 31, 2021 and pledged assets in relation to the other loans presented in Note 14.

As at December 31, 2021 none of the Group members was in breach of any applicable term of the financing facilities.

A reconciliation of cash and non-cash movements of loans payable, lease liabilities and other assets is presented in the following table:

**Changes in liabilities arising from financing activities**

	<i>Liabilities from financing activities</i>		<i>Other assets</i>		
	<b>Borrowings</b>	<b>Leases</b>	<b>Cash</b>	<b>Overdraft</b>	<b>Total</b>
<b>Net debt as at 31 December 2020</b>	<b>(461,132,809)</b>	<b>(188,263,249)</b>	<b>81,970,397</b>	<b>(27,127,907)</b>	<b>(594,553,567)</b>
<b>Cash movements</b>					
Cash flows	(30,404,513)	53,044,264	53,672,473	2,442,585	<b>78,754,808</b>
<b>Non-cash movements</b>					
New leases	-	(40,384,662)	-	-	<b>(40,384,662)</b>
Foreign exchange adjustments	(5,877,719)	(2,860,234)	216,018	(147,276)	<b>(8,669,212)</b>
Business combinations	(3,425,536)	(17,417,884)		(660,625)	<b>(21,504,045)</b>
Other changes (non-cash movements)	1,544,671	(6,390,308)	-	-	<b>(4,845,636)</b>
<b>Net debt as at 31 December 2021</b>	<b>(499,295,906)</b>	<b>(202,272,073)</b>	<b>135,858,888</b>	<b>(25,493,223)</b>	<b>(591,202,314)</b>

**15. SHARE CAPITAL AND SHARE PREMIUM**

The issued share capital in nominal terms consists of 132,870,492 ordinary shares as at 31 December 2021 (31 December 2020: 132,870,492) with a nominal value of RON 0.25 per share. The holders of ordinary shares are entitled to one vote per share in the shareholders' meetings of the Company, except for the treasury shares bought back by the Company as part of the share buy-back program. All shares rank equally and confer equal rights to the net assets of the Company, except for treasury shares.

In accordance with the Decision of the Extraordinary General Meeting of Shareholders of the Company dated 15.12.2020, the share capital of the Company was increased with RON 27,681,352.50, from RON 5,536,270.5 to RON 33,217,623, by issuance of a number of 110,725,410 new shares with a nominal value of RON 0.25 per share. The Share Capital Increase was made with the incorporation of share premium reserves, and the newly issued shares (5-for-1) were allocated without a monetary compensation to all shareholders registered in the shareholders' register of the Company as at 4 of January 2021 (Registration Date).

The effects of the share capital increase were processed on 15 of February 2021 and the newly issued shares were allocated to shareholders.

The total number of issued ordinary shares of the Company after the share capital increase was 132,870,492. Please refer to Note 16.

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Share capital	33,217,623	33,217,623
Share premium	49,177,468	48,809,389
<b>TOTAL</b>	<b>82,395,091</b>	<b>82,027,012</b>

During 2021, the Group reacquired own equity instruments (treasury shares) in a total amount of RON 3,669,511 and released shares in total value of RON 320,158, net of commissions. The difference between the fair value and cost of own shares when the change was made is in a total amount of RON 368,079 and was included as an increase on the share premium account.

**16. EARNINGS PER SHARE**

According to the Decision of the Extraordinary General Meeting of Shareholders of the Company dated 15.12.2020, the Company performed a share split of 5-for-1. The effects of the share split were recorded on 15th February 2021, when the Central Depository allocated to all shareholders registered in the Company's shareholders' register as at 04.01.2021 (Registration Date) 5 newly issued shares for each share held at the registration date.

For the calculation of basic and diluted earnings per share for 2020, the new number of issued ordinary shares was considered: 132.388.206 shares compared with 22.145.082 shares existing before the share split..

In addition, the own shares repurchased by the Company were not treated as outstanding shares for the calculation of basic and diluted earnings per share, and are deducted from the total number of issued ordinary shares.

The basic and diluted earnings per share have the same value, due to the fact that there are no elements with a diluting effect on the result.

**Basic and diluted earnings per share**

	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	0.77	0.43
<b>Earnings used in calculating earnings per share:</b>		
	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	102,613,932	56,702,860
<b>Weighted average number of shares used as the denominator</b>		
	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	132,792,071	132,388,206

**17. RESERVES**

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

	<u>December 31, 2021</u>	<u>January 1, 2021</u>
General reserves (i)	23,440,505	19,311,000
Other reserves (ii)	18,410,254	9,415,817
Revaluation reserves (iii)	95,484,740	95,484,740
<b>TOTAL</b>	<b><u>137,335,499</u></b>	<b><u>124,211,557</u></b>
<b>(i), (ii) Legal reserves and other reserves</b>		
<b>Balance at beginning of the year</b>	<b>28,726,817</b>	<b>13,406,768</b>
Movements	13,123,942	15,320,049
<b>Balance at the end of the year</b>	<b>41,850,759</b>	<b>28,726,817</b>
<b>(iii) Revaluation reserves</b>		
<b>Balance at beginning of the year</b>	<b>95,484,740</b>	<b>95,302,534</b>
Decrease arising revaluation correction	-	-
Increase due to revaluation	-	182,206
Deferred tax related to revaluation	-	-
<b>Balance at the end of the year</b>	<b><u>95,484,740</u></b>	<b><u>95,484,740</u></b>

On the General reserves account there are legal reserves registered in the amount of RON 8,481,939 (2020: RON 4,352,434).

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold or otherwise disposed of, 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 26).

**18. NON-CONTROLLING INTEREST**

	<u>December 31, 2021</u>	<u>January 1, 2021</u>
<b>Balance at beginning of year</b>	<b>27,633,022</b>	<b>22,750,118</b>
Share of profit for the year	10,299,277	7,060,824
Non-controlling interests arising on the acquisition of subsidiaries	7,445,708	-
Subsequent acquisition of NCI	(1,865,109)	(1,475,933)
Distribution of dividends	(217,749)	(701,987)
<b>TOTAL</b>	<b><u>43,295,149</u></b>	<b><u>27,633,022</u></b>

In December, 2020 the Group acquired an additional 5% of the issued shares of Group Arad and in June 2021, an additional 10% of the issued shares of Centrul Medical Panduri and an additional 29% of the issued shares of Dentist 4 Kids SRL for a total consideration of 4,661,882 RON.

Immediately prior to the purchase, the carrying amount of the existing non-controlling interest in Group was 1,865,109 RON. The Group recognised a decrease in non-controlling interests of 1,865,109 RON and a decrease in equity attributable to owners of the parent of 2,796,773 RON. The effect on the equity attributable to the owners of Group during the year is summarised as follows:

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Carrying amount of non-controlling interests acquired	1,865,109	1,475,933
Consideration paid to non-controlling interests	(4,661,882)	(3,800,678)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	<b>(2,796,773)</b>	<b>(2,324,745)</b>

## 19. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

<b>Business Line</b>	<b>12 months 2021 Sales</b>	<b>% of Total Sales</b>	<b>12 months 2020 Sales</b>	<b>% of Total Sales</b>	<b>Variation 2021/2020</b>
Clinics	407,035,457	28.5%	307,919,487	28.6%	32.2%
Stomatology	93,204,531	6.5%	61,363,524	5.7%	51.9%
Hospitals	317,305,322	22.2%	251,943,388	23.4%	25.9%
Laboratories	257,907,412	18.1%	198,519,202	18.4%	29.9%
Corporate	206,070,519	14.4%	198,530,858	18.4%	3.8%
Pharmacies	59,949,420	4.2%	44,405,803	4.1%	35.0%
Others	85,745,712	6.0%	14,766,089	1.4%	480.7%
<b>TOTAL SALES</b>	<b>1,427,218,373</b>	<b>100.0%</b>	<b>1,077,448,351</b>	<b>100%</b>	<b>32.5%</b>

The Group has only 18% of its sales during 2021 deriving from the treatment of NHIH insured patients. The group has one reportable segment, healthcare services, that aggregates the operating segments clinics, stomatology, hospitals, laboratories and corporate, with total revenue of RON 1,281,523,241 in 2021.

The Group obtains revenues from goods mainly from Pharmacies and Others business lines, while the other business lines generate mainly revenues from services. The revenues of the group are generated on the Romanian market, with only 3% from other geographical locations (Hungary). The entire amount included in contract liabilities at the beginning of the year (as per Note 10) was recorded as revenue in 2021. The increase of revenue under the business line Others is due to the acquisition of Pharmachem in 2021.

## 20. OTHER OPERATING REVENUES

	<b>12 months 2021</b>	<b>12 months 2020</b>
Other operating revenues	3,199,337	2,800,978
Income from operating grants	2,628,211	2,749,803
Capitalized cost of intangible assets	4,535,441	3,723,981
<b>TOTAL</b>	<b>10,362,989</b>	<b>9,274,762</b>

## 21. THIRD PARTY EXPENSES

	<b>12 months 2021</b>	<b>12 months 2020</b>
Medical services	337,603,069	247,337,240
Financial services	4,805,573	3,313,181
Cleaning and laundry	4,798,636	4,538,906
Legal services	3,823,202	3,542,849
Other services	3,762,967	2,134,203
Waste collection and sanitation	3,193,840	2,567,187
Security and safety	2,634,494	1,933,484
IT services	2,265,737	1,621,933
Logistics and telecommunications services	1,118,708	479,988
Accreditations and authorizations	751,668	411,042
Storage and archiving services	721,578	419,179
Others	14,909,396	13,169,821
<b>TOTAL</b>	<b>380,388,868</b>	<b>281,469,012</b>

Around 80% of total Third party expenses incurred during 2021 and 2020 refer to collaboration contracts concluded with doctors.

## 22. OTHER OPERATING EXPENSES

	<b>12 months 2021</b>	<b>12 months 2020</b>
Utilities	15,441,386	12,634,324
Repairs maintenance	14,703,501	11,549,854
Rent	7,698,479	6,520,160
Insurance premiums	3,651,389	3,002,708
Promotion expense	15,138,844	13,508,044
Communications	4,907,836	4,236,791
Other administration and operating expenses	18,067,621	17,477,695
<b>TOTAL</b>	<b>79,609,056</b>	<b>68,929,576</b>

Please refer to Note 2.1 for further details on reclassification of commodities expenditure starting with 2021.

## 23. KEY MANAGEMENT PERSONNEL EXPENSES

The structure of Med Life personnel is described below:

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Management	196	155
Staff	4,897	4,503
<b>Total</b>	<b>5,093</b>	<b>4,658</b>

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

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Management	41,295,641	33,400,743
Staff	304,755,849	254,402,195
<b>Total</b>	<b>346,051,490</b>	<b>287,802,938</b>

## 24. NET FINANCIAL RESULT

	<b>12 months 2021</b>	<b>12 months 2020</b>
(Loss)/Gain from foreign exchange rate impact	(9,166,155)	(9,943,800)
Finance cost	(27,451,079)	(23,252,551)
Other income	34,949	2,585,489
Interest income	149,944	50,893
<b>FINANCIAL NET PROFIT/(LOSS)</b>	<b>(36,432,342)</b>	<b>(30,559,969)</b>

## 25. RELATED PARTIES

### (a) Main shareholders

As of December 31, 2021, the shareholders' structure of Med Life SA is as presented below:

	<b>Number of shares</b>	<b>%</b>	<b>Value</b>
Legal entities	70,466,706	53.03%	17,616,677
Marcu Mihail	20,552,307	15.47%	5,138,077
Cristescu Mihaela Gabriela	18,660,690	14.04%	4,665,173
Marcu Nicolae	14,034,400	10.56%	3,508,600
Others	9,156,389	6.89%	2,289,097
<b>TOTAL</b>	<b>132,870,492</b>	<b>100.00%</b>	<b>33,217,623</b>

As of December 31, 2020, the shareholders' structure of Med Life SA is as presented below:

	<b>Number of shares</b>	<b>%</b>	<b>Value</b>
Legal entities	71,455,241	53.78%	17,863,810
Marcu Mihail	21,557,520	16.22%	5,389,380
Cristescu Mihaela Gabriela	18,660,690	14.04%	4,665,173
Marcu Nicolae	14,204,400	10.69%	3,551,100
Others	6,992,641	5.26%	1,748,160
<b>TOTAL</b>	<b>132,870,492</b>	<b>100.00%</b>	<b>33,217,623</b>

Please refer to Note 15 and Note 16.



**(b) Executive Committee and Board of Directors' compensation**

Compensations granted to the members of the Executive Committee were as follows:

	<u>12 months 2021</u>	<u>12 months 2020</u>
Executive Committee	7,319,579	6,192,697

Executive Committee compensation includes the payments toward members of the top management under their mandate contracts concluded with the Company for a period of 4 years.

As at December 31, 2021, the Company's Executive Committee consisted of ten managers remunerated based on mandate agreement. On April 12, 2021, a new member was appointed, while with another the mandate contract was terminated. On October 21<sup>st</sup>, 2020, the Board of Directors extended all mandates for a new period of 4 years, ending October 21<sup>st</sup>, 2024.

Compensations granted to the members of the Board of Directors were as follows:

	<u>12 months 2021</u>	<u>12 months 2020</u>
Board of Directors	3,909,013	3,507,111

Med Life SA Board of Directors consists of 7 members under administration agreements concluded with the Company, approved by the General Shareholders Meeting.

For two of the members, the administration agreements ended in December 2020 and two new members were appointed on December 15<sup>th</sup>, 2020 by the Shareholders of the Company along with the extension of the Board Members' mandate for a period of 4 years, starting December 21<sup>st</sup>, 2020 and ending December 20<sup>th</sup>, 2024. No loans were granted to managers and administrators in 2021 and 2020.

**(c) Related parties**

The related parties identified are as follows:

	<u>Receivables from</u>		<u>Payables to</u>	
	<u>December 31, 2021</u>	<u>January 1, 2021</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
DR. CRISTESCU I. MIHAELA-GABRIELA	-	-	53,561	53,561
Marcu Nicolae	-	8,000	-	-
Nautic Life S.R.L.	-	-	2,616	2,616
LIFE RESORT SRL	-	-	-	-
DIETLIFE FOOD SRL	208	136	-	-
BLACK SEA MAGIC SRL	32,812	31,562	-	-
<b>Total</b>	<b>33,020</b>	<b>39,698</b>	<b>56,177</b>	<b>56,177</b>
	<u>Sales in 2021</u>	<u>Sales in 2020</u>	<u>Purchases in 2021</u>	<u>Purchases in 2020</u>
DR. CRISTESCU I. MIHAELA-GABRIELA	-	-	700,800	700,800
MARCU NICOLAE	-	8,000	-	-
NAUTIC LIFE SRL	-	-	-	-
LIFE RESORT SRL	1,200	-	-	-
DIETLIFE FOOD SRL	30,721	546	-	-
BLACK SEA MAGIC SRL	1,250	3,000	-	-
<b>Total</b>	<b>33,171</b>	<b>11,546</b>	<b>700,800</b>	<b>700,800</b>

**26. TAXATION**

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Current income tax expense	22,506,352	14,787,475
Deferred tax expense	-	-
<b>Total income tax expense</b>	<b>22,506,352</b>	<b>14,787,475</b>
<b>Profit before tax</b>	<b>135,419,561</b>	<b>78,551,159</b>
Tax expense using the statutory rate of 16% (2019: 16%)	21,667,130	12,568,185
Fiscal effect of non-deductible expenses	1,621,415	3,291,511
Fiscal effect of non-taxable income	(119,902)	(582,043)
Fiscal effect of deductible legal reserve	(616,219)	(463,065)
Sponsorship/other compensation	(1,524,943)	(208,871)
Reinvested profit and other fiscal facilities	(2,493,391)	(2,331,624)
Adjustments in respect of current income tax of previous years	1,153,649	-
Other elements (including different fiscal treatment)	2,818,613	2,422,963
Deferred tax expense	-	90,419
<b>Income tax for the current year</b>	<b>22,506,352</b>	<b>14,787,475</b>
Income tax to comprehensive income	-	-
<b>Income tax to profit or loss – Expense</b>	<b>22,506,352</b>	<b>14,787,475</b>
	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Income tax liabilities as at January 1	5,467,450	308,391
Income tax liabilities through acquisitions	50,985	178,115
Income tax paid in the current year	(26,557,162)	(9,716,112)
Income tax payable in the current year	22,506,352	14,697,056
Current tax liabilities as at 31 December	<b>1,467,625</b>	<b>5,467,450</b>

<b>Components of deferred tax</b>	<b>31 December 2021</b>	<b>Change in deferred tax</b>	<b>1 January 2021</b>
<b>Deferred tax assets</b>			
Non-current assets	-	-	-
Amount related to untaken holidays provisions	1,332,184	-	1,332,184
<b>Total deferred tax asset</b>	<b>1,332,184</b>	<b>-</b>	<b>1,332,184</b>

<b>Deferred tax liability</b>	<b>31 December 2021</b>	<b>Change in deferred tax</b>	<b>1 January 2021</b>
Acquisition of subsidiaries	6,965,084	3,213,819	3,751,265
Other elements	104,870	-	104,870
Revaluation reserve	17,821,847	-	17,821,848
<b>Total deferred tax liability</b>	<b>24,891,801</b>	<b>3,213,819</b>	<b>21,677,983</b>

<b>Net deferred tax liability</b>	<b>23,559,617</b>	<b>3,213,819</b>	<b>20,345,799</b>
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<b>Components of deferred tax</b>	<b>31 December 2020</b>	<b>Change in deferred tax</b>	<b>1 January 2020</b>
<b>Deferred tax assets</b>			
Non-current assets	-	-	-
Trade receivables	1,332,184	-	1,332,184
<b>Total deferred tax asset</b>	<b>1,332,184</b>	<b>-</b>	<b>1,332,184</b>

<b>Deferred tax liability</b>	<b>31 December 2020</b>	<b>Change in deferred tax</b>	<b>1 January 2020</b>
Acquisition of subsidiaries	3,751,265	1,092,708	2,658,557
Other elements	104,870	-	104,870
Revaluation reserve	17,821,848	90,421	17,731,428
<b>Total deferred tax liability</b>	<b>21,677,983</b>	<b>1,183,129</b>	<b>20,494,855</b>

<b>Net deferred tax liability</b>	<b>20,345,799</b>	<b>1,183,129</b>	<b>19,162,671</b>
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The Group accrues income taxes at the rate of 16% on profits computed in accordance with the Romanian tax legislation. The net effect of the change on deferred tax balances recognized as at December 31, 2020, 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.

## **27. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS**

### **27.1. Subsequent acquisition of non-controlling interest, companies established due to organic growth and acquisition of subsidiaries**

During the reporting period, the following important events have occurred (percentages below represent equity interest):

- 10% subsequent acquisition of non-controlling interest in Centrul Medical Panduri SA in June 2021;
- 29% (indirect %) subsequent acquisition of non-controlling interest in Dentist 4 Kids SRL (indirect control) in June 2021;
- 31% indirect control in the newly established company Dent Estet Ploiesti SA through organic growth;
- 36% (indirect %) acquisition of shares in KronDent SRL; the control was obtained in December 2020 and the company is consolidated starting with January 2021;
- 100% acquisition of shares in Centrul Medical Matei Basarab SRL; the control was obtained in February 2021 and the company is consolidated starting with March 2021;
- 60% acquisition of shares in Medica SA; the control was obtained in April 2021 and the company is consolidated starting with May 2021;
- 100% completion of acquisition of shares in CED Pharma Group; the control was obtained in June 2021 and the company is consolidated starting with July 2021;
- 75% completion of acquisition of shares in Pharmachem Distributie SRL; the control was obtained in July 2021 and the company is consolidated starting with August 2021;
- 36% (indirect %) acquisition of shares in Stomestet Group; the control was obtained in October 2021 and the company is consolidated starting with November 2021;
- 36% (indirect %) acquisition of shares in Costea Digital Dental (Oradent); the control was obtained in November 2021 and the company is consolidated starting with December 2021;
- sign-off for the sale and purchase agreement of 50% shares in Neolife Medical Center Romania in October 2021;
- 76% acquisition of shares in Expert Med Centrul Medical Irina; the control was obtained in December 2021 and the company is consolidated starting with January 2022.

Neolife Medical Center Romania acquisition has been approved by Competition Council and the acquisition was finalized in February 2022.

#### **27.1.1. Subsequent acquisition of non-controlling interest**

##### ***Increased participation in Centrul Medical Panduri***

In June 2021 Med Life SA, the ultimate parent of the Group, completed an increase by 10% in Panduri Medical Center shareholding, marking the full acquisition of the package of shares. The majority stake of 90% was acquired 5 years ago, now the shareholding being completed up to 100%.

##### ***Increased participation in Dentist 4 Kids SRL***

In June 2021, Dent Estet Clinic, part of Medlife Group, completed the acquisition of the entire package of shares of the dental clinic located in Timisoara (an increase from 52% to 100%).

#### **27.1.2. Organic growth**

In the first semester, Dent Estet Clinic, part of Medlife Group, founded a new company, Dent Estet Ploiesti SA with 51% participation.

#### **27.1.3. Acquisition of subsidiaries**

##### ***Acquisition of KronDent SRL***

In December 2020, Dent Estet Clinic, part of Medlife Group, completed the acquisition for the majority stake of 60% of the shares of KronDent S.R.L, a periodontology-implantology and dentistry clinic, located in Brasov. KronDent S.R.L has been operating on the dental services market in Braşov since 2008.

##### ***Acquisition of the Centrul Medical Matei Basarab***

In February 2021, Anima Speciality Medical Services SRL, part of Medlife Group, completed the transaction for the purchase of the full shareholding package of Veridia Medical Center in Bucharest, known also as Basarab Medical Center. Veridia Medical Center has been operating on the private medical services market for 17 years. It started its activity with a medical analysis laboratory and later on consolidated its position by developing a large medical center that incorporates 20 medical offices and which provides specialized medical services, general medicine consultations and consultations of different specialties, paraclinical investigations, treatments and minor surgeries. Additionally, for sampling for laboratory testing, the center also includes four sampling points, located in Berceni, Militari, Drumul Taberei and Pantelimon neighborhoods and since September 2020 it also includes a molecular biology laboratory for SARSCoV-2 testing.

##### ***Acquisition of the majority package of Medica Sibiu***

In April 2021 Med Life SA, the ultimate parent of the Group, completed the transaction for the acquisition of the majority stake of 60% in Medica Sibiu, one of the important providers of private medical services in Sibiu County. Medica Sibiu has been operating on the private medical services market since 2001 and consists of a large outpatient unit, a medical

analysis laboratory and an occupational health center. In addition, Medica Sibiu is one of the providers under contract with Sibiu County Health Insurance House (CJAS), covering a wide range of laboratory tests and medical consultations, for specialties such as endocrinology, internal medicine, neurology, psychiatry, clinical psychology.

**Completion of the acquisition of CED Pharma Group**

In June 2021, Pharmalife Med SRL, part of the Group, completed the acquisition of the full package of shares of CED Pharma group of companies, the transaction being approved by the Competition Council. CED Pharma Group consists of 6 pharmacies, all located in Bucharest. The new pharmacies are located inside some hospital units and will ensure continuity for the development strategy of the Medlife Group on the pharma segment, which is based on the interdependence between medical units and pharmacies.

**Completion of the acquisition of Pharmachem Distribuție SRL**

In July 2021 Med Life SA, the ultimate parent of the Group, completed the acquisition of the package of 75% of the shares of the distribution company Pharmachem Distribuție SRL. It is one of the largest acquisitions in the Group in the recent years. Pharmachem has been operating on the pharmaceutical distribution services market for 16 years, being an important player, with a stock warehouse located in Bucharest.

**Acquisition of Stomestet Group**

In October 2021, Dent Estet Clinic, part of Medlife Group, completed the acquisition of the package of 60% of the shares of Stomestet, one of the most important dental clinic from Transylvania. Stomestet Group, located in Cluj-Napoca, is the most performant private dental clinic from Transylvania and a recognized educational centre for future dental practitioners and specialists, organizing medical residency program, dedicated courses and conferences. Stomestet was founded in 2001 by two Romanian dental medical leaders, Assoc. Prof. Dr. Smaranda Buduru and Dr. Rares Buduru.

**Acquisition of Costea Digital Dental (Oradent)**

In November 2021, Dent Estet Clinic, part of Medlife Group, completed the acquisition of 60% of the shares of Oradent clinic, owned by Dr. Costea. With over 20 years of experience in general dentistry, 14 years in implantology and 10 years in dental aesthetics, the clinic from Oradea offers patients a full range of premium dental services (orthodontics, implantology, dental aesthetics, dental treatments for children and adults) and has its own digital dental radiology laboratory.

**Acquisition of Neolife Medical Center Romania**

In October 2021, Medlife Group announced the signing of the acquisition contract of 50% of the share package of the oncology centers Neolife Romania, one of the biggest players on the oncology segment in Romania and a reference name in Eastern Europe.

