MedLife

Annual Report 2017

CONTENTS

MEDLIFE GROUP IN FIGURES

Consolidated Statement of Financial Position

RON	31 December 2017
Non-current assets	432,342,667
Current assets	171,002,820
TOTAL ASSETS	**603,345,487**
Current liabilities	167,577,743
Long term liabilities	252,909,151
Deferred tax liability	15,196,634
TOTAL LIABILITIES	**435,683,528**
Equity attributable to owners of the Group	152,036,571
Non-controlling interests	15,625,388
TOTAL EQUITY	**167,661,959**

Pro Forma Consolidated Statement of Profit and Loss

RON	FY 2017
Sales	638,060,929
Other operating revenues	7,630,731
OPERATING INCOME	**645,691,660**
OPERATING EXPENSES	**(608,630,699)**
OPERATING PROFIT	**37,060,961**
FINANCIAL RESULT	**(20,816,641)**
RESULT BEFORE TAXES	**16,244,320**
Income tax expense	(6,037,841)
NET RESULT	**10,206,479**

Operational data for 2017 financial year

Description	For FY 2017
Clinics visits	1,153,218
Dental offices visits	99,682
Laboratory tests	5,320,695
Health Prevention Packages	568,593
Hospitals patients	58,610
Pharmacies transactions	269,104

MIHAIL MARCU

Chairman of the Board and Chief Executive Officer

Dear Shareholders,

During 2017, Medlife continued the expansion of the group at a sustained pace, both through acquisitions and organic growth. We have followed the growth and expansion strategy announced from the beginning of the year to our investors and shareholders, and we have achieved remarkable financial results.

Thus, MedLife has developed its presence in Brasov, by opening a new hyperclinic and one laboratory. In this way, through the inauguration of these medical units and the relocation of outpatient services in the new space, MedLife Brasov Hospital's capacity increased by 18 beds, as a day care hospital, the unit currently having a total of 82 beds and 3 operating rooms. The company thus strengthens its leadership position in Transylvania, being the only private healthcare provider, which provides integrated outpatient, imaging, laboratory, surgical and hospitalization services all under the same roof.

2017 was a year of big challenges in the acquisitions segment as well. By taking over the 80% majority stake in Almina Trading SRL, a medical services company with eight medical centers, MedLife has expanded also in Dambovita and Ilfov.
The takeover of the majority stake of Valdi Medica SRL led to strengthening the leadership position in the northwest of the country, MedLife being the first national operator which owns a hospital unit in Cluj – the Humanitas Hospital.

MedLife has also signed the acquisition of Anima Specialty Medical Services, one of the largest private ambulatory medical services providers for CASMB cash-settled services in Romania, with 6 polyclinics and a laboratory, over 200 employees, medical specialists and staff support, being the first private medicine network with its own occupational health medicine network in Romania.

The transaction of the year in private medicine was also announced by MedLife, by taking over the hospitals and clinics of Polisano, an operator in the top 10 companies in the private medical system in Romania. The Polisano network includes four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital - the European Hospital Polisano in Sibiu - recognized as one of the most modern and performing hospital units in Romania, an in vitro fertilization center and the largest private maternity hospital in Transylvania.

In the second half of 2017, MedLife's Board of Directors convened the General Meeting of Shareholders, aiming to increase the share capital of MedLife. As a result of this action, approximately 2 million new shares were issued, which increased the share capital of the company by RON 67.5 million.

2018 will continue at the same rate of growth across the market, both through organic growth and through acquisitions. At the same time, the group analyzes the possibility of expanding outside Romania with the desire to test over the next two years the foreign markets in the proximity, without making far-reaching openings.

Significant events in the past twelve months

Developments in 2017

Organic growth

MedLife consolidates its leadership position in Braşov and invests in the expansion of the hospital, but also in the opening of a new hyperclinic and a new laboratory

During 2017, Med Life S.A. ("the Company") announced the opening of a new hyperclinic and a new laboratory in Brasov. In this way, by inaugurating these medical units and relocating the outpatient services in the new space, MedLife Braşov Hospital extends its capacity with 18 beds, for day care hospitalization. The new hyperclinic MedLife Brasov is located near the train station, replacing the former Lidl shop. It provides to the local community a series of investigations and treatments for 32 specialties, including gastroenterology, general surgery, pediatrics, orthopedics, dermatology, neurology and ENT. The new unit comprises 21 medical offices for clinical and paraclinical consultations and investigations, three treatment rooms and two functional exploration offices. The medical team consists of 95 doctors and support staff. The new laboratory, the fourth unit in the portfolio of MedLife Brasov, is structured in four departments (biochemistry, hematology, immunology and microbiology) and is equipped with the latest equipment, of a high accuracy and precision, offering a wide and complex range of investigations. These two projects are the result of an investment of 1.3 million euros and occupy an area of 1,300 square meters.

Dent Estet invested 850,000 euros in a new unit located in Bucharest

The network of clinics Dent Estet, controlled by MedLife, has invested 850,000 euros in a new clinic located in the capital, being the unit with the largest area out of the total of 2,500 square meters occupied by the group. The clinic has 10 diagnostic and treatment rooms and is the largest Centre Planmeca Digital Academy in Romania, a distinction that marks the integration of revolutionary technology in all medical processes in the clinic. The unit also has a very modern surgical room and laboratory, which combines CAD-CAM technology with the precision of internationally accredited technicians; in this way, the doctor's time is streamlined and the patient obtains a product similar to the natural tooth in less than 24 hours, incomparable with the work usually performed with similar equipment in a dental office.

Acquisitions completed in 2017

During 2017, the Company completed the purchase of:

- Almina Trading S.A. is a company offering integrated outpatient medical services, imaging and laboratory analysis, with 20 years of activity on the local market and also is the largest medical operator in Dâmboviţa County; MedLife completed the acquisition of 80% of the share capital of Almina in March 2017.
- Anima Specialty Medical Services is a healthcare provider, one of the largest private outpatient service providers on the CASMB contract, covering over 15 specialties, including occupational health medicine, obstetrics - gynecology, ENT, endocrinology, ophthalmology, dermatology, cardiology, psychiatry, rheumatology, gastroenterology, allergy and clinical immunology. Anima has 6 polyclinics and a laboratory, over 200 employees, medical specialists and support staff, being the first private medicine network with its own occupational health medicine network in Romania. MedLife completed the acquisition of 100% of the share capital of Anima in May 2017;
- Anima Promovare si Vanzari S.R.L. is a company that rents and sub-leases spaces for companies in the medical and pharmaceutical industry, sub-renting some locations to Anima clinics. MedLife has completed the acquisition of 100% of the share capital of Anima Promovare in May 2017;
- Valdi Medica S.R.L. is a company that owns the Humanitas Hospital in Cluj. It offers a range of medical services mainly focused on surgical treatments, but it also holds in its portfolio an ambulatory medical specialty that supports surgery through multidisciplinary preoperative consultations, treatments and postoperative follow-up. MedLife completed the acquisition of 55.21% of Valdi's share capital in

September 2017, the remaining of 44.79% being held by two minority shareholders who are Valdi's prior owners;

- MedLife signed in October 2017 the acquisition of the entire stake of **Polisano's** medical services division, one of the largest private medical operators in Romania. Founded in the 1990s, Polisano is the first fully integrated medical group in Romania. It includes a series of four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital - the European Polisano Hospital from Sibiu, a place recognized as one of the most modern and performing hospital units in Romania -, one in vitro fertilization center and the largest private maternity in Transylvania. The transaction was approved by the Competition Council in April 2018 and completed at that time.

Credit facilities contracted by the Company during 2017

New facility under the syndicated loan

In June 2017, the Company signed a new facility in the amount of EUR 8,000,000 granted for the refinancing of the leasing contracts. At 31 December 2017, the net amount of the remaining not withdrawn facility is of EUR 3,326,128.

MedLife's commitment

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

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

It is to your benefit that we bring the experience of our over 21 years of activity on the private healthcare service market in Romania. We are committed to providing unique services due to the professionalism, care and responsibility of our medical staff, with the ultramodern equipment and facilities that we make available to every patient, every day.

COMPANY PRESENTATION

Founded in 1996, MedLife is the leading private healthcare provider in Romania. The company holds leadership positions in key metrics, including sales, number of clinics, number of hospital beds, and number of healthcare package subscribers ("HPP"). At the same time, it is one of the largest private health care companies in Central and Eastern Europe, based on the sales criterion, according to the Group's review of public data.

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

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

The Group has the largest number of medical facilities in Romania. These include 46 medical facilities in Bucharest, making it the largest private healthcare network in the city, and a further 67 medical facilities in the rest of Romania including in cities and towns such as Arad, Craiova, Ploiești, Cluj Napoca, Brașov, Galați, Iași, Timișoara, Constanța, Targoviste and Braila. The Group owns the real estate underlying its most significant hospital facilities in Bucharest as well as its hospitals in Brasov and Arad. Other facilities are used under long term leases.

The Group provides its services via the largest single pool of private doctors and nurses in Romania, totaling approximately 2,200 doctors and 1,500 nurses as of 31 December 2017. The Group's policy is to favour the employment of medical staff on an exclusive basis, unlike many competitors which share their medical staff with other private healthcare providers or with the public healthcare facilities. The Group engages part-time professionals only for specific specialties or functions. In addition, committed to providing quality medical services, the Group has consistently invested in medical equipment supporting its market position as a technology leader in diagnostic imaging.

In the Company's 20 years of operation on the Romanian market, over 5 million unique patients were provided services in the Group's medical facilities, which accounts for over one in four Romanians, based on the population data of Eurostat for 2017.

MedLife units as at 31 December 2017

- 53 clinics,
- 9 hospitals,
- 29 laboratories,
- 143 sampling points,
- 9 dental offices,
- 10 pharmacies.

Business Model

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

The Group divides its operations into six business lines:

Corporate: The Corporate business line offers HPP to corporate clients as part of their employee benefit packages. These programmes, which focus on prevention through regular check-ups and access to diagnostic services, complement the legally required occupational health services that corporate clients also contract from MedLife under the HPP offering. MedLife holds a portfolio of over 570,000 subscribers to its programmes from over 4,500 different companies. The Group has the largest base of individuals benefiting from HPP in Romania, according to the 2016 PMR Report.

Clinics: The Clinics business line includes the Group's ambulatory clinics and diagnostic imaging services. Clinics offer general practitioner and specialist consultations and include the Group's outpatient diagnostic imaging services. Certain of its clinics also undertake day hospitalization services. As of 31 December 2017, the Group covered 45 medical specialties in its 53 clinic locations.

Laboratories: The Laboratories business line provides biochemistry, hematology, coagulation, immunology, microbiology, anatomy, pathology, cytology, molecular biology and toxicology laboratories tests. The Laboratories business line conducted a total of 5,320,695 laboratories tests during 2017. As of 31 December 2017, the Group processed its samples in 29 labs and operated 143 sampling points across the country.

Hospitals: The Hospitals business line covers the Group's inpatient activities, which consist of a wide range of medical and surgical specializations. The Group holds 6 inpatient hospital licenses, which encompass the business line's activities. One of the licenses was issued for one hospital unit and 3 other external sections, accounting for the Group's 9 hospital locations. In addition to these, the Group was granted licenses for three additional day care units, which operate within Clinic locations and provide only day care inpatient services (i.e. Iași, Craiova and Timișoara).

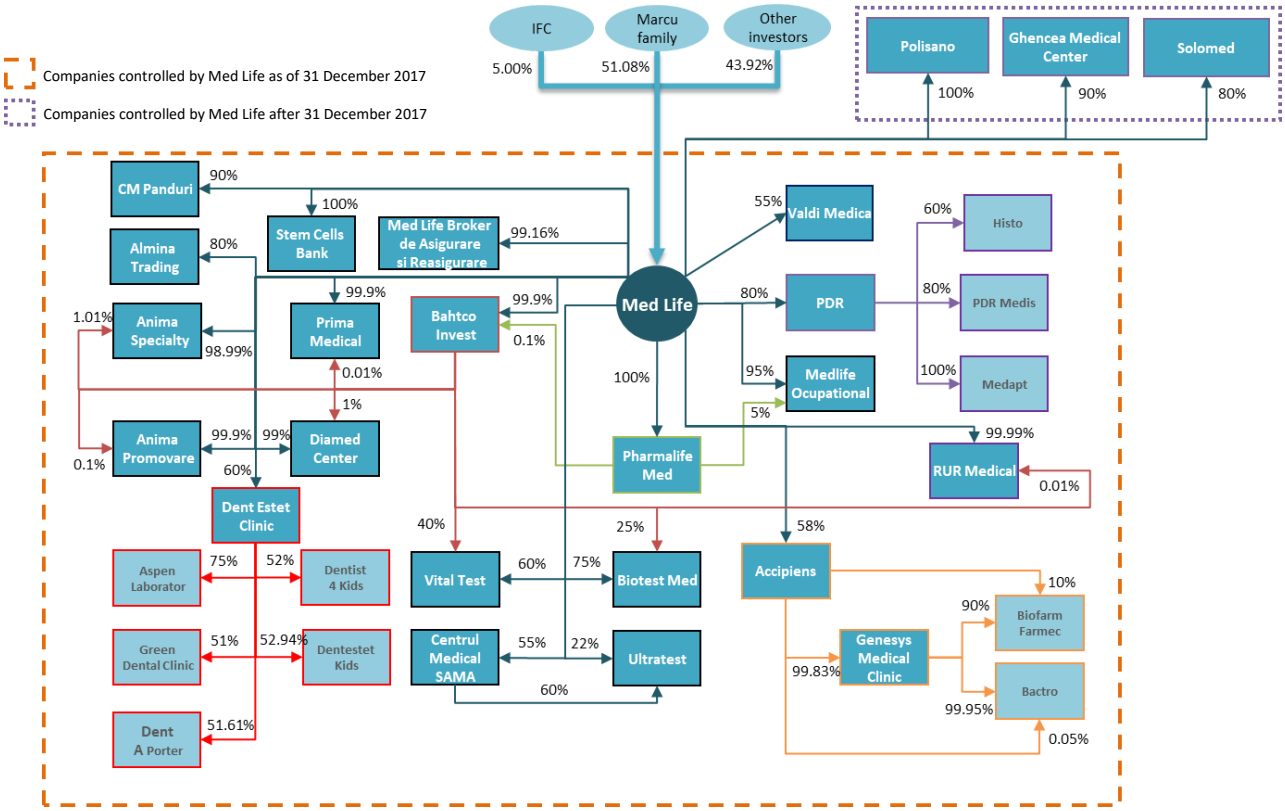
The financial results from these three day-care hospital services are accounted for in the Clinics division. The Group regards these units as functional parts of the hyperclinics located in Iași, Craiova and Timișoara. The Group's 9 hospital locations and the additional three 1-day inpatient units have a total of 621 licensed beds and 26 operating theatres as of 31 December 2017, forming the largest chain of private hospitals in Romania.

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

Stomatology: The Stomatology business line provides a wide range of dental services from simple check-ups to complicated surgery. As of 31 December 2017, the 9 dental offices in operation included 3 clinics focused on children in Timisoara and Bucharest, a clinic focused on teens, and 5 clinics for adults.

MedLife group structure as at 31 December 2017

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



Brief description of the companies within the Group

Accipiens

Accipiens S.A. ("**Accipiens**") is a company active in Arad, which operates the Genesys hospital in Arad, through Genesys Medical Clinic S.R.L.("**Genesys**"), a company where it holds 99.83% of the share capital. In June 2017, MedLife increased ownership in Accipiens to 58.00%, the remaining of 42.00% being held by minority shareholders that are former owners of Accipiens. Genesys owns a 99.95% stake in Bactro S.R.L. ("**Bactro**"), the remaining of 0.05% being held by Accipiens.

RUR Medical

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

PDR

Policlinica de Diagnostic Rapid S.A. ("**PDR**") is a company carrying out specialized medical activities, which operates, directly and through companies under its control, the Group's PDR Hospital, PDR Hyperclinic, Livada Hyperclinic, as well as a number of laboratories in Brasov, Romania. MedLife acquired 80.01% of PDR's share capital in August 2010, with the remaining 19.99% being held by minority shareholders that are former owners of PDR. The group owns through PDR 60.00% in Histo S.R.L., 100% in Medapt S.R.L. and 80.00% in the Policlinica de Diagnostic Rapid Medis S.R.L.

Bahtco

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

Centrul Medical SAMA

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

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

Vital Test

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

Biotest Med S.R.L.

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

PharmaLife Med

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

MedLife Broker de Asigurări

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

MedLife Ocupațional

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

Prima Medical

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

Diamed Center

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

Stem Cells Bank

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

Dent Estet

Dent Estet Clinic S.A. ("**Dent Estet**") is a company active in the dental care business, which operates, directly and through companies where it holds a majority stake, 8 dental clinics in Bucharest and Timisoara and one dental laboratory. MedLife completed the acquisition of 60.00% of the share capital of Dent Estet in July 2016, with the remaining 40.00% being held by the founder of Dent Estet.

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

Centrul Medical Panduri

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

Almina Trading

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

Anima Specialty Medical Services

Anima Specialty Medical Services S.R.L. ("**Anima**") is a healthcare provider, being one of the largest private outpatient services provider, on the CASMB contract, covering over 15 specialties including occupational health medicine, obstetrics - gynecology, ENT, endocrinology, ophthalmology, dermatology, cardiology, psychiatry, rheumatology, gastroenterology, allergy and clinical immunology. Anima has 6 polyclinics and a laboratory, over 200 employees, medical specialists and support staff, being the first private medicine network with its own occupational health medicine network in Romania. MedLife completed the acquisition of 100% of the share capital of Anima in May 2017.

Anima Promovare si Vanzari

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

Valdi Medica

Valdi Medica S.R.L. ("**Valdi**") is a company that owns the Humanitas Hospital in Cluj. It offers a range of medical services mainly focused on surgical treatments, but it also holds outpatient specialties that support surgery through multidisciplinary preoperative consultations, treatments and postoperative follow-up. MedLife completed the acquisition of 55.21% of Valdi's share capital in September 2017, the remaining 44.79% being held by 3 minority shareholders who are Valdi's prior owners.

Polisano

MedLife signed in October 2017 the acquisition of the entire stake of **Polisano** medical services division, one of the largest private medical operators in Romania. Founded in the 1990s, Polisano is the first fully integrated medical group in Romania. It includes a series of four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital - the European Polisano Hospital in Sibiu - recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization center and the largest private maternity in Transylvania. The transaction was completed in April 2018, after the validation by the Competition Council and the fulfillment of the suspensive conditions.

Ghencea Medical Center

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

Solomed

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

BOARD OF DIRECTORS

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

Board of Directors structure

Mihail Marcu (30 September 1970)

Mihail Marcu has been the Chairman of the Board of Directors of MedLife since August 2006. Mihail Marcu is a graduate of Bucharest University, the Mathematics and Computer Science Faculty in 1995, and has further graduated other post-graduate and advanced training courses delivered by the Romanian Banking Institute, the Open University, DC Gardner training or Codecs, both in Romania, and abroad. Prior to his position as a director of MedLife, Mihail Marcu used to be the chief executive officer of MedLife between January 2004 and August 2006; before that, he held the office of Vice-Chairman of RoBank S.A. (currently, OTP Bank Romania S.A.), being authorised in this capacity by the National Bank of Romania. Earlier, Mihail Marcu held various positions in Credit Bank Romania S.A. and RoBank S.A., including credit inspector, head of credit unit, manager of the credit department, and manager of the corporate department.

Nicolae Marcu (26 October 1968)

Nicolae Marcu has been a member of the Board of Directors of MedLife since December 2016. Nicolae Marcu is a graduate of Carol Davila Medicine and Pharmacy University of Bucharest, Faculty of Medicine (1996), and has been a doctoral student in psychiatry since 2000. Nicolae Marcu graduated a number of postgraduate studies in psychiatry in the country and abroad. Prior to joining the MedLife team, Nicolae Marcu was a specialised physician in psychiatry with "Dr. Al Obregia" Psychiatric Hospital.

Dimitrie Pelinescu-Onciul (11 August 1947)

Dimitrie Pelinescu-Onciul has been a member of the Board of Directors of MedLife since 2008. He is a graduate of the Carol Davila Medicine and Pharmacy University of Bucharest, Faculty of Medicine (1972), specialising in obstetrics and gynecology (residency 1978-1981), and became Doctor in Medical Sciences in 1994. Dimitrie Pelinescu-Onciul is a member of 11 Romanian scientific societies in Romania and of 7 scientific societies abroad, and held among other the office of President of the Romanian Perinatal Medicine Association (2006-2008). Before joining the MedLife team in 2004, Dimitrie Pelinescu-Onciul used to render work for Filantropia Clinical Hospital of Bucharest (1994-2004), Titan Clinical Hospital of Bucharest (1986-1991), Brâncovenesc Clinical Hospital (1978-1981), and Sinești Rural Hospital, county of Vâlcea (1972-1978), as primary care physician, obstetrics and gynecology, head of clinics or hospital director.

Dorin Preda (3 April 1976)

Dorin Preda has been a member of the Board of Directors of MedLife since 2008. He is a graduate of the Economics Academy of Bucharest, Faculty of Finance, Insurance, Banks and Stock Exchanges (1998). Before joining the MedLife team, Dorin Preda used to be the Chief Executive Officer (CEO) of Asilife Insurance Broker S.R.L. (2007-2008), Branch Manager with HVB –Țiriac Bank S.A. (2006-2007), HVB Bank S.A. (2005-2006), Banca Comerciala Ion Țiriac (2004-2005) and Banca Comerciala RoBank S.A. (2003-2004). Similarly, he used to hold the positions of Manager of Loans and Marketing Department of Banca Comerciala RoBank S.A. (2001-2002), credit analyst with the same bank (2000-2001), and Manager of the Loans Department of Banca Dacia Felix S.A. (1999-2000).

Leonard Gherghina (21 February 1964)

Leonard Gherghina has been a member of the Board of Directors of MedLife since 2009. He is a graduate of the Polytechnics University of Bucharest, Faculty of Aerospace Engineering (1998), and of a Master in Business Administration (MBA) programme of McGill University of Montreal, Canada and of the International Directors Programme and Managing Partnerships and Strategic Alliances at INSEAD, Fontainebleau, France. Before joining the MedLife team, Leonard used to be a partner for Central Europe in Value4Capital Eastern Europe Holding V Limited (2006-2012), partner for Central Europe in Baring Private Equity Partners (1998-2006), and senior investment officer in the Romanian-American Enterprise Fund (1995-1998).

Ion Nicolae Scorei (22 December 1974)

Ion Nicolae Scorei has been a member of the Board of Directors of MedLife since 2006. He is also an attorney-at-law, member of the Bucharest Bar, and coordinating partner of Scorei și Asociații Law Firm. Ion Nicolae Scorei is a graduate of the Romanian-American University, Faculty of Law (1998).

Ana Maria Mihaescu (29 July 1955)

Ana Maria Mihăescu is an interim member of the MedLife Board of Directors starting with September 2017. In the last 20 years, Ana Maria Mihăescu has led the mission of the International Finance Corporation of Romania, a World Bank's Division and the largest private sector financier in emerging countries. Between 2011 and 2016, Ana Maria Mihăescu had a decision-making role regarding the IFC projects in several European countries, including Romania. Previously, she held top management positions in the banking sector. Since 2016, she has been a member of the Raiffeisen Bank's Supervisory Board, serving as an independent member for a four-year term.

EXECUTIVE COMMITTEE

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

Mihail Marcu, Chief Executive Officer

Nicolae Marcu, Chief Healthcare and Operations Officer

Dorin Preda, Chief Finance and Treasury

Adrian Lungu, Chief Financial Officer

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

Radu Petrescu, Human Resources Director

Radu Petrescu is director of the Human Resources Department starting with September 2017. Radu Petrescu has extensive experience in the human resources field of the pharmaceutical and FMCG industries, coordinating large-scale recruitment projects and performance management projects. He has served as HR Manager, Central and Eastern Europe, for Danone. Previously, he worked in the pharmaceutical field where he held the position of Operations Manager, HR Operations Europe, at Pfizer, as well as in consulting and audit services, where he worked for PricewaterhouseCoopers (PWC). Graduate of the sociology faculty of the Bucharest University, Radu Petrescu also attended a master program at the same institution.

Geanina Nicoleta Durigu, Laboratory Manager

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

Mariana Ilea-Brates, Purchasing Manager

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

Mirela Dogaru, Corporate Manager

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

Vera Firu, Accounting and Tax Manager

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

Mihai Vârciu, Medical Manager (until 30 April 2018)

Mihai-Stelian Vârciu is the medical manager of the Group. Mihai graduated from the University of Medicine and Pharmacy of Cluj Napoca, Faculty of Medicine, being licensed as a physician, and in 2000 obtained his PhD in Medical Sciences from Carol Davila University of Medicine and Pharmacy, Bucharest. Mihai has teaching experience, as since 2003 he is a university teacher at Transylvania University, Faculty of Medicine, where he has held since 2013 the position of Lecturer. Mihai is the author of several works, scientific communications and specialized articles and is a member of the College of Physicians, of the Romanian Society of Endocrinology and of the Romanian Society of Psycho-neuroendocrinology. His professional experience includes the position of primary care doctor, head of section in Brasov Emergency County Hospital held during 1998-2011.

Larisa Chiriac, Medical Manager (starting with 01 May 2018)

Larisa Chiriac is the medical manager of the Group. Larisa graduated as a physician from Titu Maiorescu University of Bucharest, Faculty of Medicine and Pharmacy in 1998. Larisa worked at the Cardiovascular Center for Cardiovascular Disease in Bucharest. Her professional experience includes the position of a specialist in occupational health medicine with medical management and general ultrasound management capabilities, head of the triage office of the Army Cardiovascular Diseases Emergency Center in Bucharest, from May 2003 to June 2016.

COMPANY MANAGEMENT

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

The Group manages its business based on an annual budget, agreed on a bottom-up basis with the 40+ group, initially, and subsequently confirmed by the Group's Executive Committee and by the Board of the Directors. The budget includes detailed operational key performance indicators as well as financial targets, represents the Group's operating and financial plan for a financial year, and sets the operational and financial targets at the unit level. Compensation of the members of the 40+ group is heavily linked to the achievement of the budget. Within their units, the managers have substantial autonomy to operate within the agreed budget framework.

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

PEOPLE AND RESOURCES

The Group services patients through the largest private pool of doctors and nurses in Romania. As of 31 December 2017, the Group collaborated with a total of approximately 2,200 physicians and 1,500 qualified nurses across its business lines, including both employees working exclusively for the Group and collaborators, providing services as independent contractors.

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

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

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

MEDLIFE STRATEGIC OBJECTIVES AND DIRECTIONS

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

MedLife targets opportunities that provide additional revenue capture and synergies within its existing network and services. This goal is expected to be achieved through a combination of organic growth and acquisitions of smaller medical healthcare providers in the market. At the same time, the Company remains committed to ensuring quality and safe medical treatment to its clients, balancing the medical risks and opportunities with the Group's commercial goals.

Competitive strengths

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

- over 36,000 tests are processed daily in our laboratories
- 70% of the total number of tests performed in the laboratories of the Group are processed within 24 hours
- over 1,200 laboratory tests are available to MedLife patients

Development directions

Organic growth

During the period between 2014 and 2017, the Company opened a number of new clinics and other facilities, particularly sampling points for its Laboratories business line. Many of these facilities are believed to still have the capacity to service greater numbers of patients, which should allow for the increase in their revenue and profit contribution, as they reach a higher utilization capacity. Further, the Group continues to optimize the mix of services offered at its other facilities to the specific local market conditions, seeking to improve the revenue and margins of each location. As a result, the continued ramp-up of these facilities is expected to improve margins as well as deliver further sales growth. The Company often takes advantage of the base facilities resulting from an acquisition to further organically expand the business of the acquired company.

The recent acquisitions set out below, provide new platforms for organic expansion of the business. For example, in 2016, the Group acquired Diamed Center, which operates a network of laboratories and sampling points , primarily in Bucharest. Based on this acquisition, the Group is further developing a second brand of laboratories under the brand "Sfânta Maria" laboratories, which is expected to provide FFS laboratory tests at lower prices than in MedLife branded labs. Further, the Group plans to build on the existing contracts of Diamed Center with the NHIH, although the Company does not expect this to materially change the Group's overall exposure to NHIH contracts as a percentage of its total sales.

As of 31 December 2017, the Group had 24 sampling points opened under the "Sfânta Maria" laboratories brand, adding organic growth to its acquisition.

Selective acquisitions and integration of other market players

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

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

The Group's acquisition strategy envisages the full integration of the acquired units into the MedLife system, ensuring uniformity of service, branding and other standards across the business. The Group's support functions such as human resource management, accounting, marketing, public relations and purchasing are centralized, thus reducing the costs and increasing the efficiencies within such functions. The Group pays particular attention to its IT solutions, which are a critical part of increased client service, and seeks to transfer its accumulated know-how to the operation of the acquired business. The Group's 16 past acquisitions and integrations provide a clear road map for further acquisitions.

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

In furtherance of this strategy, during 2017 the Company completed the purchase of:

- Almina Trading - through this acquisition, the group assured its presence in a new region, Almina Trading being the largest medical operator in Dâmboviţa County, comprising 8 medical centers;

- Anima Group - Anima is one of the largest private providers of ambulatory medical services in contract with Casa de Asigurări de Sănătate a Municipiului București, covering over 15 specialties. Also, through this acquisition, the Group has also increased its base corporate subscribers;

- Valdi Medica - through acquisition of Valdi Medica, the Group has expanded its portfolio of specialties for customers in the Transylvania region, Cluj county. Valdi offers a range of medical services mainly focused on surgical treatments, but also has outpatient medical specialties that support surgery through preoperative multidisciplinary consultations, treatments and postoperative follow-up.

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

Perspectives

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

STATUTE OF CORPORATE GOVERNANCE

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

General Shareholders Meeting

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

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

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

The Board of Directors

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

BD convenes whenever necessary, but at least one every 3 months.

Every year, the BD evaluates its own performance and that of its committees and it includes the key measures and the changes resulted from such evaluation in the declaration of conformity to the provisions of the Code of Corporate Governance of BVB.

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

Consultative Committees

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

Audit Committee

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

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

The Investment Committee

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

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

The Appointments and Remuneration Committee

BD will set up an Appointments and Remuneration Committee made up of non-executive members of the BD, who, among others, will lead the procedure of appointments of new BD members and will make recommendations for the BD and lead the process of evaluation of the BD activity. Until such committee is set up, the BD, as a result of the self-evaluation process:

- will approve a description of the role and of the conditions of eligibility required for a certain position in the BD or in the Executive Committee;
- will identify the candidates for the position of administrator, if applicable;
- will ensure a suitable remuneration policy, compatible with the strategy and the long term interests of MedLife;
- will ensure the publication of the direct and indirect remuneration of the administrators and executive directors in the annual report, making a distinction between the fixed and variable components of such remuneration.

Executive Committee

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

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

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

MedLife Paediatrics Hospital in Bucharest, opened in 2011. The hospital focuses on inpatient care and surgery for paediatric patients and also houses a specialized clinic, pharmacy and laboratory.

The hospital is licensed for 132 beds and has 2 operating theatres. Diagnostic imaging equipment including echography equipment and RX equipment is also installed at this location.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

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

Foreign Exchange Risk

The Group is primarily exposed to the volatility of RON against EUR. Other currencies have only a limited impact on its cash flow and results. The effect of foreign exchange risk on cash flows is regularly monitored. For a detailed discussion of foreign exchange risk management, including sensitivity analysis, please refer to Note 26 (g) to the Annual Financial Statements.

Operational Risk

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

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group seeks to limit the credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular analysis of debt service, ageing of receivables, etc. Counterparty limits are established in combination with credit terms. In respect to credit risk arising from the Group's other financial assets, including cash and cash equivalents, its exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its credit risk with regard to other financial instruments by only dealing with banks believed to be reputable.

Liquidity Risk

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

Interest Rate Risk

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

Internal Control

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

Off-balance sheet arrangements

As of 31 December 2017, other than operating lease commitments and committed capital expenditure (as described above), the Group is not a party to any off-balance sheet obligations or arrangements.

