

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>Recoverability of investments in other entities</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"> • Performed a detailed understanding of the Company’s internal process and related documentation flow and key controls associated with the impairment testing process; • For a sample of impairment tests for significant investments in other entities we: <ul style="list-style-type: none"> ○ reconciled the assumptions used within the future cash flow models to approved business plans; ○ 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; ○ Assessed the assumptions used in the estimated future cashflows against

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"> ○ 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; ● 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. ● Assessed the relevant disclosures included in the separate financial statements.

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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		December 31, 2021	January 1, 2021
ASSETS			
Non-current Assets			
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
Total Non-Current Assets		580,422,064	564,471,551
Current Assets			
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
Total Current Assets		239,780,709	244,468,124
TOTAL ASSETS		820,202,773	808,939,675
LIABILITIES & SHAREHOLDER'S EQUITY			
Non-Current Liabilities			
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
Total Non-Current Liabilities		383,702,349	415,459,346
Current Liabilities			
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
Total Current Liabilities		176,919,991	186,403,050
TOTAL LIABILITIES		560,622,340	601,862,396
SHAREHOLDER'S EQUITY			
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
TOTAL EQUITY		259,580,434	207,077,279
TOTAL LIABILITIES AND EQUITY		820,202,773	808,939,675



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)



		12 months ended December 31,	
	Note	2021	2020
Revenue from contracts with customers	17	601,508,195	508,823,190
Other operating revenues	18	4,057,881	4,093,568
Operating Income		605,566,076	512,916,758
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)
Operating expenses		(520,802,798)	(445,403,404)
Operating Profit		84,763,278	67,513,354
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)
Financial result		(18,701,977)	(17,624,620)
Result Before Taxes		66,061,301	49,888,734
Income tax expense	24	(10,576,871)	(8,046,454)
Net Result		55,484,430	41,842,280
Other comprehensive income items that will not be reclassified to profit or loss			
TOTAL OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		55,484,430	41,842,280


Mihail Marcu,
 CEO


Adrian Lungu,
 CFO

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



		12 months ended December 31,	
	Note	2021	2020
Net profit before taxes		66,061,301	49,888,734
Adjustments for			
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)
Operating cash flow before working capital changes		137,495,129	122,219,323
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)
Cash generated from working capital changes		823,501	(81,172,579)
Cash generated from operations		138,318,630	41,046,744
Income tax paid		(14,284,255)	(4,612,616)
Interest received		-	1,714,066
Interest paid		(17,750,515)	(12,829,063)
Net cash from operating activities		106,283,860	25,319,132
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)
Net cash used in investing activities		(67,729,027)	(55,957,021)
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)
Net cash from/(used in) financing activities		(33,660,379)	52,715,903
Net change in cash and cash equivalents		4,894,454	22,078,014
Cash and cash equivalents beginning of the period	8	33,735,446	11,657,432
Cash and cash equivalents end of the period		38,629,900	33,735,446

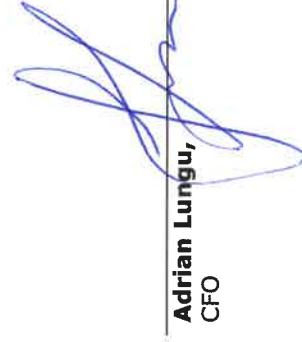

Mihail Marcu,
 CEO


Adrian Lungu,
 CFO

	Share Capital	Treasury shares	Share premium	General reserves and other reserves	Revaluation Reserve	Accumulated Results	Total Equity
Balance at January 1, 2021	33,217,623	(666,624)	48,809,389	24,010,989	66,588,874	35,117,028	207,077,279
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)	-
Total comprehensive income	-	-	-	-	-	55,484,429	55,484,429
Profit of the year	-	-	-	-	-	55,484,429	55,484,429
Balance as at December 31, 2021	33,217,623	(4,015,977)	49,177,468	34,538,597	66,588,874	80,073,849	259,580,434



Mihail Marcu,
CEO

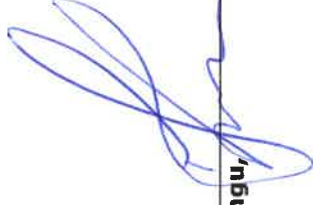


Adrian Lungu,
CFO

	Share capital	Treasury shares	Share premium	General reserves and other reserves	Revaluation Reserve	Accumulated Results	Total Equity
Balance as at January 1, 2020	5,536,271	(2,699,804)	75,959,199	10,072,949	66,588,874	7,212,788	162,670,277
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)	-
Total comprehensive income	-	-	-	-	-	41,842,280	41,842,280
Profit of the year (loss)	-	-	-	-	-	41,842,280	41,842,280
Balance as at December 31, 2020	33,217,623	(666,624)	48,809,389	24,010,989	66,588,874	35,117,028	207,077,279



Mihail Marcu,
CEO



Adrian Lungu,
CFO

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.