The Neolife Oncology Center Romania has been operating for seven years in the Romanian market. It operates four medical centers and is a member of the Bozlu Group, Turkey, which owns 21 companies. It has been operating in the field of healthcare and technological services for 32 years. The Neolife brand's experience in nuclear medicine dates back to 1989 when the first private company providing such services in a hospital was opened in Turkey. Just one year later, in 1990, the first stand-alone private center was opened. Since then, its development has been very fast, and now cancer diagnosis and treatment services are provided in more than 60 public and private hospitals in Turkey.

Neolife Medical Center Romania acquisition has been approved by Competition Council and the acquisition was finalized in February 2022.

**Acquisition of Expert Med Centrul Medical Irina**

In December 2021, Anima Speciality Medical Services SRL, part of Medlife Group, completed the acquisition for the 76% majority stake of Expert Med Centrul Medical Irina, the largest independent player on the private medical services market in Galați. Expert Med Centrul Medical Irina was launched in 1999, with over 22 years of experience in the private medical services market.

Irina Medical Center offers integrated medical services, such as outpatient, laboratory, occupational medicine and radiology services, at the best standards. Patients have the opportunity to perform complete medical tests in the laboratory and have access to consultation rooms with over 20 medical specialties, including orthopedics, general surgery, plastic surgery, rapid interventions for hemorrhoids, obstetrics-gynecology, gastroenterology, urology, internal medicine, ENT, ophthalmology, cardiology, pediatrics, general medicine, family medicine, neurology, psychiatry, endocrinology, dermatology, pneumology, allergology, diabetes, nutrition and metabolic diseases, and oncology. Irina Medical Center is under contract with the National Health Insurance House for laboratory tests, ultrasounds, radiographs, DEXA, Diabetes Nutrition and Metabolic Diseases, home care, and also with the O.P.S.N.A.J House for laboratory tests.

## 27.2. Assets acquired and liabilities recognized at the date of acquisition

Assets acquired and liabilities recognized at the date of acquisition	31 December 2021	1 January 2021
<b>Non-current assets</b>	<b>46,062,887</b>	<b>53,011,018</b>
<i>out of which</i>		
- Intangible assets	17,387,430	16,574,760
- Property, plant and equipment	11,797,464	21,382,081
- Right-of-use assets	16,796,409	-
- Others	81,585	15,054,178
<b>Current assets</b>	<b>54,095,201</b>	<b>6,849,744</b>
<i>out of which</i>		
- Inventories, cash and prepayments	18,530,185	4,582,994
- Trade Receivables and other receivables	35,565,016	2,266,750
<b>Current liabilities</b>	<b>80,732,727</b>	<b>26,896,656</b>
<i>out of which</i>		
- Overdraft	660,625	-
- Current tax liabilities	50,985	178,115
- Trade and other liabilities and leases	59,389,415	25,625,833
- Lease liabilities	17,417,884	-
- Deferred tax arising at acquisition	3,213,819	1,092,708
<b>Non-current liabilities (Borrowings on long term)</b>	<b>3,425,536</b>	<b>4,551,198</b>
<b>Net assets</b>	<b>15,999,825</b>	<b>28,412,908</b>

Tangible and intangible assets fair value valuation methodology uses a mix between the cost approach and the income approach, which estimates the depreciation of the assets considering also the economic benefits that would be generated by that particular assets. For certain medical equipment and vehicles, for which publicly available information allows, fair value was measured using market approach.

## 27.3. Acquisition related costs

The Group incurred acquisition-related costs of 2,097,204 RON on legal fees and due diligence costs. These costs have been included in Other operating expenses.

## 27.4. Goodwill arising on acquisition

	2021	2021
Consideration transferred	60,976,906	64,696,530
Less: fair value of identifiable net assets acquired	(15,999,825)	(13,356,730)
Plus non-controlling interest	7,445,708	-
<b>Goodwill arising on acquisition</b>	<b>52,422,789</b>	<b>51,339,800</b>
<b>Bargain gain arising on acquisition</b>	<b>-</b>	<b>-</b>

The goodwill is attributable to the workforce and also to the know-how acquired and the high profitability of the acquired business. It will not be deductible for tax purposes.

## 27.5. Net cash outflow on acquisition of subsidiaries

	31 December 2021	1 January 2021
Consideration paid in cash	55,717,152	25,876,601
Less: cash and cash equivalent balances acquired at acquisition date	(3,212,417)	(2,106,788)
	<b>52,504,735</b>	<b>23,769,813</b>

## 28. CAPITAL 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, 16 and note 17.

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.

The Group has grown principally through organic growth with the addition of acquired growth through business combinations. The organic growth has been within existing markets and new geographies. In expanding organically, the Group is exposed to potential loss of capital if the expansion or new activities do not immediately meet their financial objectives.

The Group's objectives have been to balance the cash generation from established business units into higher risk investments in new activities. This has left the equity levels of the Group as a buffer to protect the Group in case of variations in performance that could impact the established activities. The Group has used debt funding for acquisitions of businesses due to the historically low cost of debt funding and availability of liquidity on the financial markets. When assessing the adequacy of the Group's equity for the activities and exposures the Group analyses the ratio of loans payable net of cash and liquid short-term investments to total equity (including non-controlling interests), as presented in the following table:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Interest-bearing loans and borrowings without overdraft	499,295,906	461,132,809
Cash and cash equivalents	135,858,888	81,970,397
Loans payable net of cash	363,437,018	379,162,412
Total Equity	<u>381,404,558</u>	<u>268,906,545</u>
Ratio to Total Equity	<u><b>1.05</b></u>	<u><b>0.71</b></u>

The medium-term aim of the Group is to keep this ratio at current levels by continuing to invest in new business development and acquisitions to maintain a balanced capital structure between debt and equity.

## 29. RISK MANAGEMENT

The Group's Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Audit Committee is responsible for monitoring and addressing issues concerning the effectiveness and efficiency of the Group's internal controls, regulatory compliance and risk management.

In the course of its business the Group is exposed to a number of financial risks, including credit, interest rate, liquidity and foreign currency risks.

This note presents the Group's objectives, policies and processes for managing these risks and methods used to measure risks.

The central treasury function has an important role in managing the Group's financial risks with the aim to control and manage the Group's financial exposure and financial costs with a balance between risk and costs.

### (a) Credit risk

Financial assets that potentially give rise to concentrations of credit risk consist principally of cash, short-term deposits, trade and other receivables. The Group's cash equivalents and short-term deposits are placed with reputable financial institutions with a high credit rating.

Trade receivables are represented net of the allowance for expected credit losses. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base, which consists mainly of both individuals and companies. Around 62% of the total sales are cash-based with remaining being based on issuance of invoices. The financial condition of these customers in relation to their credit standing is evaluated on an ongoing basis.

The Group has also developed certain procedures to assess legal entities as customers prior to signing contracts, aimed at providing health care packages (PPMs), and monitoring their ability to meet the payments during the course of contracts. Also, the Group has established an internal Collection department which actively monitors encashments received from customers.

The gross carrying amounts of financial assets (before credit loss allowances) included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to these assets. The Group has only 18% of its sales during 2021 deriving from the treatment of NHIH insured patients (concentration of credit risk) – reliance on major customers.

At 31 December 2021 and 31 December 2020, the Group did not consider there to be a significant concentration of credit risk. Please see Note 7 Receivables, for further details regarding credit risks of trade and other receivables and expected credit loss allowance and also 3.13.1 Financial assets, for further details of accounting policies used by the Group.

### (b) Interest rate risk

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

The Group is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The higher risk is represented by funds borrowed in the national currency, because the interest rates are periodically repriced based on index variation.

Lease contracts concluded in the national currency are also exposed due to the above repricing process, as the discount rate in this case is linked to the internal borrowing rates for funds withdrawn in the national currency.

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

**Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial instruments at the reporting date. Out of the total outstanding balances for both borrowings and leases only the amounts that refers to the Club loan and lease contracts (which refer to rent of buildings, equipment and vehicles) have been considered for the sensitivity on interest rate computation. These amounts which were included in the analysis cover more than 80% of the total outstanding balances for both borrowings and leases.

A 10% percent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The assumptions used have not changed from previous years.

If interest rates had been 10% per cent higher and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would decrease by RON 1,330,043 RON (2020: decrease with RON 930,828). This is mainly attributable to the Group's exposure to interest rates on its borrowings and leases.

LIABILITIES	Total	Out of which included in the sensitivity analysis	%	Interest expenses per year at the current interest rate for the selected portion	Interest expenses per year at the interest rate increased by 10% for the selected portion	Variation that affects the profit and loss account when the interest rate increases by 10%	
<b>2021</b>							
Overdraft	25,493,223						
Short-Term and Long-Term portions of loans	499,295,906	Club loan	468,391,291	89%	13,983,946	14,816,432	832,486
Short-Term and Long-Term portions of leases	202,272,073	Contracts that refer to rent of buildings, equipment and which fall under IFRS 16	171,919,151	85%	5,691,557	6,192,114	500,557
<b>2020</b>							
Overdraft	27,127,907						
Short-Term and Long-Term portions of loans	461,132,809	Club loan	431,325,762	88%	9,655,745	10,096,860	441,115
Short-Term and Long-Term portions of leases	188,263,249	Contracts that refer to rent of buildings, equipment and which fall under IFRS 16	157,179,389	83%	5,584,132	6,073,844	489,713
	<b>December 31, 2021</b>		<b>January 1, 2021</b>				
Profit or loss	1,333,043		930,828				

**(c) 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.

The following table details the Group's remaining contractual maturity for financial liabilities as of December 31, 2021 and December 31, 2020. 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.

**2021**

	<b>Weighted average effective interest rate</b>	<b>Carrying amount</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>&gt; Year 5</b>
<b>Non-interest bearing instruments</b>									
Trade payables		<b>224,242,318</b>	<b>224,242,318</b>	224,242,318	-	-	-	-	-
<b>Interest bearing instruments</b>									
Overdraft		<b>25,493,223</b>	<b>25,493,223</b>	25,493,223	-	-	-	-	-
Borrowings	EURIBOR 6M / ROBOR 6M + margin	<b>499,295,906</b>	<b>559,569,464</b>	57,674,327	58,369,898	68,879,247	54,000,303	52,008,012	268,637,677
Lease contracts		<b>202,272,073</b>	<b>219,873,686</b>	53,666,580	44,883,694	38,410,307	28,086,470	20,453,226	34,373,410
<b>Total</b>		<b>951,303,520</b>	<b>1,029,178,690</b>	<b>361,076,448</b>	<b>103,253,592</b>	<b>107,289,554</b>	<b>82,086,773</b>	<b>72,461,238</b>	<b>303,011,087</b>

**2020**

	<b>Weighted average effective interest rate</b>	<b>Carrying amount</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>&gt; Year 5</b>
<b>Non-interest bearing instruments</b>									
Trade payables		<b>151,690,134</b>	<b>151,690,134</b>	151,690,134	-	-	-	-	-
<b>Interest bearing instruments</b>									
Overdraft		<b>27,127,907</b>	<b>27,127,907</b>	27,127,907	-	-	-	-	-
Borrowings	EURIBOR 6M / ROBOR 6M + margin	<b>461,132,809</b>	<b>506,462,937</b>	55,496,969	90,320,846	80,048,662	79,362,463	96,657,366	104,576,631
Lease contracts		<b>188,263,249</b>	<b>204,696,341</b>	46,667,130	39,965,313	33,010,993	28,349,969	19,830,231	36,872,706
<b>Total</b>		<b>828,214,099</b>	<b>889,977,319</b>	<b>280,982,140</b>	<b>130,286,159</b>	<b>113,059,655</b>	<b>107,712,431</b>	<b>116,487,596</b>	<b>141,449,337</b>



**(d) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

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

		1 EUR = 4.9481 RON	100 HUF = 1.3391 RON	
2021	RON			Total
<b>ASSETS</b>				
Cash and cash equivalents	130,202,261	3,326,181	2,330,445	135,858,888
Trade receivables	139,393,284	-	962,954	140,356,238
Financial assets	1,237,250	30,373,336	-	31,610,586
<b>LIABILITIES</b>				
Trade payables	210,414,824	11,080,404	2,747,090	224,242,318
Overdraft	15,597,023	9,896,200	-	25,493,223
Other long term debt	7,546,394	-	-	7,546,394
Short-Term and Long-Term portions of loans	154,021,386	345,274,520	-	499,295,906
Short-Term and Long-Term portions of leases	10,184,074	190,968,433	1,119,566	202,272,073
		1 EUR = 4.8694 RON	100 HUF = 1.3356 RON	
2020	RON			Total
<b>ASSETS</b>				
Cash and cash equivalents	68,481,009	11,999,891	1,489,497	81,970,397
Trade receivables	119,647,488	-	1,431,542	121,079,030
Financial assets	1,004,612	26,828,562	106,848	27,940,022
<b>LIABILITIES</b>				
Trade payables	142,680,721	7,369,746	1,639,667	151,690,134
Overdraft	17,378,983	9,738,800	10,124	27,127,907
Other long term debt	14,794,743	3,325,000	-	18,119,743
Short-Term and Long-Term portions of loans	110,644,115	350,488,694	-	461,132,809
Short-Term and Long-Term portions of leases	12,302,693	174,946,279	1,014,277	188,263,249

The Group is mainly exposed in respect of the exchange rate of the RON versus EUR. The below 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.

If EUR is weakening 10% against RON, the profit will increase and the amount stated below will be positive. For a 10% strengthening of EUR against RON there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

The assumptions used have not changed from previous years. The variation below is presented as absolute amounts.

	<b>December 31,</b>	<b>January 1,</b>
	<b>2021</b>	<b>2021</b>
Profit or loss	52,352,004	50,704,007

### 30. 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. These are presented at amortised cost. The estimated fair values of these instruments approximate their carrying amounts, largely due to the short term maturities of these instruments, except for loans.

The carrying amount of loans approximate their fair value considering the two renegotiations of the syndicated loan signed in 2021, in which all the credit facilities were re-arranged in terms of both maturities and interest rates. The syndicated loan covers around 89% of the total Group debt position exposure.

#### Financial instruments that are not held at fair value

At level 1 of the fair value hierarchy, the Group classified cash and cash equivalents as assets that are not held at fair value.

At level 3 of the fair value hierarchy, the Group classified in the category of assets: trade and other receivables, other financial assets, and in the category of debt: loans from banks and other financial institutions, leasing debts, trade payables and other financial liabilities.

The following table shows the fair value and the fair value hierarchy for assets and liabilities that are not measured at fair value in the statement of financial position as at 31 December 2021:

ASSETS	Classificatio n under IFRS 9	Carrying amount	Fair value	Level		
				1	2	3
Cash and cash equivalents	Amortized cost	135,858,888	135,858,888	135,858,888	-	-
Trade Receivables	Amortized cost	140,356,238	140,356,238	-	-	140,356,238
Other financial assets	Amortized cost	31,610,586	31,610,586	-	-	31,610,586
<b>LIABILITIES</b>						
Trade and other payables	Amortized cost	224,242,318	224,242,318	-	-	224,242,318
Overdraft	Amortized cost	25,493,223	25,493,223	-	-	25,493,223
Other long term debt	Amortized cost	7,546,394	7,546,394	-	-	7,546,394
Lease liability	Amortized cost	202,272,073	202,272,073	-	-	202,272,073
Long term debt	Amortized cost	499,295,906	499,295,906	-	-	499,295,906

#### Recognised fair value measurements

##### Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 3.28.

31 December 2021	Note	Level 1	Level 2	Level 3
Land and buildings	5	-	-	331,649,487

31 December 2020	Note	Level 1	Level 2	Level 3
Land and buildings	5	-	-	322,608,072

There were no transfers between levels during the year.

- Valuation techniques used to determine level 3 fair values are presented in note 5.
- Valuation inputs and relationships to fair value are presented in note 4 on the Goodwill impairment section and note 5 on the Land and buildings carried at fair value and intangibles with indefinite useful life section.

### **31. COMMITMENTS AND CONTINGENCIES**

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

#### **Club loan related commitments**

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, 2021 and December 31, 2020, 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 1,887,804 out of which in EUR 110,182 as of December 31, 2020 (December 31, 2020: RON 2,631,819, equivalent of EUR 404,646).

In relation with business combinations and further acquisition of companies, on 27 October 2021 the Group signed the sale-purchase agreement with MNT Saglik Hizmetleri ve Ticaret Anonim Sirketi regarding the acquisition of 50% shares in MNT Healthcare Europe SRL also known as Neolife Medical Center Romania.

#### **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 Romania the statute of limitation for tax controls (audits) is of 5 years. During 2021, the ultimate parent of the Group had a tax control which covered period from 2016 to 2020. The control was finalised during 2021 and the results were booked in accounting, please refer to Note 26 Taxation. Management believes that the tax obligations included in these financial statements are adequate.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

#### **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.

#### **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.

### **32. FEES TO AUDITORS**

Starting with 2021, the new auditor of the Group is Ernst & Young Assurance Services SRL.

The fee for the audit services of the consolidated financial statements as of December 31, 2021 of the Group prepared in accordance with IFRS as adopted by EU and the individual financial statements as of December 31, 2021 of Med Life SA prepared in accordance with IFRS in line with the provisions of Ministry of Finance Order number 2844/2016, as well as the audit services of the other individual financial statements of subsidiaries prepared in accordance with the provisions of Ministry of Finance Order number 1802/2014 was EUR 208,500 excluding VAT and other expenses.

The fee for other non-audit services performed in 2021 (in accordance with ISRS 4400) was EUR 18,000, excluding VAT.

### **33. EVENTS AFTER THE BALANCE SHEET DATE**

#### **Russia – Ukraine conflict**

In the context of the conflict between Russia and Ukraine, started on February 24, 2022, the European Union, the United States of America, United Kingdom and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals.

Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

It is expected that these events may affect the activities in various sectors of the economy, could result in further increases in European energy prices and increased risk of supply chain disturbances.

The Group does not have direct exposures to related parties and/or key customers or suppliers from those countries.

The Group regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Group's management is analysing the possible impact of changing micro- and macroeconomic conditions on the Group's financial position and results of operations.

#### ***Increased participation in Genesys Medical Clinic SRL***

MedLife Group increases by 10% its shareholding in Genesys Medical Clinic, one of the largest private medical services providers in western Romania, thus reaching a stake of 83%. Genesys Medical Clinic has been part of MedLife Group since 2011, when representatives announced the acquisition of 55% of its shares.

#### ***Increased participation in Almina Trading SA***

MedLife Group announces the acquisition of additional 10% shares in Almina Trading, reaching a stake of 90%. In 2017, MedLife Group acquired a majority stake of 80% in Almina Trading, a company consisting of eight medical centers and two laboratories, located in Dambovita and Ilfov counties.

*These financial statements, comprising the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes, were approved on March 24, 2022.*

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**Mihail Marcu,**

CEO

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**Adrian Lungu,**

CFO



SISTEMUL MEDICAL  
**MedLife**

**CONSOLIDATED ADMINISTRATORS' REPORT  
MED LIFE GROUP**

**YEAR ENDED DECEMBER 31, 2021**

## 1. Presentation of the Group

Med Life S.A. ("MedLife" 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 centres located in all the major cities of the country - cities with over 150,000 inhabitants.

MedLife, together with its subsidiaries ("MedLife Group" or the "Group"), is offering a large range of medical service, with a network of 32 hyperclinics, 48 clinics, 10 hospitals - located in Bucharest, Arad, Sibiu, Brasov, Cluj and Ploiesti, 34 laboratories, 22 pharmacies and 17 dental clinics. The Group has also more than 170 private clinic partners around Romania.

Medlife Group is the largest provider of medical services in Romania by Sales figures. More than 5.5 million unique patients have used Medlife Group services, and over 740,000 employees' nationwide benefit from healthcare prevention packages as part of the benefits provided by their employers.

Last but not least, Medlife Group differentiates itself by the significant number of medical tests performed in the Group's laboratories annually - 8.5 million tests conducted in 2021, number of visits in outpatient units - 2.3 million in 2021 and number of patients in hospitals - 100,000 patients in 2021.

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

List of the entities part of MedLife Group as at December 31, 2021 and January 1, 2021 are presented below: (ownership percentage):

No.	Entity	Main activity	Location	December, 31 2021	January, 1 2021
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	83.01%	83.01%
2	Medapt SRL (indirect)**	Medical Services	Brasov, Romania	83.01%	83.01%
3	Histo SRL (indirect)**	Medical Services	Brasov, Romania	49.81%	49.81%
4	Policlinica de Diagnostic Rapid Medis SRL (indirect)**	Medical Services	Sfantu Gheorghe, Romania	66.41%	66.41%
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	73%	73%
10	Genesys Medical Clinic SRL (indirect)**	Medical Services	Bucharest, Romania	73%	73%
11	Bactro SRL (indirect)**	Medical Services	Deva, Romania	73%	73%
12	Transilvania Imagistica SA (indirect)**	Medical Services	Oradea, Romania	73%	73%
13	Biofarm Farmec SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
14	RUR Medical SA (indirect)**	Medical Services	Bucharest, Romania	83.01%	83.01%
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%	90%
18	Ultratest SA (direct si indirect)**	Medical Services	Craiova, Romania	76%	76%
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%

**MED LIFE GROUP**  
 CONSOLIDATED ADMINISTRATORS' REPORT AS AT DECEMBER 31, 2021  
 (all amounts are expressed in RON, unless otherwise specified)



No.	Entity	Main activity	Location	December, 31 2021	January, 1 2021
23	Green Dental Clinic SRL (indirect)**	Dental healthcare	Bucharest, Romania	31%	31%
24	Dentist 4 Kids SRL (indirect)**	Dental healthcare	Bucharest, Romania	60%	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	100%	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 Polisoano SRL	Medical Services	Sibiu, Romania	100%	100%
34	Solomed Clinic SA	Medical Services	Pitesti, Romania	80%	80%
35	Solomed Plus SRL (indirect)**	Medical Services	Pitesti, Romania	80%	80%
36	Ghencea Medical Center SA	Medical Services	Bucharest, Romania	100%	100%
37	Sfatul medicului SRL	Medical Platform	Bucharest, Romania	100%	100%
38	RMC Dentart (indirect)**	Dental healthcare	Budapest, Hungary	51%	51%
39	RMC Medical (indirect)**	Medical Services	Budapest, Hungary	51%	51%
40	RMC Medlife	Holding	Budapest, Hungary	51%	51%
41	Badea Medical SRL	Medical Services	Cluj, Romania	65%	65%
42	Oncoteam Diagnostic SA	Medical Services	Bucharest, Romania	75%	75%
43	Centrul medical Micromedica SRL	Medical Services	Piatra Neamt, Romania	100%	100%
44	Micromedica Targu Neamt SRL (indirect)**	Medical Services	Targu Neamt, Romania	100%	100%
45	Micromedica Bacau SRL (indirect)**	Medical Services	Bacau, Romania	100%	100%
46	Micromedica Roman SRL (indirect)**	Medical Services	Roman, Romania	100%	100%
47	Medrix Center SRL (indirect)**	Medical Services	Roznov, Romania	100%	100%
48	Spitalul Lotus SRL	Medical Services	Ploiesti, Romania	100%	100%
49	Labor Maricor SRL	Medical Services	Bacau, Romania	100%	100%
50	Centrul Medical Matei Basarab SRL (indirect)**	Medical Services	Bucharest, Romania	100%	0%
51	Pharmachem Distributie SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	75%	0%
52	CED Pharma SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
53	Leti Pharm 2000 SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
54	Monix Pharm SRL (indirect)**	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
55	KronDent SRL (indirect)**	Dental healthcare	Brasov, Romania	36%	0%
56	Medica SA	Medical Services	Sibiu, Romania	60%	0%
57	Dent Estet Ploiesti SRL (indirect)**	Dental healthcare	Ploiesti, Romania	30.6%	0.0%
58	The Lab Stomestet SRL (indirect)**	Dental healthcare	Cluj, Romania	36%	0%
59	Stomestet SRL (indirect)**	Dental healthcare	Cluj, Romania	36%	0%
60	Stomestet Plus SRL (indirect)**	Dental healthcare	Cluj, Romania	36%	0%
61	Costea Digital Dental SRL (indirect)**	Dental healthcare	Oradea, Romania	36%	0%
62	Expert Med Centrul Medical Irina (indirect)*	Medical Services	Galati, Romania	76%	0%
63	Neolife Medical Center Romania*	Medical Services	Bucharest, Romania	50%	0%

\* The acquisitions of these companies will be finalized in 2022 and will be consolidated starting with 2022.

\*\*These companies are subsidiaries of other subsidiaries in the Group and are included in the consolidation, as they are controlled by the entities which are subsidiaries of the ultimate parent.