Changes in Accounting Policies

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

MEDLIFE SHARES

Subscribed and paid in share capital

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

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

History of the share capital of the Company

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

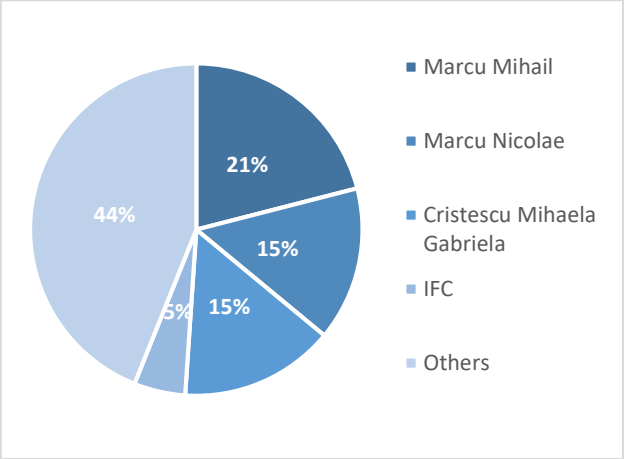
On 11 November 2016, the split of the nominal value of shares issued by the Company from RON 10 /share to 0.25 RON/share was recorded in the trade register, based on the decision of the Extraordinary General Meeting of Shareholders adopted on 1 November 2016. Following the division of the nominal value,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

On December 19, 2017, the process of raising capital by issuing shares was completed. Thus, 753,082 shares were subscribed as a result of exercising the preference right of the shareholders registered in the shareholders' register on October 27, 2017. There are also other 1.3 million shares set in private placement. The date of the newly issued shares was January 11, 2018.

Shareholding structure of Med Life S.A. as at 31 December 2017

As at 31 December 2017, MedLife S.A. had the following shareholding structure: Marcu family (51.08%), International Finance Corporation (5.00%), with the remaining holding traded on the Bucharest Stock Exchange, at Premium Category. Around 100 legal entities, both from Romania, and abroad, and over 1,000 private individuals held approximately 43.92% of the free traded shares.

Shareholder	Number of shares
Marcu Mihail	4,219,320
Marcu Nicolae	3,013,800
Cristescu Mihaela Gabriela	3,028,892
IFC	1,004,600
Others	8,825,388



MedLife Shares

As at 31 December 2017, the price of a MedLife share was of 34.1 RON, an increase of 31.15% as compared to the share price on the debut date.

DIVIDENDS POLICY

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

The Company's general meeting of shareholders is free to decide the distribution of dividends based on the proposal of the Board of Directors. Shareholders holding individually or collectively at least 5% of the voting rights may also request to add to the agenda of the shareholders' meeting an item on the distribution of dividends, including the distribution quota. Dividends may be distributed only out of profits determined by law, based on and according to the financial statements approved by the shareholders' meeting, pro rata with the contribution to the paid-in share capital.

The Board of Directors is focused on creating value for the Company's shareholders. To sustain the Group's current pace of growth in terms of profitability, the Group needs both internal and external resources. Thus, the Board of Directors, committed to further expand the Group's profitability to the benefit of the shareholders, intends to propose not to distribute dividends to the shareholders for as long as the growth of the Group is comparable to that recorded during the period covered by the historical financial information, i.e. 2013 - 2015. In case the Board of Directors will propose the distribution of dividends in the future, certain matters will need to be considered, such as general business conditions, the Group's financial results, investment requirements as well as contractual and legal restrictions on the payment of dividends or any other factors as the Board of Directors may deem relevant. Profits not required for the Company's growth plans or not encumbered by contractual, legal or other restrictions is expected to be paid to the shareholders as dividends, unless it is needed for any other corporate purpose including investments in value creating opportunities.

The General Meetings of Shareholders approving the annual financial statements generally establishes also the amount of the gross dividend per share, as well as the payment process. According to the Capital Market Law, the General Meeting of Shareholders approving the distribution of dividends must also set the period during which the dividends will be paid to the entitled shareholders. The beginning of the payment period shall not occur later than 6 months from the date of the meeting. If the General Meeting of Shareholders does not decide on a dividend payment period, the dividends shall be payable within 30 days from the date of publication of the resolution approving the payment of dividends in the Official Gazette of Romania. Upon expiry of such period, the Company would be deemed to be in payment default by operation of law.

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

Under capital markets regulations, the Company must publish, before the dividend payment date, a press release in a nationwide newspaper specifying the value of the dividend per share, the dividend ex-date, the registration date and the dividend payment date, as approved by the General Meeting of Shareholders, as well as the means of dividend payment and identifying information of the paying agent.

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

According to the Companies Law, a dividend distribution out of fictitious profits or from sources that cannot be distributed, in the absence of annual financial statements or contrary to the relevant data included in

the financial statements, attracts the criminal liability of the directors, managers, members of the executive board or of the supervisory board or of the legal representatives of the company. Furthermore, if the Company registers a loss of its net assets, the share capital must be replenished or reduced before any dividend distribution. In addition, if the Company has accumulated losses, it may not pay dividends until the losses are offset.

The Company's financial year begins on 1 January and ends on 31 December. According to the Companies Law, dividends may be distributed only if the Company registers profit, as reported in the annual financial statements, approved by the General Meeting of Shareholders. No interim dividends may be distributed according to Romanian law. The profit of the Company after the payment of the profit tax shall be distributed according to the resolutions of the general meeting of shareholders. The Company is under an obligation to create reserves and other funds required by applicable legislation.

The distribution of dividends by the Company and by other Group companies is subject to restrictions included in the Group's loan facilities agreements.

MedLife registers positive satisfaction levels from patients, scores highly on customer's recognition of its brands, and has a strong track record of referrals by its patients.

The Group received the title of "Most Trusted Brand" from Reader's Digest publication, at the Private Clinics category, in Romania for six consecutive years, between 2009-2015, four Superbrand Awards including during 2017, the Qudal Award in 2016 and 2017.

FINANCIAL ANALYSIS

The following discussion of the Group's financial condition and results of operations as of and for the years ended 31 December 2015, 2016 and 2017 should be read in conjunction with the Financial Statements and the information related to the Group's business included elsewhere in this Annual Report. Selected financial information in this section has been derived from the Financial Statements, in each case without material adjustment, unless otherwise stated. Investors should read the Annual Report together with the Financial Statements and other reports issued by the Group and not just rely upon summarized information.

The following table sets out the Group's consolidated statement of profit and loss and other comprehensive income for the periods ended 31 December 2015, 2016 and 2017 respectively:

	For the year ended 31 December,		
	2015	2016	2017
Sales	**390,978,897**	**502,986,790**	**623,219,949**
Other operating revenues	4,591,826	5,468,590	7,496,681
Operating income	**395,570,723**	**508,455,380**	**630,716,630**
Operating expenses	**(366,579,247)**	**(488,901,027)**	**(595,857,844)**
Operating profit	**28,991,476**	**19,554,353**	**34,858,786**
Finance cost	(11,270,696)	(13,336,592)	(14,201,686)
Other financial expenses	(4,722,017)	(5,048,649)	(6,380,555)
Financial result	**(15,992,713)**	**(18,385,241)**	**(20,582,241)**
Result before taxes	**12,998,763**	**1,169,112**	**14,276,545**
Income tax expense	(3,093,994)	(2,411,102)	(5,544,920)
Net result	**9,904,769**	**(1,241,990)**	**8,731,625**
attributable to :			
Owners of the Group	8,580,871	(5,109,958)	4,382,702
Non-controlling interests	1,323,898	3,867,968	4,348,924
Other comprehensive income items that will not be reclassified to profit or loss			
Gain/Loss on revaluation of properties	-	3,398,211	-
Corrections related to prior years	(391,949)	-	-
Deferred tax on other comprehensive income components	62,335	(543,714)	-
Total other comprehensive income	**(329,614)**	**2,854,497**	**-**
attributable to :			
Owners of the Group	(329,614)	5,439,256	-
Non-controlling interests	-	(2,584,759)	-
Total comprehensive income	**9,575,155**	**1,612,507**	**8,731,625**
attributable to :			
Owners of the Group	8,251,257	329,298	4,382,702
Non-controlling interests	1,323,898	1,283,209	4,348,924

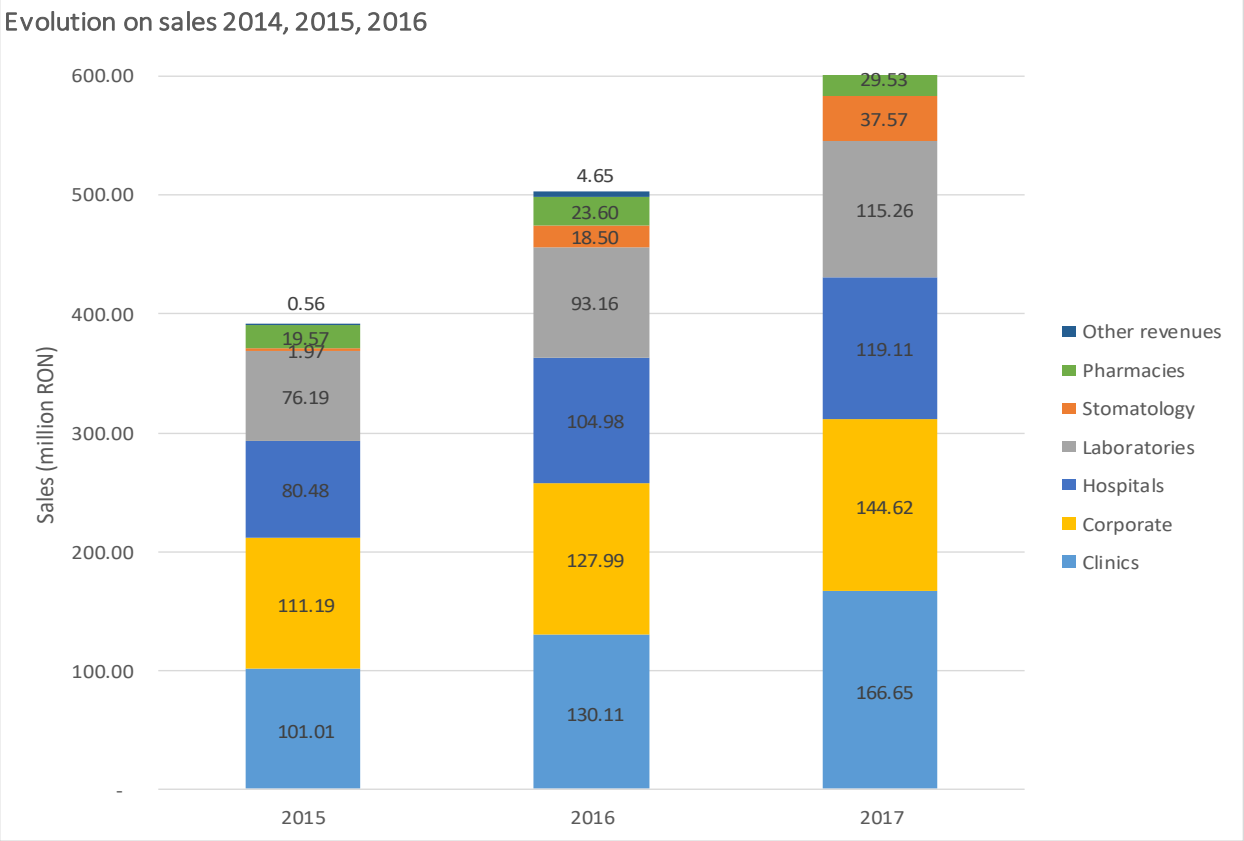
Overview of the Group's sales streams

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

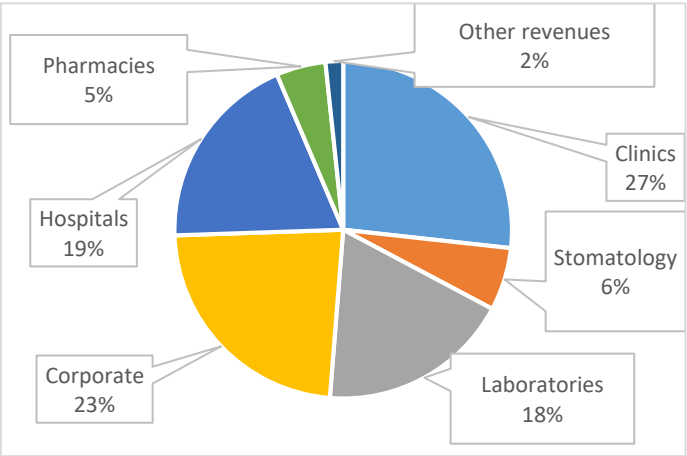
Sales for 2017 financial year amounted to RON 623,219,949, higher than the sales amount recorded in 2016 with RON 120,233,159 or 23.9%. This increase was mainly the result of significant growth in all of the Group's business lines, led on a percentage basis by Stomatology, Clinics and Laboratories as well as the impact of the acquisitions completed by the Group in 2017.

The following table sets out the sales for 2017 as compared to the sales recorded in 2016 and 2015 for each of the Group's business lines:

	For the year ended 31 December				
	2015	2016	2017	Change % 2016/2015	Change % 2017/2016
Sales (RON)	RON	RON	RON		
Clinics	101,014,108	130,109,363	166,650,648	28.8%	28.1%
Stomatology	1,973,307	18,504,217	37,565,681	837.7%	103.0%
Laboratories	76,187,985	93,161,917	115,259,329	22.3%	23.7%
Corporate	111,190,772	127,988,835	144,621,716	15.1%	13.0%
Hospitals	80,483,227	104,977,229	119,106,274	30.4%	13.5%
Pharmacies	19,573,149	23,597,580	29,526,655	20.6%	25.1%
Other revenues	556,349	4,647,649	10,489,646	735.4%	125.7%
TOTAL Sales	**390,978,897**	**502,986,790**	**623,219,949**	**29%**	**24%**



From the Group's total consolidated sales of RON 623,219,949 in 2017, sales of the Corporate business line represented 23.2% of the total sales, while sales obtained by the Hospitals business line represented 19.1% of the total sales for the same period, sales of the Clinics business line represented 26.7% of the total sales for the same period, sales of the Laboratories business line represented 18.5% of the total sales for the same period, sale of the Pharmacies business line represented 4.7% of the total sales for the same period and sales of the Stomatology business line represented 6.0% of total sales recorded in the period. Other sales recorded in the twelve months period ended 31 December 2017 represented 1.7% of the total consolidated sales.



Group sales evolution

	For the year ended 31 December					
	2015		2016		2017	
	RON	%	RON	%	RON	%
Clinics	101,014,108	25.8%	130,109,363	25.9%	166,650,648	26.7%
Stomatology	1,973,307	0.5%	18,504,217	3.7%	37,565,681	6.0%
Laboratories	76,187,985	19.5%	93,161,917	18.5%	115,259,329	18.5%
Corporate	111,190,772	28.4%	127,988,835	25.4%	144,621,716	23.2%
Hospitals	80,483,227	20.6%	104,977,229	20.9%	119,106,274	19.1%
Pharmacies	19,573,149	5%	23,597,580	4.7%	29,526,655	4.7%
Other revenues	556,349	0.1%	4,647,649	0.9%	10,489,646	1.7%
Total sales	390,978,897	100%	502,986,790	100%	623,219,949	100%

Business model independent of NHIH funding

The Group's business and revenue model focuses on the spending power of corporations and private individuals on medical services, while the State's contribution through the NHIH represents a complement, not the core revenue of MedLife's activities. In 2017, 86% of the Group's revenue came from corporations and private individuals. During the same period, only 14% of the Group's revenue came from providing services to patients insured by State programs. In 2015 and 2016, the Group's revenue from State insured patients represented 12%, and 13% respectively of the Group's total sales.

	For the year ended 31 December					
	2015		2016		2017	
	RON	%	RON	%	RON	%
Corporations and Private Individuals for HPP and fee-for service payments	342,498,549	88%	437,598,507	87%	533,056,204	86%
State insured patients paid by the NHiH	48,480,348	11%	65,388,283	13%	90,163,744	14%
TOTAL	390,978,897		502,986,790		623,219,949	

Clinics

The core of the Group's operations is the network of ambulatory clinics throughout Romania. The business line comprises a network of 53 facilities, which offer a wide range of outpatient services covering a broad range of medical specialties. The Group's diagnostic imaging services provided to clients other than hospital inpatients also form part of this business line.

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

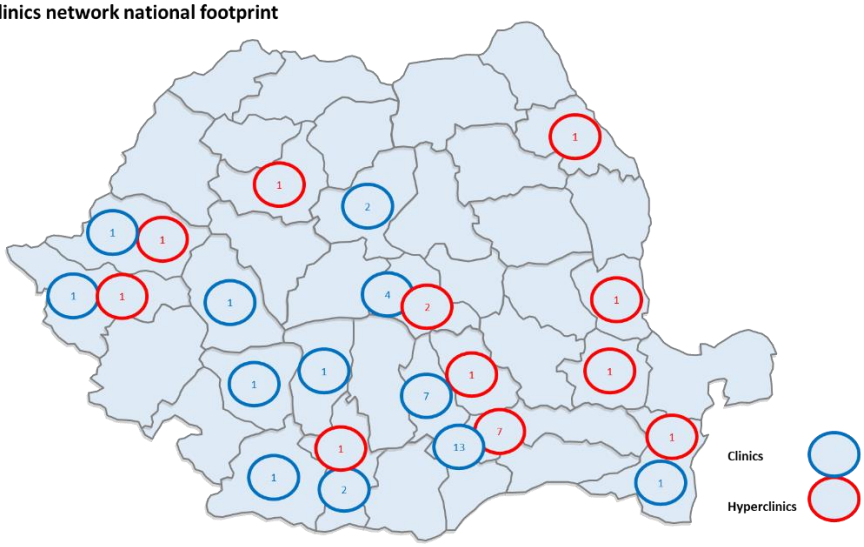
- Hyperclinics, a format pioneered by MedLife in Romania, consisting of large facilities with at least 20 medical offices and surface areas in excess of 1,000 sqm. It is a one-stop-shop for clinical examinations and imaging. This format is designed for larger urban areas, with a population over 175,000. Hyperclinics would usually include a broad range of imaging services on site including radiology, bone density – DEXA, CT, MRI 3T, 2D-4D ultrasounds and Mammography; in the case of new openings, such services may be included in the hyperclinics' offering gradually. Hyperclinic locations also host the services of other business lines, such as pharmacies or sampling points for laboratories. As of 31 December 2017, the Group operated 18 hyperclinics throughout Romania.

- Clinics, offering a range of treatments from general practitioner services to specialists, are aimed at servicing the core needs of the Group's HPP patients and FFS clients. The Group's clinics typically have between 5 and 12 medical offices, although smaller satellite clinics are in operation to address specific market situations. Clinics are designed for smaller cities or to serve specific concentrations of patients. Clinics, with limited capacity and generally limited imaging services, act as feeder networks for the more specialized services located in the hyperclinics. Certain clinics are fully specialized, such as Mindcare and the Obor and Paediatrics hospitals, which also have dedicated outpatient units.

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

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

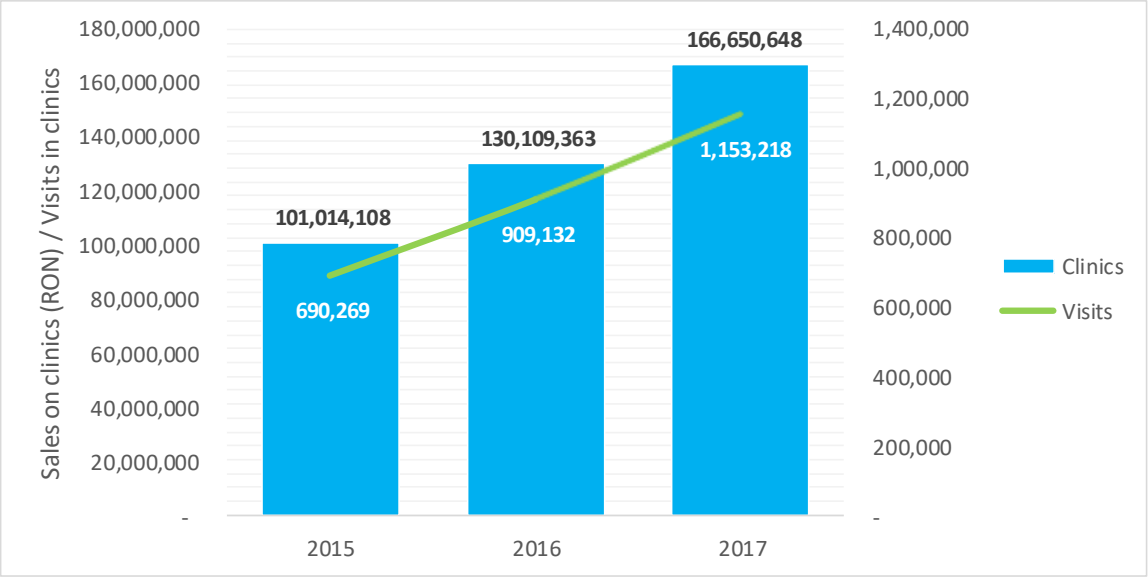
Clinics network national footprint



Analysis of clinics business line 2017 evolution

The sales of the Clinics business line increased in 2017 by RON 36,541,285 or 28.1%, from RON 130,109,363 in 2016 to RON 166,650,648 in 2017. The increase was due to a 26.8% increase in the number of visits, from approximate 909,000 in 2016 to approximate 1,153,000 in 2017. The increase in the number of visits were driven by the continued growth of customer numbers in the Group's clinics opened before 2017, as well as due to acquisitions made during the year. The average fee per visit recorded an increase of 1% from 143.1 RON/visit in 2016 to 144.5 RON/visit in 2017. The increase was caused by the change in the mix of services accessed by the group's clients.

The Clinics business line derives its revenue predominately from FFS clients. Treatment of State insured patients for the NHIH, mainly relating to diagnostic imaging services, represented 9%, 10% and 14% of the business line's sales in 2015, 2016 and 2017, respectively.



Corporate

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

MedLife has a portfolio of over 570,000 HPPs patients from over 4,500 different companies. The Group has the largest base of individuals benefiting from HPP in Romania, according to the 2016 PMR Report.

The HPPs offered by the Group consist of the following:

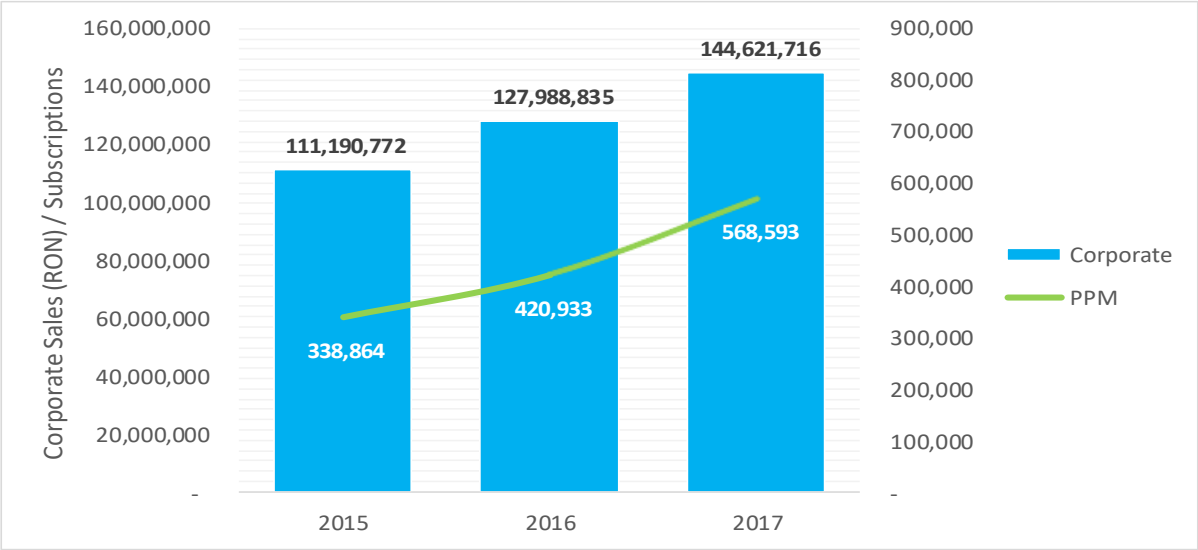
- Mandatory occupational health services, which mainly include the provision of annual employee check-ups and more specific services depending on the client's industry. Many companies begin by purchasing occupational health services under the "Standard" HPP and then add benefits under broader HPPs from the same provider for certain or all of their employees, providing an upselling opportunity for the occupational health provider.

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

Analysis of corporate business line 2017 evolution

For the year ended at 31 December 2017, MedLife increased its revenues from HPP sales by 13%, as compared to the previous financial year. This was achieved by consistently growing the number of corporate clients and implicitly the number of its individual subscribers, while focusing on the retention and up-sale of existing clients. The average annual price per HPP decreased by 16.3% or 50 RON in 2017 as compared to 2016 as a result of Group's undertaken of the Anima client portfolio, a portfolio that mostly includes occupational health services.

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

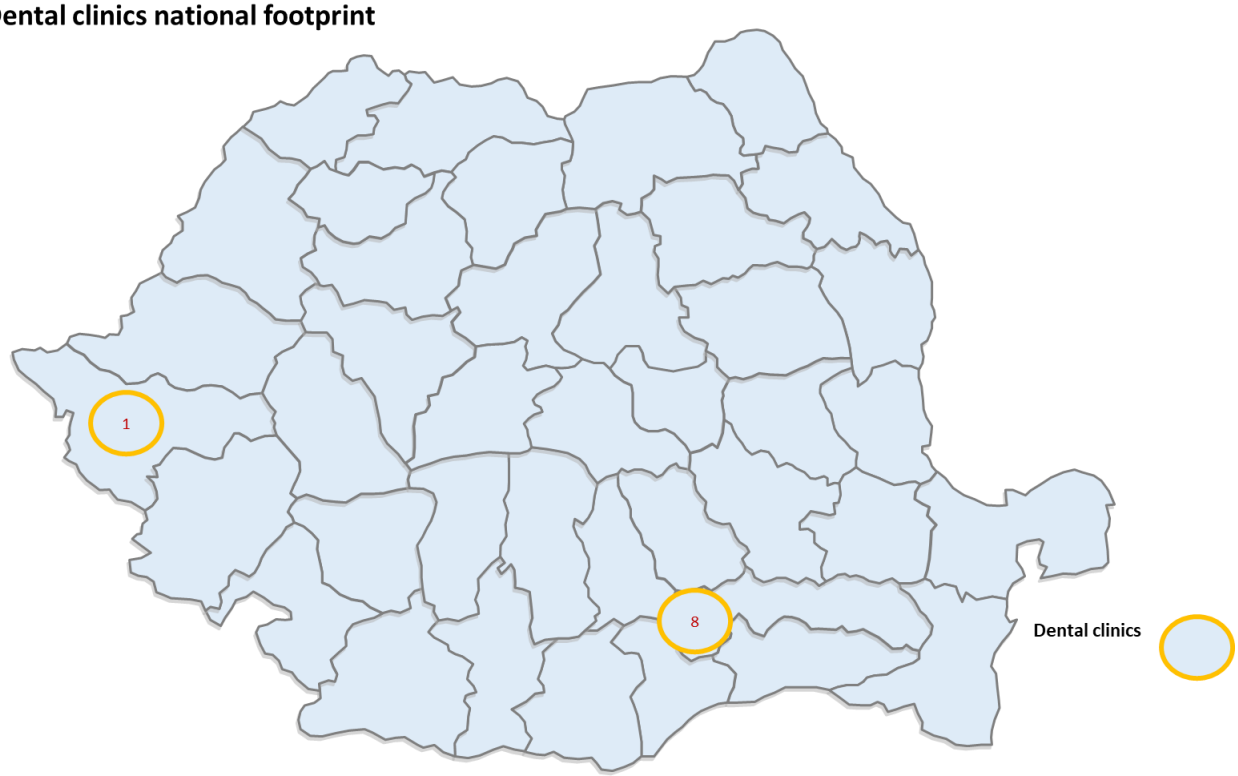


Stomatology

The Group opened its first standalone stomatology clinic under the DentaLife brand in Bucharest in 2015 in leased premises, with the plan to expand the network further within Bucharest and across the country. On 11 July 2016, the Group completed the acquisition of Dent Estet, the largest player in the Romanian dental market. The Dent Estet group already operated a total of 7 dental clinics, including two clinics targeted specifically at children under the DentEstet 4 Kids brand and a teenage focused facility.

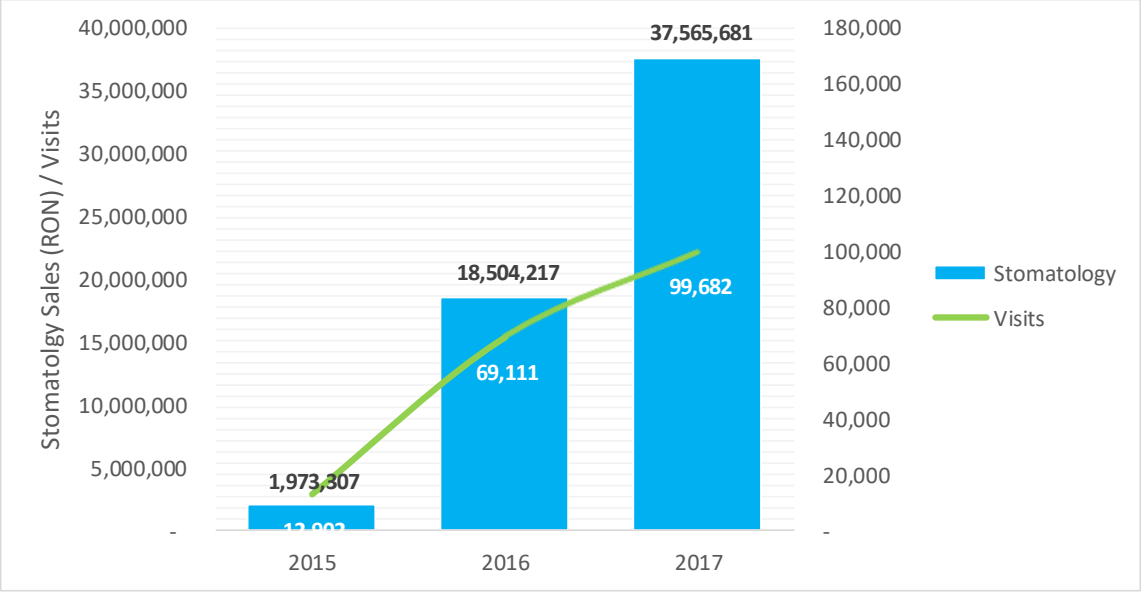
The Dent Estet acquisition propelled the Group to a leading position on the stomatology market, which remains highly fragmented. Following the Dent Estet acquisition, the Group plans to continue to expand under the Dent Estet brand, building on its strong existing positioning in the market The Group's Stomatology business line offers a full range of dental services, from routine check-ups to dental surgery, implants and orthodontics. Since May 2017, a new dental clinic has been opened under the Dentestet brand. The clinic has 10 diagnostic and treatment rooms and is the largest Planmeca Digital Academy in Romania, a distinction that marks the integration of revolutionary technology in all medical processes in the clinic. As of 31 December 2017, 95 doctors were employed in this line of business. The business line operates in leased facilities.

Dental clinics national footprint



Analysis of stomatology business line 2017 evolution

Stomatology business line sales increased in 2017 by RON 19,061,464 or 103.0%, from RON 18,504,217 in 2016 to RON 37,565,681 in 2017. The increase in sales and visits was due to Dent Estet acquisition. Stomatology is not subject to NHIH allocations; all of the sales are fee for service ("FFS") based.