Carrying amount	31 December 2021	January 1, 2021
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
TOTAL	257,432,358	237,335,288

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:

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)



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%
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 (FVLCD) 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>				<i>Total</i>
		<i>Land</i>	<i>Constructions</i>	<i>Vehicles and equipment</i>	<i>Construction in progress</i>	
1 January 2021	44,106,270	12,792,780	215,222,752	182,652,542	19,152,788	473,927,132
Additions	5,047,641	-	3,690,375	19,858,258	9,620,542	38,216,816
Transfers	-	-	6,572,578	-	(6,572,578)	-
Disposals	(7,123)	-	-	(6,460,529)	-	(6,467,652)
Reclassifications during the year	-	-	-	(16,719,752)	-	(16,719,752)
31 December 2021	49,146,788	12,792,780	225,485,704	179,330,519	22,200,752	488,956,544
Depreciation						
1 January 2021	33,430,377	-	60,503,189	124,319,606	-	218,253,173
Charge of the year	5,828,177	-	7,878,734	13,885,759	-	27,592,670
Disposals	(7,123)	-	-	(6,460,529)	-	(6,467,652)
Reclassifications during the year	-	-	-	(4,990,662)	-	(4,990,662)
31 December 2021	39,251,431	-	68,381,923	126,754,174	-	234,387,528
Net Book Values						
1 January 2021	10,675,893	12,792,780	154,719,563	58,332,936	19,152,788	255,673,960
31 December 2021	9,895,358	12,792,780	157,103,781	52,576,345	22,200,752	254,569,016

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.

	Property, plant and equipment					
Intangible assets	Intangibles	Land	Construction	Vehicles and equipment	Construction in progress	Total Property, plant and equipment
1 January 2020	39,344,056	12,792,780	177,858,290	164,270,619	12,432,653	367,354,342
Additions	4,769,898	-	36,523,125	18,783,238	9,260,541	64,566,904
Transfers	-	-	841,337	-	(841,337)	-
Disposals	(7,684)	-	-	(401,315)	(1,699,069)	(2,100,384)
31 December 2020	44,106,270	12,792,780	215,222,752	182,652,542	19,152,788	429,820,863
						(2,108,068)
						473,927,133
	Intangibles	Land	Construction	Vehicles and equipment	Construction in progress	Total Property, plant and equipment
Depreciation						
1 January 2020	27,604,233	-	53,003,956	110,822,433	-	163,826,389
Charge of the year	5,826,144	-	7,499,233	13,850,112	-	21,349,345
Disposals	-	-	-	(352,939)	-	(352,939)
31 December 2020	33,430,377	-	60,503,189	124,319,606	-	184,822,795
						218,253,172
Net Book Value						
1 January 2020	11,739,823	12,792,780	124,854,334	53,448,187	12,432,653	203,527,954
31 December 2020	10,675,893	12,792,780	154,719,563	58,332,937	19,152,788	244,998,068
						255,673,961

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:

Carrying amount without revaluation	December 31, 2021	January 1, 2021
Land	1,346,998	1,346,998
Buildings	100,681,811	96,991,436
TOTAL	102,028,809	98,338,434

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

	31 December 2021	January 1, 2021
Consumable	9,966,821	13,144,957
Materials in the form of inventory items	68,919	78,288
Inventory in transit	3,176	768
TOTAL	10,038,916	13,224,013

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

	December 31, 2021	January 1, 2021
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)
TOTAL	56,744,097	89,382,165

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.