## Business Model

MedLife Group 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 the medical act: 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 places great emphasis on the quality of the services offered to its patients, operating an IT infrastructure and customer service and sales operations that has served over 5.5 million unique patients, representing over 1 in 4 Romanians.

The Group divides its operations into six business lines:

- **Corporate:** The Corporate business line offers HPPs (health prevention packages) 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 the Group as the Standard HPP.

The Group has a portfolio of over 740,000 HPPs patients from over 5,000 different companies.

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.
- **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.

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

- **Hyper clinics**, a format pioneered by the Group in Romania, consisting of large facilities with more than 20 medical offices and surface areas of more than 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 inhabitants. Hyper clinics would usually include on site a broad range of imaging services such as radiology, bone density – DEXA, CT, MRI, 2D-4D ultrasounds and Mammography; in the case of new openings, such services may be included in the hyper clinics' offering gradually. Hyper clinic locations also host the services of other business lines, such as sampling points for laboratories or pharmacies.
  - **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, but also FFS patients and patients opting for services subsidised by the National Health Insurance House. 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 hyper clinics.
- **Laboratories:** The Laboratories business line provides a range of services: biochemistry, pathological anatomy (cytology and histology), molecular biology and genetics, haematology, immunology, microbiology and toxicology. Sampling points are locations where the Group collects blood and other samples from patients. The Laboratories business line sources the majority of its revenue from FFS patients.
  - **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 hyper clinics located in Iași, Craiova and Timișoara. The Hospitals business line derives its revenue predominantly from FFS patients. Treatment of State insured patients by the NHIH, generally relates to maternity, gynecology, cardiology and oncology.
  - **Pharmacies:** The Pharmacies business line offers prescription, over the counter and other related medical products in 22 pharmacies opened mainly 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 surgeries. Stomatology business line is not subject to NHIH allocations, all the sales being FFS.

## 2. 2021 Developments

In 2021, MedLife Group continued its dynamic strategy of expansion through acquisitions; investments were directed towards supporting strategic objectives aimed at research, strengthening the area of radiotherapy and oncology, amplifying the process of digitization and territorial expansion, the budget allocated for investments in 2021 exceeding 30 million euros. All business lines followed an upward trend in 2021, with notable performances for the division of laboratories, clinics, hospitals, but also for dentistry and pharmacies. Overall, last year, the Group's activity had a strong impact at the level of the entire medical system in Romania, with no less than 14 million services being offered nationwide for analysis, investigation, diagnosis, treatment and surgery.

From the perspective of the second year of the pandemic, the Group focused on quick access to medical interventions for chronic and acute patients in the context of limiting activity in state hospitals. Intense activity was recorded also in the outpatient line of business related to monitoring of chronic pathologies and patients who went through Covid. In this context, the activity of the corporate division was consistent and dynamic, being focused on the support offered to large companies, SMEs and start-ups for the safety and health of employees during the pandemic. In parallel, the research area has played an important role in 2021, aggregating own resources and additional investments of over 1 million euros.

### 2.1. Acquisitions completed in 2021

In 2021, MedLife Group increased its participation in certain subsidiary companies and also signed contracts for the acquisition of share capital of the following companies:

- 10% subsequent acquisition of non-controlling interest in Panduri Medical Center in June 2021;
- 29% (indirect %) subsequent acquisition of non-controlling interest in Dentist 4 Kids SRL in June 2021;
- 30.6% indirect control in the newly established company Dent Estet Ploiesti SA through organic growth;
- 36% (indirect %) acquisition of shares in KronDent SRL; the control was obtained in December 2020 and the company was consolidated starting with January 2021;
- 100% acquisition of shares in Veridia Medical Center (Basarab Medical Center); the control was obtained in February 2021 and the company was consolidated starting with March 2021;
- 60% acquisition of shares in Medica Sibiu SRL; the control was obtained in April 2021 and the company was consolidated starting with May 2021;
- 100% acquisition of shares in CED Pharma Group; the control was obtained in June 2021 and the company was consolidated starting with July 2021;
- 75% acquisition of shares in Pharmachem Distributie SRL; the control was obtained in July 2021 and the company was consolidated starting with August 2021;
- 36% (indirect %) acquisition of shares in Stomestet Group; the control was obtained in October 2021 and the company was consolidated starting with November 2021;
- 36% (indirect %) acquisition of shares in Costea Digital Dental (Oradent); the control was obtained in November 2021 and the company was consolidated starting with December 2021;
- 50% acquisition of shares in Neolife Medical Center Romania; the acquisition was finalized in 2022 and will be consolidated starting with 2022;
- 76% acquisition of shares in Expert Med Central Medical Irina; the acquisition was finalized in 2022 and will be consolidated starting with 2022.

### Increased participation in Central Medical Panduri

In June 2021 Med Life SA completed an increase by 10% in Panduri Medical Center shareholding, marking the full acquisition of the package of shares. The majority stake of 90% was acquired 5 years ago, now the shareholding being completed up to 100%. The additional shares were acquired by MedLife as a result of an exchange with MedLife treasury shares repurchased under the Company's share buy-back program in accordance with the decision of the Extraordinary General Meeting of Shareholders no. 2 of April 23, 2020, as detailed below.

### Share buy-back program

As at 31 December 2021, MedLife had an ongoing share-buy back program. The share buy-back program, which is the second such program carried out by the Company, was initiated as of July 7, 2020, by decision of the Board of Directors of the Company adopted on June 30, 2020 in accordance with the decision of the Extraordinary General Shareholders Meeting ("EGSM") no. 2 of April 23, 2020. By the EGSM Decision of April 23, 2020, it was approved the buy-back of a maximum number of 1,770,000 own shares for a maximum period of 18 months from the date of publication of the decision in the Official Gazette of Romania. Thus, MedLife was approved to buy-back a maximum number of 1,770,000 own shares with a nominal value of RON 0.25 / share, not exceeding the 10% threshold of the share capital of the Company. The own shares acquired under the Program are to be offered to former or current members of management or former or current

employees of some of the subsidiaries of the Company in exchange for the shares held by them in the respective subsidiaries of the Company. The purchase price of shares under the Program was between RON 10 and RON 50, subject to the applicable legal provisions and restrictions. The maximum pecuniary value allocated to the Program was RON 88,500,000 (calculated as the maximum number of 1,770,000 own shares at a price per share of RON 50).

The share buy-back program had the following results during 2021:

1. Number of shares repurchased:  
- 163,769 shares in 2021 (0.1233% of the subscribed and paid-in share capital - after the Share Capital Increase)
2. Average buy-back price:  
- RON 22.3507 / share in 2021

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium. During 2021, the Group reacquired own equity instruments (treasury shares) in a total amount of RON 3,669,511 and released shares in total value of RON 320,158, net of commissions. The difference between the fair value and cost of own shares when the change was made is in a total amount of RON 368,079 and was included as an increase on the share premium account.

#### **Increased participation in Dentist 4 Kids SRL**

In June 2021, Dent Estet Clinic, part of the Group, completed the acquisition of the entire package of shares of the dental clinic located in Timisoara (an increase from 52% to 100%).

#### **Acquisition of KronDent SRL**

In December 2020, Dent Estet Clinic, part of the Group, completed the acquisition for the majority stake of 60% of the shares of KronDent S.R.L, a periodontology-implantology and dentistry clinic located in Brasov. KronDent S.R.L has been operating on the dental services market in Braşov since 2008.

#### **Acquisition of Centrul Medical Matei Basarab**

In February 2021, Anima Speciality Medical Services SRL, part of the Group, completed the transaction for the acquisition of the entire shareholding package of Veridia Medical Center in Bucharest, known also as Basarab Medical Center. Veridia Medical Center has been operating on the private medical services market for 17 years. It started its activity with a medical analysis laboratory and later on consolidated its position by developing a large medical center that incorporates 20 medical offices and which provides specialized medical services, from general practitioner services, to consultations on different specialties, paraclinical investigations, treatments and minor surgeries. The center also includes four sampling points and since September 2020 it also includes a molecular biology laboratory for SARS-CoV-2 testing.

#### **Acquisition of Medica Sibiu**

In April 2021 Med Life SA completed the transaction for the acquisition of the majority stake of 60% in Medica Sibiu, one of the important providers of private medical services in Sibiu County. Medica Sibiu has been operating on the private medical services market since 2001 and consists of a large outpatient unit, a medical analysis laboratory and an occupational healthcare center. In addition, Medica Sibiu is one of the providers under contract with Sibiu County Health Insurance House (CJAS), covering a wide range of laboratory tests and medical consultations, for specialties such as endocrinology, internal medicine, neurology, psychiatry, clinical psychology.

#### **Acquisition of CED Pharma Group**

In June 2021, Pharmalife Med SRL, part of the Group, completed the acquisition of the full shareholding package of CED Pharma group of companies (CED Pharma SRL, Monix Pharm SRL and Leti Pharm 2000 SRL), the transaction being approved by the Competition Council. CED Pharma Group consists of 6 pharmacies, all located in Bucharest. The new pharmacies are located inside some hospital units and ensures continuity for the development strategy of the Group on the pharma segment, which is based on the interdependence between medical units and pharmacies.

#### **Acquisition of Pharmachem Distribuție SRL**

In July 2021 Med Life SA completed the acquisition of the majority stake of 75% of the distribution company Pharmachem Distribuție SRL, the transaction being approved by the Competition Council. It is one of the largest acquisitions performed by the Group in recent years. Pharmachem has been operating on the pharmaceutical distribution services market for 16 years, being an important player, with a network of warehouses in Bucharest and throughout the country.

#### **Acquisition of Stomestet Group**

In October 2021, Dent Estet Clinic, part of the Group, completed the acquisition of the majority stake of 60% of the shares in Stomestet Group (Stomestet SRL, Stomestet Plus SRL, The Lab Stomestet SRL). Stomestet Group, located in Cluj-Napoca, is one of the most performant private dental clinics from Transylvania and a recognized educational centre for future dental practitioners and specialists, organizing medical residency program, dedicated courses and conferences. Stomestet was founded in 2001 by two Romanian dental medical leaders, Assoc. Prof. Dr. Smaranda Buduru and Dr. Rares Buduru.

### Acquisition of Costea Digital Dental (Oradent)

In November 2021, Dent Estet Clinic, part of the Group, completed the acquisition of the majority stake of 60% of the shares in Oradent clinic. With over 20 years of experience in general dentistry, 14 years in implantology and 10 years in dental aesthetics, the clinic from Oradea offers patients a full range of premium dental services (orthodontics, implantology, dental aesthetics, dental treatments for children and adults) and has its own digital dental radiology laboratory.

### Acquisition of Neolife Medical Center Romania

In October 2021, MedLife announced the signing of the Share-Purchase Agreement for 50% stake in Neolife Romania oncology centers, one of the most important players on the oncology segment in Romania and a reference name in Eastern Europe. Neolife Oncology Center Romania has been operating on the Romanian private healthcare market since 2014 when it successfully launched the first oncology center in Bucharest, providing diagnostic and treatment services. Neolife Medical Center Bucharest (Baneasa) is mainly equipped with two highly competitive Varian linear accelerators for Radiotherapy and Radiosurgery, a Brachytherapy system, a strong Nuclear Medicine department (PET-CT and Scintigraphy) and a high-performance Chemotherapy section.

In 2016, the 2nd Neolife Oncology Center was opened in Iasi, offering the same range of diagnosis and treatment services. Three years later the 3rd center, Neolife Medical Center Brasov, the first nuclear medicine center (PET-CT) in Brasov was opened. Neolife opened its 4th Oncology Diagnostic and Treatment Center mid-2021, located in Enayati Medical City in Bucharest. In this center patients have access to PET-CT diagnosis and oncological radiotherapy treatment with Varian's innovative new and powerful platform, Halcyon 3.0.

Neolife Medical Center Romania acquisition has been approved by the Competition Council and the acquisition was finalized in February 2022. The Company will be consolidated starting with 2022.

### Acquisition of Expert Med Central Medical Irina

In December 2021, Anima Speciality Medical Services SRL, part of the Group, announced the acquisition of the majority stake of 76% in Expert Med Central Medical Irina, the largest independent player on the private medical services market in Galați. Central Medical Irina was launched in 1999, with over 22 years of experience on the private medical services market. The company will be consolidated starting with 2022.

## 2.2. Organic growth

- Dent Estet Clinic, part of the Group, founded a new company, Dent Estet Ploiesti SA with 51% participation;
- Opening of new hyper clinic in Sibiu following an investment of over 2.5 million EUR. The hyper clinic provides integrated medical services, focused on four areas of excellence: pediatrics, diabetes, breast health and medical recovery.

## 3. Credit facilities contracted by the Group

MedLife Group borrowings as at 31 December 2021 are:

	<b>December 31,</b>	<b>January 1,</b>
	<b>2021</b>	<b>2021</b>
Cash and cash equivalents	135,858,888	81,970,397
Borrowings (including overdraft)	(524,789,129)	(488,260,716)
Lease liabilities	(202,272,073)	(188,263,249)
<b>Net debt</b>	<b>(591,202,314)</b>	<b>(594,553,567)</b>
Overdraft	(25,493,223)	(27,127,907)
Current portion of lease liability	(52,586,827)	(41,166,069)
Current portion of long term debt	(58,455,422)	(46,436,217)
<b>Long Term Debt</b>		
Lease liability	(149,685,246)	(147,097,180)
Long term debt	(440,840,484)	(414,696,592)

As at December 31, 2021, the Group's drawn and undrawn financing facilities included the following:

On 24 September 2019 Med Life SA (together with the co-borrowers Policlinica de Rapid Diagnostic 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 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. On 15 May 2020 this facility was extended with additional 20 million euros.

#### **Increases in credit facility during 2021**

On 29 April 2021, the Group increased the existing facilities by 40 million euros by signing a syndicated loan in total amount of approximately 143 million euros. The syndicate of banks which signed the new syndicated loan consists of Banca Comercială Română, as coordinator, mandated lead arranger, documentation agent, facility & security agent and lender, Raiffeisen Bank, BRD Groupe Société Générale and Banca Transilvania, as lead arrangers and lenders. The new funds will be dedicated to consolidating and expanding the Group at national level, through the development of regional hospitals, where the patient will benefit from a 360-degree approach both in terms of the complexity of the medical act and the quality of complementary services. The expansion of the medical infrastructure and the M&A program are also a priority, and moreover, the Group will continue intensely its research efforts, aiming to intensify them through new investments.

Also, on 6 December 2021, the Group signed a new increase for the syndicated loan for an additional 50 million euros in order to consolidate its position on the healthcare market, funds that will be used to accelerate the M&A program.

- a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn as at December 31, 2021, is of RON 9,896,200;
- 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 as at December 31, 2021;
- 2 guaranteed loan facilities concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L.; the balance outstanding as at December 31, 2021 is RON 4,697,029;
- an overdraft facility concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L with a maximum credit limit of RON 1,500,000; as at December 31, 2021 the amount drawn is RON 48,748;
- a guaranteed loan concluded between Bancpost and Med Life Occupational S.R.L. in amount of EUR 225,000; the balance outstanding as at December 31, 2021 is RON 132,390;
- a guaranteed loan concluded between Banca Transilvania S.A. and Ghencea Medical Center, the balance outstanding as at December 31, 2021 is RON 563,389;
- a loan agreement and a guaranteed overdraft facility between CEC Bank S.A. and Clinic Polissano S.R.L., the balance outstanding as at December 31, 2021 is RON 30,713,112;
- an overdraft facility between Banca Transilvania S.A. and Onco Team Diagnostic S.A., the balance outstanding as at December 31, 2021 is RON 355,757;
- a loan agreement concluded between Banca Transilvania S.A. and Micromedica Roman S.R.L., the balance outstanding as at December 31, 2021 is RON 1,471,842;
- two loan agreements concluded between Banca Transilvania S.A. and Centrul Medical Micromedica S.R.L., the balance outstanding as at December 31, 2021 is RON 1,619,786;
- a loan agreement concluded between Raiffeisen Bank and Krondent SA, the balance outstanding as at December 31, 2021 is RON 168,901;
- three loan agreements concluded between Vista Bank and Ced Pharma SRL, the balance outstanding as at December 31, 2021 is RON 2,668,867;
- an overdraft facility concluded between ING Bank and Leti-Pharm 2000 SRL, the balance outstanding as at December 31, 2021 is RON 20,000;
- a loan agreement concluded between Banca Transilvania and Dent Estet Ploiesti SRL, the balance outstanding as at December 31, 2021 is RON 2,401,862;
- a loan agreement concluded between Banca Transilvania and Stomestet SRL, the balance outstanding as at December 31, 2021 is RON 284,094 and an overdraft of RON 120,803.

#### 4. Financial Analysis

##### Analysis of the condensed consolidated profit and loss

	12 months ended December 31,		Variation
	2021	2020	
Revenue from contracts with customers	1,427,218,373	1,077,448,351	32.5%
Other operating revenues	10,362,989	9,274,762	11.7%
<b>Operating Income</b>	<b>1,437,581,362</b>	<b>1,086,723,113</b>	<b>32.3%</b>
<b>Operating expenses</b>	<b>(1,265,729,459)</b>	<b>(977,611,985)</b>	<b>29.5%</b>
<b>Operating Profit</b>	<b>171,851,903</b>	<b>109,111,128</b>	<b>57.5%</b>
Finance cost	(27,451,079)	(23,252,552)	18.1%
Other financial expenses	(8,981,263)	(7,307,417)	22.9%
<b>Financial result</b>	<b>(36,432,342)</b>	<b>(30,559,969)</b>	<b>19.2%</b>
<b>Result Before Taxes</b>	<b>135,419,561</b>	<b>78,551,159</b>	<b>72.4%</b>
Income tax expense	(22,506,352)	(14,787,475)	52.2%
<b>Net Result</b>	<b>112,913,209</b>	<b>63,763,684</b>	<b>77.1%</b>

Sales for the 12 months period ended December 31, 2021 amounted to RON 1,427,218,373, higher by 32.5% compared to the same period last year. This increase was mainly the result of significant growth in all of the Group's business lines, especially in Clinics, Hospitals, Corporate and Laboratories, as well as the impact of the acquisitions completed by the Group in 2020 and 2021.

Sales breakdown by business line is presented below:

Business Line	12 months 2021 Sales	% of Total Sales	12 months 2020 Sales	% of Total Sales	Variation 2021/2020
Clinics	407,035,457	28.5%	307,919,487	28.6%	32.2%
Stomatology	93,204,531	6.5%	61,363,524	5.7%	51.9%
Hospitals	317,305,322	22.2%	251,943,388	23.4%	25.9%
Laboratories	257,907,412	18.1%	198,519,202	18.4%	29.9%
Corporate	206,070,519	14.4%	198,530,858	18.4%	3.8%
Pharmacies	59,949,420	4.2%	44,405,803	4.1%	35.0%
Others	85,745,712	6.0%	14,766,089	1.4%	480.7%
<b>TOTAL SALES</b>	<b>1,427,218,373</b>	<b>100.0%</b>	<b>1,077,448,351</b>	<b>100%</b>	<b>32.5%</b>

The key operational indicators of the Group are:

Business line	Info	12 months ended	
		2021	2020
Clinics	<b>Revenue</b>	<b>407,035,457</b>	<b>307,919,487</b>
Clinics	Visits	2,279,580	1,815,055
Clinics	Avg fee	178.6	169.6
Stomatology	<b>Revenue</b>	<b>93,204,531</b>	<b>61,363,524</b>
Stomatology	Visits	154,358	89,172
Stomatology	Avg fee	603.8	688.1
Hospitals	<b>Revenue</b>	<b>317,305,322</b>	<b>251,943,388</b>
Hospitals	Patients	100,230	82,209
Hospitals	Avg fee	3,165.8	3,064.7
Laboratories	<b>Revenue</b>	<b>257,907,412</b>	<b>198,519,202</b>
Laboratories	Analyses	8,541,036	5,211,645
Laboratories	Avg fee	30.2	38.1
Corporate	<b>Revenue</b>	<b>206,070,519</b>	<b>198,530,858</b>
Corporate	Subscriptions	742,739	738,582
Corporate	Avg fee	277.4	268.8
Pharmacies	<b>Revenue</b>	<b>59,949,420</b>	<b>44,405,803</b>
Pharmacies	Clients	361,236	194,838
Pharmacies	Sales per client	166.0	227.9
Others	<b>Revenue</b>	<b>85,745,712</b>	<b>14,766,089</b>

Other operating revenues of the Group for the 12 months period ended 31 December 2021 were of RON 10,362,989, recording an increase of 11.7% as compared to the same period last year.

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 1,265,729,459 in the year ended December 31, 2021, representing an increase of 32.3% as compared to year ended December 31, 2020.

Operating expenses as a percentage of total operating income accounted for 90% in 2020 and 88% in 2021. The evolution of operating expenses is the following:

	<b>12 months 2021</b>	<b>12 months 2020</b>	<b>Variation 2021/2020</b>
Consumable materials and repair materials	234,425,408	189,975,286	23.4%
Commodities expenses	106,225,169	35,649,736	198.0%
Utilities	15,441,386	12,634,324	22.2%
Repairs maintenance	14,703,501	11,549,854	27.3%
Rent	7,698,479	6,520,160	18.1%
Insurance premiums	3,651,389	3,002,708	21.6%
Promotion expense	15,138,844	13,508,044	12.1%
Communications	4,907,836	4,236,791	15.8%
Third party expenses (including doctor's agreements)	380,388,868	281,469,012	35.1%
Salary and related expenses	333,837,004	277,035,208	20.5%
Social contributions	12,214,486	10,767,730	13.4%
Depreciation	113,760,199	102,897,388	10.6%
Impairment losses and gains (including reversals of impairment losses)	5,269,269	10,888,049	-51.6%
Other administration and operating expenses	18,067,621	17,477,695	3.4%
<b>TOTAL</b>	<b>1,265,729,459</b>	<b>977,611,985</b>	<b>29.5%</b>

Operating profit increased by 57.5% in 2021 as compared to 2020, from RON 109,111,128 in 2020, to RON 171,851,903 in 2021.

Financial result increased by 19.2% in 2021 as compared to 2020, from a loss of RON 30,559,969 in 2020, to a loss of RON 36,432,342 in 2021.

The net result recorded in 2021 increased by 77.1%, from a profit of RON 63,763,684 in 2020 to a profit of RON 112,913,209 in 2021.

**Analysis of the consolidated statement of financial position**

	<b>December 31, 2021</b>	<b>January 1, 2021</b>	<b>Variatio n</b>
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Goodwill	199,679,613	147,256,824	35.6%
Intangible assets	60,556,655	46,755,678	29.5%
Property, plant and equipment	552,206,613	535,672,488	3.1%
Right-of-use asset	190,715,602	146,821,194	29.9%
Other financial assets	31,610,586	27,940,022	13.1%
<b>Total Non-Current Assets</b>	<b>1,034,769,069</b>	<b>904,446,206</b>	<b>14.4%</b>
<b>Current Assets</b>			
Inventories	74,229,585	53,058,518	39.9%
Trade Receivables	140,356,238	121,079,030	15.9%
Other assets	24,357,734	15,822,146	53.9%
Cash and cash equivalents	135,858,888	81,970,397	65.7%
Prepayments	8,030,713	7,117,566	12.8%
<b>Total Current Assets</b>	<b>382,833,158</b>	<b>279,047,657</b>	<b>37.2%</b>
<b>TOTAL ASSETS</b>	<b>1,417,602,227</b>	<b>1,183,493,863</b>	<b>19.8%</b>
<b>LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>			
<b>Non-Current Liabilities</b>			
Lease liability	149,685,246	147,097,180	1.8%
Other long term debt	7,546,394	18,119,743	-58.4%
Interest-bearing loans and borrowings	440,840,484	414,696,592	6.3%
Deferred tax liability	23,559,617	20,345,799	15.8%
<b>Total Non-Current Liabilities</b>	<b>621,631,741</b>	<b>600,259,314</b>	<b>3.6%</b>
<b>Current Liabilities</b>			
Trade and other payables	224,242,318	151,690,134	47.8%
Overdraft	25,493,223	27,127,907	-6.0%
Current portion of lease liability	52,586,827	41,166,069	27.7%
Current portion of interest-bearing loans and borrowings	58,455,422	46,436,217	25.9%
Current tax liabilities	1,467,625	5,467,450	-73.2%
Provisions	7,992,337	7,209,494	10.9%
Other liabilities	44,328,176	35,230,733	25.8%
<b>Total Current Liabilities</b>	<b>414,565,928</b>	<b>314,328,004</b>	<b>31.9%</b>
<b>TOTAL LIABILITIES</b>	<b>1,036,197,669</b>	<b>914,587,319</b>	<b>13.3%</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital and Share premium	82,395,091	82,027,012	0.4%
Treasury shares	(4,015,977)	(666,624)	502.4%
Reserves	137,335,499	124,211,557	10.6%
Retained earnings	122,394,796	35,701,579	242.8%
<b>Equity attributable to owners of the Group</b>	<b>338,109,409</b>	<b>241,273,524</b>	<b>40.1%</b>
Non-controlling interests	43,295,149	27,633,021	56.7%
<b>TOTAL EQUITY</b>	<b>381,404,558</b>	<b>268,906,545</b>	<b>41.8%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,417,602,227</b>	<b>1,183,493,863</b>	<b>19.8%</b>

Non-current assets amounted to RON 1,034,769,069 as at 31 December 2021, recording an increase of 14.4% as compared to December 31, 2020. The increase is mainly influenced by the acquisitions finalized in 2020 and 2021.