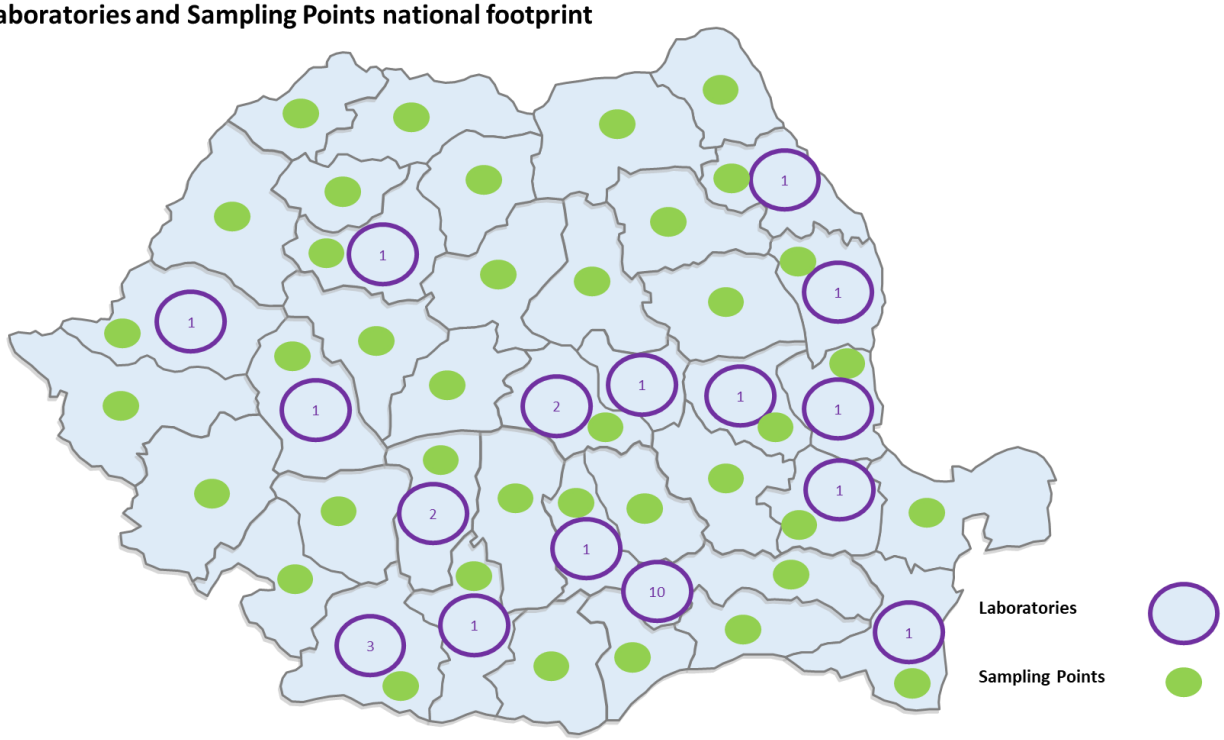
Laboratories

The Group is a leading player in the field of laboratories, where the Group has been active since 1999. The Group is currently the leading laboratory chain focused on the private market, according to the 2016 PMR Report. The Laboratories business line provides the following range of services: biochemistry, hematology, coagulation, immunology, microbiology, anatomy, pathology, cytology, molecular biology and toxicology.

The Group operates 29 laboratories under the MedLife brand, ranging from the large, state-of-the-art Grivita lab facility to smaller regional facilities. As of 31 December 2017, the Group also operated approximately 143 sampling points throughout Romania. Sampling points are locations where the Group collects blood and other samples from patients.

In 2016, the Group acquired Diamed Center, a chain of five laboratories out of which two are located in Bucharest and three in other cities in Romania. The Group's objective is to use this acquisition as a platform for the launch of a second laboratory brand, "Sfânta Maria". This network will be positioned as a lower-priced laboratory venue compared to the MedLife branded laboratories and would offer patients a competitive alternative when price is a key purchasing decision. The Diamed Center laboratories are undergoing a process of re-branding of the existing locations, undertaken simultaneously with the opening of new sampling points under the "Sfânta Maria" laboratory brand. Starting with 20 September 2016, 5 laboratories and 24 sampling points had been established under the "Sfânta Maria" laboratory brand. The Group also expects that "Sfânta Maria" laboratories will work to expand the volume of contracted NHIH work, building on its existing base of NHIH contracts. However, this is not expected to materially change the Laboratories business line's overall exposure to NHIH contracts.

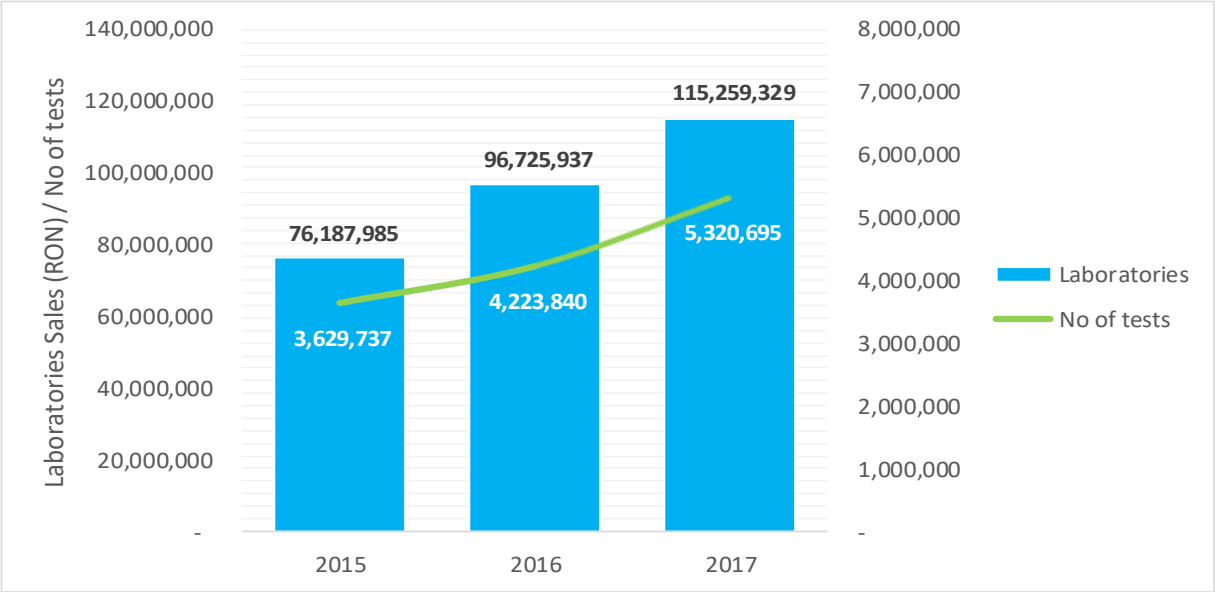
Laboratories and Sampling Points national footprint



Analysis of laboratories business line 2017 evolution

Laboratories sales increased in 2017 by RON 22,097,412 or 23.7%, from RON 93,161,917 in 2016 to RON 115,259,329 in 2017. The increase was largely due to an increase in the number of laboratory tests performed by 26.0% in 2017 as compared to 2016, from approximately 4,223,840 laboratory tests in 2016 to 5,320,695 laboratory tests in 2017, while the average fee decreased by 1.8%, from 22.1 RON/lab test in 2016 to 21.7 RON/lab test in 2017. The changes in average fees are due to changes in the mix of laboratory tests performed.

The Laboratories business line sources the bulk of its revenue from FFS clients. In 2017, only 16% of the business line's revenue came from servicing NHIH patients; in 2016 and 2015 the corresponding figures were 16% and 15%, respectively.



Hospitals

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

Between 2010-2016, the Group developed five new hospitals and bought and acquired and integrated two existing hospital business:

- MedLife Paediatrics Hospital in Bucharest, opened in 2011. The hospital focuses on inpatient care and surgery for paediatric patients and also houses a specialized clinic, pharmacy and laboratory (operating under their respective business lines). The hospital is licensed for 132 beds and has 2 operating theatres. Diagnostic imaging equipment including echography equipment and RX equipment is also installed at this location. The hospital was a brownfield development on land owned by the Group.
- Genesys Arad was acquired in 2011 and operates as a generalist hospital in Arad, in the West of Romania. The hospital is licensed for 77 beds and has 3 operating theatres. The hospital itself was established in 2009 and owns the land and building in which it operates.
- Eva Brasov was acquired in 2011 and operates as a maternity focused hospital in Brasov, in the centre of Romania. The hospital is licensed for 35 beds and includes 3 operating theatres. The land and building in which it operates are owned by the Group.
- PDR Hospital in Brasov was developed and expanded by the Group following the acquisition of PDR in 2011, which included the land and building in which the hospital operates. This generalist hospital is licensed for 82 beds and has 3 operating theatres.
- Orthopedics Obor, located in central Bucharest in leased facilities, opened in 2012. It is licensed as a section of LMH with 36 beds and 3 operating theatres. The section specialises in orthopaedic surgery and since 2016 has become the centre for the Group's development of a neurological surgery centre of excellence.
- Titan Day Patient facility was established in 2015 in rented facilities above the existing MedLife Titan clinic. It is licensed as a section of LMH and has 29 beds and one operating theatre.
- Interventional Cardiology Centre was established as an external section of LMH in rented facilities adjacent to the LMH site. Opened in 2015, the centre has 9 beds and one operating theatre, focusing on the treatment of heart disease through laparoscopic procedures.

In 2017, the Group started the following developments in the area of hospitals:

- initiating the process of modifying the operational structure of the LMH hospital by building two operating rooms and a post-operative room.

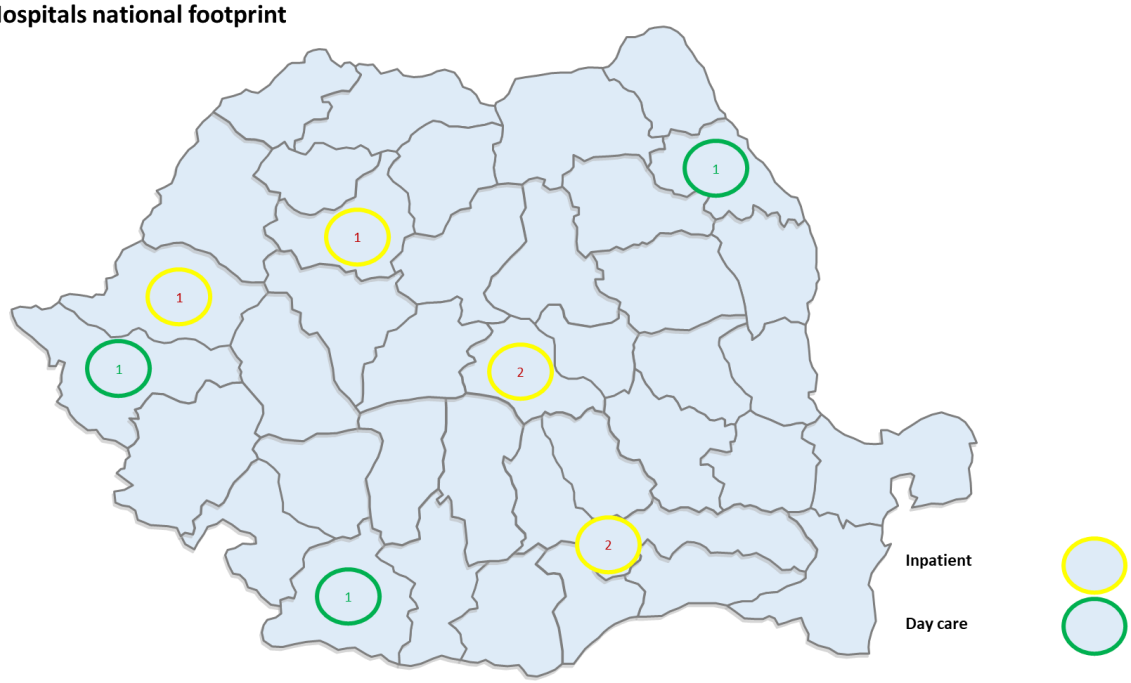
- the purchase of Humanitas Hospital in Cluj and thus expanding the variety of services to customers in the region. The hospital comprises 8 beds for continuous hospitalization on 31 December 2017.

The development of the Cardiology Center reflects the Group's continued focus on niche opportunities where specialized medical teams can be recruited to serve the Group's patients.

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

	ATI	Neonatology	Patients with continuous hospitalization	Patients with day care hospitalization	TOTAL
Paediatrics Hospital	10	-	96	26	132
LMH	16	43	99	17	175
Angio	3	-	6	-	9
Orthopaedics Hospital	11	-	25	-	36
Titan Hospital	4	-	6	19	29
Turnului Hospital	8	-	48	26	82
Eva Maternity	3	12	14	6	35
Genesys Hospital	4	10	59	4	77
Iași day care	1	-	6	-	7
Timișoara day care	2	-	-	8	10
Craiova day care	-	-	-	21	21
Humanitas	2	-	6	-	8
TOTAL	64	65	365	127	621

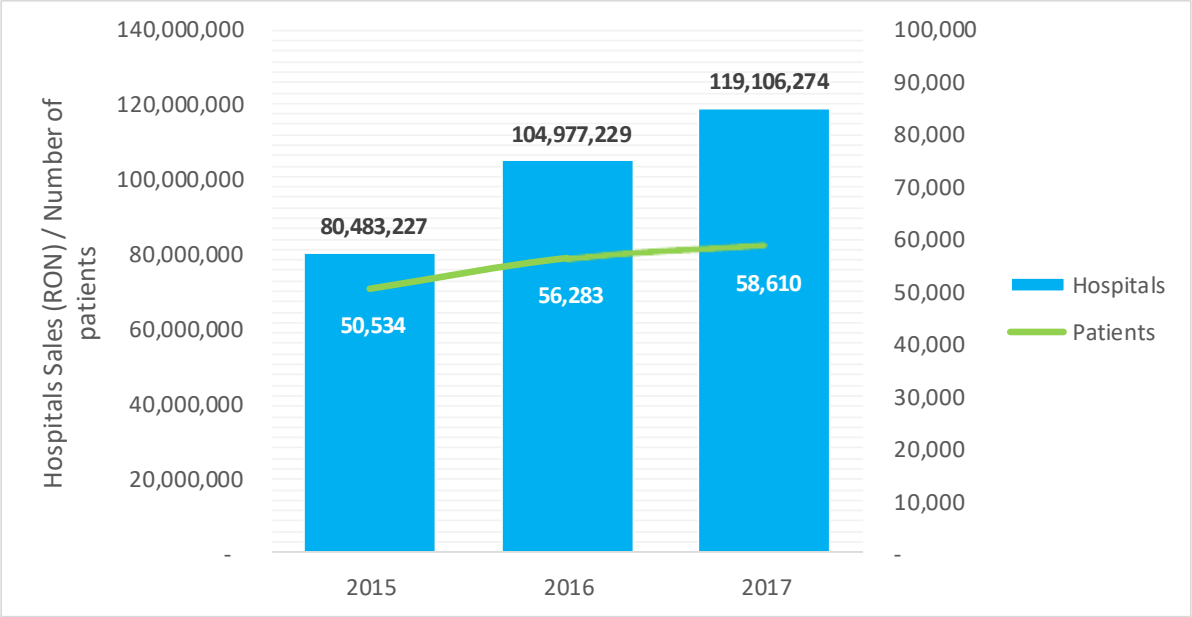
Hospitals national footprint



Analysis of hospitals business line 2017 evolution

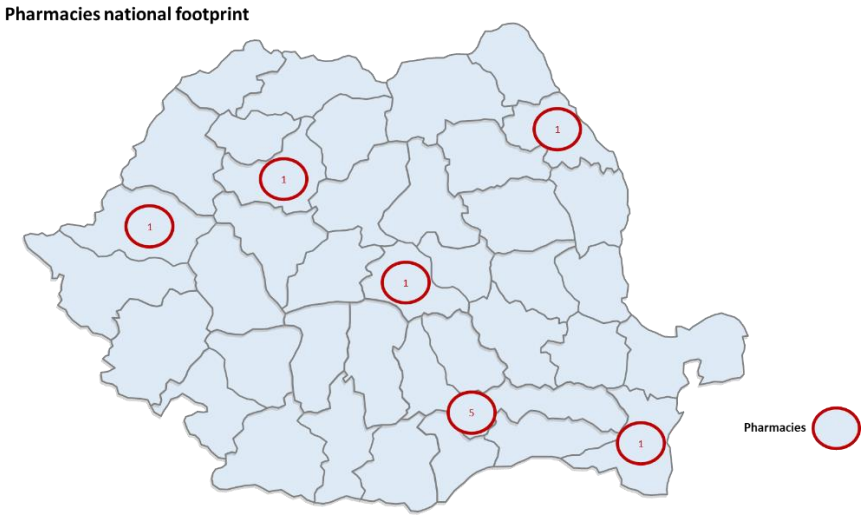
The Hospitals business line's total sales increased in 2017 by RON 14,129,045 or 13.5%, from RON 104,977,229 in 2016 to RON 119,106,274 in 2017. The increase in 2017 was due to a 4.1% increase in the number of patients from approximately 56,000 in 2016 to approximately 58,000 in 2017. Also, in 2017 the average price per patient recorded an increase of 9% or RON 167 from RON 1,865 in 2016 to RON 2,032 in 2017. The average price per patient increase was driven by the much higher complexity of the surgeries undertaken.

The Hospitals business line derives its revenue predominantly from FFS patients. Treatment of State insured patients for the NHIH, generally relating to maternity, gynecology, and cardiology represented 26%, 27% and 27% of the business line's sales in 2015, 2016 and 2017.



Pharmacies

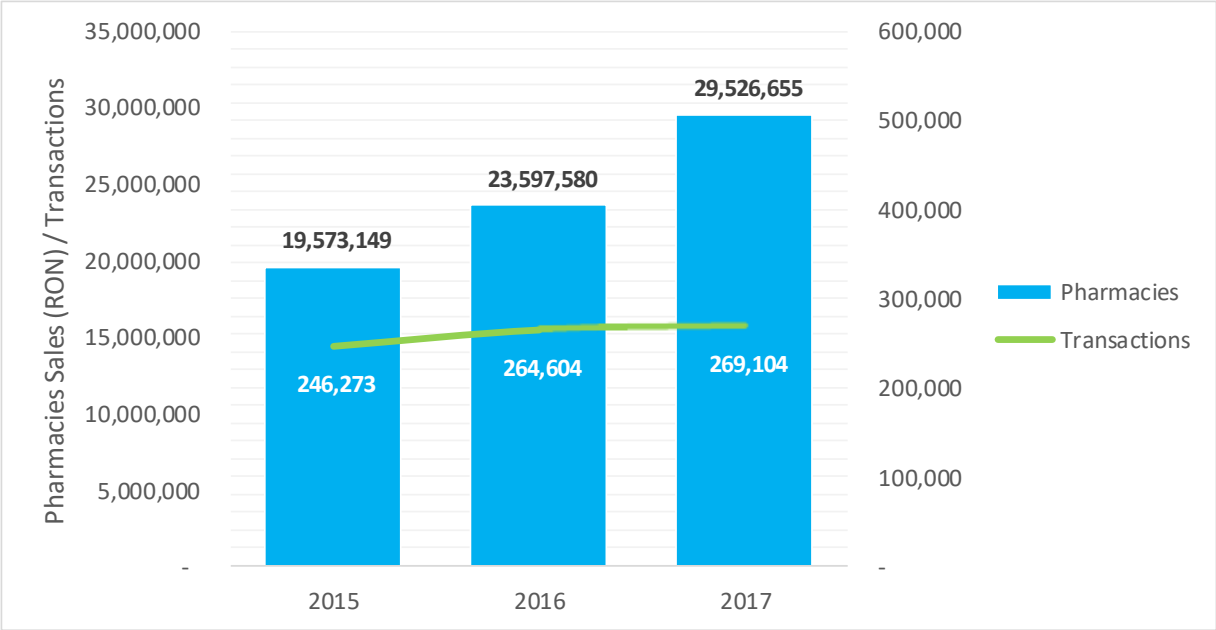
The Group launched its PharmaLife brand of pharmacies in 2010 to capture additional revenue from the patient traffic in the Group's clinics. PharmaLife operates pharmacies only in the Group's own facilities, space, license and sales potential permitting. As at 31 December 2017, 10 pharmacies were in operation, providing patients with prescription, over-the-counter and healthcare related products.



Analysis of pharmacies business line 2017 evolution

The sales of the Pharmacies business line increased in 2017 by RON 5,929,075 or 25.1%, from RON 23,597,580 in 2016 to RON 29,526,655 in 2017. The increase was mainly due to an increase of 23% of the average value of each transaction from RON 89.2 per transaction to 109.7 RON per transaction, but also to the increase in the number of transactions from 264,604 in 2016 to 269,104 in 2017.

In 2017, 48% of the PharmaLife sales were cash-based, rather than NHIH-subsidized. In 2016 cash-based sales represented 60% out of total pharmacies business line.



Analysis of the other items of the profit and loss account

Other revenues

Other revenues include mostly sales brokerage commissions pertaining to the insurances intermediated by the Group's insurance broker and revenue from Stem Cells Bank's stem cell collection and storage services. Other revenues increased in 2017 by RON 5,841,996 or 125.7%, from RON 4,647,649 in 2016 to RON 10,489,645 in 2017.

Other operating revenues

Other operating revenues increased in 2017 by RON 2,028,091 or 37.1%, from RON 5,468,590 in 2016 to RON 7,496,681 in 2017. This item mainly includes the capitalized costs of intangible assets as a result of the Group's investment of its own resources in the further development of its IT platform.

Operating expenses

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide the Group's services. The Group's operating expenses as a percentage of sales were 93.8% in 2015, 97.2% in 2016 and 95.6% in 2017. Main operating expenses categories are detailed below.

Operating expenses evolution 2015, 2016 and 2017

	For the period ended 31 December					
	2015		2016		2017	
Description	RON	%	RON	%	RON	%
Consumable materials & repair materials	67,341,375	18%	83,701,521	17%	97,974,250	16%
Commodities expenses	16,567,264	5%	18,908,567	4%	24,115,025	4%
Utilities	4,548,024	1%	5,074,199	1%	6,573,637	1%
Repairs maintenance	3,717,021	1%	5,133,520	1%	6,435,809	1%
Rent	18,015,043	5%	28,055,943	6%	38,281,750	6%
Insurance premiums	1,557,943	0%	1,868,261	0%	2,103,123	0%
Promotion expense	7,220,996	2%	10,371,665	2%	10,976,803	2%
Communications	3,307,332	1%	3,249,114	1%	3,326,050	1%
Third party expenses	105,249,949	29%	133,552,240	27%	165,638,063	28%
Salary and related expenses	82,369,499	22%	113,810,954	23%	152,403,119	26%
Social contributions	18,574,414	5%	25,748,024	5%	34,608,368	6%
Other administration & operating exp.	11,362,246	3%	24,304,132	5%	10,343,226	2%
Impairment losses recognized in profit and loss	-	0%	(970,918)	0%	-	0%
Depreciation	26,748,141	7%	36,093,805	7%	43,078,621	7%
TOTAL	366,579,247	100%	488,901,027	100%	595,857,844	100%

Salary and related expenses and social contributions

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

The Group's salaries and social contributions increased in 2017 by RON 47,452,509 or 34.0%, from RON 139,558,978 in 2016 to RON 187,011,487 in 2017, mainly due to the effect from companies acquisitions made in 2017 and the increase in salaries for certain categories of medical employees, in response to the increase in public sector healthcare wages.

This category of expense as a percentage of the Group's sales represented 25.8% in 2015, 27.7% in 2016 and 30.0% in 2017.

Consumables, materials and repair materials

These expenses include various medical supplies and other goods used by the Group's business lines, including laboratory reagents, surgery and consultation sterilized consumables, and cleaning supplies. The Group's expense for consumables, materials and repair materials increased in 2017 by RON 14,272,729 or 17.1%, from RON 83,701,521 in 2016 to RON 97,974,250 in 2017. The increase is due to the general increase in volumes as the number of units grew through openings and acquisitions and their increased activity.

This category of expense as a percentage of the Group's sales represented 17.2% in 2015, 16.6% in 2016 and 15.7% in 2017.

Rent and utilities

These expenses include the rent for the locations where the Group's units and headquarters operate that are not owned by the Group, the expenses with operating leases and the utilities paid for all units. The Group's expense for rent and utilities increased in 2017 cu RON 11,725,245 or 35.4%, from RON 33,130,142 in 2016 to RON 44,855,387 in 2017. The increase in rent expenses from 2016 to 2017 was largely due to the increase in leased locations both for clinics and sampling points as a result of the openings.

This category of expense as a percentage of the Group's sales represented 5.8% in 2015, 6.6% in 2016 and 7.2% in 2017. The increase as a percentage of sales was driven primarily by lease agreements for new facilities, which in their early ramp-up phase operated with a higher ratio of expense to sales, and the increased use of operating leases.

Commodities expenses

These expenses mainly include the cost of the pharmaceutical products sold by the Group's pharmacies. Commodities expenses increased in 2017 by RON 5,206,458 or 27.5%, from RON 18,908,567 in 2016 to RON 24,115,025 in 2017. The increase was due due to increased sales of pharmaceuticals and the higher cost of those products following regulatory changes impacting drug prices.

This category of expense as a percentage of the Group's sales represented 4.2% in 2015, 3.8% in 2016 and 3.9% in 2017.

Promotion expense

These expenses include the Group's advertising campaigns in various media, public relations activities and other marketing related expenses. The promotion expenses increased in 2017 by RON 605,138 or 5.8%, from RON 10,371,665 in 2016 to RON 10,976,803 in 2017. The increase was driven by the Group's decision to increase marketing spending to support growth in cash sales and develop national brand awareness as the Group moved increasingly outside Bucharest.

This category of expense as a percentage of the Group's sales represented 1.8% in 2015, 2.1% in 2016 and 1.8% in 2017. The increase in the expense relative to sales was mainly driven by the Group's efforts to complement its expanding geographical footprint with increasing brand awareness at the national level.

Insurance premiums and communication

These expenses include communication related expenses (internet, telephone) and both medical and nonmedical insurance premiums, including policies for malpractice, third party liability, motor vehicles third party and facultative, and property insurance. The expense for insurance premiums and communication increased in 2017 by RON 311,798 or 6.1%, from RON 5,117,375 in 2016 to RON 5,429,173 in 2017. The increase was related to the general increase of Group's operations (increased fleet, number of units, phone subscriptions, etc.). This category of expense as a percentage of the Group's sales represented 1.2% in 2015, 1.0% in 2016 and 0.9% in 2017.

Third party expenses (including doctors' agreements)

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

The Group's third party expense increased in 2017 by RON 32,085,823 or 24.0%, from 133,552,240 RON in 2016 to RON 165,638,063 in 2017. This increase was largely due to the increase in the services provided by doctors contracted by the Group as independent service providers, to reflect the expansion of the Group's activities and as a result of the Group's acquisitions completed in 2017.

Depreciation

Depreciation and amortization expenses increased in 2017 by RON 6,984,816 or 19.4%, from RON 36,093,805 in 2016 to RON 43,078,621 in 2017. The increase is due to due to increased investments in non-current assets and acquisitions closed in 2017.

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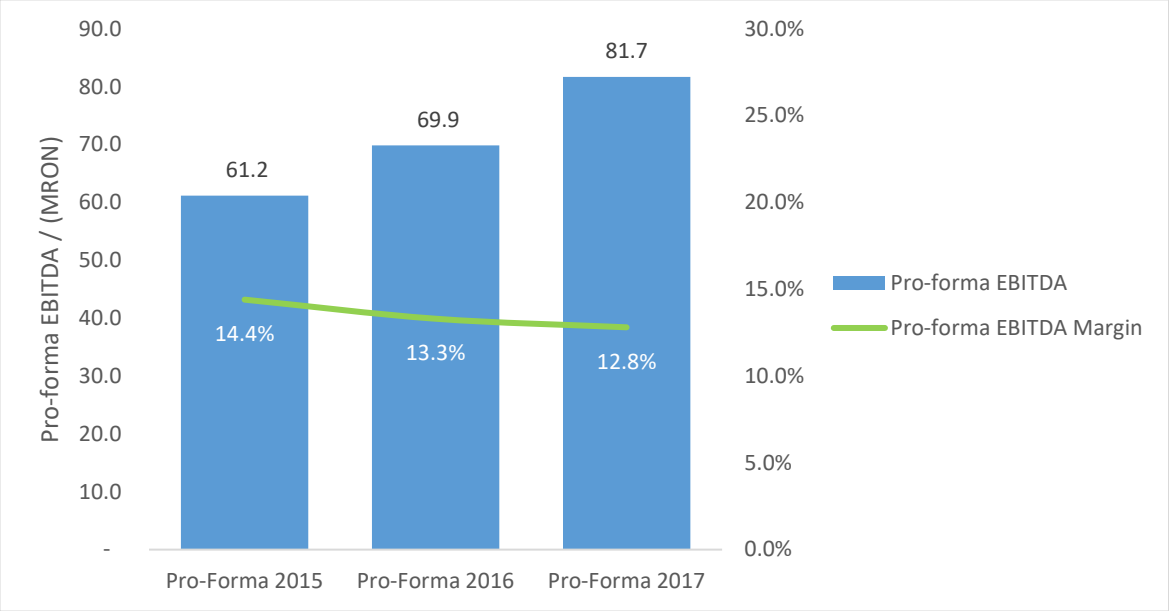
EBITDA PRO-FORMA

Adjusted EBITDA, presented in the Pro Forma Financial Information for the year ended December 31, 2017, recorded an increase of 17% or 11,834,574 RON, as compared to the Adjusted EBITDA presented in the Pro Forma Financial Information for the year ended December 31, 2016, from RON 69,858,673 in 2016, to RON 81,702,247 in 2017. Please refer to the "Pro-forma financial information for the 12 month period ended December 31, 2017" annex for more details in regards to Pro Forma financial information.

Proforma EBITDA and Proforma EBITDA Margin evolution 2015-2017



Operating Profit

Operating profit in 2017, increased by RON 15,304,433 or 78.3%, from RON 19,554,353 in 2016 to RON 34,858,786 in 2017. The increase was triggered by a higher EBITDA driven by a faster revenue acceleration compared to spending.

Financial result

As a result of the factors discussed below, the financial loss from 2017 increased by RON 2,197,000, or 11.9%, from RON 18,385,241 in 2016, to RON 20,582,241 in 2017.

Net interest expense

Net interest expense increased in 2017 by RON 865,094 or 6.5%, from RON 13,336,592 in 2016 to RON 14,201,686 in 2017. The increase in net interest expense was due to the increase in interest bearing debt from one period to the other.

Net foreign exchange (losses) / gains

Net foreign exchange losses increased in 2017 by RON 4,500,720 or 172.5%, from RON 2,608,878 in 2016, to RON 7,109,598 RON in 2017.

Net other financial income / (expenses)

Net financial income increased by RON 3,168,814 or 129.9%, from a net financial expense of RON 2,439,771 in 2016, to a net financial income of RON 729,043 in 2017.

Result before taxes

As a result of the factors discussed above, the result before taxes increased in 2017 by RON 13,107,433, from RON 1,169,112 in 2016, to RON 14,276,545 in 2017.

Tax on income

Tax on income increased in 2017 by RON 3,133,818 or 130.0%, from RON 2,411,102 in 2016, to RON 5,544,920 in 2017, as a result of faster increase in the operating profit compared to the other elements of financial performance.

Net income / (loss) for the year

As a result of the factors discussed above, the Group incurred a net profit in 2017 of RON 8,731,625, as compared to a net loss of RON 1,241,990 in 2016, mainly triggered by the one-off allowance of RON 7,365,835 recorded in 2016 in respect of a charge for a NHIH receivable related to the period between 2008 and 2010.

Consolidated statement of financial position

The following table sets out the Group's consolidated statement of financial position for the periods ended 31 December 2015, 2016 and 2017 respectively.