December 31, 2021	Individually assessed	Collectively assessed	Total
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)
TOTAL	30,734,458	26,009,639	56,744,097

January 1, 2021	Individually assessed	Collectively assessed	Total
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)
Total	62,679,441	26,702,724	89,382,165

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 is 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)
TOTAL	18,797,790	371,336	632,497	514,396	703,713	4,989,909	26,009,639

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
Loss allowance	117,258	132,710	174,458	187,967	494,702	12,207,935	13,315,029

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

	2021	2020
As at 1 January	21,489,176	14,672,443
Recognised in income statement	4,934,093	6,816,733
Amounts written of	-	-
As at 31 December	26,423,269	21,489,176

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
TOTAL	38,629,900	33,735,446

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
TOTAL	80,151,836	96,605,850

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
TOTAL	16,156,461	16,008,640

12. PROVISIONS

	December 31, 2021	January 1, 2021
As at 1 January	2,885,053	524,431
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)
As at 31 December	3,145,135	2,885,053

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

	Buildings	Vehicles	Equipment	Total
Right-of-use asset				
Cost				
Value at 1 January 2021	93,505,532	10,293,860	2,336,525	106,135,917
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)
Value at 31 December 2021	98,650,940	11,809,642	19,434,147	129,894,728
Accumulated depreciation				
Value at 1 January 2021	32,418,106	1,611,478	644,032	34,673,616
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)
Value at 31 December 2021	49,183,243	4,068,516	8,222,279	61,474,039
Carrying amount				
Value at 1 January 2021	61,087,427	8,682,382	1,692,493	71,462,302
Value at 31 December 2021	49,467,697	7,741,126	11,211,868	68,420,690
	December 31, 2021	January 1, 2021		
Non-current - Lease Liabilities	50,129,780	67,027,513		
Current portion - Lease Liabilities	23,791,932	21,416,526		
TOTAL	73,921,712	88,444,039		

Amounts recognised in the statement of profit or loss

	December 31, 2021	January 1, 2021
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) Foregivenness 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

	31 December 2021	January 1, 2021
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
TOTAL	365,330,230	368,531,409

	December 31, 2021	January 1, 2021
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)
Net debt	(410,518,242)	(432,978,802)

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

	Liabilities from financing activities		Other assets		
	Borrowings	Leases	Cash	Overdraft	Total
Net debt as at 31 December 2020	(368,531,409)	(88,444,039)	33,735,446	(9,738,800)	(432,978,802)
Cash movements					
Cash flows	6,568,337	25,689,746	4,878,733	-	37,136,815
Non-cash movements					
New leases	-	(7,072,855)	-	-	(7,072,855)
Foreign exchange adjustments	(4,986,265)	(1,339,781)	15,721	(157,400)	(6,467,726)
Other changes (non-cash movements)	1,619,108	(2,754,783)	-	-	(1,135,675)
Net debt as at 31 December 2021	(365,330,230)	(73,921,712)	38,629,900	(9,896,200)	(410,518,242)

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.

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

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:

	December 31, 2021	January 1, 2021
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
TOTAL	101,127,471	90,599,863

(i), (ii) General reserves and other reserves

Balance at beginning of the year	24,010,989	10,072,949
Movements	10,527,608	13,938,040
Balance at the end of the year	34,538,597	24,010,989

(iii) Revaluation reserves

Balance at beginning of the year	66,588,874	66,588,874
Decrease arising revaluation correction	-	-
Increase due to revaluation	-	-
Deferred tax related to revaluation	-	-
Balance at the end of the year	66,588,874	66,588,874

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

	12 months 2021	12 months 2020
Other operating revenues	1,781,460	2,224,434
Capitalized cost of intangible assets	2,276,421	1,869,134
TOTAL	4,057,881	4,093,568

19. THIRD PARTY EXPENSES

	12 months 2021	12 months 2020
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
TOTAL	179,709,262	140,358,151

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
TOTAL	35,885,636	32,329,352

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
Total	1,963	1,881

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
Total	154,171,110	134,748,555

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
FINANCIAL NET LOSS	(18,701,977)	(17,624,620)

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
TOTAL	132,870,492	100.00%	33,217,623

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
TOTAL	132,870,492	100.00%	33,217,623

(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
Policlinica 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
Policlinica 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	-	-
Total	15,402,154	24,989,718	21,734,328	37,288,698

Loans granted to subsidiaries

	Outstanding balance of:			
	Loans granted to:		Interest receivable from:	
	December 31, 2021	January 1, 2021	December 31, 2021	January 1, 2021
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 Occupational 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 Polisano 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	-
Total	108,766,715	100,402,032	10,492,489	7,115,269

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.