Current assets increased by 37.2% from RON 279,047,657 as at 31 December 2020 to RON 382,883,159 as at 31 December 2021.

Current liabilities (excluding interest-bearing debt) increased by 39.3%, from RON 199,597,812 as at 31 December 2020 to RON 278,030,456 as at 31 December 2021.

Interest-bearing debt (excluding other long-term debt and deferred tax liability) increased by 7.5%, from RON 676,523,965 as at 31 December 2020 to RON 727,061,202 as at 31 December 2021. The increase is mainly due to financing of the acquisitions completed in 2021.

## 5. Main Financial Indicators

<b>Current ratio</b>	<b>Period ended at December 31, 2021</b>	
Current assets	382,833,159	= 0.92
Current liabilities	414,565,928	

<b>Debt to equity ratio</b>	<b>Period ended at December 31, 2021</b>	
Long Term Debt	598,072,124	= 157%
Equity	381,404,558	
Long Term Debt	598,072,124	= 61%
Capital Assets	979,476,683	

<b>Trade receivables turnover (days)</b>	<b>Period ended at December 31, 2021</b>	
Average receivables	130,717,634	= 32.97
Sales	1,427,218,373	

<b>Fixed assets turnover</b>	<b>Period ended at December 31, 2021</b>	
Sales	1,427,218,373	= 1.38
Net Fixed Assets	1,034,769,069	

## 6. Outlook for 2022 and mid-term

On the M&A side, Medlife Group has ongoing discussions with 3 medium-sized and large companies, but also with 5 other small companies to join the Group and aims that most of these discussions to materialize during 2022.

The development and expansion plan for 2022 follows the route Cluj-Napoca, Timișoara and Constanța, openings of new clinics in Muntenia and Transilvania, but also in other regions of the country, with the aim of consolidating the national coverage in the next 2 years. The Group will accelerate the growth of its second brand, with a focus on patients who adhere to NHIH backed medical services. In 2022 Sfanta Maria will expand its presence in several small and medium-sized cities, both organically and through acquisitions.

2022 goals are also linked to MedLife Park, which entered its second phase of development - a new state of the art Hyper-clinic and expanding the laboratory of molecular biology and pathological anatomy. The Group aims for a much larger unit to accommodate the research division that will expand its activity in the oncology area. The next stage of development of this medical hub is planned for 2023 when MedLife intends to put into operation new surgery rooms and expand the hospitalization capacity of the largest hospital in the group with another 150 beds. MedLife Park pilot project will be replicated in the medium and long term in several large cities in the country such as Brasov, Sibiu, Cluj or Arad.

In addition to M&A and organic development projects, MedLife Group will continue to focus on digitization, being a strategic direction for the group's future development.

The investment budget planned for the next period is 100-120 million euros, approximately 50-70 million euros to be allocated for acquisitions in Romania and in the region.

## 7. Non-Financial Information

### Overview

MedLife Group dedicates all of its resources to ensure to its patients' professional medical services at the highest standards, based on state-of-the-art technological support, in impeccable safety and comfort conditions. The Group has been constantly developing based on the desire to meet the most demanding and complex medical services. The goal of the Group medical units is to improve the quality of life of every patient that use the Group medical services. The access to the Group's services is facilitated by the integrated system in place consisting in: hospitals, outpatient units, laboratories, pharmacies, imaging and corporate subscriptions. As a result, the Group 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.



The Group offers its services through the largest team of doctors and nurses working in the private sector in Romania, with more than 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.

#### **Business Model**

MedLife's concept of Hyper clinics, 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 Hyper clinic, 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, 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 ("NHIIH") funding**

Many private healthcare providers in Romania remain dependent for a significant portion of their sales on contracts awarded by the NHIIH to service State insured patients. This increases their exposure to changes in the NHIIH healthcare priorities, pricings and allocation systems. With only 18% of its sales during 2021 deriving from the treatment of NHIIH insured patients, the Group can independently determine its policies and priorities.

#### **The largest number of HPP clients in Romania**

With over 740,000 HPP subscribers as at 31 December 2021, 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 Group's continuous investments in new medical facilities set the basis for potential new HPP clients, as the Group'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 Group's track record of organic and acquisition growth is largely due to the Group's strong management team. MedLife 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 2021, MedLife has completed 35 acquisitions, 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**

The Group's 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 patients 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 2021, MedLife network include 32 hyper clinics, 48 clinics, 10 hospitals, 34 laboratories, 17 dental clinics and 22 pharmacies, the Group 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 five years, MedLife Group has been characterized by significant increases in Sales from one reporting period to the other.

#### **Organic growth**

During 2021 the Group opened a number of new outpatient units and other facilities, from sampling points for its Laboratories business line to new pharmacies and dental offices. 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 Group services patients through the largest private team of doctors and nurses in Romania. As of December 31, 2021, the Group was collaborating with a number of more than 3,000 doctors 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 at December 31, 2021.

The Group'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 Group 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 in 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 physicians and other medical staff in exchange for quality medical care and commitments to promote the MedLife Group 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 appointment and consulting activity. Collaborators are compensated based on their appointment and consulting activity. 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 Group's laboratory facilities are accredited by the Romanian Accreditation Association with ISO 15189 for Quality management.

### **Health, Safety, Security and Environment**

The Group 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 Group is required to obtain environmental permits, licenses and authorizations and provide notification to local authorities prior to opening new administrative and medical units.

### **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.

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

### **Information Technology**

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

The Group 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 the Group to public authorities, in the jurisdictions in which the Group is operating, are in compliance with all applicable legal provisions and are made exclusively for the purpose of ensuring the execution of routine governmental actions.

The Group has 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 Group values include:

- **Responsibility:** Medlife Group guides its actions according to what is important to people's lives and health;
- **Professionalism:** Medlife Group brings together over 3,000 doctors, professors, associate professors of medicine who do their job every day with dedication and professionalism;
- **Innovation:** 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. The Group has created departments in hospitals and hyper clinics, where patients can benefit from minimally invasive techniques.

MedLife concept "**Getting Romania Well**" began with the desire to do good in Romania in many forms, not only in health and medical system. Thus, Medlife Group has developed and supported a number of projects, events and ideas for the benefit of employees and healthcare professionals and for the sake of the environment. The Group also organized or participated in medical events where doctors from the country or from abroad had the opportunity to share their knowledge, technologies or procedures.

### **Medical Hotline 24/7**

Through the MedLife subscription, each subscriber benefits from medical advice, after which it is determined if a physical consultation is needed. The telephone line is available to subscribers 24/7, offering unlimited access to medical information and advice. And in 2021, the medical HotLine remained a base service for MedLife subscribers.

### **Online consultation platform**

We were the first private healthcare company to launch the online consultation platform. Thus, the patient was able to contact the doctor by videoconference and receive a diagnosis and treatment, where the physical visit was not necessary.

### **Doctor`s advice**

Doctor`s advice is a newsletter dedicated to our patients. Through it, we provided the correct information about various ailments or symptoms. Thus, via e-mail, MedLife customers regularly receive informative materials made with the support of our medical staff.

### **Mobile caravans for information**

Through mobile caravans, MedLife specialists conducted interactive medical workshops at company headquarters. Thus, company employees receive answers and details about the most common ailments at work, but also advice on how they can be identified and prevented.

### **InfoLife**

InfoLife magazine is a traditional project, launched 10 years ago, in order to support our patients with medical articles of interest, information about the latest techniques and technologies, interviews with doctors and other Romanians who Get Romania Well.

### **Blood donation campaign**

MedLife has launched a national blood donation program to support blood transfusion centres and promote this behaviour in Romanian society. The program runs every year in the largest cities in the country.

### **Pro-bono cases**

The Group'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, Group`s doctors handle cases brought by humanitarian foundations or identified cases by the Group's employees.

### **Good for the Environment - The Green Project for Romania**

The Green project, together with every action taken by the Group, is the essence of the brand. Besides respecting the promise of a quality medical act and excellence proven to every patient, the campaign is the Group's desire to get even more involved in the future of new generations. Therefore, the project requires that for each child born in our maternities, the Group plants a tree in a deforested area. Two years after the launch of the project, we continue to reforest areas that are difficult to access and affected by logging. Through this project, we managed to plant 55,000 seedlings. In 2019, a large team of doctors and support staff from Bucharest, Sibiu, Cluj-Napoca, Craiova and Iasi, contributed to the planting of fir and spruce seedlings on a plateau in the Făgăraş Mountains. In 2019, 15,000 seedlings were planted, through 70 MedLife volunteers.

### **Research**

Since the beginning of the pandemic, MedLife has invested in research into the SARS CoV-2 virus, conducting with its own resources several types of studies that have provided authorities with important information on natural immunization of the population, nationally and in specific outbreaks, dynamics of antibodies against COVID-19, the origin of the SARS-CoV-2 virus circulating in Romania, the mode of transmission or the presence of other strains, as well as the degree of post-vaccination immunization. MedLife has been in constant contact with state institutions, providing in real time crucial information for the management of the COVID-19 pandemic.

### **Protective equipment and sanitary materials**

Since the beginning of the pandemic, we made sure that both physicians and support staff in the department have always provided protective equipment and disinfectant. We made special circuits for them, so that the flow of people was safe for all employees and we implemented a system for epidemiological triage.

### **Medical triage**

The Group`s epidemiological triage team has been implemented since the early appearance of the first cases of COVID-19 in Romania. We adapted quickly and took safety measures to stop the spread of the virus, which led to the protection of the entire team.

### **Continuous COVID-19 testing program**

Immediately after the beginning of the pandemic, we invested in the development of our own RT-PCR laboratories in order to detect SARS-CoV-2 infection. Thus, since March 2020 we have had the ability to periodically test colleagues in MedLife Group units, medical staff and support staff, who intersected daily with thousands of patients. Thus, through systematic testing we managed to protect our colleagues, to avoid possible outbreaks and to continue our activity in medical units in conditions of maximum safety.

## **8. Corporate Governance**

### **Corporate governance statement**

MedLife and its board members comply with the corporate governance regime established by the Companies Law.

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 Group 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 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](http://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.

## 8.1 Shareholding structure

As of December 31, 2021 the shareholders' structure of Med Life SA is as presented below:

	Number of shares	%	Value
Legal entities	70,466,706	53.03%	17,616,677
Marcu Mihail	20,552,307	15.47%	5,138,077
Cristescu Mihaela Gabriela	18,660,690	14.04%	4,665,173
Marcu Nicolae	14,034,400	10.56%	3,508,600
Others	9,156,389	6.89%	2,289,097
<b>TOTAL</b>	<b>132,870,492</b>	<b>100.00%</b>	<b>33,217,623</b>

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.

## 8.2 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 MedLife Board of Directors, 3 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 and the entire Group. According to the Articles of Incorporation, the Board of Directors is responsible for all necessary acts in order to fulfil 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, 2021, 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, CEO
Ana Maria Mihaescu	29.07.1955	Member of the Board of Directors - independent member
Dimitrie Pelinescu-Onciul	11.08.1947	Member of the Board of Directors
Dorin Preda	03.04.1976	Member of the Board of Directors and Executive Director
Nicolae Marcu	26.10.1968	Member of the Board of Directors and Executive Director
Voicu Cheta	13.08.1981	Member of the Board of Directors - independent member
Ovidiu Fer	31.12.1983	Member of the Board of Directors - independent member

### 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.

**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).

**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.

**Voicu Cheța (1981) - Independent Member of the Board of Directors**

Voicu Cheța has been a member of the Board of Directors of MedLife since December 2020. He is a lawyer in the Bucharest Bar with over 15 years of legal experience. His specialized practice covers various areas such as high value commercial litigation, commercial arbitration, insolvency and restructuring, labor relations, public procurement, administrative litigation, debt recovery and company law. In the activity of legal advice and representation before the courts and arbitral tribunals, he acquired an overview and proven skills to approach commercial legal relations in a way that ensures their correlation with the needs of economic activity.

**Ovidiu Fer (1983) - Independent Member of the Board of Directors**

Ovidiu Fer has been a member of the Board of Directors of MedLife since December 2020. He is a graduate of the Academy of Economic Studies in Bucharest, Faculty of Finance, Insurance, Banking and Stock Exchanges (2006) and holds an MBA from INSEAD (2014). Starting with 2016, Ovidiu Fer founded the Alpha Quest Regional Investment Fund, as a founding member and is also a member of the Advisory Board of GapMinder VC Fund (since 2018). He previously served on the IJC Funds Investment Committee (2014-2016) and served as an external advisor to Elliott Advisors (2013-2014). He also held the position of Equity Analyst, Frontier Markets Expert and Country Manager at Wood & Company (2007-2013), but also Financial Analyst for KTD Invest (2005-2007).

**Executive Committee**

The Executive Committee is headed by Mr. Mihail Marcu, member of the Board of Directors and CEO, 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:

<b>Name</b>	<b>Title</b>
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
Marius Petrilă	IT Director
Mariana Brates	Purchasing Director
Larisa Chirirac	Medical Director
Vera Firu	Accounting and Tax Director
Mirela Dogaru	Corporate and Marketing Director

### 8.3 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 - independent member- President of Audit Committee
Voicu Cheta	13.08.1981	Member of the Board of Directors - independent member
Ovidiu Fer	31.12.1983	Member of the Board of Directors - independent member

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.

### Internal Control – Internal Audit function

MedLife Group has an internal audit department in place. 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 Group'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.

### 8.4 Remuneration Committee

The remuneration committee consists of the following members:

1. Ana Maria Mihaescu, Independent Non-Executive Administrator, President of the Remuneration Committee;
2. Voicu Cheta, Independent Non-Executive Administrator;
3. Dimitrie Pelinescu-Onciul, Non-Executive Administrator.

The Remuneration Committee has the following responsibly:

- responsible for making decisions regarding the remuneration of the members of the Executive Committee and of the other non-executive directors of the Company, according to the decision of the Board of Directors. In making such decisions, the Remuneration Committee must take into account the long-term interests of the shareholders, investors and other participants in MedLife's business;
- implements the Decisions of the Board of Directors that fall within the scope of activity of the committee.

The Company has a remuneration policy in force and prepared a Remuneration Report for 2021 that will be submitted for approval in the Ordinary General Meeting of Shareholders.

## 9. Risk exposure and risk management

The Group's Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Audit Committee is responsible for monitoring and addressing issues concerning the effectiveness and efficiency of the Group's internal controls, regulatory compliance and risk management.

In the course of its business the Group is exposed to a number of financial risks, including credit, interest rate, liquidity and foreign currency risks.

The Group's objectives, policies and processes for managing these risks and methods used to measure risks are presented below. The central treasury function has an important role in managing the Group's financial risks with the aim to control and manage the Group's financial exposure and financial costs with a balance between risk and costs.

### (a) Credit risk

Financial assets that potentially give rise to concentrations of credit risk consist principally of cash, short-term deposits, trade and other receivables. The Group's cash equivalents and short-term deposits are placed with reputable financial institutions with a high credit rating.

Trade receivables are represented net of the allowance for expected credit losses. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base, which consists mainly of both individuals and companies. Around 62% of the total sales are cash-based with remaining being based on issuance of invoices. The financial condition of these customers in relation to their credit standing is evaluated on an ongoing basis.

The Group has also developed certain procedures to assess legal entities as customers prior to signing contracts, aimed at providing healthcare prevention packages, and monitoring their ability to meet the payments during the course of contracts. Also, the Group has established an internal collection department which actively monitors encashments received from customers.

The gross carrying amounts of financial assets (before credit loss allowances) included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to these assets. The Group has only 18% of its sales during 2021 deriving from the treatment of NHIH insured patients (concentration of credit risk) – reliance on major customers.

At 31 December 2021, the Group did not consider there to be a significant concentration of credit risk.

### (b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The higher risk is represented by funds borrowed in the national currency, because the interest rates are periodically repriced based on index variation.

Lease contracts concluded in the national currency are also exposed due to the above repricing process, as the discount rate in this case is linked to the internal borrowing rates for funds withdrawn in the national currency.

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Interest rate sensitivity analysis is also performed by management, using a 10% increase / 10% decrease in interest rates and monitored periodically. This assumption has not changed from previous years and represents management's assessment of the reasonably possible change in interest rates.

### (c) 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.

### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Group is mainly exposed in respect of the exchange rate of the RON versus EUR. Sensitivity analysis is performed by management, using a 10% increase and decrease in RON against EUR and monitored periodically. This assumption has not changed from previous years 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.



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### **Litigations**

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.

### **10. Subsequent events**

#### **Russia – Ukraine conflict**

In the context of the conflict between Russia and Ukraine, started on February 24, 2022, the European Union, the United States of America, United Kingdom and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals.

Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

It is expected that these events may affect the activities in various sectors of the economy, could result in further increases in European energy prices and increased risk of supply chain disturbances.

The Group does not have direct exposures to related parties and/or key customers or suppliers from those countries.

The Group regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Group's management is analysing the possible impact of changing micro- and macroeconomic conditions on the Group's financial position and results of operations.

#### **Increased participation in Genesys Medical Clinic SRL**

MedLife Group increases by 10% its shareholding in Genesys Medical Clinic (one of MedLife`s subsidiaries), one of the largest private medical services providers in western Romania, thus reaching a stake of 83%. Genesys Medical Clinic has been part of MedLife Group since 2011, when representatives announced the acquisition of 55% of its shares.

#### **Increased participation in Almina Trading SA**

MedLife Group completed the acquisition of additional 10% shares in Almina Trading (one of MedLife`s subsidiaries), reaching a stake of 90%. In 2017, MedLife acquired a majority stake of 80% in Almina Trading, a company consisting of eight medical centers and two laboratories, located in Dambovita and Ilfov counties.

### **Administrators**

## **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, 2021, which were prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union, give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended.

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**Mihail Marcu,**  
CEO

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**Adrian Lungu,**  
CFO

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Med Life SA

### **Report on the Audit of the Separate Financial Statements**

#### **Opinion**

We have audited the separate financial statements of Med Life SA (the Company) with official head office in Calea Grivitei no.365, district 1, Bucharest, identified by sole fiscal registration number 8422035, which comprise the statement of financial position as at December 31, 2021, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 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**

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

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the separate financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

### Description of each key audit matter and our procedures performed to address the matter

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of investments in other entities</b></p> <p>The carrying value of investments in other entities (being controlled entities) as of 31 December 2021 is of 242.9 million RON.</p> <p>All entities with significant cost of investment in the separate financial statements also have significant goodwill allocated to them in the consolidated financial statements of the Med Life Group. Therefore, the annual impairment test performed for goodwill in the consolidated financial statements, at cash generating units (“CGUs”) level, being individual entity, is also relevant for the assessment of the recoverability of the carrying value of investments in other entities in the separate financial statements.</p> <p>The management performed annual impairment tests at the level of 28 CGUs, using a discounted cash flow model. Management estimates the cash flows for the CGUs, in order to determine the recoverable amount of each GCU.</p> <p>As disclosed in Note 4 to the separate financial statements, in calculating the recoverable amount, the management makes judgement and significant estimates</p>	<p>We analysed the management’s assessment of the recoverability of the carrying value of cost of investment in other entities with a focus on the key assumptions made by management. Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> <li>• Performed a detailed understanding of the Company’s internal process and related documentation flow and key controls associated with the impairment testing process;</li> <li>• For a sample of impairment tests for significant investments in other entities we: <ul style="list-style-type: none"> <li>○ reconciled the assumptions used within the future cash flow models to approved business plans;</li> <li>○ involved our internal valuation specialists to assist us in evaluating the appropriateness of the methodology used to estimate the recoverable amount of CGUs and its conformity with the requirements of the International Financial Reporting Standards; and in testing the mathematical accuracy of the discounted cash flow model as well as evaluating for reasonableness the discount rates used for discounting future cash flows for each CGU and key macroeconomic assumptions;</li> <li>○ Assessed the assumptions used in the estimated future cashflows against</li> </ul> </li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p>in determining revenue and operating margin growth assumptions and the discount rate to be applied to the expected cash flows.</p> <p>In light of the judgements and estimates used by the management in the determination of future cash flow projections which are based on assumptions that are affected by expected future market conditions in Romania, uncertainties regarding current economic environment and significance of the carrying value of cost of investment in other entities, this matter is considered a key audit matter.</p> <p>The Company's disclosures about investments in other entities and the related impairment testing are included in Note 3.6 (Significant judgements, estimates and assumptions) and in Note 4 (Financial assets) to the separate financial statements.</p>	<p>historic performance to determine the reasonability of the management's estimates.</p> <ul style="list-style-type: none"> <li>○ Assessed the management's sensitivity analysis over key assumptions and performed additional independent sensitivity analysis in order to assess the impact of possible changes of assumptions on the impairment testing;</li> <li>● Assessed the competence of management's external specialists and their objectivity and independence, to consider whether they were appropriately qualified to carry out the impairment assessments.</li> <li>● Assessed the relevant disclosures included in the separate financial statements.</li> </ul>

### Other matters

The separate financial statements for the year ended 31 December 2020 were audited by another auditor that issued an unmodified audit opinion on 13 April 2021.

### Other information

The other information comprises the Consolidated Administrators' Report, the Annual Remuneration Report, the Annual Report and the Sustainability Report, but does not include the separate financial statements and our auditors' report thereon. We obtained the Consolidated Administrator's Report and the Annual Remuneration Report, prior to the date of our auditor's report, and we expect to obtain the Annual Report and the Sustainability Report, as part of separate reports, after the date of our auditor's report. Management is responsible for the other information.

Our audit opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

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

### **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 separate financial statements.

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 separate 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 auditors' report to the related disclosures in the separate 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 auditors' 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters.

## **Report on Other Legal and Regulatory Requirements**

### **Reporting on Information Other than the Separate Financial Statements and Our Auditors' Report Thereon**

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Consolidated Administrators' Report and the Annual Remuneration Report, we have read these reports and report that:

- a) in the Consolidated Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying separate financial statements as at December 31, 2021;
- b) the Consolidated Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 - 19;
- c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the separate financial statements as at December 31, 2021, we have not identified information included in the Consolidated Administrators' Report that contains a material misstatement of fact.
- d) the Annual Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

### **Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council**

#### **Appointment and Approval of Auditor**

We were appointed as auditors of the Company by the General Meeting of Shareholders on 29 September 2021 to audit the separate financial statements for the financial year end December 31, 2021. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 1 year, covering the financial period ended December 31, 2021.

#### **Consistency with Additional Report to the Audit Committee**

Our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.



### **Provision of Non-audit Services**

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the separate financial statements, no other services which were provided by us to the Company, and its controlled undertakings.

### **Report on the compliance of the electronic format of the separate financial statements with the requirements of the ESEF Regulation**

We have performed a reasonable assurance engagement on the compliance of the separate financial statements presented in XHTML format of Med Life SA (the Company) for the year ended December 31, 2021, with the requirements of the Commission Delegated Regulation (EU) 2019 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation).

These procedures refer to testing the format and whether the electronic format of the separate financial statements (XHTML) corresponds to the audited separate financial statements and expressing an opinion on the compliance of the electronic format of the separate financial statements of the Company for the year ended December 31, 2021 with the requirements of the ESEF Regulation. In accordance with these requirements, the electronic format of the separate financial statements should be presented in XHTML format.

### **Responsibilities of the Management and Those Charged with Governance**

The Management of the Company is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the separate financial statements in XHTML format and for ensuring consistency between the electronic format of the separate financial statements (XHTML) and the audited separate financial statements.

The responsibility of the Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the separate financial statements in ESEF format that are free from any material noncompliance with the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process for the preparation of separate financial statements, including the application of the ESEF Regulation.

### **Auditor's Responsibility**

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the separate financial statements with the requirements of the ESEF Regulation.