	For the year ended 31 December,		
	2015	2016	2017
ASSETS			
LONG TERM ASSETS			
Goodwill	24,275,015	43,993,237	66,035,963
Intangible assets	13,811,734	26,512,923	34,299,738
Tangible fixed assets	280,210,741	304,857,393	325,845,288
Financial fixed assets	871	1,160	6,161,678
TOTAL NON-CURRENT ASSETS	318,298,361	375,364,713	432,342,667
CURRENT ASSETS			
Inventories	13,969,838	17,373,541	20,325,330
Receivables	41,799,756	43,203,974	58,450,406
Other receivables	256,414	2,357,689	5,549,527
Cash at bank and in hand	5,881,496	20,701,850	79,227,766
	61,907,504	83,637,054	163,553,029
Assets classified as held for sale	381,665	381,665	381,665
PREPAYMENTS	4,145,435	6,736,028	7,068,126
TOTAL CURRENT ASSETS	66,434,604	90,754,747	171,002,820
TOTAL ASSETS	384,732,965	466,119,460	603,345,487
CURRENT LIABILITIES			
Trade accounts payable	73,170,998	98,432,380	103,839,523
Overdraft	15,513,594	1,267,442	2,013,469
Current portion of lease liability	7,032,056	7,031,122	3,177,961
Current portion of long term debt	17,907,388	19,127,593	36,642,740
Current tax liabilities	919,814	1,099,391	1,112,707
Other liabilities	11,673,569	17,713,204	20,232,973
Liabilities directly associated with assets classified as held for sale	690,640	629,207	558,370
TOTAL CURRENT LIABILITIES	126,908,059	145,300,339	167,577,743
LONG TERM DEBT			
Lease liability	12,294,667	10,382,639	10,111,452
Long term debt	143,524,638	202,761,616	242,797,699
TOTAL LONG-TERM LIABILITIES	155,819,305	213,144,255	252,909,151
Deferred tax liability	14,809,109	14,655,982	15,196,634
TOTAL LIABILITIES	297,536,473	373,100,576	435,683,528
SHAREHOLDER'S EQUITY			
Issued capital	13,932,034	13,932,034	81,495,470
Reserves	86,504,066	91,961,424	93,181,880
Retained earnings	(19,139,252)	(24,346,985)	(22,640,779)
Equity attributable to owners of the Group	81,296,848	81,546,473	152,036,571
Non-controlling interests	5,899,644	11,472,411	15,625,388
TOTAL EQUITY	87,196,492	93,018,884	167,661,959
TOTAL LIABILITIES AND EQUITY	384,732,965	466,119,460	603,345,487

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

Long term assets

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

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

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

As at 31 December 2017, the Group had the following structure of tangible and intangible assets:

Cost	Intangible	Land	Constructions	Vehicles and equipment	Construction in progress	TOTAL
01 January 2017	49,662,705	27,114,136	220,255,015	187,925,500	9,939,797	494,897,153
Additions	6,096,799	-	10,376,979	26,149,889	10,531,607	53,155,274
Transfers	-	-	8,516,418	-	(8,516,418)	-
Disposals	-	-	(15,865)	(1,890,496)	-	(1,906,361)
Additions from business combinations	10,642,257	-	4,426,302	17,733,504	134,641	32,936,704
Disposals from business combinations	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
31 December 2017	66,401,761	27,114,136	243,558,849	229,918,397	12,089,627	579,082,770
Depreciation						
01 January 2017	23,149,782	84,120	28,880,616	111,412,319	-	163,526,837
Charge of the year	5,792,478	-	16,874,941	20,411,202	-	43,078,621
Disposals	-	-	(15,865)	(1,564,250)	-	(1,580,115)
Additions from business combinations	3,159,763	-	11,761	10,740,877	-	13,912,401
Disposals from business combinations	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Impairment losses recognized in profit and loss account	-	-	-	-	-	-
31 December 2017	32,102,023	84,120	45,751,453	141,000,148	-	218,937,744
Net book value						
01 January 2017	26,512,923	27,030,016	191,374,399	76,513,181	9,939,797	331,370,316
31 December 2017	34,299,738	27,030,016	197,807,396	88,918,249	12,089,627	360,145,026

The net book value as of December 31, 2017 of fixed assets acquired through capital lease by Med Life was RON 13,566,709 (2016: RON 17,691,057; 2015: RON 17,223,794).

Capital expenditure

The total capital expenditure (tangibles and intangibles), including the assets acquired as part of business combinations, increased by RON 6,741,734 or 8.5%, from RON 79,350,244 in 2016, to RON 86,091,978 in 2017. The increase in capital expenditure was generated by an increase of RON 121,673 of additions from business combinations in 2017 as compared to 2016 and an increase of RON 6,620,061 recorded for other capital expenditure elements, other that additions from business combinations in 2017 compared to 2016.

The Group's investments include the most advanced computer tomography ("CT"), magnetic resonance imaging ultrasound, gastroenterology, mammography, radiology equipment, lasers, as well as equipment such as medical scopes used in minimally invasive surgeries.

In addition, because the Group is committed to maintaining the highest standards of care, it is continuously upgrading and replacing this equipment as new technologies become available.

Current Assets

Inventories

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

	For the year ended 31 December,		
	2015	2016	2016
Consumables	8,063,708	11,149,639	10,981,134
Materials in the form of inventory items	373,116	222,067	112,671
Commodities	5,531,383	6,000,816	9,230,143
Inventory in transit	1,631	1,019	1,382
TOTAL	**13,969,838**	**17,373,541**	**20,325,330**

Receivables

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

The corporate receivables are spread over a large pool of clients. The main state budget customers are: The National Health Insurance House (7% of the total receivable balance).

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

	For the year ended 31 December,		
	2015	2016	2017
Customers	48,476,389	57,352,607	71,761,034
Advances to suppliers	1,888,959	2,522,169	3,581,967
Bad debt provisions	(8,565,592)	(16,670,802)	(16,892,595)
TOTAL	**41,799,756**	**43,203,974**	**58,450,406**

Current Liabilities

Group suppliers

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

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

The Group acquires their pharmaceutical products from local distributors of pharmaceuticals and the main suppliers in 2017 were Mediplus Exim S.R.L., Farmexpert D.C.I. S.R.L., Farmexim S.A., Romastru Trading S.R.L. and Farmaceutica Remedia S.A..The largest non-medical suppliers of the Group are Telekom Romania for communication solutions and property leases and Capital Fleet Management for operational leasing. Other non-medical purchases include information technology and information systems hardware and software, office equipment, stationery, furniture. In addition, various services such as medical waste disposal, laundry, security, catering are outsourced by the Group to third party companies.

Current liabilities increased by 15.3% in 2017 as compared with 2016, to RON 167,577,743 from RON 145,300,339.

Financial Debt

As at 31 December 2017, the companies within the Group were parties to a number of financing agreements, used to finance the Group's capital expenditures as well as working capital.

The table below summarizes the Group's interest bearing debts as at 31 December 2015, 2016 and 2017:

	For the year ended 31 December,		
Loan agreements	2015	2016	2017
Current portion of loans	33,420,978	20,395,035	38,656,209
Non-current portion of loans	143,524,642	202,761,616	242,797,699
TOTAL	**176,945,620**	**223,156,651**	**281,453,908**

	For the year ended 31 December,		
Overdraft	2015	2016	2017
Short term loan at Banca Transilvania and others	15,513,594	1,267,442	2,013,469
TOTAL	**15,513,594**	**1,267,442**	**2,013,469**

On 31 December 2017, the Group's financing facilities, drawn and undrawn, included the following:

- a guaranteed syndicated loan agreement concluded between the Company and BCR, BRD, ING and Raiffeisen for a maximum amount of EUR 48,764,589.98 and RON 27,000,000. The maturity of the loan is November 15, 2023. On 31 December 2016 the loan's balance was EUR 32,904,018 or the equivalent in RON 176,420,437, and RON 27,000,000. Payment amounts as of 31 December 2017 amounted to EUR 37,909,567, equivalent to RON 176,647,209 and RON 27,000,000;
- a guaranteed loan agreement with International Finance Corporation, a member of the World Bank Group, as amended on September 30, 2016, for the outstanding amount of EUR 2,619,048, with the due date on May 15, 2023;
- a loan agreement guaranteed by International Finance Corporation, member of the World Bank Group, for an amount of EUR 10,000,000, closed on September 30, 2016. The outstanding balance as at 31 December 2017 is EUR 9,166,667;
- 7 guaranteed loan contracts concluded between Banca Transilvania S.A. and Sama Medical Center for the purchase of medical equipment and the construction of a clinic, amounting to RON 1,194,480, on 31 December 2017;
- 3 guaranteed loan contracts concluded between Banca Transilvania S.A. and Genesys Medical Center S.R.L., with an outstanding balance as at 31 December 2017 of EUR 2,337,641 and RON 231,279;
- an overdraft facility concluded between Unicredit Tiriac Bank and Prima Medical S.R.L., with a maximum credit limit of RON 800,000, drawn in full on 31 December 2017;
- a credit facility concluded between Garanti and Dent Estet with the remaining amount to be repaid on 31 December 2017 of RON 1,099,974;
- two secured loan agreements concluded between Banca Transilvania and Anima Specialty Medical Services S.R.L; the outstanding balance at 31 December 2017 is RON 4,060,384;

- three guaranteed loan contracts concluded between Banca Transilvania and Almina Trading S.A., with an outstanding balance on 31 December 2017 in the amount of RON 700,759;
- a guaranteed loan concluded between Bancpost and Medlife Ocupational in the amount of EUR 225,000; the outstanding balance at 31 December 2017 is EUR 119,810;
- an overdraft facility concluded between Banca Transilvania and Anima Speciality within the limit of RON 1,000,000 and deadline set in June 2018; the outstanding balance at 31 December 2017 is RON 420,188;
- a credit facility concluded between Banca Transilvania and Sama in September 2016, with an outstanding balance of RON 166,648 as at 31 December 2017;
- a credit facility concluded between Banca Transilvania and Genesys, with an outstanding balance of RON 310,640 as at 31 December 2017.

On 31 December 2017, none of the Group's members had breached the terms of the funding facilities.

Minimum invasive procedures performed in MedLife 's hospitals

State-of-the-art technology allows us to make tiny incisions, minimizing post-operative complications. Patients have many benefits: the procedures are very light, with a quick recovery. Basically, the patient can go home as soon as the intervention is over.

Liquidity and Capital Resources

The following table sets out the Group's summary cash flow information for the periods ended 31 December 2015, 2016 and 2017:

	For the year ended 31 December,		
	2015	2016	2017
Cash flow from operating activities			
Profit / Loss before tax	**12,998,763**	**1,169,111**	**14,276,545**
Adjustments for:			
Depreciation	26,748,141	36,093,805	43,078,621
Disposal of subsidiaries	-	714,750	-
Interest expense	11,270,696	13,336,592	14,201,686
Interest income	(385,938)	(454,439)	(613,193)
Allowance for doubtful debts and receivables written-off	214,477	8,175,200	(485,889)
Write off and allowance of other current assets	-	109,041	-
Financial discounts	2,804,052	3,052,445	-
Gain/(Loss) with impairment of non-current assets	-	-	-
Unrealized exchange gain/loss	2,357,932	2,608,677	7,102,716
Other non-monetary gains	(3,300,000)	(3,300,000)	(4,561,947)
Bargain gain	-	-	(729,165)
Net gain/(loss) on disposal of property	(57,292)	(970,918)	-
Operating cash flow before working capital changes	**52,650,831**	**60,534,265**	**72,269,374**
Increase in accounts receivable	(3,242,399)	(11,152,764)	(18,029,348)
Increase in inventories	(3,390,778)	(2,974,751)	(2,718,311)
Decrease/(Increase) in prepayments	(422,694)	(446,269)	(155,089)
Increase in accounts payable	9,447,452	12,787,223	2,380,649
Cash generated from operations	**55,042,412**	**58,747,704**	**53,747,275**
Income tax paid	(2,470,547)	(2,945,862)	(5,058,217)
Interest paid	(11,316,966)	(13,144,091)	(13,455,456)
Interest received	385,938	454,439	613,193
Net cash flow from operating activities	**41,640,837**	**43,112,190**	**35,846,795**
Cash flow from investing activities			
Investments in business combinations	(3,107,334)	(32,993,008)	(29,388,050)
Additional participation interest acquired	-	-	(2,401,752)
Purchase of intangible assets	(1,831,817)	(4,038,544)	(1,534,853)
Purchase of property, plant and equipment	(23,194,914)	(28,035,141)	(40,626,665)
Proceeds from sale of fixed assets	57,292	-	-
Proceeds from sale of business combinations	-	45,000	-
Net cash used in investing activities	**(28,076,773)**	**(65,021,693)**	**(73,951,320)**
Cash flow from financing activities			
Share capital contribution	-	137,030	67,563,436
Increase in loans	1,633,867	73,824,643	65,257,781
Payment of loans	(13,110,964)	(30,629,749)	(21,661,647)
Payments of financial leasing	(3,788,829)	(6,602,067)	(14,218,842)
Dividends paid to NCI	-	-	(310,287)
Net cash generated by financing activity	**(15,265,926)**	**36,729,857**	**96,630,441**
Net change in cash and cash equivalents	**(1,701,862)**	**14,820,354**	**58,525,916**
Cash and cash equivalents opening balance	**7,583,358**	**5,881,496**	**20,701,850**
Cash and cash equivalents closing balance	**5,881,496**	**20,701,850**	**79,227,766**

Net cash generated from operating activities

Net cash generated from operations decreased in 2017 by RON 7,265,395 or 20.3%, from RON 43,112,190 in 2016, to RON 35,846,795 in 2017. This decrease was mainly due to the increase in income tax paid as well as to the cash generated through operating activities by the group.

The Group operates it business with negative net working capital, enhancing the cash generation from its operations. The high percentage of cash payments among its fee for service clients and the credit terms offered to its Corporate business line clients for HPPs result in account receivables days being substantially lower than account payables days obtained from the Group's suppliers. As a result, the growth of the Group's business has resulted in the generation of additional cash and liquidity from the working capital position of the Group.

Net cash used in investing activities

Net cash used in investing activities increased by RON 8,829,627 or 12.1%, from RON 65,021,693 in 2016, to 73,951,320 RON in 2017. In 2017, cash outflows for investments in non-current assets (intangibles and property plant and equipment) were RON 42,161,518, increasing with RON 10,087,833 as compared to 2016. In 2017 cash outflows for business combinations (acquisitions) amounted to RON 29,388,050, as compared to RON 32,993,008 in 2016.

Net cash used in financing activities

Net cash generated by financing activities increased by RON 59,900,584, from RON 36,729,857 in 2016, to an inflow of RON 96,630,441 in 2017. In 2017, the Group's cash outflows to repay loans and financial leasing amounted to RON 35,880,489, while cash inflows from loan drawdowns to finance the acquisitions and increase working capital lines to support growth were of RON 65,257,781. A significant source of funding came from the social capital increase process at the end of 2017 amounting to RON 67,563,436.

MedLife Group and its physicians are renowned in their areas of expertise.
The Group pays attention to medical risk management and recruits renowned physicians and their teams to perform specialty procedures.

SUBSEQUENT EVENTS

Med Life SA signed the Sales Purchase Agreement for the acquisition of social parts of the share capital of the following companies:

- 90% of share capital of Ghencea Medical Center;
- 80% of share capital of Solomed Group.

Ghencea Medical Center, with a 10-year activity on the market, registered a turnover of RON 8.7 million last year, and this year it is counting on a 20% increase. The medical services provider consists of two clinics in Bucharest and Magurele, with 135 employees, medical professionals and support staff, offering patients a diverse range of investigations for laboratory and imaging areas, specialized treatment for medical recovery and alternative medicine. At the same time, Ghencea Medical Center is one of the relevant providers of medical services in the contract with the Bucharest Health Insurance House (CASMB), covering over 25 specialties, including occupational health medicine, pediatrics, rheumatology, gastroenterology, neurology, cardiology, psychiatry, urology, dermatology and ENT.

The Solomed Group was established in 1997 and is one of the most important local medical operators in the region. The group consists of five clinics - three in Pitesti, the other two in Costesti and Curtea de Arges - and a laboratory (Pitesti), offering patients a wide range of investigations from multidisciplinary consultations for a range of over 15 medical specialties and laboratory services, CT investigations, ultrasounds; medical recovery services and small laser interventions. All medical units are equipped with state-of-the-art medical equipment and have a medical team with over 90 specialists.

Transactions of Ghencea Medical Center and Solomed were not concluded until the date of approval of this annual report, subject to suspensive conditions.

In April 2018, the Group completed the acquisition of the Polisano Medical Services Division as a result of its approval by the Competition Council.

There were no other significant events subsequent to 31 December 2017.

ANNEXES

MED LIFE GROUP

PRO FORMA FINANCIAL INFORMATION

FOR THE PERIOD ENDED 12 MONTHS

AT 31 DECEMBRE 2017

Introduction

The following Consolidated Pro Forma PL of the Consolidated PL is based on the Group's Consolidated FS for the 12 month period ended on 31 December 2017, adjusted with the historical financial results of the company acquired by the Group during the period from 1 January 2017 up to 31 December 2017 (the "**Acquired Company**"). Details of the Acquired Company are set out below.

The Consolidated Pro Forma PL for the 12 month ended 31 December 2017 transpose (i) the acquisition of the Acquired Company as if the acquisition had occurred on 1 January 2017 by combining the financial results for the period of the Acquired Company with those of the Group and (ii) the elimination of certain expenses included in the Consolidated PL of the Group which the Group considers to be non-operational and/or non-recurring in nature.

The Consolidated Pro Forma PL provide a hypothetical illustration of the impact of the transactions on the Company's earnings. The Consolidated Pro Forma PL has been prepared for the Group as at and for the 12 month period ended 31 December 2017. The Consolidated Pro Forma PL should be read in conjunction with the Consolidated FS for the 12 month period ended 31 December 2017.

Purpose of the Consolidated Pro Forma PL

The Consolidated Pro Forma PL set out below has been prepared to (i) illustrate the effect on the Group of the acquisition completed in 12 months 2017 and (ii) provide an estimate of the Group's recurring EBITDA.

The Group's unaudited consolidated pro forma Adjusted EBITDA is also useful when analyzing the Group's current debt compared to its earnings capacity. Although the Consolidated BS in the Consolidated FS include the full amount of debt incurred to finance the acquisition completed as of 31 December 2017, the Consolidated PL includes only a portion of the annual earnings of the Acquired Company. Using the unaudited consolidated pro forma Adjusted EBITDA for such comparison allows inclusion of a measure of the full period earnings that will contribute to the servicing of the debt incurred in relation to the acquisition.

In the first 12 months of 2017, the Company made the following acquisition in pursuit of a consolidation strategy aimed at complementing the Group's service offering, expanding its national footprint and consolidating its market position:

- 80% of the shares in Almina Trading SA, completed in March 2017.
- 100% of the shares in Anima Specialty Medical Services SRL and Anima Promovare si Vanzari SRL ("**Anima**"), completed in May 2017.
- 55% of the shares in Valdi Medica SRL, completed in September 2017.

The Consolidated Pro Forma PL has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore, does not represent the Group's actual financial results. The Consolidated Pro Forma PL do not necessarily reflect what the combined Group's financial condition or results of operations would have been, had the acquisition occurred on the dates indicated in the pro-forma calculations. They also may not be useful in predicting the future financial condition and results of operations of the Group with the acquired companies. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

Consolidated Pro Forma PL

	12 month ended December 31, 2017			
	Consolidated PL	**Normalisation**	**One off**	**Consolidated Pro forma PL**
SALES	**623,219,949**	**14,840,980**	**-**	**638,060,929**
Other operating revenues	7,496,681	134,050	-	7,630,731
OPERATING INCOME	**630,716,630**	**14,975,030**	**-**	**645,691,660**
OPERATING EXPENSES	**(595,857,844)**	**(15,298,131)**	**2,525,276**	**(608,630,699)**
OPERATING PROFIT	**34,858,786**	**(323,101)**	**2,525,276**	**37,060,961**
Finance cost	(14,201,686)	(252,050)	-	(14,453,736)
Other financial expenses	(6,380,555)	17,650	-	(6,362,905)
FINANCIAL RESULT	**(20,582,241)**	**(234,400)**	**-**	**(20,816,641)**
RESULT BEFORE TAXES	**14,276,545**	**(557,501)**	**2,525,276**	**16,244,320**
Income tax expense	(5,544,920)	(88,877)	(404,044)	(6,037,841)
NET RESULT	**8,731,625**	**(646,378)**	**2,121,232**	**10,206,479**

Net Income to Adjusted EBITDA

	12 month ended December 31, 2017			
	Consolidated PL	**Normalisation**	**One off**	**Consolidated Pro forma PL**
Net income/(loss) for the period	**8,731,625**	**(646,378)**	**2,121,232**	**10,206,479**
Add back:				
Taxes on income	**5,544,920**	**88,877**	**404,044**	**6,037,841**
Out of which:				
Base tax expense	5,544,920	88,877	-	5,633,797
One off impact	-	-	404,044	404,044
Net financial result	**20,582,241**	**234,400**	**-**	**20,816,641**
Depreciation, amortisation and impairment, including write-ups	**43,078,621**	**1,562,665**	**-**	**44,641,286**
Adjusted EBITDA	**77,937,407**	**1,239,564**	**2,525,276**	**81,702,247**

Sales split by Business Line

	12 month ended December 31, 2017			
	Consolidated PL	**Normalisation**	**One off**	**Consolidated Pro forma PL**
Clinics	166,650,648	6,188,147	-	172,838,796
Stomatology	37,565,681	-	-	37,565,681
Laboratories	115,259,329	3,141,301	-	118,400,630
Corporate	144,621,716	3,013,672	-	147,635,388
Hospitals	119,106,274	2,048,273	-	121,154,547
Pharmacies	29,526,655	-	-	29,526,655
Other	10,489,645	449,587	-	10,939,232
Total Sales	**623,219,948**	**14,840,980**	**-**	**638,060,929**

Basis for the Consolidated Pro Forma PL

The Consolidated Pro Forma PL for the 12 month period ended 31 December 2017 have been prepared starting from the Consolidated PL of the Group as of 31 December 2017. The Consolidated Pro Forma PL was prepared in a manner consistent with the accounting policies adopted by the Group in the Consolidated FS as of 31 December 2017.

The Consolidated Pro Forma PL for the 12 months ended 31 December 2017 give effect to the acquisition of the Acquired Company as if the acquisition had occurred on 1 January 2017. Also, certain expense items incurred by the Group in the relevant period but considered to be non-operational and non-recurring in nature, as detailed in the notes to the tables, are reflected in the Consolidated Pro Forma PL as one off adjustments, based on management judgment for the Group, without taking into account the Acquired Company.

Consolidated Pro Forma PL adjustments

Normalization adjustment

Normalization adjustments are made to include the financial results of the Acquired Company in the Group results for the relevant period. The adjustment represents the unaudited Income Statement items for the portion of the relevant period prior to and including the month of acquisition of the company.

The companies that were normalized and the months included in the normalization are presented below:

Entity	Date of obtaining control	Months included in Normalization (inclusive) 1 January - 31 December 2017
Almina Trading SA	March 2017	January – March 2017
Anima	May 2017	January – May 2017
Valdi Medica SRL	September 2017	January – September 2017

One off adjustments

The one off adjustments represent expenses which have been included in the Group's Consolidated PL but which, in the Group's opinion, represent non-recurring and/or non-operational expenses. These expenses relate to costs incurred in relation to the acquisition of the Acquired Company which were expensed rather than capitalized as part of the acquisition cost of the company, including the costs of aborted or continuing acquisition processes.

The One off expenses are presented below. The amounts calculated for each of the expenses is gross of the applicable income tax.

Type of Expense	Amount for 12M 2017	Note
Cost of Acquisitions	1,204,440	*Note A*
Cost with share Capital Increase	1,320,836	*Note B*
Total	**2,525,276**	

Note A
Cost of Acquisitions includes the expenses incurred in respect of external due diligence reports on targets covering financial, taxation and legal due diligence as well as the cost of legal advisory services in relation to the signing and closing of the transactions signed or concluded in the period. The external costs of aborted acquisitions are also included.

These expenses are classified as one-offs as they do not relate to the on-going operational business of the Group.

Note B
The cost with share capital increase includes costs with legal and investment banking services associated with the increase in share capital performed by Med Life SA in the fourth quarter of 2017.

These expenses are classified as one-offs as they do not relate to the on-going operational business of the Group.

	Year ended December 31, 2017	% of Total
Pro-forma adjusted EBITDA	**81,702,247**	**100.0%**
Attributable to:		
Owners of the Company	74,216,544	90.8%
Non-controlling interests	7,485,703	9.2%

MED LIFE S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2017

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED BY EUROPEAN UNION

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

Free translation from the original Romanian version.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Med Life S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of Med Life S.A. and its subsidiaries (the Group), with registered office in in 365 Grivitei Road, Bucharest, district 1, identified by the unique tax registration code 8422035, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and notes to the consolidated financial statements.

2. The consolidated financial statements as at December 31, 2017 are identified as follows:

   - Net assets / Equity RON 167,661,959
   - Net profit for the financial year RON 8,731,625

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU.

Basis for Opinion

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

Key Audit Matters

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

KEY AUDIT MATTER	How our audit addressed the key audit matter
Valuation of goodwill	
Goodwill represents 11% of the total assets of the Group. Management conducts impairment tests on an annual basis or whenever there is an indication of impairment to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include: >> Revenue growth >> Operating margins and >> The discount rates applied to the projected future cash flows. Accordingly, the impairment test of these assets is considered to be a key audit matter. Management have engaged specialists to assist with the determination of the discount rates for the significant Cash Generating Units to which the goodwill relates.	We focused our testing of the impairment of goodwill on the key assumptions made by management. Our audit procedures included: >> Engaging our internal specialists to assist with: —— Critically evaluating whether the model used by management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36 Impairment of Assets. —— Evaluating the appropriateness of the assumptions used to calculate the discount rates and recalculating these rates. >>We evaluated the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the Cash Generating Unit. >>We subjected the key assumptions to sensitivity analyses. >>We compared the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to evaluate reasonableness of management's projections. We found that the assumptions used by management were comparable with historical performance and the expected future outlook and the discount rates used were appropriate in the circumstances.

Other information – Administrator's Report

6. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report, which includes the non-financial information declaration but does not include the consolidated financial statements and our auditors report thereon, nor the non-financial information declaration.

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

In connection with our audit of the consolidated financial statements for the year ended December 31, 2017, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments.

On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

a) the information included in the administrators' report for the financial year for which the financial statements have been prepared are consistent, in all material respects, with these financial statements;

b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2017, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

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

7. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on September 26, 2016 to audit the consolidated financial statements of Med Life S.A. for the financial year ended December 31, 2017. The uninterrupted total duration of our commitment is two years, covering the financial years ended December 31, 2016 and December 31, 2017.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- We have not provided for the Company the non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Khan.

Farrukh Khan, Audit Partner

For signature, please refer to the original Romanian version.

Registered with the Chamber of Financial Auditors of Romania
under certificate no. 1533/25.11.2003

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors of Romania
under certificate no. 25/25.06.2001

Sos. Nicolae Titulescu nr. 4-8, America House, Intrarea de Est,
Etajul 2 - zona Deloitte și Etajul 3, sector 1,
București, România
March 23, 2018

MED LIFE GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017
(all the amounts are expressed in RON, unless otherwise specified)

	Note	December 31, 2017	January 1, 2017
ASSETS			
Long Term			
Goodwill	4	66,035,963	43,993,237
Intangible assets	5	34,299,738	26,512,923
Tangible assets	5	325,845,288	304,857,393
Financial assets	5.5	6,161,678	1,160
TOTAL NON-CURRENT ASSETS		**432,342,667**	**375,364,713**
Current Assets			
Inventories	6	20,325,330	17,373,541
Receivables	7	58,450,406	43,203,974
Other receivables		5,549,527	2,357,689
Cash and cash equivalents	8	79,227,766	20,701,850
		163,553,029	**83,637,054**
Assets classified as held for sale	9	381,665	381,665
Prepayments	10	**7,068,126**	**6,736,028**
TOTAL CURRENT ASSETS		**171,002,820**	**90,754,747**
TOTAL ASSETS		**603,345,487**	**466,119,460**
LIABILITIES & SHAREHOLDER'S EQUITY			
Current Liabilities			
Trade accounts payable	11	103,839,523	98,432,380
Overdraft	14	2,013,469	1,267,442
Current portion of lease liability	13	3,177,961	7,031,122
Current portion of long term debt	14	36,642,740	19,127,593
Current tax liabilities		1,112,707	1,099,391
Other liabilities	12	20,232,973	17,713,204
Liabilities directly associated with assets classified as held for sale	9	558,370	629,207
TOTAL CURRENT LIABILITIES		**167,577,743**	**145,300,339**
Long Term Debt			
Lease liability	13	10,111,452	10,382,639
Long term debt	14	242,797,699	202,761,616
TOTAL LONG-TERM LIABILITIES		**252,909,151**	**213,144,255**
Deferred tax liability	24	15,196,634	14,655,982
TOTAL LIABILITIES		**435,683,528**	**373,100,576**
SHAREHOLDER'S EQUITY			
Issued capital	15	81,495,470	13,932,034
Reserves	16	93,181,880	91,961,424
Retained earnings		(22,640,779)	(24,346,985)
Equity attributable to owners of the Group		**152,036,571**	**81,546,473**
Non-controlling interests	17	15,625,388	11,472,411
TOTAL EQUITY		**167,661,959**	**93,018,884**
TOTAL LIABILITIES AND EQUITY		**603,345,487**	**466,119,460**

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

MED LIFE GROUP
CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017
(all the amounts are expressed in RON, unless otherwise specified)

	Note	Year ended December 31 2017	Year ended December 31 2016
Sales	**18**	623,219,949	502,986,790
Other operating revenues	**19**	7,496,681	5,468,590
Operating Income		**630,716,630**	**508,455,380**
Operating expenses	**20,21**	**(595,857,844)**	**(488,901,027)**
Operating Profit		**34,858,786**	**19,554,353**
Finance cost	**22**	(14,201,686)	(13,336,592)
Other financial expenses	22	(6,380,555)	(5,048,649)
Financial result	**22**	**(20,582,241)**	**(18,385,241)**
Result Before Taxes		**14,276,545**	**1,169,112**
Income tax expense	**24**	(5,544,920)	(2,411,102)
Net Result		**8,731,625**	**(1,241,990)**
Owners of the Group		4,382,702	(5,109,958)
Non-controlling interests	**17**	4,348,924	3,867,968
Other comprehensive income items that will not be reclassified to profit or loss			
Gain / Loss on revaluation of properties		-	3,398,211
Corrections related to prior years		-	-
Deferred tax on other comprehensive income components	**24**	-	(543,714)
TOTAL OTHER COMPREHENSIVE INCOME		**-**	**2,854,497**
Total other comprehensive income attributable to:			
Owners of the Group		-	5,439,256
Non-controlling interests	**17**	-	(2,584,759)
TOTAL COMPREHENSIVE INCOME		**8,731,625**	**1,612,507**
Total comprehensive income attributable to:			
Owners of the Group		4,382,702	329,298
Non-controlling interests		4,348,924	1,283,209

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

MED LIFE GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(all the amounts are expressed in RON, unless otherwise specified)

	Note	Year ended December 31 2017	Year ended December 31 2016
Net income before taxes	**24**	**14,276,545**	**1,169,112**
Adjustments for			
Depreciation	**20**	43,078,621	36,093,805
Disposal of subsidiaries		-	714,750
Interest revenue	**22**	(613,193)	(454,439)
Interest expense	**22**	14,201,686	13,336,592
Allowance for doubtful debts and receivables written-off	**7**	(485,889)	8,175,200
Written off and allowance of other current assets	**7**	-	109,041
Financial Discounts	**22**	-	3,052,445
Other non-monetary gains	**19**	(4,561,947)	(3,300,000)
Unrealized exchange gain / loss	**22**	7,102,716	2,608,677
Bargain gain	**25**	(729,165)	-
Gain related to impairment of non-current assets	**5**	-	(970,918)
Operating cash flow before working capital changes		**72,269,374**	**60,534,265**
Decrease / (increase) in accounts receivable		(18,029,348)	(11,152,764)
Decrease / (increase) in inventories		(2,718,311)	(2,974,751)
Decrease / (increase) in prepayments		(155,089)	(446,269)
Increase / (decrease) in accounts payable		2,380,649	12,787,223
Cash generated from operations		**53,747,275**	**58,747,704**
Income Tax Paid		(5,058,217)	(2,945,862)
Interest Paid		(13,455,456)	(13,144,091)
Interest received		613,193	454,439
Net cash from / (used in) operating activities		**35,846,795**	**43,112,190**
Investment in business combination	**25**	(29,388,050)	(32,993,008)
Additional participation interest acquired	**25**	(2,401,752)	-
Purchase of intangible assets	**5**	(1,534,853)	(4,038,544)
Purchase of property, plant and equipment	**5**	(40,626,665)	(28,035,141)
Proceed from sale business combination		-	45,000
Net cash used in investing activities		**(73,951,320)**	**(65,021,693)**
Cash flow from financing activities			
Share capital contribution	**15,17**	67,563,436	137,030
Increase in Loans	**14**	65,257,781	73,824,643
Payment of loans	**14**	(21,661,647)	(30,629,749)
Financial Lease payments		(14,218,842)	(6,602,067)
Dividends paid to NCI	**17**	(310,287)	-
Net cash generated by financing activities		**96,630,441**	**36,729,857**
	Note	**Year ended December 31 2017**	**Year ended December 31 2016**
Net change in cash and cash equivalents		**58,525,916**	**14,820,354**

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

Cash and cash equivalents beginning of the period	20,701,850	5,881,496
Cash and cash equivalents end of the period	**79,227,766**	**20,701,850**

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

MED LIFE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(all the amounts are expressed in RON, unless otherwise specified)

	Share Capital								
	Paid and registered	**Paid, registered after year end**	**Share premium**	**General reserves and other reserves**	**Revaluation Reserve***	**Accumulated Results**	**Attributable to owners of the parent**	**Non-controlling interests**	**Total Equity**
Balance as at January 1, 2017	**5,023,000**	**-**	**8,909,034**	**9,699,583**	**82,261,841**	**(24,346,985)**	**81,546,473**	**11,472,411**	**93,018,884**
Recognition of other reserves for fiscal purposes	-	-	-	18,040	-	(18,040)	-	-	-
Recognition of legal reserves	-	-	-	1,202,416	-	(1,202,416)	-	-	-
Share capital contribution	-	513,271	67,050,165	-	-	-	67,563,436	-	67,563,436
Additional non-controlling interest arising as of result of business combinations	-	-	-	-	-	-	-	1,060,052	1,060,052
Subsequent acquisition of NCI	-	-	-	-	-	(1,456,040)	(1,456,040)	(945,712)	(2,401,752)
Distribution of dividends	-	-	-	-		-	-	(310,287)	(310,287)
Total comprehensive income	**-**		**-**	**-**	**-**	**4,382,702**	**4,382,702**	**4,348,924**	**8,731,626**
Gain/loss on revaluation of properties	-	-	-	-	-	-	-	-	-
Deferred tax related to revaluation reserve	-	-	-	-	-	-	-	-	-
Profit of the year (loss)	-	-	-	-	-	4,382,702	4,382,702	4,348,924	8,731,626
Balance as at December 31, 2017	**5,023,000**	**513,271**	**75,959,199**	**10,920,039**	**82,261,841**	**(22,640,779)**	**152,036,571**	**15,625,388**	**167,661,959**

Note*: The closing balance of the revaluation reserve as of December 31, 2017 in amount of RON 82,261,841 comprises revaluation reserve in amount of RON 97,438,877 and deferred tax computed on revaluation reserve in amount of RON (15,177,036).