	Outstanding balance of:			
	Loans obtained from:		Interest payable to:	
	December 31, 2021	January 1, 2021	December 31, 2021	January 1, 2021
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
Total	324,413	811,922	116,825	224,771

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

	Movement in:			
	Borrowings received		Reimbursements paid	
	2021	2020	2021	2020
Policlinica de Diagnostic Rapid Medis S.R.L.	-	-	-	640,000
Asilife S.R.L.	-	-	382,922	-
Policlinica de Diagnostic Rapid S.A.	-	-	104,587	-
Total	-	-	487,509	640,000

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

	Sales		Purchases	
	2021	2020	2021	2020
MARCU NICOLAE	-	8,000	-	-
DR. CRISTESCU I. MIHAELA-GABRIELA	-	-	700,800	700,800
Polidinica de Diagnostic Rapid S.A.	2,182,797	2,161,218	2,426,115	2,071,284
Polidinica 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
Biotech 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 Polissano 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
Stern 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	-	-	-
Total	14,933,967	13,222,235	45,557,896	34,473,347

24. TAXATION

	December 31, 2021	January 1, 2021
Current income tax expense	10,576,871	8,046,454
Deferred tax expense	-	-
Total income tax expense	10,576,871	8,046,454
Profit before tax	66,061,301	49,888,734
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	-	-
Income tax for the current year	10,576,871	8,046,454
Income tax to comprehensive income	-	-
Income tax to profit or loss – Expense	10,576,871	8,046,454
	December 31, 2021	January 1, 2021
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
Current tax liabilities	122,115	3,829,499

Med Life accrues income taxes at the rate of 16% on profits computed in accordance with the Romanian tax legislation.

Components of deferred tax	December 31, 2021	Change in deferred tax	January 1, 2021
Deferred tax assets			
Non-current assets	-	-	-
Amount related to untaken holidays provisions	1,258,534	-	1,258,534
Total deferred tax asset	1,258,534	-	1,258,534
Deferred tax liability	December 31, 2021	Change in deferred tax	January 1, 2021
Other elements	104,870	-	104,870
Revaluation reserve	12,611,076	-	12,611,076
Total deferred tax liability	12,715,946	-	12,715,946
Net deferred tax liability	11,457,413	-	11,457,413
Components of deferred tax	December 31, 2020	Change in deferred tax	January 1, 2020
Deferred tax assets			
Non-current assets	-	-	-
Trade receivables	1,258,534	-	1,258,534
Total deferred tax asset	1,258,534	-	1,258,534
Deferred tax liability	December 31, 2020	Change in deferred tax	January 1, 2020
Other elements	104,870	-	104,870
Revaluation reserve	12,611,076	-	12,611,076
Total deferred tax liability	12,715,947	-	12,715,946
Net deferred tax liability	11,457,413	-	11,457,413

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:

	December 31, 2021	January 1, 2021
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	259,580,434	207,077,279
Ratio to Total Equity	1.26	1.62

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

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%
2021							
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
2020							
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
	December 31, 2021	January 1, 2021					
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.

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)

2021		Weighted average effective interest rate	Carrying amount	Total	Year 1	Year 2	Year 3	Year 4	Year 5	> Year 5
Non-interest bearing instruments										
Trade payables			80,151,836	80,151,836	80,151,836	-	-	-	-	-
Interest bearing instruments										
Overdraft		EURIBOR 6M / ROBOR 6M + margin	9,896,200	9,896,200	9,896,200	-	-	-	-	-
Club Loan			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			73,921,712	79,814,155	24,387,469	20,611,708	13,121,375	8,820,507	4,834,487	8,038,609
Total			529,299,978	576,482,305	154,797,740	61,289,180	62,990,394	47,536,582	42,778,217	207,090,193
2020										
Non-interest bearing instruments										
Trade payables			96,605,850	96,605,850	96,605,850	-	-	-	-	-
Interest bearing instruments										
Overdraft		EURIBOR 6M / ROBOR 6M + margin	9,738,800	9,738,800	9,738,800	-	-	-	-	-
Club Loan			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			88,444,039	95,954,487	24,029,684	21,704,968	18,378,683	11,776,203	7,881,586	12,183,364
Total			563,320,098	604,932,234	173,015,534	97,126,491	83,814,786	73,898,057	87,397,892	89,679,473

(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:

	RON	1 EUR = 4.9481 RON	Total
2021			
ASSETS			
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
LIABILITIES			
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
2020			
	RON	1 EUR = 4.8694 RON	Total
ASSETS			
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
LIABILITIES			
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.

	December 31, 2021	January 1, 2021
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:

ASSETS	Classification under IFRS 9	Carrying amount	Fair value	Level 1	Level 2	Level 3
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
LIABILITIES						
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.

31 December 2021	Note	Level 1	Level 2	Level 3
Land and buildings	5	-	-	169,896,561
31 December 2020	Note	Level 1	Level 2	Level 3
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.

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.

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.


Mihail Marcu,
CEO


Adrian Lungu,
CFO