We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the separate financial statements of the Company is prepared, in all material respects, in accordance ESEF regulation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

### **Our Independence and Quality Control**

We apply International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements to the registered auditors in Romania.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

### **Summary of procedures performed**

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the separate financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic reporting format (XHTML) of the separate financial statements of the Company, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the separate financial statements of the Company, including the preparation of the separate financial statements of the Company in XHTML format
- tested the validity of the applied XHTML format
- checked whether the electronic format of the separate financial statements (XHTML) corresponds to the audited separate financial statements

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Opinion on the compliance of the electronic format of the separate financial statements with the requirements of the ESEF Regulation**

Based on the procedures performed, our opinion is that the electronic format of the separate financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

On behalf of,

**Ernst & Young Assurance Services SRL**  
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Registered in the electronic Public Register under No. FA77

Name of the Auditor/ Partner: Ivanovici Alice Andreea  
Registered in the electronic Public Register under No. AF3617

Autoritatea pentru Supravegherea Publică a  
Activității de Audit Statutar (ASPAAS)  
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.  
Registrul Public Electronic: FA77

Autoritatea pentru Supravegherea Publică a  
Activității de Audit Statutar (ASPAAS)  
Auditor financiar: Ivanovici Alice Andreea  
Registrul Public Electronic: AF3617

Bucharest, Romania  
24 March 2022



SISTEMUL MEDICAL  
**MedLife**

**MED LIFE S.A.**

SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

PREPARED IN ACCORDANCE WITH ORDER OF THE MINISTRY OF PUBLIC FINANCE NO.  
2844/2016 APPROVING THE ACCOUNTING REGULATIONS COMPLIANT WITH THE  
INTERNATIONAL FINANCIAL REPORTING STANDARDS

**Name of the issuing company:** Med Life S.A.

**Registered Office:** Bucharest, 365 Calea Griviței, District 1, Romania

**Fax no.:** 0040 374 180 470

**Unique Registration Code at the National Office of Trade Registry:** 8422035

**Order number on the Trade Registry:** J40/3709/1996

**Subscribed and paid-in share capital:** RON 33,217,623

**Regulated market on which the issued securities are traded:** Bucharest Stock Exchange

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<b>ASSETS</b>	<b>Note</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
<b>Non-current Assets</b>			
Intangible assets	5	9,895,358	10,675,893
Property, plant and equipment	5	244,673,659	244,998,068
Right-of-use asset	13	68,420,689	71,462,302
Other financial assets	4	257,432,358	237,335,288
<b>Total Non-Current Assets</b>		<b>580,422,064</b>	<b>564,471,551</b>
<b>Current Assets</b>			
Inventories	6	10,038,916	13,224,013
Trade Receivables	7	56,744,097	89,382,165
Receivables with related parties	23	106,337,549	95,020,068
Other assets		25,421,897	11,780,770
Cash and cash equivalents	8	38,629,900	33,735,446
Prepayments	9	2,608,350	1,325,662
<b>Total Current Assets</b>		<b>239,780,709</b>	<b>244,468,124</b>
<b>TOTAL ASSETS</b>		<b>820,202,773</b>	<b>808,939,675</b>
<b>LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>			
<b>Non-Current Liabilities</b>			
Lease liability	13	50,129,780	67,027,513
Other long term debt	14	-	3,325,000
Interest-bearing loans and borrowings	14	322,115,156	333,649,420
Deferred tax liability	24	11,457,413	11,457,413
<b>Total Non-Current Liabilities</b>		<b>383,702,349</b>	<b>415,459,346</b>
<b>Current Liabilities</b>			
Trade and other payables	10	80,151,836	96,605,850
Overdraft	14	9,896,200	9,738,800
Current portion of lease liability	13	23,791,932	21,416,526
Current portion of interest-bearing loans and borrowings	13	43,215,074	34,881,989
Payables with related parties	23	441,238	1,036,693
Current tax liabilities	24	122,115	3,829,499
Provisions	12	3,145,135	2,885,053
Other liabilities	11	16,156,461	16,008,640
<b>Total Current Liabilities</b>		<b>176,919,991</b>	<b>186,403,050</b>
<b>TOTAL LIABILITIES</b>		<b>560,622,340</b>	<b>601,862,396</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital and Share premium	15	82,395,091	82,027,012
Treasury shares	15	(4,015,977)	(666,624)
Reserves	16	101,127,471	90,599,863
Retained earnings		80,073,849	35,117,028
<b>TOTAL EQUITY</b>		<b>259,580,434</b>	<b>207,077,279</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>820,202,773</b>	<b>808,939,675</b>

**Mihail Marcu,**  
CEO

**Adrian Lungu,**  
CFO

**MED LIFE S.A.**  
 STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (all amounts are expressed in RON, unless otherwise specified)



	Note	<b>12 months ended December 31,</b>	
		<b>2021</b>	<b>2020</b>
Revenue from contracts with customers	17	601,508,195	508,823,190
Other operating revenues	18	4,057,881	4,093,568
<b>Operating Income</b>		<b>605,566,076</b>	<b>512,916,758</b>
Consumable materials and repair materials		(96,288,600)	(84,668,323)
Third party expenses	19	(179,709,262)	(140,358,151)
Salary and related expenses	21	(148,780,015)	(129,604,093)
Social contributions	21	(5,391,095)	(5,144,462)
Depreciation and amortization	5	(49,814,097)	(46,482,290)
Impairment losses and gains (including reversals of impairment losses)	7	(4,934,093)	(6,816,733)
Other operating expenses	20	(35,885,636)	(32,329,352)
<b>Operating expenses</b>		<b>(520,802,798)</b>	<b>(445,403,404)</b>
<b>Operating Profit</b>		<b>84,763,278</b>	<b>67,513,354</b>
Finance income	22	3,473,598	1,714,066
Finance cost		(16,196,020)	(13,773,288)
Other financial expenses		(5,979,555)	(5,565,399)
<b>Financial result</b>		<b>(18,701,977)</b>	<b>(17,624,620)</b>
<b>Result Before Taxes</b>		<b>66,061,301</b>	<b>49,888,734</b>
Income tax expense	24	(10,576,871)	(8,046,454)
<b>Net Result</b>		<b>55,484,430</b>	<b>41,842,280</b>
<b>Other comprehensive income items that will not be reclassified to profit or loss</b>			
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>55,484,430</b>	<b>41,842,280</b>

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**MED LIFE S.A.**  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(all amounts are expressed in RON, unless otherwise specified)



		<b>12 months ended December 31,</b>	
		<b>2021</b>	<b>2020</b>
	<b>Note</b>		
<b>Net profit before taxes</b>		<b>66,061,301</b>	<b>49,888,734</b>
<b>Adjustments for</b>			
Depreciation and amortization	5	49,814,097	46,482,290
Interest expense	22	16,196,020	13,773,288
Allowance for doubtful debts and receivables written-off	7	4,934,093	6,816,733
Provisions for liabilities and charges	12	260,082	2,360,622
Other non-monetary gains	18	(2,276,421)	(568,952)
Unrealised exchange loss	22	5,979,555	5,180,675
Interest revenue	22	(3,473,598)	(1,714,066)
<b>Operating cash flow before working capital changes</b>		<b>137,495,129</b>	<b>122,219,323</b>
Decrease / (increase) in accounts receivable		15,102,443	(35,532,917)
Decrease / (increase) in inventories		3,185,097	(6,523,215)
Decrease / (increase) in prepayments		(1,282,688)	212,942
Increase / (decrease) in accounts payable		(16,181,351)	(39,329,389)
<b>Cash generated from working capital changes</b>		<b>823,501</b>	<b>(81,172,579)</b>
<b>Cash generated from operations</b>		<b>138,318,630</b>	<b>41,046,744</b>
Income tax paid		(14,284,255)	(4,612,616)
Interest received		-	1,714,066
Interest paid		(17,750,515)	(12,829,063)
<b>Net cash from operating activities</b>		<b>106,283,860</b>	<b>25,319,132</b>
Purchase of investments	4	(23,423,949)	17,859,198
Purchase of intangible assets	5	(2,771,220)	(2,893,079)
Purchase of property, plant and equipment	5	(33,169,175)	(60,312,241)
Loans granted to Group Companies	23	(8,364,683)	(10,610,899)
<b>Net cash used in investing activities</b>		<b>(67,729,027)</b>	<b>(55,957,021)</b>
Payment of loans	14	(40,519,720)	(15,542,552)
Lease payments	13	(22,934,963)	(24,950,950)
Proceeds from loans	14	33,951,383	97,429,538
Payments for purchase of treasury shares	15	(3,669,570)	(3,548,879)
Decrease from loans obtained from Group Companies	23	(487,509)	(671,254)
<b>Net cash from/(used in) financing activities</b>		<b>(33,660,379)</b>	<b>52,715,903</b>
<b>Net change in cash and cash equivalents</b>		<b>4,894,454</b>	<b>22,078,014</b>
Cash and cash equivalents beginning of the period	8	33,735,446	11,657,432
<b>Cash and cash equivalents end of the period</b>		<b>38,629,900</b>	<b>33,735,446</b>

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**MED LIFE S.A.**  
 STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021  
 (all 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
<b>Balance at January 1, 2021</b>	<b>33,217,623</b>	<b>(666,624)</b>	<b>48,809,389</b>	<b>24,010,989</b>	<b>66,588,874</b>	<b>35,117,028</b>	<b>207,077,279</b>
Increase from own shares acquisition	-	(3,669,511)	-	-	-	-	(3,669,511)
Net release of own shares used for purchase of additional shares in other entities	-	320,158	-	-	-	-	320,158
Increase in premiums due to difference between fair value and cost of own shares when the exchange was made	-	-	368,079	-	-	-	368,079
Other reserves, including revaluation reserve	-	-	-	10,527,608	-	(10,527,608)	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,484,429</b>	<b>55,484,429</b>
Profit of the year	-	-	-	-	-	55,484,429	55,484,429
<b>Balance as at December 31, 2021</b>	<b>33,217,623</b>	<b>(4,015,977)</b>	<b>49,177,468</b>	<b>34,538,597</b>	<b>66,588,874</b>	<b>80,073,849</b>	<b>259,580,434</b>

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**MED LIFE S.A.**  
 STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021  
 (all 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
<b>Balance as at January 1, 2020</b>	<b>5,536,271</b>	<b>(2,699,804)</b>	<b>75,959,199</b>	<b>10,072,949</b>	<b>66,588,874</b>	<b>7,212,788</b>	<b>162,670,277</b>
Net release of own shares used for purchase of additional shares in other entities	-	2,033,180	-	-	-	-	2,033,180
Increase in share capital through incorporation of reserves	27,681,352	-	(27,681,352)	-	-	-	-
Increase in premiums due to difference between fair value and cost of own shares when the exchange was made	-	-	531,542	-	-	-	531,542
Other reserves, including revaluation reserve	-	-	-	13,938,040	-	(13,938,040)	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,842,280</b>	<b>41,842,280</b>
Profit of the year (loss)	-	-	-	-	-	41,842,280	41,842,280
<b>Balance as at December 31, 2020</b>	<b>33,217,623</b>	<b>(666,624)</b>	<b>48,809,389</b>	<b>24,010,989</b>	<b>66,588,874</b>	<b>35,117,028</b>	<b>207,077,279</b>

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## 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 (detailed under 3.19 and Note 16) through medical centres located in Bucharest, Cluj, Braila, Timisoara, Iasi, Galati, Ploiesti 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. The ultimate parent of the Med Life Group is Med Life SA.

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

### 2.1 Changes in accounting policies and adoption of revised/amended IFRS

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2021:

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**  
In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. The amendments had no material impact on the financial statements of the Company.

### 2.2 New standards and amendments to the existing standards issued but not yet effective and not early adopted

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 31 December 2021:

- **Amendment in 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**  
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e., 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.
- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**  
The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.
- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**  
The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU.
- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**  
The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements ("financial statements") of the Company have been prepared in accordance with the provisions of Ministry of Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

The Company also prepares consolidated financial statements in accordance with IFRS as endorsed by the EU, which are available on the Company's website.

The accounting policies applied in these financial statements are the same as those applied in the Company's annual individual financial statements as at and for the year ended 31 December 2020, except for the adoption of new standards effective as of January 1st 2021.

The financial year corresponds to the calendar year.

#### 3.1 Basis of preparation

The financial statements of the Company are presented in RON ("Romanian Leu"), using going concern principles. All values are rounded to the nearest two decimals. The financial statements have been prepared on the historical cost basis, except for certain items that have been measured at fair value, such as certain non-current assets and financial instruments, as presented in the notes to the financial statements.

The Company maintains the accounting books in accordance with the Regulations on Accounting and Reporting issued by the Ministry of Finance in Romania.

#### 3.2 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.

For the purposes of assessing liquidity and going concern, the Company has modelled scenarios reflecting suitable assumptions over the next 12-month period that serve to inform the decisions the Company takes regarding future cost savings, cash generation, debt covenants and levels of investment. The Company's financial performance to date in 2022

across all divisions has been in line with the modelled scenarios.

In addition, due to the proactive response taken by the Company to improve its liquidity position, since the beginning of the pandemic crisis, the cashflows of the Company have remained stable, demonstrating the financial discipline across the Company and the conservative approach taken when modelling scenarios. Cash and available facilities have remained strong at RON 38.6m at year-end, compared to RON 33.7m at 31 December 2020.

All measures taken have been decided upon having in mind the Company's strategy to better position itself to all the new market changes, on the long term. As a consequence, the management focused on increasing efficiency of its operations in order to obtain better flexibility over capitalizing market opportunities.

For the covenant testing periods ending December 2022 and June 2022, the Board of Directors are confident that Med Life has sufficient headroom to stay within the covenant's levels, with the mitigations available (which would include management of working capital and constrained levels of capital investment), even in its severe but plausible downside scenarios.

Based on the Company's current financial position and the modelled scenarios, the directors have concluded that the Company has sufficient liquidity to meet all its obligations for at least the twelve months from the date of this report and the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

### 3.3 Significant judgements, estimates and assumptions

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.

#### 3.4.1. Judgements

In the process of applying the Company's accounting policies, the following judgments were made, particularly with respect to the following:

##### ***Determining the lease term of contracts with renewal and termination options – Med Life as a lessee***

Med Life determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has lease contracts which include extension and termination options.

The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. When determining the lease term to be used for the measurement of the lease, the Company takes into account all the relevant facts and circumstances that create an economic incentive for exercising either the extension or termination option of the lease term.

For leases of buildings, cars and equipment, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.
- If the Company considers that some of the lease agreement shall be terminated earlier, then the assumption of the tenor shall be reassessed accordingly in order to fairly represent the management's view of the leased asset's impact to the financial statements.
- In case of lease term in relation to indefinite lease contracts the assumption applied was that the lease term will be similar to other contracts signed with the same provider or based on the relevant period beyond which the exercise of any option becomes uncertain.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. Please see note 13.

##### ***Cash generating units***

Management exercises judgement in determining the appropriate level of grouping assets into CGUs, based on the fact that they share significant common infrastructure.

##### ***Contingencies***

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Please see note 28.

### **3.4.2. Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### **Impairment of non-financial assets**

Please refer to Note 5.

The Company accounts for land and building using the fair value approach based on market comparative valuations performed by certified ANEVAR professional as per revaluation reports concluded as at 31 December 2019. The valuations conform to International Valuation Standards. As at 31 December 2021, the management has not identified any indication that would conclude the need of revaluating its land and buildings for any impairment.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five or six years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Company. The key assumptions used to determine the recoverable amount for the various cash-generating units, including a sensitivity analysis, are calculated and explained below in Note 20.

#### **Allowance for expected credit losses of trade receivables and contract assets**

The Company always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

In determining adjustments for impairment of receivables, management incorporates forward-looking information, exercises professional judgement and uses estimates and assumptions. Estimation of expected credit risk losses involved forecasting future macroeconomic conditions for the next 2 years. More details on the assumptions, scenarios used and the weights assigned to each scenario can be found in Note 7 dedicated to accounts receivables.

The incorporation of forward-looking elements reflects the expectations of the Company and involves the creation of scenarios, including an assessment of the probabilities of materialization of each scenario.

#### **Leases - Estimating the incremental borrowing rate**

The Company cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rates to measure lease liabilities. These incremental borrowing rates were determined taking into consideration factors such as the credit risk, currency in which the lease was denominated and economic environment.

#### **Provision for untaken holidays**

In order to mitigate the effects generated by COVID 19, the Company took a series of measures to protect the business and address potential liquidity management risks by applying a series of cost cutting measures in relation to personnel costs and enrolled a significant number of its personnel into technical unemployment procedures. As a side effect, but also generated by the long period of lock down measures applied by the Romanian government the demand for vacation leaves has decreased significantly within the Company during 2020 and later on, in 2021. The amount of the obligation was therefore determined to be equal to the number of unused leave multiplied by the relevant employee's gross salary at the reporting date. Please see Note 12.

## **3.4 Foreign currency and translation**

### **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").

The exchange rates as announced by the National Bank of Romania on December 31, 2021 were RON 4.9481 for EUR 1 (December 31, 2020: RON 4.8694 for EUR 1), respectively 1.3391 for HUF 100 (December 31, 2020: RON 1.3356 for 100 HUF).

The average exchange rates for the period of 12 months 2021 were 4.9208 RON for 1 EUR (12 months 2020: 4.8276

RON for 1 EUR), respectively 1.3730 RON for 100 HUF (12 months 2020: 1.3777 for 100 HUF).

### **Translation of foreign currencies**

Transactions in foreign currencies are translated to the respective functional currency of the Company at the exchange rate ruling at the time of the transaction. Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the reporting date. The foreign exchange differences arising on these translations are recognised as other financial income/expense in the income statement.

### **3.5 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 fair value, being the revalued amount at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The value of land and buildings owned presented in these financial statements is based on the valuation reports which were prepared as of December 31, 2019 by independent valuers certified by ANEVAR. The revaluation is performed with sufficient frequency as to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Expenses for repairs and maintenance are recognized in the profit or loss account when incurred. Costs with capital repairs are included in the carrying amount 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 repairs are depreciated over the remaining useful period of the respective asset. The land is not depreciated.

Installations and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Assets under construction are recorded at cost, less accumulated impairment losses and depreciated once they become available for use. Depreciation is calculated on a straight-line basis over the estimated useful lives 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 prospectively.

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

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

The Company transfers the revaluation surplus included in equity in respect of an item of property, plant and equipment directly to retained earnings when the asset is derecognised (i.e., retired or disposed of).

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

### **3.6 Intangible assets**

Intangible assets acquired separately are measured at initial recognition at cost. Following initial recognition, intangible assets are stated 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.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Company's intangible assets are represented by software licenses, concessions, patents and other intangible assets that are amortized on a straight-line basis over a period of 3 years. Please see Nota 5.

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.

### **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 non-financial assets**

At the end of each reporting period, the Company reviews whether there is an indication that an asset may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated.

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 that are 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. The Company bases its impairment calculation on most recent budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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 asset is previously revalued with the revaluation taken to OCI, in which case the impairment loss is recognized in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the assets or CGU's recoverable amount. 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.

### **3.7 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. 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.

### **3.8 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 maturities of three months or less.

### **3.9 Government grants**

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

The Company has chosen to present grants related to income to be deducted in reporting the related expense.

The Company has elected to present government grants relating to the purchase of property, plant and equipment in the statement of financial position as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset.

### **3.10 Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **3.10.1 Financial assets**

##### **Investments in subsidiaries**

In the separate unconsolidated financial statements investments in subsidiaries are stated at historical cost less accumulated impairment losses.

##### **Dividends from subsidiaries**

Dividends on equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.



### **Initial recognition and classification**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

This classification on initial recognition depends on the Company's business model with regard to the management of financial assets and on the financial asset's contractual cash flows characteristics.

With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price as disclosed in note 3.20.

Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

A financial asset is measured at amortized cost if both of the following conditions are met:

- the financial asset is held using a business model that aims to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely repayments of principal and interest on the principal outstanding.

The Company has only recognised and subsequently measured financial assets at amortised cost.

### **Subsequent measurement**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial sets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in profit or loss.

The Company's financial assets at amortized cost include the following: trade receivables, other receivables, other financial assets, cash and cash equivalents.

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The contractual rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### **Impairment**

The Company recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are over 95 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows, when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The Company recognises an impairment gain or loss in profit or loss for all trade receivables with a corresponding adjustment to their carrying amount through a loss allowance account.

During the pandemic, the Company observed that the medical crisis has determined a slowdown in collection of its receivables as a result of the working capital challenges encountered by its clients. In order to counter this risk, the management decided to apply a prudent approach to future cashflows and recognized an additional allowance for bad and doubtful debts.

### **3.10.2 Equity instruments and financial liabilities**

#### **Classification as equity or debt**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### **a) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### **b) Financial liabilities**

##### **Initial recognition and classification**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, other long-term debt.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. A contingent consideration classified as a financial liability is subsequently remeasured to fair value with the changes in fair value recognised in profit or loss.

##### **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified as financial liabilities at amortised cost. The Company has not designated any financial liability as at fair value through profit or loss.

This is the category most relevant to the Company and it includes loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### **3.11 Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

#### **3.12 Taxation**

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

##### **Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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 temporary 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

#### **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.

#### **3.13 Share capital**

Ordinary shares are classified as equity. Med Life presents the amount of dividends recognised as distributions to owners during the period in the statement of changes in equity, and the related amount of dividends per share in the notes to the financial statements.

#### **Treasury Shares**

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium.

#### **3.14 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.

#### **3.15 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. The revaluation reserve is transferred to retained earnings upon disposal of assets.

#### **3.16 Provisions for risks and charges**

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Liabilities provided for legal matters** require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ from those estimated at the reporting date.

**Liabilities for compensated absences** refer to the entitlement for employees to accumulate vested leave benefits. The Company recognises a liability for compensated absences as it has an obligation to compensate employees for future absences attributable to employees' services already rendered, the obligation relates to rights that accumulate from period to period, it is probable that the amount will be paid and a reliable estimate can be made of the amount of the obligation.

A vesting obligation is where employees are entitled to a cash payment for unused leave entitled upon leaving the entity. The amount of the obligation will therefore be equal to the number of unused leave multiplied by the relevant employee's gross salary at the reporting date.

The obligation is initially recognised during the vesting period based on the best available estimate of the accumulated leave expected to vest. The estimate is revised each period end if subsequent information indicates that the accumulated leave expected to vest differs from previous estimates. On vesting date, the Company revises its estimate to equal the accumulated leave that ultimately vested.

#### **3.17 Revenue from contracts with customers recognition**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue is recognised over time where (i) there is a continuous transfer of control to the customer in the case of goods provided or the consumption of the benefits for the services provided takes place over time; or (ii) there is no alternative use for any asset created and there is an enforceable right to payment for performance completed to date. Other revenue contracts are recognised at a point in time when control of the goods transfers to the customer, or in the case of services provided, when the customer receives and consumes the benefits provided.

The Company provides health care medical services to corporate and retail customers, in which one performance obligation is a promise to transfer distinct services to the beneficiary.

### **Med Life's core activities**

The Company's core activities are conducted through five business lines, providing a well-balanced business portfolio that covers all key segments of the private medical services market. Disaggregation of revenue from contracts with customers by business line comprises the following major categories: clinics, stomatology, hospitals, laboratories and corporate.

The Company'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 National Health Insurance House ("NHIH") represents a complement, not the core revenue of Med Life's activities. However, the National Health Insurance House is considered to be one major customer that goes across multiple sectors such as: clinics, hospitals and laboratories, and from which the Company receives the consideration based on reaching pre-established ceilings, for the medical services provided to the State's insured patients, which are the end users of the healthcare medical services. The revenue in relation with NHIH is recognised at the end of the month, when the Company has an enforceable right to receive payment for performance completed up to date, as the end user receives and consumes the benefits provided by the entity's performance as the entity performs.

### **Clinics**

The core of the Company's operations is the network of ambulatory clinics. The business line comprises a network of 80 facilities, which offer a wide range of outpatient services covering a broad range of medical specialties. The Company's diagnostic imaging services provided to clients also form part of this business line. The Company's clinics provide a wide range of services delivered mainly in two formats:

- **Hyper clinics**, a format pioneered by Med Life 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. Hyper clinics would usually include a broad range of imaging services on site including radiology, bone density – DEXA, CT, MRI, 2D-4D ultrasounds and Mammography; in the case of new openings, such services may be included in the hyper clinics' offering gradually. Hyper clinic locations also host the services of other business lines, such as sampling points for laboratories.
- **Clinics**, offering a range of treatments from general practitioner services to specialists, are aimed at servicing the core needs of the Company's HPP patients and FFS clients. The Med Life'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 hyper clinics.

The revenues are recognised at a point in time when the customer receives and consumes the benefits provided.

### **Stomatology**

The Company's Dentistry business line offers a full range of services, ranging from medical examinations to surgery, implants or orthodontic services. Stomatology business line is not subject to NHIH allocations. All of the sales are fee for service ("FFS") based, and the revenue is recognised at a point in time, when the performance obligation is satisfied.

### **Laboratories**

The Laboratories business line provides the following range of services: biochemistry, pathological anatomy (cytology and histology), molecular biology and genetics, haematology, immunology, microbiology and toxicology. Sampling points are locations where the Company collects blood and other samples from patients. The Laboratories business line sources the bulk of its revenue from FFS clients, and the revenue is recognised at a point in time, when the performance obligation is satisfied.