Note**: In 2017, as a result of a Second Public Offering, Med Life S.A. issued 2,053,082 new shares with a nominal value of RON 0.25 per share, increasing the share capital from RON 5,023,000 to RON 5,536,271. The subscribers of the share increase will benefit from full rights related to the acquired shares starting from the date of the registration by the Central Depository. The shares were subscribed in 2017. The Central Depository registered the newly subscribed shares on January 11, 2018.

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

MED LIFE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(all the amounts are expressed in RON, unless otherwise specified)

	Share Capital	Share premium	General reserves and other reserves	Revaluation Reserve*	Accumulated Results	Attributable to owners of the parent	Non-controlling interests	Total Equity
Balance as at January 1, 2016	**5,023,000**	**8,909,034**	**9,681,481**	**76,822,585**	**(19,139,252)**	**81,296,848**	**5,899,644**	**87,196,492**
Recognition of other reserves for fiscal purposes	-	-	18,102	-	(18,102)	-	-	-
Sale of subsidiaries	-	-	-	-	(79,673)	(79,673)	-	(79,673)
Share capital contribution	-	-	-	-	-	-	137,030	137,030
Additional non-controlling interest arising as of result of business combinations	-	-	-	-	-	-	4,152,528	**4,152,528**
Total comprehensive income	**-**	**-**	**-**	**5,439,256**	**(5,109,958)**	**329,298**	**1,283,209**	**1,612,507**
Gain/loss on revaluation of properties	-	-	-	6,475,305	-	6,475,305	(3,077,094)	3,398,211
Deferred tax related to revaluation reserve	-	-	-	(1,036,049)	-	(1,036,049)	492,335	(543,714)
Profit of the year (loss)	-	-	-	-	(5,109,958)	(5,109,958)	3,867,968	(1,241,990)
Balance as at December 31, 2016	**5,023,000**	**8,909,034**	**9,699,583**	**82,261,841**	**(24,346,985)**	**81,546,473**	**11,472,411**	**93,018,884**

Note*: The closing balance of the revaluation reserve as of December 31, 2016 in amount of RON 82,261,841 comprises revaluation reserve in amount of RON 97,438,877 and deferred tax computed on revaluation reserve in amount of RON (15,177,036). As of December 31, 2016, the Group performed the revaluation of land and buildings owned. As a result, the Group recorded a net gain from revaluation of RON 2,854,497.

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

1. DESCRIPTION OF THE BUSINESS

Med Life S.A. ("MedLife" or the "Parent Company" or the "Company") is a joint-stock company incorporated in 1996, in accordance with the laws and regulations of Romania. The Company's activity resides in the performance of healthcare services activities through medical centres located in Bucharest, Brasov, Cluj, Timisoara, Iasi, Galati and Constanta. The registered office of Med Life is located in Bucharest, Calea Grivitei, no. 365. Med Life Group is offering a large range of medical service having opened 18 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Braila, Cluj and Constanta, 33 Clinics, 8 hospitals – located in Bucharest, Arad and Brasov, 29 Laboratories, 10 Pharmacies and 9 Dental Clinics. The Group has also more than 140 private Clinic partners around Romania. Details of Med Life SA's subsidiaries at December 31, 2017 and January 1, 2017 are as follows:

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2017	January 1, 2017
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	80.01%	80.01%
2	Medapt SRL	Medical Services	Brasov, Romania	80.01%	80.01%
3	Histo SRL	Medical Services	Brasov, Romania	48.01%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL	Medical Services	Sfantu Gheorge, Romania	64.01%	64.01%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100%	100%
6	Medsanrom SRL (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	Asilife Insurance Broker SRL	Insurance broker	Bucharest, Romania	99%	99%
9	Accipiens SA	Rental activities	Arad, Romania	58%	55%
10	Genesys Medical Clinic SRL	Medical services	Arad, Romania	58%	55%
11	Biofarm Farmec SRL	Distribution of Pharmaceutical Products in specialised stores	Arad, Romania	58%	55%
12	RUR Medical SA	Medical services	Brasov, Romania	100%	100%
13	Biotest Med SRL	Medical services	Constanta, Romania	100%	100%
14	Vital Test SRL	Medical services	Iasi, Romania	100%	100%
15	Bactro SRL (indirectly)	Other healthcare services	Deva, Romania	58%	55%
16	Centrul Medical Sama S.A.	Medical Services	Craiova, Romania	55%	55%
17	Ultratest S.A.	Other healthcare services	Craiova, Romania	55%	55%
18	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
19	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%
20	Stem Cells Bank SA	Medical Services	Timisoara, Romania	100%	60%
21	Dent Estet Clinic SA	Dental healthcare activities	Bucharest, Romania	60%	60%
22	Centrul Medical Panduri SA	Medical Services	Bucharest, Romania	90%	90%
23	Almina Trading SA	Medical services	Targoviste, Romania	80%	-
24	Anima Specialty Medical Services SRL	Medical services	Bucharest, Romania	100%	-
25	Anima Promovare si Vanzari SRL	Medical services	Bucharest, Romania	100%	-
26	Valdi Medica SRL	Medical services	Cluj, Romania	55%	-

1. DESCRIPTION OF THE BUSINESS (continued)

Dent Estet Clinic SA also owns the following companies as described below:

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2017	January 1, 2017
1	Green Dental Clinic SRL	Dental healthcare activities	Bucharest, Romania	51%	51%
2	Dentist 4 Kids SRL	Dental healthcare activities	Bucharest, Romania	52%	52%
3	Dent A Porter SRL	Dental healthcare activities	Bucharest, Romania	51.61%	51.61%
4	Dentestet Kids	Dental healthcare activities	Bucharest, Romania	52.94%	52.94%
5	Aspen Laborator Dentar	Dental healthcare activities	Bucharest, Romania	75%	75%

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

2.1 Initial application of new amendments to the existing standards and interpretation effective for the current reporting period

The following standards, amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IFRS 12 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Group's consolidated financial statements.

2.2 Amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

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

2.2 Amendments to the existing standards issued by IASB and adopted by the EU but not yet effective (continued)

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

The Group has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Group anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Group in the period of initial application.

2.3 New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

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

2.3 New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

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

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated interim financial statements of the Group are set out below.

3.1 Statement of compliance

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

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

3.2 Basis of preparation

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

These consolidated financial statements have been prepared to serve the Group as statutory consolidated financial statements.

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

3.3 Going concern

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

3.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company (Med Life S.A.) and entities controlled by the Company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Basis of consolidation (continued)

The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

The interests of non-controlling shareholders are initially measured at the non-controlling interests' proportionate share of the fair value of the acquired company's identifiable net assets.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3.5 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method.

The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 3.5 above) less accumulated impairment losses, if any.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.7 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.8 Accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.9 Foreign currency translation

Functional and presentation currency

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

As at December 31, 2017 the exchange rate was of 3.8915 RON for 1 USD and of 4.6597 RON for 1 EUR.

As at December 31, 2016 the exchange rate was of 4.3033 RON for 1 USD and of 4.5411 RON for 1 EUR.

The monetary assets and liabilities in foreign currency as of reporting date have been converted from EUR to RON at the closing exchange rate as announced by the National Bank of Romania.

The profit and loss incurred before the transaction date of the acquired businesses in 2016 and in 2015 was eliminated.

3.10 Comparative information

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Property, plant and equipment

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

The value of land and buildings owned presented in these consolidated financial statements is based on the valuation reports which were performed as of December 31, 2016 by independent valuators certified by ANEVAR. The revaluation is performed with sufficient regularity as to ensure that the Group presents land and buildings at fair value in the consolidated financial statements. The Group performed the revaluation as of December 31, 2017 for a sample of buildings to identify whether there have been significant changes in fair value. Considering that the resulted fair values were not significantly different compared to the carrying values of the selected assets, the revaluation exercise was not extended to all the relevant assets and no revaluation was recorded as of December 31, 2017.

Repairs and maintenance are charged to the statement of income during the financial period in which they incur. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset. Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the amounts of property, plant and equipment on a straight-line basis down to the assets' estimated residual values. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

	Years
Buildings	10 – 50 years
Plant and equipment	3 – 15 years
Fixtures and fittings	3 – 15 years

3.12 Assets held under finance leases

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

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

3.13 Intangible assets

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Intangible assets (continued)

De-recognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.14 Investments in subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by another entity (known as the parent). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

A parent company, shall present consolidated financial statements in which it consolidates its investments in subsidiaries in accordance with this IAS 27 Consolidated and Separate Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3.16 Inventories

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

3.17 Trade receivables

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

3.18 Cash and cash equivalents

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

3.19 Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognized at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction cost. Fair value is the amount for which a financial instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Accounts payable

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

3.21 Leasing

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

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

3.22 Borrowing costs

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. The transaction costs incurred in issuing the liability are amortized over the life of the loan.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognized as interest expense over the period of the borrowings.

3.23 Taxation

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

Current tax

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

Deferred tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Current and deferred tax for the period

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

3.24 Share capital

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

3.25 Share premiums

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

3.26 Revaluation reserve

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

3.27 Provisions for risks and charges

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

3.28 Revenue recognition

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

Rendering of services

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest revenues

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.29 Employee benefits

Employee benefits

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

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

3.30 Related parties

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

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

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

3.31 Fair value

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

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

The fair values were assessed for evaluation or presentation of information based on the methods and techniques described below.

Fair value was assessed for land and buildings owned as of December 31, 2016 based on independent evaluators reports. The fair value of land was established based on market value approach. The fair value for buildings was established based on cost of replacement approach.

3.32 IAS 29

Med Life SA was created in 1996. The development of the Company was continuous throughout the years. The significant additions to non-current assets and the material share capital subscriptions and the share premiums were recorded after Romania stopped being considered a hyperinflationary economy. As such, no inflation adjustments have been applied to equity and the Company did not have to apply IAS 29 requirements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.33 IFRS 8

IFRS 8 disclosures are meant to enable users of financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

The Group considers that all the business activities from which it earns revenues are intertwined and that the main business activity represents one segment- the rendering of medical services. In order to enable users of the financial statements to evaluate the nature and financial effects of the business, the Group decided to present the revenues split on the main business lines.

3.34 Subsequent events

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

4. GOODWILL

The Group records goodwill resulting from business combinations.

Please see below the goodwill recorded as of December 31, 2017 and January 1, 2017:

	December 31, 2017	December 31, 2016
Policlinica de Diagnostic Rapid Group	11,281,899	11,281,899
Pharmalife Med SRL	138,997	138,997
Accipiens Group	10,853,416	10,853,416
Biotest Med SRL	215,289	215,289
Vital Test SRL	90,706	90,706
Centrul Medical Sama SA	1,492,537	1,492,537
Ultratest Craiova SA	9,807	9,807
Bactro	68,393	68,393
Diamed Center SRL	2,646,208	2,646,208
Prima Medical SRL	1,422,493	1,422,493
Stem Cells Bank SA	1,217,669	1,217,669
Dent Estet Clinic SA	7,576,551	7,576,551
Centrul Medical Panduri SA	6,979,272	6,979,272
Almina Trading SRL	6,354,631	-
Anima Specialty Medical Services SRL	12,863,892	-
Valdi Medica SRL	2,824,203	-
TOTAL	**66,035,963**	**43,993,237**

Movement in Goodwill

	December 31, 2017	December 31, 2016
Balance at the beginning of the year	43,993,237	24,275,015
Goodwill recognized during the year	22,042,726	19,842,193
Disposal of subsidiaries	-	(123,971)
TOTAL	**66,035,963**	**43,993,237**

During the year ended December 31, 2017, the Group obtained control over various companies and recorded a goodwill of RON 22,042,726. For further details on business combinations performed in the year ended December 31, 2017 and the year ended December 31, 2016, please see note 25.

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

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

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

Management have engaged specialists to assist with the impairment analysis. No impairment of goodwill was identified as of December 31, 2017.

5. TANGIBLE AND INTANGIBLES FIXED ASSETS

As of December 31, 2017 the Group's tangible and intangible assets' structure was the following:

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
January 1, 2017	**49,662,705**	**27,114,136**	**220,255,015**	**187,925,500**	**9,939,797**	**494,897,153**
Additions	6,096,799	-	10,376,979	26,149,889	10,531,607	53,155,274
Transfers	-	-	8,516,418	-	(8,516,418)	-
Disposals	-	-	(15,865)	(1,890,496)	-	(1,906,361)
Additions from business combinations	10,642,257	-	4,426,302	17,733,504	134,641	32,936,704
Disposals from business combinations	-	-	-	-	-	
Revaluation	-	-	-	-	-	
December 31, 2017	**66,401,761**	**27,114,136**	**243,558,849**	**229,918,397**	**12,089,627**	**579,082,770**

For details regarding additions from business combinations – please see further details in Note 25.

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
Depreciation						
January 1, 2017	**23,149,782**	**84,120**	**28,880,616**	**111,412,319**	**-**	**163,526,837**
Charge of the year	5,792,478	-	16,874,941	20,411,202	-	43,078,621
Disposals	-	-	(15,865)	(1,564,250)	-	(1,580,115)
Additions from business combinations	3,159,763	-	11,761	10,740,877	-	13,912,401
Disposals from business combinations	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Impairment losses recognized in profit or loss	-	-	-	-	-	-
December 31, 2017	**32,102,023**	**84,120**	**45,751,453**	**141,000,148**	**-**	**218,937,744**
Net Book Values						
January 1, 2017	**26,512,923**	**27,030,016**	**191,374,399**	**76,513,181**	**9,939,797**	**331,370,316**
December 31, 2017	**34,299,738**	**27,030,016**	**197,807,396**	**88,918,249**	**12,089,627**	**360,145,026**

6. TANGIBLE AND INTANGIBLES FIXED ASSETS

As of December 31, 2016 the Group's tangible and intangible assets' structure was the following:

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
January 1, 2016	**28,730,788**	**28,628,917**	**215,767,462**	**146,761,943**	**7,880,094**	**427,769,204**
Additions	7,339,081	-	51,490	25,697,241	13,447,401	46,535,213
Transfers	-	-	11,579,861	-	(11,579,861)	-
Disposals	(279,976)	-	-	(956,679)	-	(1,236,655)
Additions from business combinations	13,874,703	148,542	246,713	18,335,310	209,763	32,815,031
Disposals from business combinations	(1,891)			(1,912,315)	(17,600)	(1,931,806)
Revaluation	-	(1,663,323)	(7,390,511)	-	-	(9,053,834)
December 31, 2016	**49,662,705**	**27,114,136**	**220,255,015**	**187,925,500**	**9,939,797**	**494,897,153**

For details regarding additions from business combinations – please see further details in Note 25. During 2016, the Group disposed of the shares held regarding Agis 2000 SRL as disclosed in Note 4.

	Intangibles*	Land	Constructions	Vehicles and equipment	Construction in progress	Total
Depreciation						
January 1, 2016	**14,919,054**	**84,120**	**31,312,673**	**87,430,882**	**-**	**133,746,729**
Charge of the year	8,230,727		10,979,864	16,883,214		36,093,805
Disposals	(279,707)	-	-	(921,028)	-	(1,200,735)
Additions from business combinations	281,330	-	11,042	8,910,226	-	9,202,598
Disposals from business combinations	(1,622)	-	-	(890,975)	-	(892,597)
Revaluation	-	-	(12,452,045)	-	-	(12,452,045)
Impairment losses recognized in profit or loss	-	-	(970,918)	-	-	(970,918)
December 31, 2016	**23,149,782**	**84,120**	**28,880,616**	**111,412,319**	**-**	**163,526,837**
Net Book Values						
January 1, 2016	**13,811,734**	**28,544,797**	**184,454,789**	**59,331,061**	**7,880,094**	**294,022,475**
December 31, 2016	**26,512,923**	**27,030,016**	**191,374,399**	**76,513,181**	**9,939,797**	**331,370,316**

The carrying value of assets purchased through financial leasing is RON 13,566,709 (2016: RON 17,691,057).

5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.1. Land and buildings carried at fair value

The value of land and buildings related to Med Life, PDR, Accipiens, Rur Medical and Bahtco Invest presented in this consolidated financial information is based on the valuation reports which were performed as of December 31, 2016 by independent valuators certified by ANEVAR. The Group performed the revaluation as of December 31, 2017 for a sample of buildings to identify whether there have been significant changes in fair value. Considering that the resulted fair values were not significantly different compared to the carrying values of the selected assets, the revaluation exercise was not extended to all the relevant assets and no revaluation was recorded as of December 31, 2017.

The plots of land subject to the revaluation reports were valued using the market comparison approach as well as the residual method. The value conclusion was based on the market comparison approach.

The buildings were valued by using both the cost approach and the income approach (capitalization of net rental income). The final value conclusion is the one derived from the application of the cost approach.

Information regarding the fair value as of December 31, 2017 and January 1, 2017:

	Level 1	Level 2	Level 3	Fair value as of December 31, 2017
Land			28,544,797	28,544,797
Buildings			184,454,789	184,454,789

	Level 1	Level 2	Level 3	Fair value as of January 1, 2017
Land	-	-	27,030,016	27,030,016
Buildings	-	-	191,374,399	191,374,399

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been as presented below:

Carrying amount without revaluation	December 31, 2017	January 1, 2017
Land	4,705,086	4,705,086
Buildings	130,019,084	122,520,203
TOTAL	**134,724,170**	**127,225,289**

5.2. Assets pledged as securities

Land and buildings (property on 365, Calea Grivitei) have been pledged to secure borrowings of the Group (see note 14). The land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Freehold land and buildings, namely apartments 9 and 10 situated in Brasov, Livada Vulturului 10, and construction in progress located in Brasov, Turnului Street 5A as well as medical equipment have been pledged to secure borrowings of the PDR subsidiary. The land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.2. Assets pledged as securities (continued)

The plot of land and buildings comprising the pediatrics hospital located in Bucharest, 7 Zagazului Street has been pledged in favor of IFC and the Finance Parties of the Club Loan (with subsequent ranking for Club Loan).

Genesys Clinic situated in Arad, was pledged in the favor of Banca Transilvania. For further details please see note 14.

Eva Clinic situated in Brasov, was pledged in the favor of IFC, as part of the amended agreement in 2011. For further details please see note 14.

5.3. Intangible assets

Carrying amount	December 31, 2017	January 1, 2017
Set-up and development costs	13,758	10,789
Customer lists	3,683,529	2,553,529
Contract advantage	4,088,463	1,435,896
Trademark	12,655,595	10,948,595
Concessions, patents, licenses, trademarks and similar rights and assets	4,572,641	2,061,316
Other intangible assets	9,285,752	9,502,798
TOTAL	**34,299,738**	**26,512,923**

5.4. Intangible assets acquired in a business combination

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

Subsidiary	Customer List	Contract Advantage	Trademark	Total
Policlinica de Diagnostic Rapid (2010)	2,335,446	282,163	-	2,617,609
Med Life Ocupational (2010)	10,427	64,546	-	74,973
Genesys Clinic (2011)	631,221	-	-	631,221
Vital Test (2014)	-	8,462	-	8,462
Biotest (2014)	-	25,579	-	25,579
Diamed (2016)	-	839,438	605,153	1,444,591
Prima Medical (2016)	-	115,865	688,850	804,715
Stem Cells Bank (2016)	338,056	-	-	338,056
Dent Estet Clinic (2016)	930,189	-	9,654,592	10,584,781
Centrul Medical Panduri (2016)	-	318,179	-	318,179
Almina Trading SRL (2017)	-	632,000	321,000	953,000
Anima S (2017)	1,130,000	1,150,000	1,288,000	3,568,000
Anima P (2017)		870,567		870,567
Valdi Medica SRL (2017)	-	-	98,000	98,000
Total	**5,375,339**	**4,306,799**	**12,655,595**	**22,337,733**

5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.5. Financial assets

Carrying amount	December 31, 2017	January 1, 2017
Long-term receivables for stem cells processing	6,160,418	-
Other receivables	1,260	1,160
TOTAL	**6,161,678**	**1,160**

As of December 31, 2017, the Group presents RON 6,160,418 as long-term receivables for stem cells processing.

6. INVENTORIES

	December 31, 2017	January 1, 2017
Consumables	10,981,134	11,149,639
Materials in the form of inventory items	112,671	222,067
Commodities	9,230,143	6,000,816
Inventory in transit	1,382	1,019
TOTAL	**20,325,330**	**17,373,541**

7. ACCOUNTS RECEIVABLE

	December 31, 2017	January 1, 2017
Customers	71,761,034	57,352,607
Advances to suppliers	3,581,967	2,522,169
Bad debt provisions	(16,892,595)	(16,670,802)
TOTAL	**58,450,406**	**43,203,974**

Trade receivables as of December 31, 2017 and as of January 1, 2017 include a receivable of RON 7,365,835 representing amounts to be collected from the National Health House of Bucharest not yet invoiced. The Group started legal actions against the National Health House of Bucharest. The management is confident that the receivable may be eventually recovered, but given the adverse court decisions in similar cases, the Group decided to record a 100% allowance during 2016.

Trade receivables disclosed above are classified as receivables and are therefore measured at amortized cost.

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

As of December 31, 2017 and January 1, 2017, the Management of the Group performed an assessment regarding the collectability of receivables- a total allowance of RON 16,670,802 (which includes the amount of RON 7,365,835 in relation to the National Health House described above) represents management's best estimate regarding the receivables which are not to be collected. The assessment takes into consideration the collection pattern of the receivables over the last two years. The Group monitors the credit quality of its customers on an ongoing basis. Credit risk is spread over a large customer base and the Group is not dependent on the collection of receivables from a limited number of customers.

7. ACCOUNTS RECEIVABLE (continued)

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of past due but not impaired

	December 31, 2017	January 1, 2017
90 - 180 days	488,216	1,252,714
180 days - 270 days	973,664	952,544
270 - 365 days	2,271,282	1,185,080
Over 365 days	3,874,936	3,158,676
TOTAL	**7,608,098**	**6,549,014**
Average age (days)	90	90

The corporate receivables are spread over a large pool of clients. The main state budget customers are: The National Health Insurance House (6% of the total receivable balance).

Movement in the allowance for doubtful debts	December 31, 2017	January 1, 2017
Balance at the beginning of the year	16,670,802	8,565,592
Additions from business combinations	707,682	-
Impairment losses and reversals recognized on receivables	(485,889)	8,105,210
TOTAL	**16,892,595**	**16,670,802**

During 2016, the Group has written off advances to suppliers in amount of RON 305,600.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. The Group is not dependent on the collection of receivables from a limited number of customers.

Ageing of impaired trade receivables

	December 31, 2017	January 1, 2017
270-365 days	-	988,647
Over 365 days	9,526,760	8,316,320
TOTAL GENERAL	**9,526,760**	**9,304,967**
Other allowance (described above)	7,365,835	7,365,835
TOTAL	**16,892,595**	**16,670,802**

8. CASH AND BANKS

	December 31, 2017	January 1, 2017
Cash in bank	76,956,322	18,022,894
Cash in hand	1,683,744	1,810,985
Cash equivalents	587,700	867,971
TOTAL	**79,227,766**	**20,701,850**

As of December 31, 2017, the cash at bank increased materially as a result of the subscription of the new shares. Please see note 15 for more details.

9. ASSETS CLASSIFIED AS HELD FOR SALE

	December 31, 2017	January 1, 2017
Apartment owned by Med Life Ocupational	381,665	381,665
TOTAL	**381,665**	**381,665**

The Group intends to dispose of the above assets within a twelve month period. The disposal of the apartment held by Med Life Occupational is directly linked to advance payment made by the former shareholders, recorded as a liability as of December 31, 2017 and January 1, 2017 in Med Life Group's consolidated financial statements and to a loan from Bancpost, contracted to buy this apartment.

The amount of liabilities directly linked to assets held for sale as of December 31, 2017 is RON 558,370 (January 1, 2017: RON 629,207).

10. PREPAYMENTS

As of December 31, 2017 the Group has prepayments in amount of RON 7,068,126 (RON 6,736,028 as of January 1, 2017. The prepayments balance as of December 31, 2017 and January 1, 2017 consists mainly of deferred commissions for financing related to the Club loan and the IFC loan obtained in 2016 and amounts related to rent paid in advance for rented properties and other amounts such as insurance policies for professionals and tangible assets.

11. ACCOUNTS PAYABLE

	December 31, 2017	January 1, 2017
Suppliers	88,686,385	80,920,609
Fixed assets suppliers	13,667,285	16,429,728
Advances paid by customers	1,485,853	1,082,043
TOTAL	**103,839,523**	**98,432,380**

12. OTHER SHORT TERM LIABILITIES

	December 31, 2017	January 1, 2017
Salary and related liabilities (including social contributions)	14,985,699	11,346,075
Other liabilities	5,247,274	6,367,129
TOTAL	**20,232,973**	**17,713,204**

13. LEASING LIABILITIES

	December 31, 2017	January 1, 2017
Current portion – Leasing	3,177,961	7,031,122
Non-current portion – Leasing	10,111,452	10,382,639
TOTAL	**13,289,413**	**17,413,761**

Leasing facilities refer to medical equipment and vehicles acquired.

13. LEASING LIABILITIES (continued)

Obligations under finance lease

	December 31, 2017	January 1, 2017
Minimum Lease Payments		
Short-term (less than one year)	3,977,222	9,502,879
Long-term (between 2 and 5 years)	12,828,762	15,551,753
Total	**16,805,984**	**25,054,632**
Less: future finance charges	(3,516,571)	(7,640,871)
Present value of lease obligations		
Analyzed as follows:		
Maturing within one year	3,177,961	7,031,122
Maturing after more than one year but not later than five year	10,111,452	10,382,639
TOTAL	**13,289,413**	**17,413,761**

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

14. FINANCIAL DEBT

	December 31, 2017	January 1, 2017
Current portion of long term debt	38,656,209	20,395,035
Long term debt	242,797,699	202,761,616
TOTAL	**281,453,908**	**223,156,651**

Overdraft

	December 31, 2017	January 1, 2017
Short term loan Transilvania Bank and others	2,013,469	1,267,442
TOTAL	**2,013,469**	**1,267,442**

As at December 31, 2017, the Group's drawn and undrawn financing facilities included the following:

- a secured club loan agreement entered into between the Company and BCR, BRD, ING and Raiffeisen for a maximum amount of EUR 48,764,589.98 and RON 27,000,000. The loan matures on 15 November 2023. The outstanding amount as at 31 December 2016 was EUR 32,904,018, equivalent to RON 176,420,437, and RON 27,000,000. The balance as at December, 31 2017 is of EUR 37,909,567, equivalent of RON 176,647,209, and RON 27,000,000;

- a secured loan agreement with the International Finance Corporation, member of the World Bank Group, amended and restated as at 30 September 2016, with an outstanding amount of EUR 2,619,048, having the last repayment date on 15 May 2023;

14. FINANCIAL DEBT (continued)

- a secured loan agreement with the International Finance Corporation, member of the World Bank Group, in the amount of EUR 10,000,000 signed at 30 September 2016. The outstanding amount as at December 31, 2017 is EUR 9,166,667;

- seven secured loan agreements entered into between Banca Transilvania and Centrul Medical Sama for the acquisition of medical equipment and the construction of a clinic, having a total outstanding amount of RON 1,194,480, as at December 31, 2017;

- three secured loan agreements entered into between Banca Transilvania and Genesys Medical Center S.R.L, having at December 31, 2017 a balance of EUR 2,337,641 and RON 231,279 RON;

- an overdraft facility entered into between Unicredit Tiriac Bank and Prima Medical S.R.L. having as maximum credit limit of RON 800,000, fully drawn as at December 31, 2017;

- a credit facility entered into between Garanti Bank and Dent Estet having an outstanding amount as at December 31, 2017 is of RON 1,099,974;

- two secured agreement between Banca Transilvania and Anima Specialty Medical Services; the outstanding amount as at December 31, 2017 is of RON 4,060,384;

- three secured agreement between Banca Transilvania and Almina Trading, having an outstanding amount as at December 31, 2017 is of RON 700,759;

- a secured agreement between Bancpost and Medlife Ocupational in amount of EUR 225,000; the outstanding amount as at December 31, 2017 is of EUR 119,810;

- an overdraft facility between Banca Transilvania and Anima Specialty with a limit of 1,000,000 RON until June 2018; the outstanding amount as at December 31, 2017 is 420,188 RON;

- a credit facility entered between Banca Transilvania and Sama from September 2016, having an outstanding amount 166,648 RON as at December 31, 2017;

- a credit facility entered between Banca Transilvania and Genesys, having an outstanding amount 310,640 RON as at December 31, 2017;

As at December 31, 2017, none of the Group members was in breach of any applicable term of the financing facilities.

15. ISSUED CAPITAL

In 2017, as a result of a Second Public Offering, Med Life S.A. issued 2,053,082 new shares with a nominal value of RON 0.25 per share, increasing the share capital from RON 5,023,000 to RON 5,536,271. The subscribers of the share increase will benefit from full rights related to the acquired shares starting from the date of the registration by the Central Depository. The shares were subscribed in 2017. The Central Depository registered the newly subscribed shares on January 11, 2018.

As of December 31, 2017 the shareholders' structure of Med Life SA, the parent company of Med Life Group, is as presented below:

	No. of shares	%
Marcu Mihail	4,219,320	21.00%
Marcu Nicolae	3,013,800	15.00%
Cristescu Mihaela Gabriela	3,028,892	15.08%
Others	9,829,988	48.92%
TOTAL	**20,092,000**	**100%**

The shareholders' structure of Med Life SA in place following the share capital increase process, as presented in the Central Depository notification, dated January 11, 2018, is as presented below:

	No. of shares	%
Marcu Mihail	4,219,320	19.05%
Marcu Nicolae	3,013,800	13.61%
Cristescu Mihaela Gabriela	3,243,892	14.65%
Others	11,668,070	52.69%
TOTAL	**22,145,082**	**100%**

As of December 31, 2016 the shareholders' structure of Med Life SA, the parent company of Med Life Group, is as presented below:

	No. of shares	%
Marcu Mihail	4,219,320	21.00%
Marcu Nicolae	3,013,800	15.00%
Cristescu Mihaela Gabriela	3,013,800	15.00%
Others	9,845,080	49.00%
TOTAL	**20,092,000**	**100%**

16. RESERVES

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

	December 31, 2017	January 1, 2017
General reserves	1,867,202	1,028,142
Other reserves	9,052,837	8,671,441
Revaluation reserves	82,261,841	82,261,841
TOTAL	**93,181,880**	**91,961,424**

As of December 31, 2014, Med Life SA used a fiscal facility available starting 2014 for re-invested profit and increased its reserves according to the fiscal rules by RON 4,933,776 based on the profit obtained in 2014. As of December 31, 2015, Med Life SA used the fiscal facility of re-invested profit and increased its reserves by RON 3,705,398. This reserve will be taxed when it will be used under any form. These are included in Other reserves as of December 31, 2017 and January 1, 2017.

16. RESERVES (continued)

General reserves and other reserves

	December 31, 2017	January 1, 2017
Balance at beginning of the year	**9,699,583**	**9,681,481**
Movements	1,220,456	18,102
Balance at the end of the year	**10,920,039**	**9,699,583**

Revaluation reserves	December 31, 2017	January 1, 2017
Balance at beginning of the year	**82,261,841**	**76,822,585**
Decrease arising revaluation correction	-	-
Increase due to revaluation	-	6,475,305
Deferred tax related to revaluation	-	(1,036,049)
Balance at the end of the year	**82,261,841**	**82,261,841**

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

The effects of taxes on income, if any, resulting from the revaluation of property, plant and equipment are recognized and disclosed in accordance with IAS 12 Income Taxes (please see note 25).

17. NON-CONTROLLING INTEREST

	December 31, 2017	January 1, 2017
Balance at beginning of year	**11,472,411**	**5,899,644**
Decrease in non-controlling interest as a result of group acquisition of additional interest	(945,712)	-
Share of profit for the year	4,348,924	3,867,968
Share of other comprehensive income	-	(2,584,759)
Share capital contribution	-	137,030
Non-controlling interests arising on the acquisition of subsidiaries	1,060,052	4,152,528
Distribution of dividends	(310,287)	
TOTAL	**15,625,388**	**11,472,411**

18. SALES

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

Business Line	12 months 2017 Sales	% of Total Sales	12 months 2016 Sales	% of Total Sales
Clinics	166,650,648	26.7%	130,109,363	25.9%
Stomatology	37,565,681	6.0%	18,504,217	3.7%
Hospitals	119,106,274	19.1%	104,977,229	20.9%
Laboratories	115,259,329	18.5%	93,161,917	18.5%
Corporate	144,621,716	23.2%	127,988,835	25.4%
Pharmacies	29,526,655	4.7%	23,597,580	4.7%
Other revenue	10,489,645	1.7%	4,647,649	0.9%
TOTAL	**623,219,949**	**100%**	**502,986,790**	**100%**

Sales obtained for stem cells bank services are classified for the twelve month period ended December 31, 2017 on Other Revenues business line. Stem cells bank services sales were previously classified in Laboratories business line. In order to ensure comparison between periods, we have reclassified stem cell banks services sales for the twelve month period ended December 31, 2016 from Laboratories business line to Other Sales business line.

19. OTHER OPERATING REVENUES

Other operating revenues caption comprises:

	December 31, 2017	December 31, 2016
Other operating income	2,934,734	2,168,590
Capitalized costs of intangible assets	4,561,947	3,300,000
TOTAL	**7,496,681**	**5,468,590**

20. OPERATING EXPENSES

	December 31, 2017	December 31, 2016
Consumable materials & repair materials	97,974,250	83,701,521
Commodities expenses	24,115,025	18,908,567
Utilities	6,573,637	5,074,199
Repairs maintenance	6,435,809	5,133,520
Rent	38,281,750	28,055,943
Insurance premiums	2,103,123	1,868,261
Promotion expense	10,976,803	10,371,665
Communications	3,326,050	3,249,114
Third party expenses (including doctor's agreements)	165,638,063	133,552,240
Salary and related expenses	152,403,119	113,810,954
Social contributions	34,608,368	25,748,024
Depreciation	43,078,621	36,093,805
Impairment gains recognized in profit and loss	-	(970,918)
Other administration & operating exp.	10,343,226	24,304,132
TOTAL	**595,857,844**	**488,901,027**

21. KEY MANAGEMENT PERSONNEL EXPENSES

The structure of Med Life personnel is described below:

	December 31, 2017	December 31, 2016
Management	93	77
Staff	3,511	3,351
Total	**3,604**	**3,428**

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

	December 31, 2017	December 31, 2016
Management	22,805,657	16,664,561
Staff	129,597,462	97,146,393
Total	**152,403,119**	**113,810,954**

22. NET FINANCIAL RESULT

	December 31, 2017	December 31, 2016
Other financial expenses	-	(3,052,445)
Net foreign exchange rate impact	(7,109,598)	(2,608,878)
Net finance cost – interest expense	(14,201,686)	(13,336,592)
Other income	115,850	158,235
Interest income	613,193	454,439
NET FINANCIAL RESULT	**(20,582,241)**	**(18,385,241)**

23. RELATED PARTIES

The related parties identified are: Nautic Life SRL, DR. CRISTESCU I. MIHAELA-GABRIELA and Marcu Nicolae (shareholder).

Closing balances	December 31, 2017	January 1, 2017
Payables		
MARCU NICOLAE	-	-
DR. CRISTESCU I. MIHAELA-GABRIELA	52,400	-
NAUTIC LIFE	-	140,440

23. RELATED PARTIES (continued)

Transactions during the year	December 31, 2017	December 31, 2016
Expenses		
NAUTIC LIFE	-	-
DR. CRISTESCU I. MIHAELA-GABRIELA	466,835	-
MARCU NICOLAE	-	-
Total	**466,835**	**-**
Acquisition of fixed assets		
NAUTIC LIFE	-	4,237,180

24. TAXATION

	December 31, 2017	December 31, 2016
Current income tax expense	5,004,268	3,107,943
Deferred tax expense/release	540,652	(696,841)
Total income tax	**5,544,920**	**2,411,102**

	December 31, 2017	December 31, 2016
Profit / (loss) before tax	**14,276,545**	**1,169,112**
Income tax expense calculated at 16%	2,284,247	187,058
Effect of expenses that are not deductible in determining taxable profit	2,720,021	2,920,885
Effect of temporary differences	540,652	(696,841)
Income tax expense recognized in profit or loss	**5,544,920**	**2,411,102**

24. TAXATION (continued)

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

The components of deferred tax as of December 31, 2017 are presented below:

Components of deferred tax	December 31, 2017	Change in deferred tax	January 1, 2017
Deferred tax assets			
Non-current assets	-	-	-
Trade receivables	1,332,184	-	1,332,184
Total deferred tax asset	**1,332,184**	**-**	**1,332,184**

Deferred tax liability	December 31, 2017	Change in deferred tax	January 1, 2017
Non-current assets new acquisitions	818,437	540,652	277,785
Revaluation reserve	15,710,381		15,710,381
Total deferred tax liability	**16,528,818**	**540,652**	**15,988,166**
Net deferred tax liability	**15,196,634**		**14,655,982**

The net effect of the change on deferred tax balances recognized as at December 31, 2017, 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.

The components of deferred tax as of December 31, 2016 are presented below:

Components of deferred tax	December 31, 2016	Change in deferred tax	January 1, 2016
Deferred tax assets			-
Non-current assets	-	(371,104)	371,104
Trade receivables	1,332,184	1,332,184	-
Total deferred tax asset	**1,332,184**	**961,080**	**371,104**

Deferred tax liability	December 31, 2016	Change in deferred tax	January 1, 2016
Receivables	-	(13,546)	13,546
Non-current assets new acquisitions	277,785	277,785	-
Revaluation reserve	15,710,381	543,714	15,166,667
Total deferred tax liability	**15,988,166**	**807,953**	**15,180,213**
Net deferred income tax liability / (assets)	**14,655,982**		**14,809,109**

25. BUSINESS COMBINATIONS

25.1. Subsidiaries acquired and consideration transferred

The Group signed the Sales Purchase Agreement for the acquisition of shares in the following companies:

- 80% of share capital of Almina Trading SA
- 100% of share capital in Anima Specialty Medical Services SRL and Anima Promovare si Vanzari SRL
- 55% of share capital in Valdi Medica SRL

Acquisition of Almina Trading SRL

Almina Trading ("Almina") has an activity of 20 years on the local market and it is the largest healthcare operator in Dambovita County. The company has eight medical centers – five in Targoviste, two in Pucioasa and one in Buftea – and two laboratories (Targoviste and Buftea), providing its patients with integrated outpatient, imaging and laboratory analysis services. The eight units are fitted with high-performing medical equipment and they are staffed with a medical team of over 125 specialists. Almina Trading transaction concluded on the March 29, 2017.

Acquisition of Anima entities

Anima Specialty Medical Services and Anima Promovare si Vanzari ("Anima") consists of 6 clinics and a laboratory, has over 200 employees, medical specialists and support staff and is the first private healthcare provider with its own family medicine network in Romania. At the same time, Anima is one of the largest private outpatient healthcare services provider which has agreements with the Bucharest Health Insurance Fund (CASMB), covering over 15 medical specialties, including family medicine, ob-gyn, ENT, endocrinology, ophthalmology, dermatovenerology, cardiology, psychiatry, rheumatology, gastroenterology, allergology and clinical immunology. According to the company's representatives, Anima currently has some 75,000 corporate subscribers, mostly focusing on subscriptions covering occupational health services. Anima transaction concluded on the May 26, 2017.

Acquisition of Valdi Medica SRL

The Group finalised in September 2017 the acquisition of a 55% stake in Valdi Medica SRL. Valdi Medica SRL operates the Humanitas hospital from Cluj. Humanitas Hospital was opened at the end of 2016 and it is the newest private hospital in Cluj-Napoca; it provides a wide range of services and advanced surgical treatments, including: endocrine surgery, oncological and reconstructive surgery, plastic surgery, reparative surgery of the abdominal wall and aesthetic surgery, which are performed by physicians with great professional training and who are dedicated to their work. At the same time, the hospital is fitted with state-of-the-art equipment, and the operating theatre includes 2 operating rooms and an anaesthesia and intensive care department.

Stake increase Stem Cells Bank SA and Accipiens SA

The Company acquired in June, a new stake of 40% in Stem Cells Bank SA in Timișoara, one of the most modern and well-equipped stem cells bank in south-eastern Europe. In addition, in June, MedLife took over another 3% in Accipiens SA, which controls 100% of Genesys Medical Clinic SRL in Arad, one of the largest private healthcare operators in the western Romania, with the Company currently owning a stake of 58%.

Other acquisition of companies:

MedLife signed in October the acquisition of the 100% stake in Polisano medical services, one of the largest private medical operators in Romania. Founded in the 90's, Polisano is the first fully integrated medical group in Romania. It includes a series of four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital – Polisano European Hospital in Sibiu – recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization centre and the biggest private maternity in Transylvania. The transaction will be completed following the validation by the Competition Council and approval of the condition precedents.

25. BUSINESS COMBINATIONS (continued)

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

Assets acquired and liabilities recognized at the date of acquisition	**2017**	**2016**
Non-current assets	19,024,403	23,613,873
Current assets	9,389,426	8,748,200
Current liabilities	9,945,796	11,629,782
Non-current liabilities	6,438,004	-
Net assets	**12,030,029**	**20,732,291**

25.3. Goodwill arising on acquisition

	2017	**2016**
Consideration transferred	32,283,538	36,421,956
Less: fair value of identifiable net assets acquired	(12,030,029)	(20,732,291)
Plus non-controlling interest	1,060,052	4,152,528
Goodwill arising on acquisition	**22,042,726**	**19,842,193**
Bargain gain arising on acquisition	**(729,165)**	**-**

25.4. Net cash outflow on acquisition of subsidiaries

	December 31, 2017	**December 31, 2016**
Consideration paid in cash	32,283,538	36,421,956
Less: cash and cash equivalent balances acquired at acquisition date	(2,895,488)	(3,428,948)
	29,388,050	**32,993,008**

26. FINANCIAL INSTRUMENTS (IFRS 7)

(a) Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents disclosed in note 8 and equity, comprising issued capital, reserves and retained earnings as disclosed in note 15 and note 16.

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

(b) Significant accounting policies

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

(c) Financial risk management objectives

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

(d) Market risk

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

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

(e) Interest rate risk management

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

(f) Liquidity risk management

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

(g) Fair value of financial instruments

Financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short-term and long-term loans and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts. The carrying amounts represent the Group's maximum exposure to credit risk for existing receivables.

26. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

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

2017	**1 EUR = RON 4.6597**		
	RON	**EUR**	**Total**
ASSETS			
Cash and cash equivalents	79,227,766	-	79,227,766
Trade receivables	58,450,406	-	58,450,406
Financial assets	-	6,161,678	6,161,678
LIABILITIES			
Trade payables	103,839,523	-	103,839,523
Liabilities held for sale	-	558,370	558,370
Overdraft	-	2,013,469	2,013,469
Short-Term and Long-Term portions of loans	27,000,000	252,440,439	279,440,439
Short-Term and Long-Term portions of financial leasing	2,036,525	11,252,888	13,289,413

2016	**1 EUR = RON 4.5411**		
	RON	**EUR**	**Total**
ASSETS			
Cash and cash equivalents	13,021,363	7,680,487	20,701,850
Trade receivables	43,203,974	-	43,203,974
LIABILITIES			
Trade payables	98,432,380	-	98,432,380
Liabilities held for sale	-	629,207	629,207
Overdraft	-	1,267,442	1,267,442
Short-Term and Long-Term portions of loans	27,999,797	193,889,412	221,889,209
Short-Term and Long-Term portions of financial leasing	1,948,983	15,464,778	17,413,761

26. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

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

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

	December 31, 2017	December 31, 2016
Profit or loss	25,529,579	20,357,035

26. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Group's remaining contractual maturity for financial liabilities as of December 31, 2017. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
Non-interest bearing instruments					
Trade payables		103,839,523	103,839,523	-	-
Interest bearing instruments					
IFC loans	EURIBOR 6M + relevant spread %	54,917,894	9,985,069	39,940,276	4,992,549
Liabilities directly linked to assets held for sale		558,370	558,370	-	-
Transilvania Loans	EURIBOR 6M + relevant spread %	11,123,985	1,090,575	10,033,410	-
Club Loan	EURIBOR 6M + relevant spread %	203,647,209	21,060,274	129,067,901	53,519,033
Transilvania overdraft and others		2,013,469	2,013,469	-	-
Lease contracts		13,289,413	3,177,961	10,111,452	-
Total		**389,389,863**	**141,725,241**	**189,153,040**	**58,511,582**

26. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Group's remaining contractual maturity for financial liabilities as of December 31, 2016. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
Non-interest bearing instruments					
Trade payables		98,432,380	98,432,380	-	-
Interest bearing instruments					
IFC loans	EURIBOR 6M + relevant spread %	31,138,971	2,594,913	20,759,305	7,784,753
Liabilities directly linked to assets held for sale		629,207	629,207	-	-
Transilvania Loans	EURIBOR 6M + relevant spread %	13,361,402	1,652,426	11,708,976	-
Club Loan	EURIBOR 6M + relevant spread %	177,388,836	14,880,254	112,051,957	50,456,625
Transilvania overdraft and others		1,267,442	1,267,442	-	-
Lease contracts		17,413,761	7,031,122	10,382,639	-
Total		**339,631,999**	**126,487,744**	**154,902,877**	**58,241,378**

27. COMMITMENTS AND CONTINGENCIES

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

IFC related commitments

In accordance with Share retention agreement concluded with IFC - the Shareholders should not sell or in any manner dispose of, pledge or encumber, or permit any encumbrance to exist over, all or any portion of the shares in the capital of the Company which they own at the moment of the agreement as long as any part of the principal of or interest or any other amounts owned by Med Life to IFC under the Loan Agreement remain outstanding and unpaid.

The shareholders of the Group agreed to pledge to IFC as security all shares, security, rights, money or property either accruing or acquired including any proceeds from disposal of shares until all obligations are paid or discharged. Med Life may be obliged to buy back all or part of these shares hold by IFC as it may deem and in a commercially reasonable manner, if either the company or the other shareholder fails to meet certain covenants specified in the agreement or the provisions of the Share Retention agreement.

Club loan related commitments

In accordance with the Club loan facilities agreement, the Group shall ensure that it shall not incur any additional Capital Expenditure except for any acquisition financed from Facility C and capital expenditures up to the aggregate amounts agreed in the contract for the years 2016-2023.

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.

Acquisition of other companies:

MedLife signed in October the acquisition of the 100% stake in Polisano medical services, one of the largest private medical operators in Romania. Founded in the 90's, Polisano is the first fully integrated medical group in Romania. It includes a series of four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital – Polisano European Hospital in Sibiu – recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization centre and the biggest private maternity in Transylvania. The transaction will be completed following the validation by the Competition Council and approval of the condition precedents.

Other commitments

As at December 31, 2017 and December 31, 2016, the Group holds insurance policies to cover possible liabilities towards doctors for malpractice as well as insurance contracts related to buildings and medical equipment.

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

BCR issued letters of warranties in the favor of Med Life S,A, in amount of RON 1,710,563, out of which in EUR 323,559 as of December 31, 2017 (December 31, 2017:RON 2,972,900,equivalent of EUR 654,665.

27. COMMITMENTS AND CONTINGENCIES (continued)

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 2017.

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

Transfer pricing

The fiscal legislation from Romania includes the "market value" principle, according to which the transactions between related parties have to be performed at the market value. The local tax payers, who carry transactions with related parties, have to prepare and make available to the tax authorities from Romania, at their written request, the transfer pricing documentation file. If the companies do not prepare the documentation or they present an incomplete transfer pricing file may attract penalties for non-conformity, and additionally to the information presented in the transfer pricing file, the fiscal authorities may have a different interpretation of the transactions and the circumstances compared to the management's assessment and, as a result, they may impose additional fiscal obligations as a result of adjusting transfer prices. The management of the Group is confident that, if required, they will submit the necessary information in due time to the fiscal authorities. The transactions with related parties and group companies are performed based on the market value principle.

Litigation

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

28. AUDITORS 'FEES

The auditor of the Group is Deloitte Audit SRL.

The fee for the audit of the consolidated financial statements as of December 31, 2017 of the Group prepared in accordance with IFRS as adopted by EU and the individual financial statements as of December 31, 2017 of the Group prepared in accordance with IFRS as adopted by EU of Med Life SA was EUR 78,100, excluding VAT and out of pocket expenses.

The fee for other audit related services performed in 2017 (in accordance with ISAE 3000 and ISAE 3,240) was EUR 15,000, excluding VAT.

29. EVENTS AFTER THE BALANCE SHEET DATE

In February 2018, Med Life SA acquired 90% of the share capital of Ghencea Medical Center.

In March 2018, Med Life SA acquired 80% of the share capital of Solomed Group, a group of medical clinics in Pitesti, Costesti and Curtea de Arges.

There were no other significant subsequent events after December 31, 2017.

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu, Administrator	**Vera Firu,** Director Economic

ADMINISTRATORS' REPORT
MED LIFE GROUP

YEAR ENDED DECEMBER 31, 2017

1. Presentation of the Group

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

The registered office of Med Life is located in Bucharest, Calea Grivitei, no. 365. Med Life Group is offering a large range of medical service having opened 18 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Braila, Cluj and Constanta, 33 Clinics, 8 hospitals – located in Bucharest, Arad and Brasov, 29 Laboratories, 10 Pharmacies and 9 Dental Clinics.

The Group has also more than 140 private Clinic partners around Romania.

Details of Med Life SA's subsidiaries at December 31, 2017 and January 1, 2017 are as follows:

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2017	January 1, 2017
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	80.01%	80.01%
2	Medapt SRL	Medical Services	Brasov, Romania	80.01%	80.01%
3	Histo SRL	Medical Services	Brasov, Romania	48.01%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL	Medical Services	Sfantu Gheorge, Romania	64.01%	64.01%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100%	100%
6	Medsanrom SRL (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	Asilife Insurance Broker SRL	Insurance broker	Bucharest, Romania	99%	99%
9	Accipiens SA	Rental activities	Arad, Romania	58%	55%
10	Genesys Medical Clinic SRL	Medical services	Arad, Romania	58%	55%
11	Biofarm Farmec SRL	Distribution of Pharmaceutical Products in specialised stores	Arad, Romania	58%	55%
12	RUR Medical SA	Medical services	Brasov, Romania	100%	100%
13	Biotest Med	Medical services	Constanta, Romania	100%	100%
14	Vital Test	Medical services	Iasi, Romania	100%	100%
15	Bactro SRL (indirectly)	Other healthcare services	Deva, Romania	58%	55%
16	Centrul Medical Sama S.A.	Medical Services	Craiova, Romania	55%	55%
17	Ultratest S.A.	Other healthcare services	Craiova, Romania	55%	55%
18	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
19	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%
20	Stem Cells Bank SA	Medical Services	Timisoara, Romania	100%	60%
21	Dent Estet Clinic SA	Dental healthcare activities	Bucharest, Romania	60%	60%
22	Centrul Medical Panduri SA	Medical Services	Bucharest, Romania	90%	90%

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2017	January 1, 2017
23	Almina Trading SA	Medical services	Targoviste, Romania	80%	-
24	Anima Specialty Medical Services SRL	Medical services	Bucharest, Romania	100%	-
25	Anima Promovare si Vanzari SRL	Medical services	Bucharest, Romania	100%	-
26	Valdi Medica SRL	Medical services	Cluj, Romania	55%	-

MedLife's business model focuses on servicing corporations and private clients. The Group seeks to capture the private healthcare spending of these clients throughout all stages of a medical condition: prevention, diagnosis and treatment, by offering a wide range of medical services delivered in modern, high quality facilities by professional teams of doctors, nurses and support personnel. The Group puts considerable emphasis on client service, operating an IT infrastructure and customer service and sales operation that has served over 5 million unique patients, representing over 1 in 4 Romanians.

The Group divides its operations into six business lines:

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

- Clinics: The Clinics business line includes the Group's ambulatory clinics and diagnostic imaging services. Clinics offer general practitioner and specialist consultations and include the Group's 140 outpatient diagnostic imaging services. Certain of its clinics also undertake day hospitalisation services.

- Laboratories: The Laboratories business line provides biochemistry, haematology, coagulation, immunology, microbiology, anatomy, pathology, cytology, molecular biology and toxicology laboratories tests.

- Hospitals: The Hospitals business line covers the Group's inpatient activities, which consist of a wide range of medical and surgical specializations. The Group holds 5 inpatient hospital licenses, which encompass the business line's activities. One of the licences was issued for one hospital unit and 3 other external sections, accounting for the Group's 8 hospital locations. In addition to these, the Group was granted licenses for three additional 1-day inpatient units, which operate within Clinic locations and provide only 1-day inpatient services (i.e. Iași, Craiova and Timișoara). The financial results from these three 1-day hospital services are accounted for in the Clinics division. The Group regards these units as functional parts of the hyperclinics located in Iași, Craiova and Timișoara.

- Pharmacies: The Pharmacies business line offers prescription, over the counter and other related medical products in 9 pharmacies opened within the Group's clinics.

- Stomatology: The Stomatology business line provides a wide range of dental services from simple check-ups to complicated surgery.

2. Developments in 2017

2.1. Acquisitions completed in 2017

The Group signed the Sales Purchase Agreement for the acquisition of shares in the following companies:

- 80% of share capital of Almina Trading SA
- 100% of share capital in Anima Specialty Medical Services SRL and Anima Promovare si Vanzari SRL
- 55% of share capital in Valdi Medica SRL

Almina Trading acquisition

Almina Trading ("Almina") has an activity of 20 years on the local market and it is the largest healthcare operator in Dambovita County. The company has eight medical centers – five in Targoviste, two in Pucioasa and one in Buftea – and two laboratories (Targoviste and Buftea), providing its patients with integrated outpatient, imaging and laboratory analysis services. The eight units are fitted with high-performing medical equipment and they are staffed with a medical team of over 125 specialists. Almina Trading transaction concluded on the March 29, 2017.

Anima acquisition

Anima Specialty Medical Services and Anima Promovare si Vanzari ("Anima") consists of 6 clinics and a laboratory, has over 200 employees, medical specialists and support staff and is the first private healthcare provider with its own family medicine network in Romania. At the same time, Anima is one of the largest private outpatient healthcare services provider which has agreements with the Bucharest Health Insurance Fund (CASMB), covering over 15 medical specialties, including family medicine, ob-gyn, ENT, endocrinology, ophthalmology, dermatovenerology, cardiology, psychiatry, rheumatology, gastroenterology, allergology and clinical immunology. According to the company's representatives, Anima currently has some 75,000 corporate subscribers, mostly focusing on subscriptions covering occupational health services. Anima transaction concluded on May 26, 2017.

Stake increase Stem Cells Bank SA and Accipiens SA

The Company acquired in June, a new stake of 40% in Stem Cells Bank SA in Timișoara, one of the most modern and well-equipped stem cells bank in south-eastern Europe. In addition, in June, MedLife took over another 3% in Accipiens SA, which controls 100% of Genesys Medical Clinic SRL in Arad, one of the largest private healthcare operators in the western Romania, with the Company currently owning a stake of 58%.

Valdi Medica acquisition

The Company finalised in September 2017 the acquisition of a 55% stake in Valdi Medica SRL. Valdi Medica SRL operates the Humanitas hospital from Cluj. Humanitas Hospital was opened at the end of 2016 and it is the newest private hospital in Cluj-Napoca; it provides a wide range of services and advanced surgical treatments, including: endocrine surgery, oncological and reconstructive surgery, plastic surgery, reparative surgery of the abdominal wall and aesthetic surgery, which are performed by physicians with great professional training and who are dedicated to their work. At the same time, the hospital is fitted with state-of-the-art equipment, and the operating theatre includes 2 operating rooms and an anaesthesia and intensive care department.

Acquisition of other companies:

MedLife signed in October the acquisition of the 100% stake in Polisano medical services, one of the largest private medical operators in Romania. Founded in the 90's, Polisano is the first fully integrated medical group in Romania. It includes a series of four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital – Polisano European Hospital in Sibiu – recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization centre and the biggest private maternity in Transylvania. The transaction will be completed following the validation by the Competition Council and approval of the condition precedents.

Valuation of investments in other companies

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

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

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

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

2.2. Second Public Offering

In 2017, as a result of a Second Public Offering, Med Life S.A. issued 2,053,082 new shares with a nominal value of RON 0.25 per share, increasing the share capital from RON 5,023,000 to RON 5,536,271. The subscribers of the share increase will benefit from full rights related to the acquired shares starting from the date of the registration by the Central Depository. The shares were subscribed in 2017. The Central Depository registered the newly subscribed shares on January 11, 2018.

2.3. New facilities

In February 2017, Med Life extended its presence in Brasov and opened a new hyperclinic and a new laboratory. These two investments are the result of an investment of EUR 1.3 million.

In November 2017, Med Life opened the first hyperclinic in Braila. The investment in this unit reached approximately EUR 700,000.

2.4. Acquisition of a new headquarter

In 2017, Med Life SA purchased a building located in Banu Manta Street from Telekom and performed a sale and leaseback through financial leasing.

3. Credit facilities contracted by the Group

	December 31, 2017	January 1, 2017
Current portion of long term debt	38,656,209	20,395,035
Long term debt	242,797,699	202,761,616
TOTAL	**281,453,908**	**223,156,651**

Overdraft

	December 31, 2017	January 1, 2017
Short term loan Transilvania Bank and Others	2,013,469	1,267,442
TOTAL	**2,013,469**	**1,267,442**

As at December 31, 2017, the Group's drawn and undrawn financing facilities included the following:

- a secured club loan agreement entered into between the Company and BCR, BRD, ING and Raiffeisen for a maximum amount of EUR 48,764,589.98 and RON 27,000,000. The loan matures on 15 November 2023. The outstanding amount as at 31 December 2016 was EUR 32,904,018, equivalent to RON 176,420,437, and RON 27,000,000. The balance as at December, 31 2017 is of EUR 37,909,567, equivalent of RON 176,647,209, and RON 27,000,000;

- a secured loan agreement with the International Finance Corporation, member of the World Bank Group, amended and restated as at 30 September 2016, with an outstanding amount of EUR 2,619,048, having the last repayment date on 15 May 2023;

- a secured loan agreement with the International Finance Corporation, member of the World Bank Group, in the amount of EUR 10,000,000 signed at 30 September 2016. The outstanding amount as at December 31, 2017 is EUR 9,166,667;

- seven secured loan agreements entered into between Banca Transilvania and Centrul Medical Sama for the acquisition of medical equipment and the construction of a clinic, having a total outstanding amount of RON 1,194,480, as at December 31, 2017;

- three secured loan agreements entered into between Banca Transilvania and Genesys Medical Center S.R.L, having at December 31, 2017 a balance of EUR 2,337,641 and RON 231,279 RON;

- an overdraft facility entered into between Unicredit Tiriac Bank and Prima Medical S.R.L. having as maximum credit limit of RON 800,000, fully drawn as at December 31, 2017;

- a credit facility entered into between Garanti Bank and Dent Estet having an outstanding amount as at December 31, 2017 is of RON 1,099,974;

- two secured agreement between Banca Transilvania and Anima Specialty Medical Services; the outstanding amount as at December 31, 2017 is of RON 4,060,384;

- three secured agreement between Banca Transilvania and Almina Trading, having an outstanding amount as at December 31, 2017 is of RON 700,759;

- a secured agreement between Bancpost and Medlife Ocupational in amount of EUR 225,000; the outstanding amount as at December 31, 2017 is of EUR 119,810;

- an overdraft facility between Banca Transilvania and Anima Specialty with a limit of 1,000,000 RON until June 2018; the outstanding amount as at December 31, 2017 is 420,188 RON;

- a credit facility entered between Banca Transilvania and Sama from September 2016, having an outstanding amount 166,648 RON as at December 31, 2017;

- a credit facility entered between Banca Transilvania and Genesys, having an outstanding amount 310,640 RON as at December 31, 2017;

As at December 31, 2017, none of the Group members was in breach of any applicable term of the financing facilities.

4. Financial Analysis

Analysis of the individual profit and loss

Sales for the 12 month period ended December 31, 2017 amounted to RON 623,219,949, higher by 24% compared to sales recorded in the 12 month period ended December 31, 2016. This increase was mainly the result of significant growth in all of the Group's business lines, led on a percentage basis by Stomatology, Clinics and Laboratories as well as the impact of the acquisitions completed by the Group in 2016 and 2017.

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

Business Line	12 months 2017 Sales	% of Total Sales	12 months 2016 Sales	% of Total Sales
Clinics	166,650,648	26.7%	130,109,363	25.9%
Stomatology	37,565,681	6.0%	18,504,217	3.7%
Hospitals	119,106,274	19.1%	104,977,229	20.9%
Laboratories	115,259,329	18.5%	93,161,917	18.5%
Corporate	144,621,716	23.2%	127,988,835	25.4%
Pharmacies	29,526,655	4.7%	23,597,580	4.7%
Other revenue	10,489,645	1.7%	4,647,649	0.9%
TOTAL	**623,219,949**	**100%**	**502,986,790**	**100%**

The main operational indicators of the Group.

Business Line		12 months ending December 31, 2017	12 months ending December 31, 2016
Clinics	**Sales**	**166,650,648**	**130,109,363**
Clinics	Visits	1,153,218	909,132
Clinics	Avg fee	144.5	143.1
Stomatology	**Sales**	**37,565,681**	**18,504,217**
Stomatology	Visits	99,682	69,111
Stomatology	Avg fee	376.9	267.7
Hospitals	**Sales**	**119,106,274**	**104,977,229**
Hospitals	Pacients	58,610	56,283
Hospitals	Avg fee	2,032.2	1,865.2
Laboratories	**Sales ***	**115,259,329**	**93,161,917**
Laboratories	Analyses	5,320,695	4,223,840
Laboratories	Avg fee	21.7	22.1
Corporate	**Sales**	**144,621,716**	**127,988,835**
Corporate	PPM	568,593	420,933
Corporate	Avg fee	254.4	304.1
Pharmacies	**Sales**	**29,526,655**	**23,597,580**
Pharmacies	Clients	269,104	264,604
Pharmacies	Avg fee	109.7	89.2
Other Sales	**Sales**	**10,489,645**	**4,647,649**

* Sales obtained for stem cells bank services are classified for the twelve month period ended 31 December, 2017 on Other Sales business line. Stem cells bank services sales were previously classified in Laboratories business line. In order to ensure comparison between periods, we have reclassified stem cell banks services sales for the twelve month period ended 31 December 2016 from Laboratories business line to Other Sales business line.

Other operating revenues recorded a significant increase in the 12 month period ended December 31, 2017 as compared to the corresponding period of 2016, amounting to RON 7,496,681 as at December 31, 2017.

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide the Group's services. The Group recorded operating expenses of RON 595,857,844 in the year ended December 31, 2017, representing an increase of 22%, or RON 106,956,817 as compared to the year ended December 31, 2016.