One exception is when the Company provides laboratory tests to other companies' employees and the revenue is recognised at the end of the month, not immediately after the laboratory tests are performed, when the Company has an enforceable right to payment for performance completed up to date. From IFRS 15 perspective, the revenue is recognised at a point in time (at the end of the month).

### **Hospitals**

Hospital services provided to patients are regarded as a bundle of services which comprise medical care, accommodation, meals, use of equipment, pharmacy stock and nursing services. This is considered to be a single performance obligation as the medical procedures cannot be performed without one of the above elements.

Revenue is recorded during the period in which the hospital service is provided and is based on the amounts due from patients. Fees are calculated and billed based on various tariff agreements.

The Hospitals business line derives its revenue predominantly from FFS patients. Treatment of State insured patients for the NHIH, generally relates to maternity, gynaecology, cardiology and oncology. The revenues are recognised at a point in time, when the consumption of the benefits for the services provided is accomplished.

The Company does not expect to have any contracts where the period between the transfer of the promised service to the patient and the payment by the patient exceeds one year. Consequently, the Company does not adjust any of the transaction prices for time value of money.

### **Corporate**

The Corporate business line offers HPPs (health prevention packages) 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

check-ups and access to diagnostic services, complement the legally required occupational health services that corporate client's contract from the Company as the Standard HPP.

The HPPs offered by the Company 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 Company'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.

The revenue in relation with corporate customers is recognized over time. Under the output method, the entity would measure completion of the total performance obligation either in relation to the total obligation that has been satisfied or in relation to what remains to be satisfied, based on health prevention packages delivered.

### **Contract assets and liabilities**

A contract asset (accrued income) is the right to consideration in exchange for services transferred to the customer. Where the Company transfers services to a customer over time before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration to date under the contract. Contract assets are presented within trade and other receivables (Note 7) on the Company's Balance Sheet and are expected to be realized in less than one year.

A contract liability (deferred income) is the obligation to transfer services to a customer for which the Company has received consideration from the customer. Where the customer pays consideration before the Company transfers services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. Contract liabilities are presented within trade and other payables (Note 10) on the Statement of Financial position.

Using the practical means of IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant component of financing if it expects, at the beginning of the contract, that the period between the transfer of the promised service to the client and when the client pays for that service will be one year. less. All contracts are under one year.

Contracts are for periods of less than one year or are billed based on the services performed. As permitted by IFRS 15, the transaction price allocated to these unfulfilled contracts is not disclosed.

### **3.18 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 statement of comprehensive income 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.

### **Bonus schemes**

The Company recognizes a liability and an expense where a contractual obligation exists for short-term incentives. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

### **3.19 Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Additional information on the assumptions made in measuring fair values is included in Note 5.

### 3.20 Segment information

The core business activity of Med Life refers to the provision of healthcare services, as a result of completion of the medical act. This process usually involves multiple stages, starting from physical examinations, laboratory tests, set-up of a diagnosis, offering treatment, supply of medical equipment, surgeries and other medical interventions, nursing care, follow-up in the recovery process.

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 Company has identified five core business lines, which comprise the following major categories: clinics, stomatology, hospitals, laboratories and corporate. For further details on disaggregation of revenue streams, please refer to Note 3.18.

The core purpose of Med Life is to enhance the quality of life for individuals, the ultimate end users of healthcare services, therefore setting the patient as first priority in all activities performed.

According to IFRS 8, segment information on operating segments is to be presented in accordance with the internal reporting to the chief operating decision maker (management approach).

In determining Med Life's operating segments, management has primarily considered the financial information in internal reports that are reviewed and used by the Board of Directors (who together are the chief operating decision maker of the Company) in assessing performance and in determining the allocation of resources.

The Board of Directors represents the chief decision-making body, in which the strategic decisions are made for the entire Company and to which the key parameters of performance are reported.

Each reporting made to the Board of Directors includes the five business lines. Managements costs are fully distributed to the operative business lines. The monthly target-to-actual and actual-to-actual comparison in the report to the Board of Directors serves to control the targets published in the Med Life's annual forecast, in particular the total revenue figure and EBITDA margin.

Given our understanding of an integrated healthcare services offering, we do not make any distinction in control by whether the services as defined in Romanian social insurance legislation are attributed to the inpatient or the outpatient sector, for example in the hospitals business line. All expenses and income which are directly or indirectly related to patients are included under the operating segments.

The characteristics of healthcare services are around physical facilities staffed by professionals in direct contact with patients, diagnosing, monitoring and treating patients. The payment for these services is either direct payment by the patient or indirect via an employer paid benefit/insurance and in much smaller degree by public health funds. In all these cases the beneficiary of the service is always the individual patient. Because of the specific nature of the source of funds that finance the provision of medical services to the end users (i.e., patients) the correct allocation of profitability for each business line is limited considering that they are complementary in servicing the patient: one would originate whereas the other might render the medical services. In this respect, the business lines could not operate on their own, proving, once again, their high interdependent nature.

The following operating segments are aggregated into one reporting segment, being the provision of healthcare services, since they exhibit similar economic characteristics: clinics, stomatology, hospitals, laboratories and corporate. As a result of the same structural framework conditions, the operations of the Company with the healthcare services provided are characterised by a similar risk and rewards profile whose economic environment is largely regulated by legislation. It is thus possible for the operations to achieve similar EBITDA margins on the long term. We thus continue to have only one reportable segment that aggregates the above-mentioned operating segments.

### 3.21 Leases

Given its large and complex operations, the Company leases a significant number of assets including buildings and land for operational activities, medical equipment and vehicles. Contractual periods differ, depending on the lease type and the leased asset, the driver being the strategic point of view the Company has into further managing its asset portfolio.

As a result of the pandemic crisis, the Company commenced the process of securing its strategic facilities under lease agreements, for longer periods of time. Accordingly, several major lease agreements have been renegotiated with focus on better commercial conditions for the Company, in terms of both pricing and better security over extension options for the lease agreements.

In this respect, the management has evaluated its options for early termination as well as the existence of the Company's single triggered decision to extend the lease term, on a case-by-case basis. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or to exercise a termination option, are considered.

The Company leases various buildings, equipment, vehicles and other assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The Company assesses whether a contract is or contains a lease, at inception of the contract. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company - except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments to be made over the lease term:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option;
- Amounts expected to be paid under residual value guarantees;
- Lease payments to be made over the contractual lease term, if there are extension options included.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Company uses recent third-party financing received by the lessee as a starting point and adjusts the rate to reflect changes in financing conditions since the third-party financing was received.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives;
- Any initial direct costs; and
- Restoration costs.

After initial recognition, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

The following useful lives on average are used in the calculation of depreciation for right-of-use assets, determined based on the lease term of the contractual agreements:

	<u>Years</u>
Buildings	6 – 10 years
Medical equipment	3 – 4 years
Vehicles	3 – 5 years



#### 4. FINANCIAL ASSETS

The Company holds significant investments in other companies.

<b>Carrying amount</b>	<b>31 December 2021</b>	<b>January 1, 2021</b>
Cost of investments in other companies	242,878,520	222,209,791
Long-term loans granted to group companies	12,921,654	12,497,232
Other financial assets	1,632,184	2,628,265
<b>TOTAL</b>	<b>257,432,358</b>	<b>237,335,288</b>

During 2021, Med Life, directly or through its subsidiaries, signed the sale contract for the purchase of shares in the capital of the following companies:

- 10% subsequent acquisition of shares in Centrul Medical Panduri SA in June 2021;
- 29% (indirect %) subsequent acquisition of shares in Dentist 4 Kids SRL (indirect control) in June 2021;
- 31% indirect control in the newly established company Dent Estet Ploiesti SA through organic growth;
- 36% (indirect %) acquisition of shares in KronDent SRL; the control was obtained in December 2020;
- 100% acquisition of shares in Centrul Medical Matei Basarab SRL; the control was obtained in February 2021;
- 60% acquisition of shares in Medica SA; the control was obtained in April 2021;
- 100% completion of acquisition of shares in CED Pharma Group; the control was obtained in June 2021;
- 75% completion of acquisition of shares in Pharmachem Distributie SRL; the control was obtained in July 2021;
- 36% (indirect %) acquisition of shares in Stomestet Group; the control was obtained in October 2021;
- 36% (indirect %) acquisition of shares in Costea Digital Dental (Oradent); the control was obtained in November 2021;
- sign-off for the sale and purchase agreement of 50% shares in Neolife Medical Center Romania in October 2021;
- 76% acquisition of shares in Expert Med Centrul Medical Irina; the control was obtained in December 2021.

The acquisition of Neolife Romania Medical Center was approved by the Competition Council and the transaction was completed in February 2022.

The following table includes the list of Med Life subsidiaries as well as entities that are indirectly controlled, as follows:

No.	Entity	Main activity	Location	December, 31 2021	January, 1 2021
1	Policlina de Diagnostic Rapid SA	Medical Services	Brasov, Romania	83.01%	83.01%
2	Medapt SRL (indirect)	Medical Services	Brasov, Romania	83.01%	83.01%
3	Histo SRL (indirect)	Medical Services	Brasov, Romania	49.81%	49.81%
4	Policlina de Diagnostic Rapid Medis SRL (indirect)	Medical Services	Sfantu Gheorghe, Romania	66.41%	66.41%
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	73%	73%
10	Genesys Medical Clinic SRL (indirect)	Medical Services	Bucharest, Romania	73%	73%
11	Bactro SRL (indirect)	Medical Services	Deva, Romania	73%	73%
12	Transilvania Imagistica SA (indirect)	Medical Services	Oradea, Romania	73%	73%
13	Biofarm Farnec SRL (indirect)	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
14	RUR Medical SA (indirect)	Medical Services	Bucharest, Romania	83.01%	83.01%
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%	90%
18	Ultratest SA (direct si indirect)	Medical Services	Craiova, Romania	76%	76%
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	60%	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	100%	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 Polisano SRL	Medical Services	Sibiu, Romania	100%	100%
34	Solomed Clinic SA	Medical Services	Pitesti, Romania	80%	80%
35	Solomed Plus SRL (indirect)	Medical Services	Pitesti, Romania	80%	80%
36	Ghencea Medical Center SA	Medical Services	Bucharest, Romania	100%	100%
37	Sfatul medicului SRL	Medical Platform	Bucharest, Romania	100%	100%
38	RMC Dentart (indirect)	Dental healthcare	Budapest, Hungary	51%	51%
39	RMC Medical (indirect)	Medical Services	Budapest, Hungary	51%	51%
40	RMC Medlife	Holding	Budapest, Hungary	51%	51%
41	Badea Medical SRL	Medical Services	Cluj, Romania	65%	65%
42	Oncoteam Diagnostic SA	Medical Services	Bucharest, Romania	75%	75%
43	Centrul medical Micromedica SRL	Medical Services	Piatra Neamt, Romania	100%	100%
44	Micromedica Targu Neamt SRL (indirect)	Medical Services	Targu Neamt, Romania	100%	100%
45	Micromedica Bacau SRL (indirect)	Medical Services	Bacau, Romania	100%	100%
46	Micromedica Roman SRL (indirect)	Medical Services	Roman, Romania	100%	100%
47	Medrix Center SRL (indirect)	Medical Services	Roznov, Romania	100%	100%

No.	Entity	Main activity	Location	December, 31 2021	January, 1 2021
48	Spitalul Lotus SRL	Medical Services	Ploiesti, Romania	100%	100%
49	Labor Maricor SRL	Medical Services	Bacau, Romania	100%	100%
50	Centrul Medical Matei Basarab SRL (indirect)	Medical Services	Bucharest, Romania	100%	0%
51	Pharmachem Distributie SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	75%	0%
52	CED Pharma SRL (indirect)	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
53	Leti Pharm 2000 SRL (indirect)	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
54	Monix Pharm SRL (indirect)	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	0%
55	KronDent SRL (indirect)	Dental healthcare	Brasov, Romania	36%	0%
56	Medica SA	Medical Services	Sibiu, Romania	60%	0%
57	Dent Estet Ploiesti SRL (indirect)	Dental healthcare	Ploiesti, Romania	30.6%	0.0%
58	The Lab Stomestet SRL (indirect)	Dental healthcare	Cluj, Romania	36%	0%
59	Stomestet SRL (indirect)	Dental healthcare	Cluj, Romania	36%	0%
60	Stomestet Plus SRL (indirect)	Dental healthcare	Cluj, Romania	36%	0%
61	Costea Digital Dental SRL (indirect)	Dental healthcare	Oradea, Romania	36%	0%
62	Expert Med Centrul Medical Irina (indirect)*	Medical Services	Galati, Romania	76%	0%
63	Neolife Medical Center Romania*	Medical Services	Bucharest, Romania	50%	0%

\* The acquisitions of these companies will be finalized in 2022.

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. The impairment test is performed at the level of each company with significant cost of investment, that represents a CGU from the perspective of the Med Life Group.

The recoverable amount is based on fair value less cost of disposal (FVL COD) of the underlying assets. There are 28 CGUs included in the valuation process, as the remaining ones have a carrying amount that is not considered to be significant in comparison with the Company's total carrying amount of cost of investment in other companies.

The discounted future Cash flows of the CGUs, using the DCF method, are determined on the basis of the approved business plans that forecast financial position and results of operations take into account historical values and estimated performance. Cash flows are estimated in RON, having a nominal value. The results are then extrapolated for six additional years using bottom-up, six-year planning that reflects the future development of the CGUs under current conditions.

After the six-year time period, a perpetuity value is calculated using a conservative Group-wide growth rate. To determine the present value of future Cash flows, a discount rate based on the weighted average cost of capital (WACC) is applied.

The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. There are a number of key sensitive judgements made in determining the inputs into these models which include:

- Revenue growth considered for the next years and also the perpetual growth rate
- Operating margins and
- The discount rates applied to the projected future cash flows.

The following data provides information on key assumptions used to compile corporate planning:

- Expected development of sales revenue (new customers, market development in general); Group's own estimates referring to past experiences and expected market trends, market potential analysis. External market studies are also used, if available.
- Application of current and historical organic growth rates for business units or business areas.
- Consideration of regulatory changes affecting the development of business units.
- Development of purchased services based on current circumstances (e.g., contractual basis, strategic business model) and the anticipated development of sales activities (expected revenue situation).
- Expected development of personnel expenses and other operating expenses, based on demand analyses, contractual framework and statistical procedures (e.g., inflation).

The estimated future Cash flows are derived from the business plans approved by the responsible bodies. The assumptions underlying the main planning parameters take into account not only past experience and aspects arising from the operating business, but also the particular circumstances of the COVID-19- pandemic.

The operating margin results from the application of the assumed planning assumptions. For the subsequent years, an average of the operating margins are assumed (continuation planning period), adding a slight increase.

Cash flows beyond the six-year period are extrapolated using an estimated growth rate, which is consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the CGU. WACC (weighted average cost of capital) is used to estimate the rate. The discount rate is independent of the companies' capital structure and how the companies financed the purchase of the asset, because future cash flows expected to arise from an asset do not depend on how the companies financed the purchase of that asset.

In the case of CGUs subject to the impairment test, the discount rates considered are higher than the average industry-level data in emerging European countries to take into account country risk, currency risk, and CGU's size. On average, depending on the particularities of each CGU, the discount rate varies, for the most significant entities in the Group between 8.6% and 12%.

Estimates of future cash flow management are based on the most recent 6-year forecasts (2022-2027).

The estimation of the terminal value was made based on the hypothesis of continuing the activity. The final value is given by the capitalization of the available cash flow with the capitalization rate which has in view a perpetual increase in close relation with the GDP growth and inflation forecast for Romania.

The analysis of the results shows that for the CGUs subject to the impairment test, the related recoverable amount is higher than their net book value, with sufficient headroom and, therefore, there will be no impairment of goodwill recorded on the reporting date.

The sensitivity analysis that evaluates the sensitivity of the recoverable amount was performed according to the changes of the main factors: WACC discount rate plus 2 percent, operating margin decrease with 20 percent and perpetual growth rate decrease with 1 percent.

An increase in WACC of 2 percent would not give rise to would give rise to a reduction in the Group-wide surplus with 29%

A decrease in the operating margin of 20 percent would give rise to a reduction in the Group-wide surplus with 29%.

A decrease with 1 percentage point in the perpetual growth rate would give rise to a reduction in the Group-wide surplus with 11%.

Management have engaged independent 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, 2021, the Company presents long-term loans granted to Bahtco Invest SA and Medlife Ocupational SRL of RON 11,837,259 (January 1, 2021: RON 11,652,927).

#### **Other financial assets**

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

**5. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

	<i>Intangible assets</i>	<i>Property, plant and equipment</i>				<b>Total Property, plant and equipment</b>	<b>Total</b>
	<b>Intangibles</b>	<b>Land</b>	<b>Constructions</b>	<b>Vehicles and equipment</b>	<b>Construction in progress</b>		
<b>1 January 2021</b>	<b>44,106,270</b>	<b>12,792,780</b>	<b>215,222,752</b>	<b>182,652,542</b>	<b>19,152,788</b>	<b>429,820,862</b>	<b>473,927,132</b>
Additions	5,047,641	-	3,690,375	19,858,258	9,620,542	33,169,175	38,216,816
Transfers	-	-	6,572,578	-	(6,572,578)	-	-
Disposals	(7,123)	-	-	(6,460,529)	-	(6,460,529)	(6,467,652)
Reclassifications during the year	-	-	-	(16,719,752)	-	(16,719,752)	(16,719,752)
<b>31 December 2021</b>	<b>49,146,788</b>	<b>12,792,780</b>	<b>225,485,704</b>	<b>179,330,519</b>	<b>22,200,752</b>	<b>439,809,756</b>	<b>488,956,544</b>
	<b>Intangibles</b>	<b>Land</b>	<b>Constructions</b>	<b>Vehicles and equipment</b>	<b>Construction in progress</b>	<b>Total Property, plant and equipment</b>	<b>Total</b>
<b>Depreciation</b>							
<b>1 January 2021</b>	<b>33,430,377</b>	-	<b>60,503,189</b>	<b>124,319,606</b>	-	<b>184,822,795</b>	<b>218,253,173</b>
Charge of the year	5,828,177	-	7,878,734	13,885,759	-	21,764,494	27,592,670
Disposals	(7,123)	-	-	(6,460,529)	-	(6,460,529)	(6,467,652)
Reclassifications during the year	-	-	-	(4,990,662)	-	(4,990,662)	(4,990,662)
<b>31 December 2021</b>	<b>39,251,431</b>	-	<b>68,381,923</b>	<b>126,754,174</b>	-	<b>195,136,098</b>	<b>234,387,528</b>
<b>Net Book Values</b>							
<b>1 January 2021</b>	<b>10,675,893</b>	<b>12,792,780</b>	<b>154,719,563</b>	<b>58,332,936</b>	<b>19,152,788</b>	<b>244,998,067</b>	<b>255,673,960</b>
<b>31 December 2021</b>	<b>9,895,358</b>	<b>12,792,780</b>	<b>157,103,781</b>	<b>52,576,345</b>	<b>22,200,752</b>	<b>244,673,659</b>	<b>254,569,016</b>

The amortization of intangible assets is presented in the line depreciation and amortization in the statement of profit or loss.

During 2021, the Company has reclassified leased assets with a total net carrying amount of RON 10,019,385 to Right-of-use assets from Property, plant and equipment. No changes were made in the presentation for the financial year ended as of 31 December 2020. The net carrying amount of leased assets presented as Property, plant and equipment as of 31 December 2020 was RON 11,437,490.

The Company has made this reclassification for a proper presentation of Right-of-use assets in accordance with the requirements of IFRS 16.

The change in presentation has no effect on other items stated on the consolidated statement of financial position or in the consolidated statement of comprehensive income for the year ended December 31, 2021.

	<i>Intangible assets</i>	<i>Property, plant and equipment</i>				<i>Total Property, plant and equipment</i>	<b>TOTAL</b>
	<b>Intangibles</b>	<b>Land</b>	<b>Construction</b>	<b>Vehicles and equipment</b>	<b>Construction in progress</b>		
<b>1 January 2020</b>	<b>39,344,056</b>	<b>12,792,780</b>	<b>177,858,290</b>	<b>164,270,619</b>	<b>12,432,653</b>	<b>367,354,342</b>	<b>406,698,399</b>
Additions	4,769,898	-	36,523,125	18,783,238	9,260,541	64,566,904	69,336,801
Transfers	-	-	841,337	-	(841,337)	-	-
Disposals	(7,684)	-	-	(401,315)	(1,699,069)	(2,100,384)	(2,108,068)
<b>31 December 2020</b>	<b>44,106,270</b>	<b>12,792,780</b>	<b>215,222,752</b>	<b>182,652,542</b>	<b>19,152,788</b>	<b>429,820,863</b>	<b>473,927,133</b>
	<i>Intangibles</i>	<i>Land</i>	<i>Construction</i>	<i>Vehicles and equipment</i>	<i>Construction in progress</i>	<i>Total Property, plant and equipment</i>	<i>TOTAL</i>
<b>Depreciation</b>							
<b>1 January 2020</b>	<b>27,604,233</b>	-	<b>53,003,956</b>	<b>110,822,433</b>	-	<b>163,826,389</b>	<b>191,430,622</b>
Charge of the year	5,826,144	-	7,499,233	13,850,112	-	21,349,345	27,175,489
Disposals	-	-	-	(352,939)	-	(352,939)	(352,939)
<b>31 December 2020</b>	<b>33,430,377</b>	-	<b>60,503,189</b>	<b>124,319,606</b>	-	<b>184,822,795</b>	<b>218,253,172</b>
<b>Net Book Value</b>							
<b>1 January 2020</b>	<b>11,739,823</b>	<b>12,792,780</b>	<b>124,854,334</b>	<b>53,448,187</b>	<b>12,432,653</b>	<b>203,527,954</b>	<b>215,267,776</b>
<b>31 December 2020</b>	<b>10,675,893</b>	<b>12,792,780</b>	<b>154,719,563</b>	<b>58,332,937</b>	<b>19,152,788</b>	<b>244,998,068</b>	<b>255,673,961</b>

### 5.1. Land and buildings carried at fair value

The value of land and buildings of the Company are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold land and buildings as at 31 December 2019 were performed by independent valuers not related to the Company. They are certified by ANEVAR and have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The valuation is in line with International Valuation Standards and has been based on recent market transactions in terms of free competition for similar properties.

The fair value of the vacant land was determined on the basis of the market comparison method as well as the residual method. The resulting value was based on the market comparison method.

The fair value of buildings was determined using the cost approach, which reflects the cost to a market participant of building comparable utility and age assets, adjusted for wear and tear, and the income-based approach (capitalization of net rental income). The resulting final value is derived from the application of the cost method.

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

<b>Carrying amount without revaluation</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Land	1,346,998	1,346,998
Buildings	100,681,811	96,991,436
<b>TOTAL</b>	<b>102,028,809</b>	<b>98,338,434</b>

### 5.2. Other intangibles

All the other intangibles are depreciated on a straight-line basis, over a period of 3 years. The capitalized cost for intangible assets recognized during the year is already included in the other intangible assets on the balance sheet.

## 6. INVENTORIES

	<b>31 December 2021</b>	<b>January 1, 2021</b>
Consumable	9,966,821	13,144,957
Materials in the form of inventory items	68,919	78,288
Inventory in transit	3,176	768
<b>TOTAL</b>	<b>10,038,916</b>	<b>13,224,013</b>

The cost of inventories recognised as an expense includes RON 517,603 (2020: RON 186,614) in respect of write-downs of inventory to net realisable value.

## 7. TRADE RECEIVABLES

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Trade receivables	74,869,832	100,502,440
Accrued income	8,297,534	8,058,383
Advances to suppliers	-	2,310,518
Allowance for doubtful receivables	(26,423,269)	(21,489,176)
<b>TOTAL</b>	<b>56,744,097</b>	<b>89,382,165</b>

Credit risk for MedLife primarily relates to trade receivables in the ordinary course of business. Customers' compliance with agreed credit terms is monitored regularly and closely. Where payments are delayed by customers, steps are taken to restrict access to services or contracts are terminated.

Certain customers, which are public or quasi-public institutions, or subsidiaries of MedLife, may have longer payment terms and services may continue to be delivered when amounts are overdue, based on management's assessment of a lower credit risk.

The average receivable period for the services offered is 95 days. There is no interest on commercial receivables within the first 95 days from the date of issue of the invoice, which also represents the average contractual term.

The carrying amount of financial assets, measured at amortised cost, represents the maximum credit exposure. There

are no credit enhancements or collateral held that would offset such amounts. As the customer base of the Company is very diverse, there are generally no large concentrations of credit risk.

Based on the assessed credit risk of the customers, the Company's trade receivables are split between individually assessed and collectively assessed.