The Group's operating expenses as a percentage of total operating income dropped to 94.4% in the 12 month period ended December 31, 2017 compared to 96.2% in the corresponding period of 2016.

Operating expenses evolution is presented below:

	December 31, 2017	**December 31, 2016**
Consumable materials & repair materials	97,974,250	83,701,521
Commodities expenses	24,115,025	18,908,567
Utilities	6,573,637	5,074,199
Repairs maintenance	6,435,809	5,133,520
Rent	38,281,750	28,055,943
Insurance premiums	2,103,123	1,868,261
Promotion expense	10,976,803	10,371,665
Communications	3,326,050	3,249,114
Third party expenses (including doctor’s agreements)	165,638,063	133,552,240
Salary and related expenses	152,403,119	113,810,954
Social contributions	34,608,368	25,748,024
Depreciation	43,078,621	36,093,805
Impairment gains recognized in profit and loss	-	(970,918)
Other administration & operating exp.	10,343,226	24,304,132
TOTAL	**595,857,844**	**488,901,027**

Operating profit recorded an 78% increase in the 12 month period ended December 31, 2017 as compared to the 12 month period ended 31 December 2016, from RON 19,554,353 at December 31, 2016 to RON 34,858,786 as at December 31, 2017.

Financial loss increased in the 12 month period ended December 31, 2017 by RON 2,197,000 from a loss of RON 18,385,241 in the twelve month period ended December 31, 2016 to a loss of RON 20,582,241 in the analyzed period of 2017, mainly due to net foreign exchange losses recorded in the first 12 months of 2017 in amount of RON 7,109,598 compared to net foreign exchange loss of RON 2,608,878 recorded in 2016.

The net result for the 12 month period ended December 31, 2017 increased by RON 9,973,615 as compared to the corresponding period in 2016, from a loss of RON 1,241,990 in the 12 month period ended 31 December 2016 to a profit of RON 8,731,625 in the year 2017. The increase was mainly due to the translation of the Operating Profit increase in the net result.

Analysis of the consolidated statement of financial position

Non-current assets amount to RON 432,342,667 as of December 31, 2017, recording an increase of RON 56,977,954 or 15% as compared to December 31, 2016. The increase is mainly linked to Almina Trading, Anima and Valdi Medica acquisitions, which generated an increase in goodwill.

Current assets increased by 80,248,073 RON or 88% from RON 90,754,747 as at December 31, 2016 to RON 171,002,820 as of December 31, 2017. The increase is linked mainly to the funds attracted through the share capital increase process.

Prepayments recorded as at 31 December 2017 amount to RON 7,068,126. As compared to December 31, 2016, an increase of RON 332,098 was recorded. The increase is linked to accrued expenses and prepaid local tax liabilities.

Current liabilities (excluding interest bearing debt items) increased by RON 7,869,391, or 7%, from RON 117,874,182 as at December 31, 2016, to RON 125,743,573 as at December 31, 2017.

Interest bearing debt increased by RON 54,172,909, from RON 240,570,412 as of December 31, 2016 to RON 294,743,321 as of December 31, 2017. The increase is mainly due to financing of the Banu Manta building, Almina Trading, Anima and Valdi acquisitions and refinancing of leasing contracts through a new loan agreement.

5. Main Financial Indicators

				Period ended at December 31, 2017
1	***Current ratio***			
	Current assets	171,002,820	=	1.02
	Current liabilities	167,577,744		

				Period ended at December 31, 2017
2	***Debt to equity ratio***			
	Long Term Debt	252,909,151	=	151%
	Equity	167,661,959		
	Long Term Debt	252,909,151	=	60%
	Capital Assets	420,571,110		

				Period ended at December 31, 2017
3	***Trade receivables turnover (days)***			
	Average receivables	50,827,190	=	29.36
	Sales	623,219,949		

				Period ended at December 31, 2017
4	***Fixed assets turnover***			
	Sales	623,219,949	=	1.44
	Net Fixed Assets	432,342,667		

6. Non-Financial Information

Overview

Med Life provides its services via the largest single pool of private doctors and nurses in Romania, totaling approximately 2,300 doctors and 1,500 nurses. The Group's policy is to facilitate the employment of medical staff on an exclusive basis, unlike many competitors which share their medical staff with other private healthcare providers or with the public healthcare facilities. The Group engages part-time professionals only for specific specialties or functions. In addition, committed to providing quality medical services, the Group has consistently invested in medical equipment supporting its marketing position as a technology leader in diagnostic imaging.

The Group registers a high satisfaction level from patients, obtained a high score of awareness of its brand among clients and a high number of patients recommend its services. Med Life has been recognized as the "Most Trusted Brand" by Readers' Digest in the Romanian Private Clinics category for six years in a row, during the period 2009-2015, obtained four Superbrand distinctions including in 2017, Qudal distinction in 2016 and 2017 and is placed first among the competitors in the survey carried out by Exact Cercetare si Consultanta in 2017 to assess top-of-mind brand awareness. The Group surveys patients on a weekly basis for feedback on the medical services it provides.

Business Model

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

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

Many private healthcare providers in Romania remain dependent for a significant portion of their sales on contracts awarded by the NHIH to service State insured patients. This increases their exposure to changes in the NHIH healthcare priorities, pricings and allocation systems. With only 8% of its sales during 2017 deriving from the treatment of NHIH insured patients, MedLife can independently determine its policies and priorities.

The largest number of HPP clients in Romania

With over 570,000 HPP subscribers as at 30 September 2017, the Group has access to a significant potential client base for its FFS activities. This base is further expanded when the HPP subscribers bring family members and provide referrals to others for the Group's FFS offering. The HPP client base also provides opportunities for up-selling as many of the HPP clients begin with basic medical services packages and gradually move to more comprehensive services.

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

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

The Group's track record of organic and acquisition growth is largely due to the Group's strong management team. The Group has developed systems for screening potential acquisitions, completing detailed analysis and decision making in a timely manner, and implementing, post transaction, a fast and efficient integration process. The Group has a reputation in the market as a "friendly acquirer", mainly because the targets' founder/owners are often given the opportunity to stay in the business as minority shareholders, and managers of the subsidiary. Through this approach, MedLife retains their accumulated experience and market knowledge while being able to fully integrate the acquisition into its own systems and revenue capture opportunities. The Group has opened and acquired 102 facilities since 2009, providing the Group with valuable knowledge and experience to find the best path for continued and successful expansion.

Strategy

MedLife's strategy focuses on maintaining its leadership position. The Group seeks to grow its portfolio of facilities and services to profitably provide national coverage to the Group's existing and new clients. The Group targets opportunities that provide additional revenue capture and synergies within its existing network and services. This goal is expected to be achieved through a combination of organic growth and acquisitions of smaller medical healthcare providers in the market. At the same time, the Group remains committed to ensuring quality and safe medical treatment to its clients, balancing the medical risks and opportunities with the Group's commercial goals.

Organic growth

During the period 2014 – December 2017, the Group opened a number of new clinics and other facilities, particularly sampling points for its Laboratories business line. Many of these facilities are believed to still have the capacity to service greater numbers of patients, which should allow for the increase in their revenue and profit contribution, as they reach fuller utilization. Further, the Group and the Group continue to optimize the range of services offered at its other facilities to the specific local market conditions, seeking to improve the revenue and margins of each location. As a result, the constant and accelerated ramp-up of these facilities is expected to improve margins as well as deliver further sales growth.

People and resources

The Group services patients through the largest private pool of doctors and nurses in Romania. As of December 31, 2017, the Group, on an overall level, was collaborating with a number of approximately 2,300 physicians and 1,500 qualified nurses across its business lines, including both employees working exclusively for the Group and collaborators, providing services as independent professionals. In addition, more than 1,500 full time employees were working in support and administrative functions as of December 31, 2017.

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

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

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

Quality Standards

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

- ISO 9001:2008 (Quality Assessment) is based on the management of the organization's processes, oriented towards the client and the assessment of the client's satisfaction, as well as towards' top management's engagement for a continuous improvement.
- ISO 14001:2005 (Environmental management) provides requirements on the Group to declare its operations concerning control and decrease of its impact on the environment.
- OHSAS 18001:2007 (Occupational health & safety management system) represents a working model for the organizations that intend to have a better control over the professional risks.

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

Health, Safety, Security and Environment

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

As of December 31, 2017, the Group is in various stages of procedures for obtaining or updating its fire prevention authorizations for certain of its medical units and other premises. The completion of these procedures is subject to various requirements, such as the performance of certain works and upgrades to the Group's facilities. The Group regards the amounts of the required investments as being immaterial; however, the completion of the necessary works and upgrades is subject to, in certain cases, additional authorizations and clearances, or other procedures in which the Group has engaged. As at December 31, 2017, the Group does not have all fire prevention authorizations in place.

Equipment and Technology

The Group purchases computerized optical coherence tomography systems, investigation equipment through MRI and CT equipment, bone densitometer, dermatoscopy fotofinder, fibro scan equipment, laser, lypocryo cold vacuum systems, endoscopic capsule diagnostic systems.

Information Technology

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

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

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

7. Corporate Governance

The corporate governance statement

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

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

As of 4 January 2016, a new corporate governance code issued by the Bucharest Stock Exchange entered into force and is applicable to all issuers of securities traded on the spot regulated market operated by the Bucharest Stock Exchange. The new Corporate Governance Code is be applicable to the Company after the admission of its shares to trading on the spot regulated market managed by the Bucharest Stock Exchange.

MedLife took measures to ensure that within a 12-month period as of the admission of shares on the spot regulated market operated by the Bucharest Stock Exchange, at least two independent members were appointed in the Board of Directors.

In 2017, Med Life SA published on its website: the Organization and Deployment Policy for the Shareholders Assembly Meetings, the Code of Ethics and Conduct, the Social Responsibility Code, the Forecast Policy and the Corporate Governance Statute.

7.1. Shareholding structure

As of December 31, 2017 the shareholders' structure of Med Life SA, the parent company of Med Life Group, is as presented below:

	No. of shares	%
Marcu Mihail	4,219,320	21.00%
Marcu Nicolae	3,013,800	15.00%
Cristescu Mihaela Gabriela	3,028,892	15.08%
Others	9,829,988	48.92%
TOTAL	**20,092,000**	**100%**

The shareholders' structure of Med Life SA in place following the share capital increase process, as presented in the Central Depository notification, dated January 11, 2018, is as presented below:

	No. of shares	%
Marcu Mihail	4,219,320	19.05%
Marcu Nicolae	3,013,800	13.61%
Cristescu Mihaela Gabriela	3,243,892	14.65%
Others	11,668,070	52.69%
TOTAL	**22,145,082**	**100%**

7.2. Company Management

The Company is managed in one tier system by the Board of Directors that delegated management of the Company to the managers. The Board of Directors consists of seven (7) members appointed by the Ordinary General Meeting of Shareholders for a term of 4 years, with the possibility of re-election for subsequent 4 years terms of office. The Chairman and Vice-Chairman of the Board of Directors are elected by the Board of Directors among its members.

The Board of Directors is responsible for all useful and necessary acts to fulfil the object of activity of the Company, except for the duties that are allocated by law to the shareholders' meetings.

Board of Directors

As at the date of December 31, 2017, the Board of Directors consists of the following members:

Name	Date of Birth	Title
Mihail Marcu	30.09.1970	Member and Chairman of the Board of Directors
Ana Maria Mihaescu	29.07.1955	Member of the Board of Directors
Ion Nicolae Scorei	22.12.1974	Member of the Board of Directors
Dimitrie Pelinescu-Onciul	11.08.1947	Member of the Board of Directors
Dorin Preda	03.04.1976	Member of the Board of Directors
Marius-Leonard Gherghina	21.02.1964	Member of the Board of Directors
Nicolae Marcu	26.10.1968	Member of the Board of Directors

The venue where the members of the Board of Directors carry out their duties is the registered office of the Company.

Executives

The individuals holding positions of executive manager in the Company as at December 31, 2017 or the persons to whom management of the Company has been delegated pursuant to the Articles of Association, are presented in the table below.

Name	Title
Mihail Marcu	Chief Executive Officer (CEO)
Nicolae Marcu	Chief Healthcare and Operations Officer
Dorin Preda	Chief Finance and Treasury
Adrian Lungu	Chief Financial Officer
Radu Petrescu	Human Resoource Manager
Geanina Durigu	Laboratory Manager
Mariana Brates	Purchasing Manager
Mihai-Stelian Vârciu	Medical Manager
Vera Firu	Accounting and Tax Manager
Mirela Dogaru	Corporate Manager

7.2. Audit Committee

The audit committee has two members:

Name	Date of Birth	Title
Ion Nicolae Scorei	22.12.1974	Member of the Board of Directors (Non-Executive)
Marius-Leonard Gherghina	21.02.1964	Member of the Board of Directors (Non-Executive)

8. Internal Control

MedLife established a system of internal control throughout the group. Internal control is an activity of objective and independent evaluation with consultative purpose performed in order to increase value added and improving the activity of the Group.

Internal control supports the Group to reach the objectives agreed upon through systematic and disciplined approach of evaluation and improvement of risk management efficiency, internal controls systems efficiency and general management efficiency.

The objectives of the internal control are:

- Assessment and evaluation of the accuracy of realized tasks
- Evaluation of conformity with internal procedures
- Detection of inefficiency, waste, abuse and other irregularities
- Presentation to the Board of Directors of objective information from areas covered by internal control and of recommendations in order to eliminate identified issues and follow-up
- Rendering of services in terms of assessments, evaluations, recommendations for the Board of Directors

The Group's internal control checked: compliance with the laws in force; application of the decisions made by the management; good operation of the internal activity; efficient use of resources; prevention and control of the risk of failing to reach the goals set; ensuring an accounting management and financial monitoring of the Company's activities.

Internal control is applicable:

- prior to conducting the operations, upon the preparation of the budget, which would allow subsequently to conducting the operations, the budget control;
- during the operations and after their completion, a case where it is analysed the profitability of the operations and it is ascertained the existence of the conformity or possible irregularities, which need to be adjusted.

9. Risk exposures

Capital risk

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

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

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

Financial risk management objectives

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

Foreign exchange risk

The Group conducts its business and makes transactions expressed in various currencies. Management analyzes the exposure to currency risks.

Credit risk

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

Liquidity risk

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

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 2017.

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

Transfer pricing

The fiscal legislation from Romania includes the "market value" principle, according to which the transactions between related parties have to be performed at the market value. The local tax payers, who carry transactions with related parties, have to prepare and make available to the tax authorities from Romania, at their written request, the transfer pricing documentation file. If the companies do not prepare the documentation or they present an incomplete transfer pricing file may attract penalties for non-conformity, and additionally to the information presented in the transfer pricing file, the fiscal authorities may have a different interpretation of the transactions and the circumstances compared to the management's assessment and, as a result, they may impose additional fiscal obligations as a result of adjusting transfer prices. The management of the Group is confident that, if required, they will submit the necessary information in due time to the fiscal authorities. The transactions with related parties and group companies are performed based on the market value principle.

Litigation

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

10. Subsequent events

In February 2018, Med Life SA acquired 90% of the share capital of Ghencea Medical Center.

In March 2018, Med Life SA acquired 80% of the share capital of Solomed Group, a group of medical clinics in Pitesti, Costesti and Curtea de Arges.

There were no other significant subsequent events after December 31, 2017.

Administrator

MED LIFE S.A.

INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED BY EUROPEAN UNION

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

CONTENTS: **PAGE:**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Med Life S.A.

Report on the Audit of the Individual Financial Statements

Opinion

1. We have audited the individual financial statements of Med Life S.A. (the Company), with registered office in 365 Grivitei Road, Bucharest, district 1, identified by the unique tax registration code 8422035, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

2. The financial statements as at December 31, 2017 are identified as follows:

   - Net assets/ Equity RON 153,944,273
   - Net loss for the financial year RON 2,520,022

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by EU.

Basis for Opinion

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

Key Audit Matters

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

KEY AUDIT MATTER	How our audit addressed the key audit matter
Valuation of investments	
Investments in other companies represent 26% of the total assets of the Company. Management conducts impairment tests on an annual basis or whenever there is an indication of impairment to assess the recoverability of the carrying value of investments at standalone level. This is performed using discounted cash flow models. As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include: >> Revenue growth >> Operating margins and >> The discount rates applied to the projected future cash flows. Accordingly, the impairment test of these assets is considered to be a key audit matter. Management have engaged specialists to assist with the determination of the discount rates for the significant Cash Generating Units to which the cost of investment relates.	We focused our testing of the impairment of cost of investments on the key assumptions made by management. Our audit procedures included: >> Engaging our internal specialists to assist with: –– Critically evaluating whether the model used by management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36 Impairment of Assets. –– Evaluating the appropriateness of the assumptions used to calculate the discount rates and recalculating these rates. >>We evaluated the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the Cash Generating Unit. >>We subjected the key assumptions to sensitivity analyses. >>We compared the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to evaluate reasonableness of management's projections. We found that the assumptions used by management were comparable with historical performance and the expected future outlook and the discount rates used were appropriate in the circumstances.

Other information- Administrator's Report

6. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report which includes the non-financial information declaration but does not include the individual financial statements and our auditors report thereon, nor the non-financial information declaration.

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

   In connection with our audit of the individual financial statements for the year ended December 31, 2017, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrator's report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments.

   On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

   a) the information included in the administrators' report for the financial year for which the individual financial statements have been prepared are consistent, in all material respects, with these individual financial statements;

   b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, with subsequent amendments.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the individual financial statements prepared as at December 31, 2017, we are required to report if we have identified a material misstatement of this Administrator's report . We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements

7. Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the individual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Individual Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on September 26, 2016 to audit the financial statements of Med Life S.A. for the financial year ended December 31, 2017. The uninterrupted total duration of our commitment was two years, covering the financial years ended December 31, 2016 and December 31, 2017.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- We have not provided for the Company the non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Khan.

Farrukh Khan

For signature, please refer to the original Romanian version.

Registered with the Chamber of Financial Auditors of Romania under certificate no. 1533/25.11.2003

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors of Romania under certificate no. 25/25.06.2001

Sos. Nicolae Titulescu nr. 4- 8, America House, Intrarea de Est,
Etajul 2 - zona Deloitte și Etajul 3, sector 1,
București, România

March 23, 2018

MED LIFE S.A.
INDIVIDUAL STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017
(all the amounts are expressed in RON, unless otherwise specified)

	Notes	December 31, 2017	January 1, 2017
ASSETS			
LONG TERM			
Intangible assets	5	7,660,785	7,207,187
Tangible fixed assets	5	168,861,934	160,173,512
Financial fixed assets	4	132,815,223	97,537,556
TOTAL NON-CURRENT ASSETS		**309,337,942**	**264,918,255**
Deferred tax asset		-	-
CURRENT ASSETS			
Inventories	6	6,668,022	6,399,887
Receivables	7	36,182,268	29,344,895
Loans receivable from group companies	21	31,440,718	25,542,850
Other receivables		1,351,116	816,077
Cash at bank and in hand	8	70,007,531	13,959,191
		145,649,655	**76,062,900**
PREPAYMENTS	9	**2,559,451**	**2,724,058**
TOTAL CURRENT ASSETS		**148,209,106**	**78,786,958**
TOTAL ASSETS		**457,547,048**	**343,705,213**
LIABILITIES &SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Trade accounts payable	10	62,556,608	65,327,621
Current portion of lease liability	12	515,738	4,374,976
Current portion of long term debt	13	25,782,427	11,214,325
Loans Payable to group companies	21	2,855,697	2,749,739
Current tax liabilities		337,304	1,180,971
Other liabilities	11	10,395,267	10,750,318
		102,443,041	**95,597,950**
LONG TERM DEBT			
Lease liability	12	6,045,842	5,767,198
Long term debt	13	184,328,369	142,653,683
TOTAL LONG-TERM LIABILITIES		**190,374,211**	**148,420,881**
Deferred tax liability	22	10,785,523	10,785,523
TOTAL LIABILITIES		**303,602,775**	**254,804,354**

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

	Notes	December 31, 2017	January 1, 2017
SHAREHOLDER'S EQUITY			
Issued capital	**14**	81,495,470	13,932,034
Reserves	**15**	72,708,768	72,708,768
Retained earnings		(259,965)	2,260,057
Equity attributable to owners of the Company		**153,944,273**	**88,900,859**
TOTAL EQUITY		**153,944,273**	**88,900,859**
TOTAL LIABILITIES AND EQUITY		**457,547,048**	**343,705,213**

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

MED LIFE S.A.
INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(all the amounts are expressed in RON, unless otherwise specified)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
SALES	**16**	**379,664,698**	**341,731,549**
Other operating revenues	**17**	4,418,145	3,924,743
OPERATING INCOME		**384,082,843**	**345,656,292**
OPERATING EXPENSES	**18**	**(371,724,783)**	**(338,693,007)**
OPERATING PROFIT		**12,358,060**	**6,963,285**
Finance cost		(9,933,607)	(9,403,108)
Other financial expenses		(4,139,341)	(4,504,633)
NET FINANCIAL RESULT	**20**	**(14,072,948)**	**(13,907,741)**
RESULT BEFORE TAX		**(1,714,888)**	**(6,944,456)**
Income tax expense	**22**	(805,134)	(808,397)
NET RESULT		**(2,520,022)**	**(7,752,853)**
Other comprehensive income items that will not be reclassified to profit or loss			
Gain / Loss on revaluation of properties	**15**	-	7,156,888
Deferred tax on other comprehensive income components	**22**	-	(1,145,102)
TOTAL OTHER COMPREHENSIVE INCOME		**-**	**6,011,786**
TOTAL COMPREHENSIVE INCOME		**(2,520,022)**	**(1,741,067)**

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

MED LIFE S.A.
INDIVIDUAL STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(all the amounts are expressed in RON, unless otherwise specified)

	Note	Year ended December 31, 2017	Year ended December 31, 2016
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / Loss before tax		**(1,714,888)**	**(6,944,456)**
Adjustments for:			
Depreciation	**5,18**	26,485,263	25,052,345
Interest expense	**20**	9,933,607	9,403,108
Interest revenues	**20**	(523,468)	(390,842)
Allowance for doubtful debts and receivables written-off	**7**	-	7,865,835
Financial discounts	**20**	-	3,052,445
Allowance for other current assets		-	109,041
Unrealized exchange gain / loss	**20**	4,662,809	1,843,030
Other non-monetary gains	**17**	(2,750,697)	(2,000,000)
Operating cash flow before working capital changes		**36,092,626**	**37,990,506**
Increase in accounts receivable		(7,372,412)	(8,415,850)
Increase in inventories		(268,135)	(1,019,565)
Decrease / (Increase) in prepayments		164,607	(619,350)
(Decrease)/Increase in accounts payable		(2,604,786)	11,311,143
Cash generated from operations		**26,011,900**	**39,246,884**
Income tax paid		(1,648,801)	(1,911,498)
Interest paid		(9,409,989)	(9,201,752)
Interest received		523,468	390,842
Net cash flow from operating activities		**15,476,578**	**28,524,476**
Cash flow from investing activities			
Purchase of shares in other companies	**4**	(35,277,667)	(35,439,932)
Purchase of intangible assets	**5**	(1,111,249)	(2,032,974)
Purchase of property, plant and equipment	**5**	(24,691,753)	(16,384,516)
Loans granted	**21**	(5,897,870)	(5,424,768)
Net cash used in investing activities		**(66,978,539)**	**(59,282,190)**

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Cash flow from financing activities			
Share capital contribution		67,563,436	-
Increase in bank loans		64,277,364	73,205,669
Payment of bank loans		(13,221,003)	(24,354,005)
Payments of financial leasing		(11,175,454)	(4,932,732)
Increase/(decrease) in loans from group companies	21	105,958	(539,392)
Net cash generated by financing activity		**107,550,301**	**43,379,540**
Net change in cash and cash equivalents		**56,048,340**	**12,621,826**
Cash and cash equivalents opening balance	8	**13,959,191**	**1,337,365**
Cash and cash equivalents closing balance	8	**70,007,531**	**13,959,191**

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

MED LIFE S.A.
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(all the amounts are expressed in RON, unless otherwise specified)

	Share Capital		Share premium	General reserves and other reserves	Revaluation Reserve*	Accumulated Results	Total Equity
	Paid, registered	Paid, registered after year end**					
Balance as at January 1, 2017	**5,023,000**	**-**	**8,909,034**	**9,684,470**	**63,024,298**	**2,260,057**	**88,900,859**
Share capital contribution	-	513,271	67,050,165	-	-	-	67,563,436
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(2,520,022)**	**(2,520,022)**
Gain or loss from revaluation	-	-	-	-	-	-	-
Deferred tax related to revaluation reserve	-	-	-	-	-	-	-
Loss of the year	-	-	-	--	-	(2,520,022)	(2,520,022)
Balance as at December 31, 2017	**5,023,000**	**513,271**	**75,959,199**	**9,684,470**	**63,024,298**	**(259,965)**	**153,944,273**

Note*: The closing balance of the revaluation reserve as of December 31, 2017 in amount of RON 63,024,298 comprises revaluation reserve in amount of RON 75,068,354 and deferred tax computed on revaluation reserve in amount of RON (12,044,056).

Note:** In 2017, as a result of a Second Public Offering, Med Life S.A. issued 2,053,082 new shares with a nominal value of RON 0.25 per share, increasing the share capital from RON 5,023,000 to RON 5,536,271. The subscribers of the share increase will benefit from full rights related to the acquired shares starting from the date of the registration by the Central Depository. The shares were subscribed and paid in 2017. The Central Depository registered the newly subscribed shares on January 11, 2018.

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

MED LIFE S.A.
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(all the amounts are expressed in RON, unless otherwise specified)

	Share Capital	Share premium	General reserves and other reserves	Revaluation Reserve*	Accumulated Results	Total Equity
Balance as at January 1, 2016	**5,023,000**	**8,909,034**	**9,684,470**	**57,012,512**	**10,012,910**	**90,641,926**
Recognition of other reserves for fiscal purposes	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**6,011,786**	**(7,752,853)**	**(1,741,067)**
Gain or loss from revaluation	-	-	-	7,156,888	-	7,156,888
Deferred tax related to revaluation reserve	-	-	-	(1,145,102)	-	(1,145,102)
Profit of the year (loss)	-	-	-	-	(7,752,853)	(7,752,853)
Balance as at December 31, 2016	**5,023,000**	**8,909,034**	**9,684,470**	**63,024,298**	**2,260,057**	**88,900,859**

Note*: The closing balance of the revaluation reserve as of December 31, 2016 in amount of RON 63,024,298 comprises revaluation reserve in amount of RON 75,068,354 and deferred tax computed on revaluation reserve in amount of RON (12,044,056). As of December 31, 2016, Med Life S.A. performed the revaluation of land and buildings owned and thus recorded a gain from revaluation of RON 7,156,888.

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu,
Administrator

Vera Firu,
Director Economic

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

1. DESCRIPTION OF THE BUSINESS

Med Life S.A. ("Med Life" or the "Company") is a joint-stock company incorporated in 1996, in accordance with the laws and regulations of Romania. The Company's activity resides in the performance of healthcare services activities through medical centres located in Bucharest, Cluj, Timisoara, Iasi, Galati and Constanta. Med Life is one of the leading health care services providers in Romania, having a significant market share at a national level. The registered office of Med Life is located in Bucharest, Calea Grivitei, no. 365.

Details of Med Life SA's subsidiaries at December 31, 2017 and January 1, 2017 are as follows:

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2017	January 1, 2017
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	80.01%	80.01%
2	Medapt SRL	Medical Services	Brasov, Romania	80.01%	80.01%
3	Histo SRL	Medical Services	Brasov, Romania	48.01%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL	Medical Services	Sfantu Gheorge, Romania	64.01%	64.01%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100%	100%
6	Medsanrom SRL (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	Asilife Insurance Broker SRL	Insurance broker	Bucharest, Romania	99%	99%
9	Accipiens SA	Rental activities	Arad, Romania	58%	55%
10	Genesys Medical Clinic SRL	Medical services	Arad, Romania	58%	55%
11	Biofarm Farmec SRL	Distribution of Pharmaceutical Products in specialised stores	Arad, Romania	58%	55%
12	RUR Medical SA	Medical services	Brasov, Romania	100%	100%
13	Biotest Med SRL	Medical services	Constanta, Romania	100%	100%
14	Vital Test SRL	Medical services	Iasi, Romania	100%	100%
15	Bactro SRL (indirectly)	Other healthcare services	Deva, Romania	58%	55%
16	Centrul Medical Sama S.A.	Medical Services	Craiova, Romania	55%	55%
17	Ultratest S.A.	Other healthcare services	Craiova, Romania	55%	55%
18	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
19	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%
20	Stem Cells Bank SA	Medical Services	Timisoara, Romania	100%	60%
21	Dent Estet Clinic SA	Dental healthcare activities	Bucharest, Romania	60%	60%
22	Centrul Medical Panduri SA	Medical Services	Bucharest, Romania	90%	90%
23	Almina Trading SA	Medical services	Targoviste, Romania	80%	-
24	Anima Specialty Medical Services SRL	Medical services	Bucharest, Romania	100%	-
25	Anima Promovare si Vanzari SRL	Medical services	Bucharest, Romania	100%	-
26	Valdi Medica SRL	Medical services	Cluj, Romania	55%	-

1. DESCRIPTION OF THE BUSINESS (continued)

Dent Estet Clinic SA also owns the following companies as described below:

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2017	January 1, 2017
1	Green Dental Clinic SRL	Dental healthcare activities	Bucharest, Romania	51%	51%
2	Dentist 4 Kids SRL	Dental healthcare activities	Bucharest, Romania	52%	52%
3	Dent A Porter SRL	Dental healthcare activities	Bucharest, Romania	51.61%	51.61%
4	Dentestet Kids	Dental healthcare activities	Bucharest, Romania	52.94%	52.94%
5	Aspen Laborator Dentar	Dental healthcare activities	Bucharest, Romania	75%	75%

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

2.1 Initial application of new amendments to the existing standards and interpretation effective for the current reporting period

The following standards, amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IFRS 12 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Company's financial statements.

2.2 Amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

The Company has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Company in the period of initial application.

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

2.3 New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

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

2.3 New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

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.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Statement of compliance

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

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

3.2 Basis of preparation

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

These financial statements have been prepared to serve the Company as statutory financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Going concern

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

3.4 Accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.5 Foreign currency translation

Functional and presentation currency

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

As at December 31, 2017 the exchange rate was of 3.8915 RON for 1 USD and of 4.6597 RON for 1 EUR.

As at December 31, 2016 the exchange rate was of 4.3033 RON for 1 USD and of 4.5411 RON for 1 EUR.

The monetary assets and liabilities in foreign currency as of reporting date have been converted from EUR to RON at the closing exchange rate as announced by the National Bank of Romania.

3.6 Comparative information

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

3.7 Investments in other companies

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

3.8 Property, plant and equipment

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

The value of land and buildings owned presented in these financial statements is based on the valuation reports which were performed as of December 31, 2016 by independent valuators certified by ANEVAR. The revaluation is performed with sufficient regularity as to ensure that the Company presents land and buildings at fair value in the financial statements. As of December 31, 2017, the Company performed the revaluation of the main building in order to identify whether there have been significant changes in fair value. Considering that the resulted fair value was not significantly different compared to the carrying value, the revaluation exercise was not extended to all the relevant assets and no revaluation was recorded as of December 31, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Property, plant and equipment (continued)

Repairs and maintenance are charged to the statement of income during the financial period in which they incur. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset. Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the amounts of property, plant and equipment on a straight-line basis down to the assets' estimated residual values. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3.9 Assets held under finance leases

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

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

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

	Years
Buildings	10 – 50 years
Plant and equipment	3 – 15 years
Fixtures and fittings	3 – 15 years

3.10 Intangible assets

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

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

De-recognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Intangible assets (continued)

Impairment of tangible and intangible assets other than goodwill

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11 Inventories

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

3.12 Trade receivables

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

3.13 Cash and cash equivalents

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

3.14 Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognized at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction cost. Fair value is the amount for which a financial instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction.

3.15 Accounts payable

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Leasing

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

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

3.17 Borrowing costs

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. The transaction costs incurred in issuing the liability are amortized over the life of the loan.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognized as interest expense over the period of the borrowings.

3.18 Taxation

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

Current tax

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

Deferred tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Taxation (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

3.19 Share capital

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

3.20 Share premiums

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

3.21 Revaluation reserve

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

3.22 Provisions for risks and charges

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

3.23 Revenue recognition

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

Rendering of services

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Revenue recognition (continued)

Interest revenues

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.24 Employee benefits

Employee benefits

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

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

3.25 Related parties

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

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

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

3.26 Fair value

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

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

The fair values were assessed for evaluation or presentation of information based on the methods and techniques described below.