<b>December 31, 2021</b>	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>Total</b>
Trade receivables	32,631,835	42,237,997	74,869,832
Contract assets	8,297,534	-	8,297,534
Advances to suppliers	-	-	-
Allowance for doubtful receivables	(10,194,912)	(16,228,357)	(26,423,269)
<b>TOTAL</b>	<b>30,734,458</b>	<b>26,009,639</b>	<b>56,744,097</b>

<b>January 1, 2021</b>	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>Total</b>
Trade receivables	60,484,687	40,017,753	100,502,440
Contract assets	8,058,383	-	8,058,383
Advances to suppliers	2,310,518	-	2,310,518
Allowance for doubtful receivables	(8,174,147)	(13,315,029)	(21,489,176)
<b>Total</b>	<b>62,679,441</b>	<b>26,702,724</b>	<b>89,382,165</b>

Individually assessed trade receivables include mainly accrued income, trade receivables from National Health Insurance House and subsidiaries of MedLife, for which due to management's assessment of a lower credit risk, no allowance for doubtful receivables in deemed necessary.

As an exception, in accrued income, in 2020 and 2021, it is included an amount of RON 7,365,835 which represents amounts receivable by MedLife S.A. 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 unfavourable decisions of the courts in similar cases, the Company has decided to register a value adjustment for the entire amount. Remaining amounts recorded in accrued income represent services rendered, for which the invoices were not yet issued as at year end.

The allowance for doubtful receivables for individually assessed trade receivables include the value adjustment aforementioned as well as allowance for certain customers for which management assessed high credit risk and computed allowance for doubtful receivables for the entire amount.

The Company applies the simplified approach for providing for expected credit losses (ECL) prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables which are collectively analysed.

A provision matrix was prepared based on historical observed default rates over the expected life of trade receivables resulting in an ECL reflecting the predictive risk by type of customer. Changes in economic conditions were also considered as part of forward-looking information.

Estimating adjustments for doubtful receivables involves forecasting future macroeconomic conditions for the next 2 years. The incorporation of forward-looking elements reflects the Company's expectations and involves the creation of scenarios (baseline, optimistic, pessimistic), including an assessment of the probability of materialization of each scenario. The applied macroeconomic scenarios were modified compared to those used in 2020 to reflect the worsening macroeconomic outlook amid the COVID-19 pandemic.

The scenarios used were: the baseline scenario, the optimistic scenario and the pessimistic scenario. The scenario coefficients are determined based on the management's expectations, taking into account the possible representative results for each scenario. GDP (Gross Domestic Product) was used as a macroeconomic factor considered statistically relevant for the analysed trade receivables.

	Base case	Pessimistic	Optimistic
Weight	25%	60%	15%

The allowance for doubtful receivables collectively assessed based on the Company's provision matrix arising from the ECL was determined as follows:



December 31, 2021	Current	<30 days	< 90 days	<180 days	<365 days	>365 days	Total
Expected credit loss rate	0.50%	12.20%	16.30%	22.70%	43.70%	75.36%	
Trade receivables	18,892,251	422,934	755,672	665,454	1,249,934	20,251,752	42,237,997
Allowance for doubtful receivables	(94,461)	(51,598)	(123,174)	(151,058)	(546,221)	(15,261,845)	(16,228,357)
<b>TOTAL</b>	<b>18,797,790</b>	<b>371,336</b>	<b>632,497</b>	<b>514,396</b>	<b>703,713</b>	<b>4,989,909</b>	<b>26,009,639</b>

January 1, 2021	Current	<30 days	< 90 days	<180 days	<365 days	>365 days	Total
Expected credit loss rate	0.66%	21.89%	28.91%	36.41%	42.94%	62.69%	
Gross carrying amount	17,667,031	606,207	603,497	516,202	1,152,141	19,472,675	40,017,753
<b>Loss allowance</b>	<b>117,258</b>	<b>132,710</b>	<b>174,458</b>	<b>187,967</b>	<b>494,702</b>	<b>12,207,935</b>	<b>13,315,029</b>

A reconciliation of the allowance for doubtful receivables is presented as follows:

	2021	2020
<b>As at 1 January</b>	<b>21,489,176</b>	<b>14,672,443</b>
Recognised in income statement	4,934,093	6,816,733
Amounts written of	-	-
<b>As at 31 December</b>	<b>26,423,269</b>	<b>21,489,176</b>

## 8. CASH AND CASH EQUIVALENTS

	31 December 2021	January 1, 2021
Cash in bank	37,564,319	32,531,266
Cash in hand	744,789	946,719
Cash equivalents	320,792	257,461
<b>TOTAL</b>	<b>38,629,900</b>	<b>33,735,446</b>

Maternal vouchers are part of a financial support program granted to pregnant women in Bucharest, by the Capital City Hall. The Company has reclassified them from Cash equivalents to Other receivables starting with 2021 (31 December 2020: Financial assets) due to the fact that their convertibility in cash exceeds more than three months. The amount reclassified in 2021 was RON 934,517 (31 December 2020: RON 1,004,612).

For the carrying value of cash pledged to secure the borrowings please refer to Note 14.

## 9. PREPAYMENTS

As of December 31, 2021 the Company has prepayments in amount of RON 2,068,350 (RON 1,325,662 as of January 1, 2021). The prepayments balance as of December 31, 2021 consists mainly of deferred commissions for financing related to the Club loan for undrawn facilities and amounts such as insurance policies for professionals and tangible assets.

## 10. TRADE AND OTHER PAYABLE

	31 December 2021	January 1, 2021
Suppliers	68,532,718	85,659,132
Fixed assets suppliers	8,899,480	8,240,800
Contract liability	2,719,638	2,705,918
<b>TOTAL</b>	<b>80,151,836</b>	<b>96,605,850</b>

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 LIABILITIES

	31 December 2021	January 1, 2021
Salary and related liabilities (incl. contributions)	9,204,927	9,195,331
Other liabilities	6,951,534	6,813,309
<b>TOTAL</b>	<b>16,156,461</b>	<b>16,008,640</b>

## 12. PROVISIONS

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
<b>As at 1 January</b>	<b>2,885,053</b>	<b>524,431</b>
Charged/(credited) to profit or loss		
- additional provisions recognised	1,100,160	3,312,536
- unused amounts reversed	-	(217,668)
Amounts used during the year	(840,078)	(734,246)
<b>As at 31 December</b>	<b>3,145,135</b>	<b>2,885,053</b>

Provisions booked as of 31 December 2021 and 31 December 2020 refer mainly to provisions related to untaken holidays, which covers above 91% from total balance.

### 13. LEASE

Leasing facilities refer to buildings, vehicles and medical equipment.

#### **Amounts recognised in the balance sheet**

<b>Right-of-use asset</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost</b>				
<b>Value at 1 January 2021</b>	<b>93,505,532</b>	<b>10,293,860</b>	<b>2,336,525</b>	<b>106,135,917</b>
Additions	5,676,577	1,515,782	-	7,192,359
Reclassifications during the year	-	-	17,097,622	17,097,622
Disposals	(531,170)	-	-	(531,170)
<b>Value at 31 December 2021</b>	<b>98,650,940</b>	<b>11,809,642</b>	<b>19,434,147</b>	<b>129,894,728</b>
<b>Accumulated depreciation</b>				
<b>Value at 1 January 2021</b>	<b>32,418,106</b>	<b>1,611,478</b>	<b>644,032</b>	<b>34,673,616</b>
Charge for the year	17,176,804	2,457,038	2,587,586	22,221,427
Reclassifications during the year	-	-	4,990,662	4,990,662
Disposals	(411,666)	-	-	(411,666)
<b>Value at 31 December 2021</b>	<b>49,183,243</b>	<b>4,068,516</b>	<b>8,222,279</b>	<b>61,474,039</b>
<b>Carrying amount</b>				
<b>Value at 1 January 2021</b>	<b>61,087,427</b>	<b>8,682,382</b>	<b>1,692,493</b>	<b>71,462,302</b>
<b>Value at 31 December 2021</b>	<b>49,467,697</b>	<b>7,741,126</b>	<b>11,211,868</b>	<b>68,420,690</b>
	<b>December 31, 2021</b>	<b>January 1, 2021</b>		
Non-current - Lease Liabilities	50,129,780	67,027,513		
Current portion - Lease Liabilities	23,791,932	21,416,526		
<b>TOTAL</b>	<b>73,921,712</b>	<b>88,444,039</b>		

#### **Amounts recognised in the statement of profit or loss**

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Depreciation charge of right-of-use assets	22,221,427	19,306,801
Interest expense on lease liabilities (included in finance cost)	2,754,783	2,744,777
Covid (Gain) Forgiveness amount	-	(771,948)
PL (Gain) from contracts terminated earlier	-	(291,638)
Foreign exchange loss in relation with Lease Liabilities	1,339,781	1,365,058
Income tax expense in relation with Lease Liabilities	-	-
Expense relating to short-term leases (included in rent expenses)	109,712	506,511
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in rent expenses)	509,642	3,177,357
Other categories	2,816,399	-

The total cash outflow for leases amount to RON 25,689,746 (2020: RON 20,474,244) for contracts that fall under IFRS 16 (which refer to rental of buildings, vehicles and equipment), out of which RON 22,934,963 refer to payments of principal and RON 2,754,783 refer to payments of interest.

#### **Extension and termination options**

Extension and termination options are only included in the lease term when the Company has the right to unilaterally extend/terminate and judges that this right is reasonably certain to be exercised. For some of the Company's lease agreements with extension options, these criteria are considered met and the extension option is therefore included in the lease term.

Some of the real estate leases within the Company contain termination options with a purpose to achieve operational flexibility. For most of these agreements, the Company is reasonably certain that the termination option will be exercised. Consequently, the lease liability does not include future rental payments in the period after the earliest termination date.

#### **14. FINANCIAL DEBT**

	<b>31 December 2021</b>	<b>January 1, 2021</b>
Current portion of long-term loans	43,215,074	34,881,989
Non-current portion of long-term loans	322,115,156	333,649,420
<b>TOTAL</b>	<b>365,330,230</b>	<b>368,531,409</b>

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Cash and cash equivalents	38,629,900	33,735,446
Borrowings (including overdraft)	(375,226,430)	(378,270,209)
Lease liabilities	(73,921,712)	(88,444,039)
<b>Net debt</b>	<b>(410,518,242)</b>	<b>(432,978,802)</b>

Overdraft	(9,896,200)	(9,738,800)
Current portion of lease liability	(23,791,932)	(21,416,526)
Current portion of long term debt	(43,215,074)	(34,881,989)

#### **Long Term Debt**

Lease liability	(50,129,780)	(67,027,513)
Long term debt	(322,115,156)	(333,649,420)

#### **Increases in credit facility during 2021**

On 29 April 2021, the Group increased the existing facilities by 40 million euros by signing a syndicated loan in the total amount of approximately 143 million euros. To this increase will be added, as appropriate, other important liquidities of the company. The syndicate of banks which signed the new syndicated loan consists of Banca Comercială Română, as coordinator, mandated lead arranger, documentation agent, facility & security agent and lender, Raiffeisen Bank, BRD Groupe Société Générale and Banca Transilvania, as lead arrangers and lenders. The new funds will be dedicated to consolidating and expanding the group at national level, through the development of regional hospitals, where the patient will benefit from a 360-degree approach both in terms of the complexity of the medical act and the quality of complementary services. The expansion of the medical infrastructure and the M&A program are also a priority, and moreover, the Group will continue intensely its research efforts, aiming to intensify them through new investments during the year.

Also, on 6 December 2021, the Group signed a new increase for the syndicated loan for an additional 50 million euros in order to consolidate its position on the market, funds that will be used to accelerate the acquisition program.

As at December 31, 2021, the Company's drawn and undrawn financing facilities also included the following:

- a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn on December 31, 2021, is of RON 9,896,200;

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 6M for the amounts in EUR or ROBOR 6M for the amounts in RON.

As at 31 December 2021, in relation to the syndicated loan with balance of RON 365.991.087, the Company has pledged the property, plant and equipment with a carrying value of RON 164.386.318. The Company has also pledged cash in a total amount of RON 26.529.513 and pledged receivables of RON 38.907.083 at 31 December 2021.

The Company has pledged shares in relation with the companies acquired until December 31, 2021 and pledged assets in relation to the other loans presented in Note 14.

As at December 31, 2021 the Company was not in breach of any applicable term of the financing facilities.

A reconciliation of cash and non-cash movements of loans payable, lease liabilities and other assets is presented in the following table:

**Changes in liabilities arising from financing activities**

	<i>Liabilities from financing activities</i>		<i>Other assets</i>		<b>Total</b>
	<b>Borrowings</b>	<b>Leases</b>	<b>Cash</b>	<b>Overdraft</b>	
<b>Net debt as at 31 December 2020</b>	<b>(368,531,409)</b>	<b>(88,444,039)</b>	<b>33,735,446</b>	<b>(9,738,800)</b>	<b>(432,978,802)</b>
<b>Cash movements</b>					
Cash flows	6,568,337	25,689,746	4,878,733	-	<b>37,136,815</b>
<b>Non-cash movements</b>					
New leases	-	(7,072,855)	-	-	<b>(7,072,855)</b>
Foreign exchange adjustments	(4,986,265)	(1,339,781)	15,721	(157,400)	<b>(6,467,726)</b>
Other changes (non-cash movements)	1,619,108	(2,754,783)	-	-	<b>(1,135,675)</b>
<b>Net debt as at 31 December 2021</b>	<b>(365,330,230)</b>	<b>(73,921,712)</b>	<b>38,629,900</b>	<b>(9,896,200)</b>	<b>(410,518,242)</b>

**15. SHARE CAPITAL AND SHARE PREMIUM**

The issued share capital in nominal terms consists of 132,870,492 ordinary shares as at 31 December 2021 (31 December 2020: 132,870,492) with a nominal value of RON 0.25 per share. The holders of ordinary shares are entitled to one vote per share in the shareholders' meetings of the Company, except for the treasury shares bought back by the Company as part of the share buy-back program. All shares rank equally and confer equal rights to the net assets of the Company, except for treasury shares.

In accordance with the Decision of the Extraordinary General Meeting of Shareholders of the Company dated 15.12.2020, the share capital of the Company was increased with RON 27,681,352.50, from RON 5,536,270.5 to RON 33,217,623, by issuance of a number of 110,725,410 new shares with a nominal value of RON 0.25 per share.

The Share Capital Increase was made with the incorporation of share premium reserves, and the newly issued shares (5-for-1) were allocated without a monetary compensation to all shareholders registered in the shareholders' register of the Company as at 4 of January 2021 (Registration Date).

The effects of the share capital increase were processed on 15 of February 2021 and the newly issued shares were allocated to shareholders.

The total number of issued ordinary shares of the Company after the share capital increase was 132,870,492.

	<b>31 December 2021</b>	<b>January 1, 2021</b>
Share capital	33,217,623	33,217,623
Share premium	49,177,468	48,809,389
<b>TOTAL</b>	<b>82,395,091</b>	<b>82,027,012</b>

During 2021, the Company reacquired own equity instruments (treasury shares) in a total amount of RON 3,669,511 and released shares in total value of RON 320,158, net of commissions. The difference between the fair value and cost of own shares when the change was made is in a total amount of RON 368,079 and was included as an increase on the share premium account.

## 16. RESERVES

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

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
General reserves (i)	6,643,525	3,431,665
Other reserves (ii)	27,895,072	20,579,324
Revaluation reserves (iii)	66,588,874	66,588,874
<b>TOTAL</b>	<b>101,127,471</b>	<b>90,599,863</b>

### (i), (ii) General reserves and other reserves

<b>Balance at beginning of the year</b>	<b>24,010,989</b>	<b>10,072,949</b>
Movements	10,527,608	13,938,040
<b>Balance at the end of the year</b>	<b>34,538,597</b>	<b>24,010,989</b>

### (iii) Revaluation reserves

<b>Balance at beginning of the year</b>	<b>66,588,874</b>	<b>66,588,874</b>
Decrease arising revaluation correction	-	-
Increase due to revaluation	-	-
Deferred tax related to revaluation	-	-
<b>Balance at the end of the year</b>	<b>66,588,874</b>	<b>66,588,874</b>

On the General reserves account there are legal reserves registered in the amount of RON 6,643,525 (2020: RON 3,431,665).

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold or otherwise disposed of, 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).

## 17. REVENUE FROM CONTRACTS WITH CUSTOMERS

Turnover for the 12 months period ended December 31, 2021 was 601,508,195 RON (12 months ended December 31, 2020: 508,823,190 RON) and consists 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. Of the total sales in 2021, 11% come from the treatment of patients insured through the Health Insurance House. The Company's revenues are generated in Romania. The entire amount included in contractual obligations at the beginning of the year (Note 10) was recorded as income in 2021.

## 18. OTHER OPERATING REVENUES

	<b>12 months 2021</b>	<b>12 months 2020</b>
Other operating revenues	1,781,460	2,224,434
Capitalized cost of intangible assets	2,276,421	1,869,134
<b>TOTAL</b>	<b>4,057,881</b>	<b>4,093,568</b>

## 19. THIRD PARTY EXPENSES

	<b>12 months 2021</b>	<b>12 months 2020</b>
Medical services	160,594,374	124,908,758
Other services	3,416,516	1,916,455
Cleaning and laundry	3,244,280	3,064,942
Financial services	3,089,318	2,204,071
Legal services	2,811,334	2,853,758
Others	2,636,363	2,325,422
Security and safety	1,723,232	1,065,902
Waste collection and sanitation	1,328,249	1,200,743
Logistics and telecommunications services	402,454	312,979
IT services	286,238	281,507
Storage and archiving services	88,590	145,791
Accreditations and authorizations	88,314	77,823
<b>TOTAL</b>	<b>179,709,262</b>	<b>140,358,151</b>

## 20. OTHER OPERATING EXPENSES

	12 months 2021	12 months 2020
Utilities	5,141,142	4,510,812
Repairs maintenance	5,982,815	4,361,730
Rent	3,435,753	3,683,868
Insurance premiums	2,409,000	1,837,638
Promotion expense	9,443,037	8,512,328
Communications	2,285,233	1,956,064
Other administration and operating expenses	7,188,656	7,466,912
<b>TOTAL</b>	<b>35,885,636</b>	<b>32,329,352</b>

## 21. SALARY AND RELATED EXPENSES AND SOCIAL CONTRIBUTIONS

The structure of Med Life personnel is described below:

	December 31, 2021	January 1, 2021
Management	47	43
Staff	1,916	1,838
<b>Total</b>	<b>1,963</b>	<b>1,881</b>

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

	December 31, 2021	January 1, 2021
Management	18,238,995	14,584,487
Staff	135,932,115	120,164,068
<b>Total</b>	<b>154,171,110</b>	<b>134,748,555</b>

## 22. FINANCIAL NET RESULT

	12 months 2021	12 months 2020
Loss from foreign exchange rate impact	(5,979,555)	(6,628,985)
Finance cost	(16,196,020)	(13,773,288)
Other income	-	1,063,587
Interest income	3,473,598	1,714,066
<b>FINANCIAL NET LOSS</b>	<b>(18,701,977)</b>	<b>(17,624,620)</b>

## 23. RELATED PARTIES

### (a) Main shareholders

As of December 31, 2021, the shareholders' structure of Med Life SA is as presented below:

	Number of shares	%	Value
Legal entities	70,466,706	53.03%	17,616,677
Marcu Mihail	20,552,307	15.47%	5,138,077
Cristescu Mihaela Gabriela	18,660,690	14.04%	4,665,173
Marcu Nicolae	14,034,400	10.56%	3,508,600
Others	9,156,389	6.89%	2,289,097
<b>TOTAL</b>	<b>132,870,492</b>	<b>100.00%</b>	<b>33,217,623</b>

As of December 31, 2020, the shareholders' structure of Med Life SA is as presented below:

	Number of shares	%	Value
Legal entities	71,455,241	53.78%	17,863,810
Marcu Mihail	21,557,520	16.22%	5,389,380
Cristescu Mihaela Gabriela	18,660,690	14.04%	4,665,173
Marcu Nicolae	14,204,400	10.69%	3,551,100
Others	6,992,641	5.26%	1,748,160
<b>TOTAL</b>	<b>132,870,492</b>	<b>100.00%</b>	<b>33,217,623</b>

**(b) Executive Committee and Board of Directors' compensation**

Compensations granted to the members of the Executive Committee were as follows:

	12 months 2021	12 months 2020
Executive Committee	7,319,579	6,192,697

Executive Committee compensation includes the payments toward members of the top management under their mandate contracts concluded with the Company for a period of 4 years. As at December 31, 2021, the Company's Executive Committee consisted of ten managers remunerated based on mandate agreement. On April 12, 2021, a new member was appointed, while with another the mandate contract was terminated. On October 21st, 2020, the Board of Directors extended all mandates for a new period of 4 years, ending October 21st, 2024.

Compensations granted to the members of the Board of Directors were as follows:

	12 months 2021	12 months 2020
Board of Directors	3,909,013	3,507,111

Med Life SA Board of Directors consists of 7 members under administration agreements concluded with the Company, approved by the General Shareholders Meeting.

For two of the members, the administration agreements ended in December 2020 and two new members were appointed on December 15th, 2020 by the Shareholders of the Company along with the extension of the Board Members' mandate for a period of 4 years, starting December 21st, 2020 and ending December 20th, 2024. No loans were granted to managers and administrators in 2021 and 2020.

**(c) Balances and transactions with subsidiaries and other related parties**

**Balance of receivables and payables from/to subsidiaries and other related parties:**

**Trade Receivables/Trade Payables**

The Company's trade relations with its subsidiaries represent rendering of medical services, rental of medical facilities and acquisition of materials and commodities.

	Receivables from		Payables to	
	December 31,	January 1,	December 31,	January 1,
	2021	2021	2021	2021
Centrul Medical Panduri S.A.	369,649	743,100	2,484,802	1,199,728
Almina Trading S.A.	2,169,693	1,254,890	193,795	188,349
DR. CRISTESCU I. MIHAELA-GABRIELA	-	-	53,561	53,561
Anima Speciality Medical Services S.R.L.	632,339	1,541,536	2,173,613	2,520,173
Pharmalife Med S.R.L.	-	15,540	64,106	246,758
Biofarm Farmec S.R.L.	-	-	8,887	8,887
Policlina de Diagnostic Rapid S.A.	664,203	5,845,665	621,020	6,613,507
Histo S.R.L.	1,233	1,233	291,514	241,857
Genesys Medical S.R.L.	2,574,672	4,020,915	644,459	4,498,243
Policlina de Diagnostic Rapid Medis S.R.L.	161,324	576,138	2,429,204	3,083,951
Accipiens S.A.	6,692	6,692	-	-
Biotest Med S.R.L.	163,175	252,136	4,565,041	4,395,898
Vital Test S.R.L.	-	209,786	1,223,199	1,617,662
Centrul Medical Sama S.A.	566,264	3,186,819	378,207	3,734,429
Ultratest Craiova S.A.	38,109	73,336	-	5,106
Bahtco Invest S.A.	-	-	1,513,598	2,654,184
Medapt S.R.L.	-	-	832,033	832,033
RUR Medical S.A.	244,108	244,108	1,134,616	1,134,616
Transilvania Imagistica S.R.L.	-	-	29,719	50,569
Diamed Center S.R.L.	2,836,353	2,310,093	20,468	55,676
Stem Cells Bank S.A.	1,511,177	473,593	-	-
Dent Estet Clinic S.R.L.	16,079	57,291	49,328	90,771
Medlife Ocupational S.R.L.	55,990	55,990	-	-
Solomed Clinic S.A.	804,307	1,117,493	485,791	1,053,222
Clinica Polisano S.R.L.	1,507,100	2,170,483	227,721	1,502,728
Prima Medical S.R.L.	45,176	44,963	269,380	224,233
Aspen Laborator Dentar S.R.L.	730	217	5,335	3,920
Solomed Plus S.A.	1,156	1,156	707,019	506,492
Valdi Medica S.R.L.	358,680	304,507	-	-
Ghencea Medical Center S.A.	-	22,147	-	-
Sfatul Medicului S.R.L.	169,500	159,754	8,782	-
Spital Lotus S.R.L.	387,135	137,207	75,901	14,961
Centrul Medical Micromedica S.R.L.	39,604	121,416	338,599	259,239
Onco Team Diagnostic S.R.L.	-	625	802,747	483,791
Badea Medical S.R.L.	-	313	40,551	11,309
RMC Medlife Holding Kft.	-	877	-	-
Centrul Medical Matei Basarab	44,283	-	-	-
CED Pharma S.R.L.	402	-	-	-
Pharmachem Distributie S.R.L.	-	-	58,717	-
Marcu Nicolae	-	8,000	-	-
Life Finance G.I.E.	-	-	-	232
Nautic Life S.R.L.	-	-	2,616	2,616
DIETLIFE FOOD S.R.L.	208	136	-	-
BLACK SEA MAGIC S.R.L.	32,812	31,562	-	-
<b>Total</b>	<b>15,402,154</b>	<b>24,989,718</b>	<b>21,734,328</b>	<b>37,288,698</b>

**Loans granted to subsidiaries**

	<b>Outstanding balance of:</b>			
	<b>Loans granted to:</b>		<b>Interest receivable from:</b>	
	<b>December 31, 2021</b>	<b>January 1, 2021</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Valdi Medica S.R.L.	1,870,000	1,870,000	141,204	74,860
Policlinica de Diagnostic Rapid S.A.	11,364	10,312	-	-
Bahtco Invest S.A.	41,430,158	48,233,843	5,376,872	4,070,930
MedLife Ocupational S.R.L.	1,100,814	1,500,814	364,606	319,332
Vital Test S.R.L.	-	-	269	269
Stem Cells Bank S.A.	10,825,186	6,662,186	605,389	291,081
Clinica Polissano S.R.L.	28,380,363	28,380,363	2,823,995	1,817,074
Diamed Center S.R.L.	11,546,605	9,229,717	881,007	518,538
Ghencea Medical Center S.A.	100,000	150,000	10,557	6,345
Sfatul Medicului S.R.L.	2,876,500	1,322,500	94,619	14,065
Pharmalife Med S.R.L.	9,546,088	2,701,438	161,351	-
RMC Medlife Holding Kft.	346,367	340,858	22,081	2,775
CED Pharma S.R.L.	630,000	-	9,055	-
LETI Farm 2000 S.R.L.	103,270	-	1,484	-
<b>Total</b>	<b>108,766,715</b>	<b>100,402,032</b>	<b>10,492,489</b>	<b>7,115,269</b>

The balances of the loans granted to the affiliated parties also include the amount of RON 12,921,654 (2020: RON 12,497,232), values that are found in the balance sheet on the line of Other financial assets.  
 Total interest income recognized in the period was in amount of RON 3,470,876.

	<b>Outstanding balance of:</b>			
	<b>Loans obtained from:</b>		<b>Interest payable to:</b>	
	<b>December 31, 2021</b>	<b>January 1, 2021</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Pharmalife Med S.R.L.	-	-	-	93,656
Policlinica de Diagnostic Rapid S.A.	-	382,922	1,624	29,314
Policlinica de Diagnostic Rapid Medis S.R.L.	-	-	39,160	39,160
Asilife S.R.L.	159,000	159,000	37,992	32,349
Prima Medical S.R.L.	165,413	270,000	38,049	30,292
<b>Total</b>	<b>324,413</b>	<b>811,922</b>	<b>116,825</b>	<b>224,771</b>

Total interest expense recognized in the period was in amount of RON 20,309.

The management has calculated the impact of accounting for amortized cost and concluded that the ECL impact is immaterial.

**Interest receivable and interest payable from subsidiaries**

	<b>Movement in:</b>			
	<b>Borrowings received</b>		<b>Reimbursements paid</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Policlinica de Diagnostic Rapid Medis S.R.L.	-	-	-	640,000
Asilife S.R.L.	-	-	382,922	-
Policlinica de Diagnostic Rapid S.A.	-	-	104,587	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>487,509</b>	<b>640,000</b>



**MED LIFE S.A.**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
*(all amounts are expressed in RON, unless otherwise specified)*



**Transactions with subsidiaries:**  
**Sales and purchases**

	<b>Sales</b>		<b>Purchases</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
MARCU NICOLAE	-	8,000	-	-
DR. CRISTESCU I. MIHAELA-GABRIELA	-	-	700,800	700,800
Policlínica de Diagnostic Rapid S.A.	2,182,797	2,161,218	2,426,115	2,071,284
Policlínica de Diagnostic Rapid Medis S.R.L.	-	176,375	3,577,790	4,766,455
Bahtco Invest S.A.	-	-	19,490,892	13,811,613
Histo S.R.L.	-	-	49,657	47,645
Genesys Medical S.R.L.	3,843,923	3,081,693	2,336,573	1,686,379
Bactro S.R.L.	-	-	-	13,104
Biotest Med S.R.L.	214,136	132,210	2,767,053	2,247,551
Vital Test S.R.L.	-	47,143	-	975,854
Centrul Medical Sama S.A.	807,997	798,348	1,479,251	1,315,080
Ultratest Craiova S.A.	-	10,533	30,122	-
Prima Medical S.R.L.	-	-	45,147	42,304
Diamed Center S.R.L.	526,261	636,395	285,230	256,041
Aspen Laborator Dentar S.R.L.	-	-	1,415	3,975
Almina Trading S.A.	1,530,905	1,498,315	621,545	431,428
Centrul Medical Panduri S.A.	486,214	444,572	3,735,075	796,354
Dentestet 4 Kids S.R.L.	13,703	12,516	-	-
Dent Estet Clinic S.R.L.	109,896	253,051	255,472	99,402
Green Dental S.R.L.	-	2,378	-	-
Clinica Polisano S.R.L.	1,070,966	1,093,971	813,602	628,401
Solomed Clinic S.A.	985,017	695,028	730,770	401,552
Solomed Plus S.A.	-	1,156	200,527	219,154
Anima Speciality Medical Services S.R.L.	822,503	980,970	2,651,039	2,318,922
Stem Cells Bank S.A.	1,037,587	143,902	-	-
Valdi Medica S.R.L.	55,246	387,527	-	-
Sfatul Medicului S.R.L.	9,745	8,394	8,710	-
Pharmalife Med S.R.L.	5,455	9,827	604,587	455,279
Ghencea Medical Center S.A.	3,749	26,536	-	-
Transilvania Imagistica S.R.L.	-	-	37,035	26,520
Centrul Medical Micromedica S.R.L.	154,766	118,395	744,175	259,239
Onco Team Diagnostic S.R.L.	-	-	1,729,903	853,509
Spital Lotus S.R.L.	1,022,371	493,782	229,311	45,502
Centrul Medical Matei Basarab S.R.L.	44,282	-	-	-
Badea Medical S.R.L.	-	-	6,100	-
Green Dental	1,957	-	-	-
Dent Estet Ploiesti	579	-	-	-
CED Pharma S.R.L.	2,808	-	-	-
Leti Farm 2000 S.R.L.	602	-	-	-
Monix Pharm S.R.L.	502	-	-	-
<b>Total</b>	<b>14,933,967</b>	<b>13,222,235</b>	<b>45,557,896</b>	<b>34,473,347</b>

## 24. TAXATION

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Current income tax expense	10,576,871	8,046,454
Deferred tax expense	-	-
<b>Total income tax expense</b>	<b>10,576,871</b>	<b>8,046,454</b>
<b>Profit before tax</b>	<b>66,061,301</b>	<b>49,888,734</b>
Tax expense using the statutory rate of 16% (2019: 16%)	10,569,808	7,982,197
Fiscal effect of non-deductible expenses	923,458	2,542,949
Fiscal effect of non-taxable income	-	-
Fiscal effect of deductible legal reserve	(513,898)	(371,906)
Sponsorship/other compensation	(520,265)	-
Reinvested profit and other fiscal facilities	(2,067,638)	(2,168,003)
Adjustments in respect of current income tax of previous years	1,153,649	-
Other elements (including different fiscal treatment)	1,031,757	61,216
Deferred tax expense	-	-
<b>Income tax for the current year</b>	<b>10,576,871</b>	<b>8,046,454</b>
Income tax to comprehensive income	-	-
<b>Income tax to profit or loss – Expense</b>	<b>10,576,871</b>	<b>8,046,454</b>
	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Income tax liabilities as at January 1	3,829,499	395,661
Income tax paid in the current year	(14,284,255)	(4,612,616)
Income tax payable in the current year	10,576,871	8,046,454
<b>Current tax liabilities</b>	<b>122,115</b>	<b>3,829,499</b>

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

<b>Components of deferred tax</b>	<b>December 31, 2021</b>	<b>Change in deferred tax</b>	<b>January 1, 2021</b>
<b>Deferred tax assets</b>			
Non-current assets	-	-	-
Amount related to untaken holidays provisions	1,258,534	-	1,258,534
<b>Total deferred tax asset</b>	<b>1,258,534</b>	<b>-</b>	<b>1,258,534</b>

<b>Deferred tax liability</b>	<b>December 31, 2021</b>	<b>Change in deferred tax</b>	<b>January 1, 2021</b>
Other elements	104,870	-	104,870
Revaluation reserve	12,611,076	-	12,611,076
<b>Total deferred tax liability</b>	<b>12,715,946</b>	<b>-</b>	<b>12,715,946</b>
<b>Net deferred tax liability</b>	<b>11,457,413</b>	<b>-</b>	<b>11,457,413</b>

<b>Components of deferred tax</b>	<b>December 31, 2020</b>	<b>Change in deferred tax</b>	<b>January 1, 2020</b>
<b>Deferred tax assets</b>			
Non-current assets	-	-	-
Trade receivables	1,258,534	-	1,258,534
<b>Total deferred tax asset</b>	<b>1,258,534</b>	<b>-</b>	<b>1,258,534</b>

<b>Deferred tax liability</b>	<b>December 31, 2020</b>	<b>Change in deferred tax</b>	<b>January 1, 2020</b>
Other elements	104,870	-	104,870
Revaluation reserve	12,611,076	-	12,611,076
<b>Total deferred tax liability</b>	<b>12,715,947</b>	<b>-</b>	<b>12,715,946</b>
<b>Net deferred tax liability</b>	<b>11,457,413</b>	<b>-</b>	<b>11,457,413</b>

The Company accrues income taxes at the rate of 16% on profits computed in accordance with the Romanian tax legislation. The net effect of the change on deferred tax balances recognized as at December 31, 2020, 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.

## 25. CAPITAL 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 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 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.

The Company is the Parent entity of Medlife Group. The Group has grown principally through organic growth with the addition of acquired growth through business combinations. The organic growth has been within existing markets and new geographies. In expanding organically, the Company is exposed to potential loss of capital if the expansion or new activities do not immediately meet their financial objectives.

The Company's objectives have been to balance the cash generation from established business units into higher risk investments in new activities. This has left the equity levels of the Company as a buffer to protect the Company in case of variations in performance that could impact the established activities. The Company has used debt funding for acquisitions of businesses due to the historically low cost of debt funding and availability of liquidity on the financial markets. When assessing the adequacy of the Company's equity for the activities and exposures the Company analyses the ratio of loans payable net of cash and liquid short-term investments to total equity (including non-controlling interests), as presented in the following table:

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Interest-bearing loans and borrowings without overdraft	365,330,230	368,531,409
Cash and cash equivalents	38,629,900	33,735,446
Loans payable net of cash	326,700,330	334,795,963
Total Equity	<u>259,580,434</u>	<u>207,077,279</u>
Ratio to Total Equity	<u><b>1.26</b></u>	<u><b>1.62</b></u>

The medium-term aim of the Company is to keep this ratio at current levels by continuing to invest in new business development and acquisitions to maintain a balanced capital structure between debt and equity.

## 26. RISK MANAGEMENT

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Audit Committee is responsible for monitoring and addressing issues concerning the effectiveness and efficiency of the Company's internal controls, regulatory compliance and risk management.

In the course of its business the Company is exposed to a number of financial risks, including credit, interest rate, liquidity and foreign currency risks. This note presents the Company's objectives, policies and processes for managing these risks and methods used to measure risks.

The central treasury function has an important role in managing the Company's financial risks with the aim to control and manage the Company's financial exposure and financial costs with a balance between risk and costs.

### (a) Credit risk

Financial assets that potentially give rise to concentrations of credit risk consist principally of cash, short-term deposits, trade and other receivables and other financial assets. The Company's cash equivalents and short-term deposits are placed with reputable financial institutions with a high credit rating.

Trade receivables are represented net of the allowance for expected credit losses. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Company's customer base, which consists mainly of both individuals and companies. Around 64% of the total sales are cash-based with remaining being based on issuance of invoices. The financial condition of these customers in relation to their credit standing is evaluated on an ongoing basis.

The Company has also developed certain procedures to assess legal entities as customers prior to signing contracts, aimed at providing health care packages (PPMs), and monitoring their ability to meet the payments during the course of contracts. Also, the Company has established an internal Collection department which actively monitors encashments received from customers.

The gross carrying amounts of financial assets (before credit loss allowances) included in the statement of financial position represent the Company's maximum exposure to credit risk in relation to these assets. The Company has only 11% of its sales during 2021 deriving from the treatment of NHIH insured patients (concentration of credit risk) – reliance on major customers.

At 31 December 2021 and 31 December 2020, the Company did not consider there to be a significant concentration of credit risk. Please see Note 7, for further details regarding credit risks of trade and other receivables and expected credit loss allowance and also 3.11.1 Financial assets, for further details of accounting policies used by the Company.

**(b) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The higher risk is represented by funds borrowed in the national currency, because the interest rates are periodically repriced based on index variation.

Lease contracts concluded in the national currency are also exposed due to the above repricing process, as the discount rate in this case is linked to the internal borrowing rates for funds withdrawn in the national currency.

The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

**Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial instruments at the reporting date. Out of the total outstanding balances for both borrowings and leases only the amounts that refers to the Club loan and lease contracts (which refer to rent of buildings, equipment and vehicles) have been considered for the sensitivity on interest rate computation. These amounts which were included in the analysis cover more than 98% of the total outstanding balances for both borrowings and leases.

A 10% percent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The assumptions used have not changed from previous years.

If interest rates had been 10% per cent higher and all other variables were held constant, the Company's profit for the year ended 31 December 2021 would decrease by RON 857.190 RON (2020: decrease with RON 611.821). An equal positive variance would occur for a 10% decrease of interest rate. This is mainly attributable to the Company's exposure to interest rates on its borrowings and leases.

**Amounts exposed to interest rate risk**

LIABILITIES	Total	Out of which included in the sensitivity analysis	%	Interest expenses per year at the current interest rate for the selected portion	Interest expenses per year at the interest rate increased by 10% for the selected portion	Variation that affects the profit and loss account when the interest rate increases by 10%	
<b>2021</b>							
Overdraft	9,896,200						
Short-Term and Long-Term portions of loans	365,330,230	Club loan	365,991,087	98%	11,398,911	12,031,745	632,834
Short-Term and Long-Term portions of leases	73,921,712	Contracts that refer to rent of buildings, equipment and vehicles which fall under IFRS 16	64,310,182	87%	2,511,339	2,735,695	224,356
<b>2020</b>							
Overdraft	9,738,800						
Short-Term and Long-Term portions of loans	368,531,409	Club loan	367,764,790	97%	8,037,714	8,403,616	365,902
Short-Term and Long-Term portions of leases	88,444,039	Contracts that refer to rent of buildings, equipment and vehicles which fall under IFRS 16	76,727,811	87%	2,744,776	2,990,695	245,919
	<b>December 31, 2021</b>		<b>January 1, 2021</b>				
Profit or loss	857,190		611,821				

**(c) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the executive committee, 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.

The following table details the Company's remaining contractual maturity for financial liabilities as of December 31, 2021 and December 31, 2020. 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.

<b>2021</b>	<b>Weighted average effective interest rate</b>	<b>Carrying amount</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>&gt; Year 5</b>
<b>Non-interest bearing instruments</b>									
Trade payables		80,151,836	80,151,836	80,151,836	-	-	-	-	-
<b>Interest bearing instruments</b>									
Overdraft		9,896,200	9,896,200	9,896,200	-	-	-	-	-
Club Loan	EURIBOR 6M / ROBOR 6M + margin	365,330,230	406,620,115	40,362,235	40,677,472	49,869,019	38,716,075	37,943,730	199,051,584
Lease contracts		<u>73,921,712</u>	<u>79,814,155</u>	<u>24,387,469</u>	<u>20,611,708</u>	<u>13,121,375</u>	<u>8,820,507</u>	<u>4,834,487</u>	<u>8,038,609</u>
<b>Total</b>		<b><u>529,299,978</u></b>	<b><u>576,482,305</u></b>	<b><u>154,797,740</u></b>	<b><u>61,289,180</u></b>	<b><u>62,990,394</u></b>	<b><u>47,536,582</u></b>	<b><u>42,778,217</u></b>	<b><u>207,090,193</u></b>
<b>2020</b>									
<b>2020</b>	<b>Weighted average effective interest rate</b>	<b>Carrying amount</b>	<b>Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>&gt; Year 5</b>
<b>Non-interest bearing instruments</b>									
Trade payables		96,605,850	96,605,850	96,605,850	-	-	-	-	-
<b>Interest bearing instruments</b>									
Overdraft		9,738,800	9,738,800	9,738,800	-	-	-	-	-
Club Loan	EURIBOR 6M / ROBOR 6M + margin	368,531,409	402,633,097	42,641,200	75,421,523	65,436,103	62,121,855	79,516,306	77,496,109
Lease contracts		<u>88,444,039</u>	<u>95,954,487</u>	<u>24,029,684</u>	<u>21,704,968</u>	<u>18,378,683</u>	<u>11,776,203</u>	<u>7,881,586</u>	<u>12,183,364</u>
<b>Total</b>		<b><u>563,320,098</u></b>	<b><u>604,932,234</u></b>	<b><u>173,015,534</u></b>	<b><u>97,126,491</u></b>	<b><u>83,814,786</u></b>	<b><u>73,898,057</u></b>	<b><u>87,397,892</u></b>	<b><u>89,679,473</u></b>

**(d) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

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

<b>2021</b>	<b>RON</b>	<b>1 EUR = 4.9481 RON</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	36,372,221	2,257,679	38,629,900
Trade receivables	56,744,097	-	56,744,097
Receivables from group companies	94,950,993	11,386,556	106,337,550
Long-term loans to group companies	-	12,921,654	12,921,654
Other long term receivables	1,632,184	-	1,632,184
<b>LIABILITIES</b>			
Trade payables	80,151,836	-	80,151,836
Overdraft	-	9,896,200	9,896,200
Other long term debt	-	-	-
Short-Term and Long-Term portions of loans	78,034,292	287,295,938	365,330,230
Short-Term and Long-Term portions of financial leasing	543,826	73,377,886	73,921,712
Payables to group companies	441,238	-	441,238
<b>2020</b>			
	<b>RON</b>	<b>1 EUR = 4.8694 RON</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	22,671,972	11,063,474	33,735,446
Trade receivables	89,382,165	-	89,382,165
Receivables from group companies	84,044,060	10,976,008	95,020,068
Long-term loans to group companies	-	12,497,232	12,497,232
Other long term receivables	2,628,265	-	2,628,265
<b>LIABILITIES</b>			
Trade payables	96,605,850	-	96,605,850
Overdraft	-	9,738,800	9,738,800
Other long term debt	-	3,325,000	3,325,000
Short-Term and Long-Term portions of loans	71,024,752	297,506,657	368,531,409
Short-Term and Long-Term portions of financial leasing	545,269	87,898,770	88,444,039
Payables to group companies	1,036,693	-	1,036,693

The Company is mainly exposed in respect of the exchange rate of the RON versus EUR. The below 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.

If EUR is weakening 10% against RON, the profit will increase and the amount stated below will be positive. For a 10% strengthening of EUR against RON there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative. The assumptions used have not changed from previous years. The variation below is presented as absolute amounts.

	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Profit or loss	40,516,247	36,393,251

## 27. 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. These are presented at amortised cost. The estimated fair values of these instruments approximate their carrying amounts, largely due to the short-term maturities of these instruments, except for loans.

The carrying amount of loans approximate their fair value considering the two renegotiations of the syndicated loan signed in 2021, in which all the credit facilities were re-arranged in terms of both maturities and interest rates. The syndicated loan covers around 89% of the total Company debt position exposure.

### Financial instruments that are not held at fair value

At level 1 of the fair value hierarchy, the Company classified cash and cash equivalents as assets that are not held at fair value.

At level 3 of the fair value hierarchy, the Company classified in the category of assets: trade and other receivables, other financial assets, and in the category of debt: loans from banks and other financial institutions, leasing debts, trade payables and other financial liabilities.

The following table shows the fair value and the fair value hierarchy for assets and liabilities that are not measured at fair value in the statement of financial position as at 31 December 2021:

<b>ASSETS</b>	<b>Classification under IFRS 9</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	Amortized cost	38,629,900	38,629,900	38,629,900	-	-
Trade Receivables	Amortized cost	56,744,097	56,744,097	-	-	56,744,097
Other financial assets	Amortized cost	14,577,778	14,577,778	-	-	14,577,778
<b>LIABILITIES</b>						
Trade and other payables	Amortized cost	80,151,836	80,151,836	-	-	80,151,836
Overdraft	Amortized cost	9,896,200	9,896,200	-	-	9,896,200
Other long term debt	Amortized cost	-	-	-	-	-
Lease liability	Amortized cost	73,921,712	73,921,712	-	-	73,921,712
Long term debt	Amortized cost	365,330,230	365,330,230	-	-	365,330,230

### Recognised fair value measurements

#### Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 3.20.

<b>31 December 2021</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Land and buildings	5	-	-	169,896,561
<b>31 December 2020</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Land and buildings	5	-	-	167,512,343

There were no transfers between levels during the year.

- Valuation techniques used to determine level 3 fair values are presented in note 5.
- Valuation inputs and relationships to fair value are presented in note 5.

## 28. COMMITMENTS AND CONTINGENCIES

Contingent liabilities are not recognized in the individual 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 individual 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.



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**Other commitments**

As at December 31, 2021 and December 31, 2020, the Company 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 Company 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 1,887,804 out of which in EUR 110,182 as of December 31, 2020 (December 31, 2020: RON 2,146,895, out of which EUR 270,124).

**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 Romania the statute of limitation for tax controls (audits) is of 5 years. During 2021, the Company had a tax control which covered period from 2016 to 2020. The control was finalised during 2021 and the results were booked in accounting. Please refer to note 24. Management believes that the tax obligations included in these financial statements are adequate.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

**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. Transactions with related parties and group companies are carried out on the basis of 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 consolidated financial statements.

**29. FEES TO AUDITORS**

Starting with 2021, the new auditor of the Group is Ernst & Young Assurance Services SRL.

The fee for the audit services of the consolidated financial statements as of December 31, 2021 of the Group prepared in accordance with IFRS as adopted by EU and the individual financial statements as of December 31, 2021 of Med Life SA prepared in accordance with IFRS in line with the provisions of Ministry of Finance Order number 2844/2016, as well as the audit services of the other individual financial statements of subsidiaries prepared in accordance with the provisions of Ministry of Finance Order number 1802/2014 was EUR 208,500 excluding VAT and other expenses.

The fee for other non-audit services performed in 2021 (in accordance with ISRS 4400) was EUR 18,000, excluding VAT

**30. EVENTS AFTER THE BALANCE SHEET DATE****Russia – Ukraine conflict**

In the context of the conflict between Russia and Ukraine, started on February 24, 2022, the European Union, the United States of America, United Kingdom and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals.

Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

It is expected that these events may affect the activities in various sectors of the economy, could result in further increases in European energy prices and increased risk of supply chain disturbances.

The Company does not have direct exposures to related parties and/or key customers or suppliers from those countries.

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The Company regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Company's management is analysing the possible impact of changing micro- and macroeconomic conditions on the Company's financial position and results of operations.

*These financial statements, comprising the individual statement of financial position, the individual statement of comprehensive income, the individual statement of changes in equity, the individual statement of cash flows and notes, were approved on March 24, 2022.*

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**Mihail Marcu,**  
CEO

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**Adrian Lungu,**  
CFO

## **Declaration of management of Med Life SA**

We confirm to the best of our knowledge that the Separate Financial Statements of Med Life SA (the Company) for the 12-month period ended December 31, 2021, which were prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, give a true and fair view of the financial position of the Company as at December 31,2021, and of its financial performance and its cash flows for the year then ended.

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**Mihail Marcu,**  
CEO

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**Adrian Lungu,**  
CFO



**THE STATE OF CONFORMITY WITH THE CORPORATE 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 from 15 December 2020, 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 BVV.

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), while 3 members are independent. 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).

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.

MedLife meets this requirement. 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.

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 2021, 8 Board meetings and 3 meetings of the Audit Committee took place. More details on their attributions are presented in the Annual 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, 3 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, having set a Remuneration Committee made of 3 non-executive members of the BoD, out of which 2 members are independent.

## **Section B**

### **Risk management and internal controlling system**

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

MedLife 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 and independent members. The BD approved the Regulation of this committee.

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

In February 2021, the Board of Directors elected as chairman of the Audit Committee Mrs. Mihaescu Ana-Maria, 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 BoD 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 2021 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 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 meets this requirement at the date of this report. The company has a remuneration policy in place and a Remuneration Report for 2021, available on the website. 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.



## 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](mailto: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](http://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 not. 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 participate in the Ordinary GMS in which the individual and consolidated annual financial statements are submitted for approval, and their reports are presented.

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.



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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. 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.