Fair value was assessed for land and buildings owned as of December 31, 2016 based on evaluators reports. The fair value of land was established based on market value approach. The fair value for buildings was established based on cost of replacement approach.

3.27 IAS 29

Med Life SA was created in 1996. The development of the Company was continuous throughout the years. The significant additions to non-current assets and the material share capital subscriptions and the share premiums were recorded after Romania stopped being considered a hyperinflationary economy. As such, no inflation adjustments have been applied to equity and the Company did not have to apply IAS 29 requirements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.28 IFRS 8

IFRS 8 disclosures are meant to enable users of financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

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

3.29 Subsequent events

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

4. FINANCIAL ASSETS

The Company holds significant investments in other companies.

Carrying amount	December 31, 2017	January 1, 2017
Cost of investments in other companies	120,447,736	85,613,408
Long-term loans granted to group companies	11,158,313	10,878,619
Other financial assets	1,209,174	1,045,529
TOTAL	**132,815,223**	**97,537,556**

Investments in other companies

Investments in other companies represent 26% of the total assets of the Company.

Movement in cost of investments

	December 31, 2017	December 31, 2016
Balance at the beginning of the year	85,613,408	48,958,069
Acquisition of social parts in other companies	34,834,328	36,655,339
Disposal of subsidiaries	-	-
Balance at year end	**120,447,736**	**85,613,408**

The Company signed the Sales Purchase Agreement for the acquisition of shares in the following companies:

- 80% of share capital of Almina Trading SA
- 100% of share capital in Anima Specialty Medical Services SRL and Anima Promovare si Vanzari SRL
- 55% of share capital in Valdi Medica SRL

Almina Trading acquisition

Almina Trading ("Almina") has an activity of 20 years on the local market and it is the largest healthcare operator in Dambovita County. The company has eight medical centers – five in Targoviste, two in Pucioasa and one in Buftea – and two laboratories (Targoviste and Buftea), providing its patients with integrated outpatient, imaging and laboratory analysis services. The eight units are fitted with high-performing medical equipment and they are staffed with a medical team of over 125 specialists.
Almina Trading transaction concluded on the March 29, 2017.

Anima entities acquisition

Anima Specialty Medical Services and Anima Promovare si Vanzari ("Anima") consists of 6 clinics and a laboratory, has over 200 employees, medical specialists and support staff and is the first private healthcare provider with its own family medicine network in Romania. At the same time, Anima is one of the largest private outpatient healthcare services provider which has agreements with the Bucharest Health Insurance Fund (CASMB), covering over 15 medical specialties, including family medicine, ob-gyn, ENT, endocrinology, ophthalmology, dermatovenerology, cardiology, psychiatry, rheumatology, gastroenterology, allergology and clinical immunology. According to the company's representatives, Anima currently has some 75,000 corporate subscribers, mostly focusing on subscriptions covering occupational health services.

Anima transaction concluded on May 26, 2017.

4. FINANCIAL ASSETS (continued)

Valdi Medica acquisition

The Company finalised in September 2017 the acquisition of a 55% stake in Valdi Medica SRL. Valdi Medica SRL operates the Humanitas hospital from Cluj. Humanitas Hospital was opened at the end of 2016 and it is the newest private hospital in Cluj-Napoca; it provides a wide range of services and advanced surgical treatments, including: endocrine surgery, oncological and reconstructive surgery, plastic surgery, reparative surgery of the abdominal wall and aesthetic surgery, which are performed by physicians with great professional training and who are dedicated to their work. At the same time, the hospital is fitted with state-of-the-art equipment, and the operating theatre includes 2 operating rooms and an anaesthesia and intensive care department.

Stake increase Stem Cells Bank SA and Accipiens SA

The Company acquired in June, a new stake of 40% in Stem Cells Bank SA in Timișoara, one of the most modern and well-equipped stem cells bank in south-eastern Europe. In addition, in June, MedLife took over another 3% in Accipiens SA, which controls 100% of Genesys Medical Clinic SRL in Arad, one of the largest private healthcare operators in the western Romania, with the Company currently owning a stake of 58%.

Acquisition of other companies:

MedLife signed in October the acquisition of the 100% stake in Polisano medical services, one of the largest private medical operators in Romania. Founded in the 90's, Polisano is the first fully integrated medical group in Romania. It includes a series of four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital – Polisano European Hospital in Sibiu – recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization centre and the biggest private maternity in Transylvania. The transaction will be completed following the validation by the Competition Council and approval of the condition precedents.

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

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

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

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

Long-term loans granted to other companies

As of December 31, 2017, the Company presents long-term loans granted to Bahtco Invest SA and Medlife Ocupational SRL of RON 10,969,782 (January 1, 2017: RON 10,878,619).

Other financial assets

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

5. TANGIBLE AND INTANGIBLES FIXED ASSETS

As of December 31, 2017 the Company's tangible and intangible assets' structure was the following:

	Intangibles	Land	Constructions	Vehicles and equipment	Construction in progress	Total
Cost						
January 1, 2017	**23,516,004**	**13,429,395**	**131,971,309**	**103,416,011**	**7,352,540**	**279,685,259**
Additions	3,861,946	-	7,553,304	17,002,843	7,535,436	35,953,529
Transfers	-	-	7,091,005	-	(7,091,005)	-
Disposals	-	-	(15,865)	(434,069)	-	(449,934)
Revaluation	-	-	-	-	-	-
December 31, 2017	**27,377,950**	**13,429,395**	**146,599,753**	**119,984,785**	**7,796,971**	**315,188,854**
Depreciation						
January 1, 2017	**16,308,817**	**-**	**25,792,716**	**70,203,027**	**-**	**112,304,560**
Charge of the year	3,408,348	-	11,471,451	11,605,464	-	26,485,263
Disposals	-	-	(15,865)	(107,823)	-	(123,688)
Revaluation	-	-	-	-	-	-
December 31, 2017	**19,717,165**	**-**	**37,248,302**	**81,700,668**	**-**	**138,666,135**
Net Book Values						
January 1, 2017	**7,207,187**	**13,429,395**	**106,178,593**	**33,212,984**	**7,352,540**	**167,380,699**
December 31, 2017	**7,660,785**	**13,429,395**	**109,351,451**	**38,284,117**	**7,796,971**	**176,522,719**

5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

As of December 31, 2016, the Company's tangible and intangible assets' structure was the following:

	Intangibles	Land	Constructions	Vehicles and equipment	Construction in progress	Total
Cost						
January 1, 2016	**19,483,029**	**12,800,998**	**123,072,647**	**94,871,029**	**7,411,549**	**257,639,252**
Additions	4,032,975	-	-	8,544,982	8,546,156	21,124,113
Transfers	-	-	8,605,165	-	(8,605,165)	-
Disposals	-	-	-	-	-	-
Revaluation	-	628,397	293,497	-	-	921,894
December 31, 2016	**23,516,004**	**13,429,395**	**131,971,309**	**103,416,011**	**7,352,540**	**279,685,259**
Depreciation						
January 1, 2016	**10,205,316**	**-**	**22,584,393**	**60,697,500**	**-**	**93,487,209**
Charge of the year	6,103,501	-	9,443,317	9,505,527	-	25,052,345
Disposals	-	-	-	-	-	-
Revaluation	-	-	(6,234,994)	-	-	(6,234,994)
December 31, 2016	**16,308,817**	**-**	**25,792,716**	**70,203,027**	**-**	**112,304,560**
Net Book Values						
January 1, 2016	**9,277,713**	**12,800,998**	**100,488,254**	**34,173,529**	**7,411,549**	**164,152,043**
December 31, 2016	**7,207,187**	**13,429,395**	**106,178,593**	**33,212,984**	**7,352,540**	**167,380,699**

The net book value as of December 31, 2017 of fixed assets acquired through capital lease by Med Life was RON 8,044,769 (2016: 11,721,342).

5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

5.1. Land and buildings carried at fair value

The value of land and buildings related to Med Life, presented in this financial information is based on the valuation reports which were performed as of December 31, 2016 by an independent valuator certified by ANEVAR, Mascov Ionescu Eugeniu Gabriel and other independent certified evaluators.

The plots of land subject to the revaluation reports were valued using the market comparison approach as well as the residual method. The value conclusion was based on the market comparison approach.

The buildings were valued by using both the cost approach and the income approach (capitalization of net rental income). The final value conclusion is the one derived from the application of the cost approach.

As of December 31, 2017, the Company performed the revaluation of the main building in order to identify whether there have been significant changes in fair value. Considering that the resulted fair value was not significantly different compared to the carrying value, the revaluation exercise was not extended to all the relevant assets and no revaluation was recorded as of December 31, 2017.

Information regarding the fair value as of December 31, 2017 and January 1, 2017:

	Level 1	Level 2	Level 3	Fair value as of December 31, 2017
Land			13,429,395	13,429,395
Buildings			106,178,593	106,178,593

	Level 1	Level 2	Level 3	Fair value as of January 1, 2017
Land	-	-	13,429,395	13,429,395
Buildings	-	-	106,178,593	106,178,593

Had the Company's land and buildings been measured on a historical cost basis, their carrying amount would have been as presented below:

Carrying amount without revaluation	**December 31, 2017**	**January 1, 2017**
Land	1,346,998	1,346,998
Buildings	42,036,881	34,538,000
TOTAL	**43,383,879**	**35,884,998**

In 2017, Med Life S.A. purchased a building located in Banu Manta Street from Telekom and performed a sale and leaseback transaction through financial leasing.

5.2. Assets pledged as securities

Land and buildings (property on 365, Calea Grivitei) have been pledged to secure borrowings of the Company (see note 13). The land and buildings have been pledged as security for bank loans under a mortgage. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

6. INVENTORIES

	December 31, 2017	January 1, 2017
Consumables	6,649,179	6,379,901
Materials in the form of inventory items	17,461	18,582
Inventory in transit	1,382	1,404
TOTAL	**6,668,022**	**6,399,887**

7. ACCOUNTS RECEIVABLE

	December 31, 2017	January 1, 2017
Customers	50,861,132	45,065,848
Advances to suppliers	1,517,786	475,697
Bad debt provisions	(16,196,650)	(16,196,650)
TOTAL	**36,182,268**	**29,344,895**

Trade receivables as of December 31, 2017 and as of December 31, 2016 include a receivable of RON 7,365,835 representing amounts to be collected from the National Health House of Bucharest not yet invoiced. The Company started legal actions against the National Health House of Bucharest. The management is confident that the receivable may be eventually recovered, but given the adverse court decisions in similar cases, the Company decided to record a 100% allowance during 2016.

As of December 31, 2016 and December 31, 2017, the Management of the Company performed an assessment regarding the collectability of receivables- a total allowance of RON 16,196,650 (which includes the amount of RON 7,365,835 in relation to the National Health House described above) represents management's best estimate regarding the receivables which are not to be collected. The assessment takes into consideration the collection pattern of the receivables over the last two years. The Company monitors the credit quality of its customers on an ongoing basis. Credit risk is spread over a large customer base and the Company is not dependent on the collection of receivables from a limited number of customers.

Trade receivables disclosed above are classified as receivables and are therefore measured at amortized cost. The average credit period on collection for services rendered is 95 days. No interest is charged on trade receivables for the first 95 days from the date of the invoice.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Company has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Ageing of past due but not impaired

	December 31, 2017	January 1, 2017
90 - 180 days	414,641	993,164
180 days - 270 days	792,228	803,784
270 - 365 days	510,414	885,078
Over 365 days	3,437,046	2,644,676
TOTAL	**5,154,329**	**5,326,702**
Average age (days)	95	90

7. ACCOUNTS RECEIVABLE (continued)

The corporate receivables are spread over a large pool of clients. The main state budget customers are: The National Health Insurance House (6% of the total receivable balance).

Movement in the allowance for doubtful debts	December 31, 2017	December 31, 2016
Balance at the beginning of the year	16,196,650	8,330,815
Impairment losses and reversals recognized on receivables	-	7,865,835
TOTAL	**16,196,650**	**16,196,650**

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. The Company is not dependent on the collection of receivables from a limited number of customers.

Ageing of impaired trade receivables	December 31, 2017	January 1, 2017
270-365 days		-
Over 365 days	8,330,815	8,330,815
TOTAL GENERAL	**8,830,815**	**8,830,815**
Other allowance (described above)	7,365,835	7,365,835
TOTAL	**16,196,650**	**16,196,650**

8. CASH AND BANKS

	December 31, 2017	January 1, 2017
Cash in bank	68,696,261	12,695,774
Cash in hand	865,344	779,627
Cash equivalents	445,926	483,790
TOTAL	**70,007,531**	**13,959,191**

9. PREPAYMENTS

As of December 31, 2017 the Company has prepayments in amount of RON 2,559,451 (RON 2,724,058 as of January 1, 2017). The prepayments balance as of December 31, 2016 consists mainly of deferred commissions for financing related to the Club loan and the IFC loan obtained in 2016 and amounts related to rent paid in advance for rented properties and other amounts such as insurance policies for professionals and tangible assets.

10. ACCOUNTS PAYABLE

	December 31, 2017	January 1, 2017
Suppliers	55,432,020	58,212,463
Fixed assets suppliers	6,118,887	6,640,165
Advances paid by customers	1,005,701	474,993
TOTAL	**62,556,608**	**65,327,621**

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

11. OTHER SHORT TERM LIABILITIES

	December 31, 2017	January 1, 2017
Salary and related liabilities (incl. contributions)	8,834,260	8,861,943
Other liabilities	1,561,007	1,888,375
TOTAL	**10,395,267**	**10,750,318**

12. LEASING LIABILITIES

	December 31, 2017	January 1, 2017
Current portion – Leasing	515,738	4,374,976
Non-current portion – Leasing	6,045,842	5,767,198
TOTAL	**6,561,580**	**10,142,174**

Obligations under finance lease

	December 31, 2017	January 1, 2017
Minimum Lease Payments		
Short-term (less than one year)	574,919	6,605,477
Long-term (between 2 and 5 years)	8,590,997	10,660,078
Total	**9,165,916**	**17,265,555**
Less: future finance charges	(2,604,336)	(7,123,381)
Present value of lease obligations		
Analysed as follows:		
Maturing within one year	515,738	4,374,976
Maturing after more than one year but not later than five year	6,045,842	5,767,198
TOTAL	**6,561,580**	**10,142,174**

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

13. FINANCIAL DEBT

Loan agreements

	December 31, 2017	January 1, 2017
Current-portion of long-term loans	25,782,427	11,214,325
Non-current portion of long-term loans	184,328,369	142,653,683
TOTAL	**210,110,796**	**153,868,008**

(a) In 2010, the Med Life SA concluded a second loan agreement with IFC with a total value of EUR 10,000,000 (Loan A) and then, in 2011 Med Life and co-borrowers (Accipiens SA, Bahtco Invest SA and Policlinica de Diagnostic Rapid SA) signed an Amended and Restated Loan Agreement with IFC and Erste and additional funding of EUR 40,000,000 (Loan B) was obtained.

In August 2014, the Group signed a refinancing agreement with BCR for the total amount of EUR 30,398,901 representing EUR 28,298,901 of the Amended and Restated Loan Agreement with IFC and an additional EUR 2,100,000 representing the amount of the initial B loan available as of the dated of this agreement. As of December 31, 2017 the outstanding balance is the equivalent of EUR 2,619,048 (RON 12,203,974).

On September 30, 2016, Med Life (together with the co-borrowers- Policlinica de Diagnostic Rapid SA, Bahtco Invest SA and Accipiens SA) signed a new loan agreement with IFC in amount of EUR 10,000,000. The purpose of the facility is to refinance part of the club loan agreement mentioned above related to the financing of acquisitions of shares in new companies. As well, through signing this new agreement with IFC, the Group refinanced the existing contract with IFC described above in (b).
According to the new loan agreement, the outstanding balance will be repaid through 12 consecutive installments of EUR 238,095 starting November 15, 2017.

As of December 31, 2016, the outstanding balance related to the new facility obtained from IFC is RON 18,164,400, the equivalent of EUR 4,000,000. As of December 31, 2017, the outstanding balance related to the new facility obtained from IFC is RON 42,713,917, the equivalent of EUR 9,166,667 (RON 42,713,917).

According to the new loan agreement, the repayment of EUR 10,000,000 will be performed through 12 consecutive installments of EUR 833,333 starting November 15, 2017.

The set of indicators that have to be maintained by the Group were modified and will be calculated semi-annually on basis of Adjusted Equity, Adjusted Prospective Debt Service Coverage Ratio and adjusted EBITDA.

The interest to be charged will be charged based on EURIBOR plus relevant spread.

The IFC loan is secured through the following guarantees:

- immovable mortgage on land and buildings situated on 365 Calea Grivitei
- immovable mortgage on land and buildings owned by Bahtco Invest SA (Pediatrics Hospital)
- immovable mortgage on land and buildings owned by Policlinica de Diagnostic Rapid SA (PDR Clinic and Hospital)
- immovable mortgage on land and buildings owned by RUR Medical SA
- a first ranking mortgage on Med Life's shares held by the Sponsors (Mr. Mihail Marcu, Ms. Mihaela Gabriela Cristescu and Mr. Nicolae Marcu) from time to time in favour of IFC securing IFC Equity, as amended from time to time
- a second ranking on all the Borrower's shares held by the Sponsors from time to time in favour of IFC securing the obligations of the Borrower under the agreement
- a mortgage on Med Life's cash accounts opened with BCR, as amended from time to time
- a mortgage on each of the Co-Borrower's cash accounts opened with BCR
- mortgage on shares owned by the Borrower in the share capital of each the Co-Borrowers, Centrul Medical Sama SA, RUR Medical SA, Ultratest SA, Prima Medical SRL, Diamed Center SRL, Stem Cells Bank SA, Centrul Medical Panduri SA, Dent Estet Clinic SA and any other material company or accession borrower

13. FINANCIAL DEBT (continued)

- movable mortgage agreement: certain movable assets: medical equipment (including future medical equipment), insurances related to tangible assets mortgaged in relation to the transaction documents, bank and treasury accounts, commercial receivables of Borrower
- movable mortgage agreement: certain movable assets: medical equipment (including future medical), insurances related to tangible assets mortgaged in relation to the transaction documents, bank and treasury accounts of Bahtco Invest SA, Policlinica de Diagnostic Rapid SA, Accipiens SA
- movable mortgage of Target Shares owned by the Borrower in favor of IFC.
- movable mortgage agreement over certain commercial receivables of Med Life (including receivables against the National Health House of Romania, the Health Insurance House of the Defense, Public Order, National Safety and Judicial Authority in Romania or any similar entity and receivables arising under large commercial contracts).

(b) Med Life SA concluded in 2011 another contract for a multi-product facility with BCR with as maximum amount of EUR 5,000,000. In 2016, as part of the Club Loan Agreement, Med Life refinanced this facility with facility B of the Club Loan agreement.

(c) On August 28, 2014, the Med Life signed a refinancing agreement with BCR related to the A and B loan obtained from IFC and Erste Bank (parties to a participation agreement dated 11 August 2011 according to which Erste Group Bank AG has purchased all the participations in the initial loan B).

According to the agreement with IFC, the Group shall maintain a set of financial indicators. The indicators are to be computed based on the IFRS consolidated financial statements.

In 2016, the Med Life SA signed a club loan agreement with four banks (the Finance Parties- Banca Comerciala Romana SA, BRD- Groupe Societe Generale SA, ING Bank N.V. Amsterdam-Bucharest Branch and Raiffeisen Bank SA) for the total amount of EUR 48,764,590 and RON 27,000,000, through which the Group refinanced the entire long-term loan from BCR (described above) and the short-term credit facility from BCR, in order to continue the investing activities.

The Club loan granted to the Group four facilities. As of December 31, 2017, the outstanding amounts for each facility are presented below:

Facility	Amount in EUR	Amount in RON
Facility A	23,485,695	109,436,293
Facility B	-	27,000,000
Facility C	9,750,000	45,432,075
Facility D	4,673,872	21,778,841
Total	**37,909,567**	**203,647,209**

As of December 31, 2017, the outstanding amounts for each facility related to Med Life SA are presented below:

Facility	Amount in EUR	Amount in RON
Facility A	12,827,715	59,773,302
Facility B	-	27,000,000
Facility C	9,750,000	45,432,075
Facility D	4,673,872	21,778,841
Total	**27,251,587**	**153,984,218**

13. FINANCIAL DEBT (continued)

The Group shall repay Facility A and Facility C pro rata with the amount made available in semi-annual installments according to the agreed schedule.

The Group shall repay each Facility B loan drawn on the last day of its Interest Period. Without prejudice on the Group's obligation, one or more Facility B loans are to be made available to the Group on the same day that a maturing Facility B loan is due to be repaid by the Group, in whole or in part for the purpose of refinancing the maturing Facility B loan.

The rate of interest on each loan for each interest period is the percentage rate per annum which is the aggregate of the applicable margin and in relation to any loan in EUR, EURIBOR or, in relation to any loan in RON, ROBOR.

The following security was requested:

- immovable mortgage over (i) a plot of land located at 365 Calea Grivitei sector 1, Bucharest Romania (cadastral number 13183/1) and the buildings related
- immovable mortgage over a plot of land and the buildings thereon comprising Pediatrics Hospital located in Bucharest, 7 Zagazului street - land book 218010
- immoveable mortgage over a plot of land and the buildings thereon comprising PDR Clinic and Hospital located in Brasov 5, Turnului Street - land book no 127854
- moveable mortgage over certain moveable assets (large medical equipment) owned by each of Med Life, Bahtco Invest SA and Policlinica de Diagnostic Rapid SA
- moveable mortgage over future medical equipment to be acquired by each original borrower created in favor of Finance Parties and securing as regards Med Life and Bahtco Invest SA, the obligations of Med Life and Bahtco Invest SA under the Finance documents and as regards other original borrower, its obligations under Finance Documents.
- moveable mortgage over the insurances of each borrower related to tangible assets mortgaged in favor of the Finance Parties
- movable mortgage over the shares owned by the Company in the share capital of the other original borrowers and Centrul Medical Sama SA, Ultratest SA, Rur Medical SA and any other material company or accession borrower if case, respectively created by the Company in favor of the Finance Parties and securing the obligations of the Company and Bahtco under finance agreements.
- moveable mortgage over the bank and treasury accounts of each original borrowers
- moveable mortgage over certain commercial receivables of the Company (including receivables against the National Health House of Romania, the Health Insurance House of the Defense, Public Order, National Safety and Judicial Authority in Romanian or any similar entity and receivables arising under commercial contracts created in the favor of the Finance Parties)
- moveable mortgage over the shares of the sponsors in the borrower to be created under ta moveable mortgage agreement over shares to be entered into between the sponsors, the lender and IFC

14. ISSUED CAPITAL

In 2017, as a result of a Second Public Offering, Med Life S.A. issued 2,053,082 new shares with a nominal value of RON 0.25 per share, increasing the share capital from RON 5,023,000 to RON 5,536,271. The subscribers of the share increase will benefit from full rights related to the acquired shares starting from the date of the registration by the Central Depository. The shares were subscribed in 2017. The Central Depository registered the newly subscribed shares on January 11, 2018.

As of December 31, 2017 the shareholders' structure is as presented below:

	No. of shares	%
Marcu Mihail	4,219,320	21.00%
Marcu Nicolae	3,013,800	15.00%
Cristescu Mihaela Gabriela	3,028,892	15.08%
Others	9,829,988	48.92%
TOTAL	**20,092,000**	**100%**

The shareholders' structure of Med Life SA in place following the share capital increase process, as presented in the Central Depository notification, dated January 11, 2018, is as presented below:

	No. of shares	%
Marcu Mihail	4,219,320	19.05%
Marcu Nicolae	3,013,800	13.61%
Cristescu Mihaela Gabriela	3,243,892	14.65%
Others	11,668,070	52.69%
TOTAL	**22,145,082**	**100%**

As of December 31, 2016 the shareholders' structure is as presented below:

	No. of shares	%
Marcu Mihail	4,219,320	21.00%
Marcu Nicolae	3,013,800	15.00%
Cristescu Mihaela Gabriela	3,013,800	15.00%
Others	9,845,080	49.00%
TOTAL	**20,092,000**	**100%**

15. RESERVES

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

	December 31, 2017	January 1, 2017
General reserves	1,004,600	1,004,600
Other reserves	8,679,871	8,679,871
Revaluation reserves	63,024,298	63,024,298
TOTAL	**72,708,768**	**72,708,768**

As of December 31, 2014, Med Life SA used a fiscal facility available starting 2014 for re-invested profit and increased its reserves according to the fiscal rules by RON 4,933,776 based on the profit obtained in 2014. As of December 31, 2015, Med Life SA used the fiscal facility of re-invested profit and increased its reserves by RON 3,705,398. These amounts are still in balance of other reserves as of December 31, 2017 and January 1, 2017. This reserve will be taxed when it will be used under any form.

15. RESERVES (continued)

General reserves and other reserves

	December 31, 2017	January 1, 2017
Balance at beginning of the year	**9,684,470**	**9,684,470**
Movements	-	-
Balance at the end of the year	**9,684,470**	**9,684,470**

Revaluation reserves	December 31, 2017	January 1, 2017
Balance at beginning of the year	**63,024,298**	**57,012,512**
Decrease arising revaluation correction	-	-
Increase due to revaluation	-	7,156,888
Deferred tax related to revaluation	-	(1,145,102)
Balance at the end of the year	**63,024,298**	**63,024,298**

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

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

16. SALES

Turnover for the year ended December 31, 2016 is of RON 379,664,698 (for the year ended December 31, 2016 - RON 341,731,549) consisting of medical services, net of VAT, including revenues from health packages of corporate customers and fees for services rendered within Med Life's clinics and various hospitals within Romania.

17. OTHER OPERATING REVENUES

Other operating revenues caption comprises:

	December 31, 2017	December 31, 2016
Other operating income	1,667,448	1,924,743
Capitalized costs of intangible assets	2,750,697	2,000,000
TOTAL	**4,418,145**	**3,924,743**

18. OPERATING EXPENSES

	December 31, 2017	December 31, 2016
Consumable materials & repair materials	58,161,825	53,655,550
Commodities expenses	-	-
Utilities	3,678,013	3,198,546
Repairs maintenance	3,763,115	3,129,423
Rent	29,378,167	25,293,007
Insurance premiums	1,610,809	1,525,181
Promotion expense	8,162,091	8,267,548
Communications	2,284,860	2,527,362
Third party expenses (including doctor's agreements)	112,726,980	97,392,878
Salary and related expenses	96,227,329	80,966,844
Social contributions	22,167,473	18,347,671
Depreciation	26,485,263	25,052,345
Impairment losses recognized in profit and loss	-	-
Other administration & operating exp.	7,078,858	19,336,652
TOTAL	**371,724,783**	**338,693,007**

19. KEY MANAGEMENT PERSONNEL EXPENSES

The structure of Med Life personnel is described below:

	December 31, 2017	December 31, 2016
Management	43	30
Staff	2,067	2,154
Total	**2,110**	**2,184**

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

	December 31, 2017	December 31, 2016
Management	15,288,448	10,609,628
Staff	80,938,881	70,357,216
Total	**96,227,329**	**80,966,844**

20. NET FINANCIAL RESULT

	December 31, 2017	December 31, 2016
Other financial expenses	-	(3,052,445)
Net foreign exchange rate impact	(4,662,809)	(1,843,030)
Net finance cost – interest expense	(9,933,607)	(9,403,108)
Interest income	523,468	390,842
NET FINANCIAL RESULT	**(14,072,948)**	**(13,907,741)**

21. RELATED PARTIES

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

Closing balances	December 31, 2017	January 1, 2017
Payables		-
Almina Trading SRL	264,693	-
ANIMA SPECIALITY MEDICAL SERVICES SRL	342,767	-
NAUTIC LIFE	-	140,440
DR. CRISTESCU I. MIHAELA-GABRIELA	52,400	-
Pharmalife Med SRL	2,560	708,420
Policlinica de Diagnostic Rapid SA	1,133,266	730,756
Policlinica de Diagnostic Rapid Medis SRL	562,724	638,067
BAHTCO INVEST SA	944,176	803,275
Medapt SRL	832,033	832,033
RUR Medical SA	833,890	1,956,053
Genesys Medical Clinic SRL	2,197,980	3,255,207
Histo SRL	93,578	59,328
Biofarm Farmec SRL	8,887	8,848
Bactro	4,081	-
BIOTEST MED SRL	1,549,830	549,834
VITAL TEST SRL,	1,538,551	252,112
Centrul Medical Sama	1,552,948	575,059
Ultratest Craiova SA	5,106	2,359
Prima Medical SRL	52,638	17,045
Diamed Center SRL	61,414	133
Dent Estet Clinic SA	16,616	-
Aspen Laborator Dentar SRL	19,044	31,281
TOTAL	**12,069,182**	**10,560,250**

Receivables		
Centrul Medical Panduri SA	18,521	-
Almina Trading SRL	17,416	-
ANIMA SPECIALITY MEDICAL SERVICES SRL	8,750	-
Pharmalife Med SRL	1	55,282
Policlinica de Diagnostic Rapid SA	255,432	174,866
Histo SRL	70	70
Genesys Medical SRL	1,012,753	849,337
Policlinica de Diagnostic Rapid Medis SRL	125,834	21,019
Accipiens SA	6,692	6,692
BIOTEST MED SRL	403,665	356,921
VITAL TEST SRL,	387,100	298,273
Centrul Medical Sama SA	457,365	238,657
Ultratest Craiova SA	18,139	10,951
RUR Medical SA	130,889	130,889
Diamed Center SRL	329,593	92,153
Stem Cells Bank SA	62,089	16,317
Dent Estet Clinic SA	4,500	-
TOTAL	**3,238,809**	**2,251,427**

21. RELATED PARTIES (continued)

Transactions during the year	December 31, 2017	December 31, 2016
Expenses		
NAUTIC LIFE	-	-
MARCU NICOLAE	-	-
DR. CRISTESCU I. MIHAELA-GABRIELA	466,835	-
Policlinica de Diagnostic Rapid SA	2,094,342	1,876,470
Policlinica de Diagnostic Rapid Medis SRL	174,656	88,493
BAHTCO INVEST SA	2,195,100	2,156,792
Histo SRL	34,250	22,733
Medapt SRL	-	-
RUR Medical SA	185,434	238,407
Genesys Medical Clinic SRL	1,696,947	1,544,146
Bactro SRL	4,081	-
BIOTEST MED SRL	2,445,175	1,558,438
VITAL TEST SRL	2,126,747	1,074,438
Centrul Medical Sama SA	1,927,889	1,405,610
Ultratest Craiova SA	2,747	2,359
Prima Medical SRL	35,593	17,045
Diamed Center SRL	318,203	44,246
ASPEN LABORATOR DENTAR SRL	116,451	-
ALMINA TRADING S.A.	335,831	-
ANIMA SPECIALITY MEDICAL SERVICES SRL	442,767	-
Total	**14,603,048**	**10,029,177**
Acquisition of fixed assets		
NAUTIC LIFE	-	1,201,835
Acquisition of inventories		
Pharmalife Med SRL	53,977	95,063
BAHTCO INVEST SA	8,195,900	7,036,306
Biofarm Farmec SRL	39	7,854
Total	**8,249,916**	**7,139,223**
Sales		
Centrul Medical Panduri SA	158,358	-
Almina Trading SA	68,150	-
ANIMA SPECIALITY MEDICAL SERVICES SRL	8,560	-
Policlinica de Diagnostic Rapid SA	951,308	995,608
Histo SRL	-	-
Policlinica de Diagnostic Rapid Medis SRL	104,512	92,546
Rur Medical SA	-	-
Genesys Medical Clinic SRL	799,781	847,712
Accipiens SA	-	-
BIOTEST MED SRL	592	38,104
VITAL TEST SRL	8,451	11,049
Centrul Medical Sama SA	207,272	160,130
Ultratest Craiova SA	7,188	7,098
Biofarm Farmec SRL	-	-
Bahtco Invest SA	-	-
Diamed Center SRL	239,740	92,153
Stem Cells Bank SA	117,758	65,608
Total	**2,671,670**	**2,310,009**

21. RELATED PARTIES (continued)

Loans granted	December 31, 2017	January 1, 2017
VITAL TEST SRL	-	17,098
PDR SA	-	904,509
BAHTCO INVEST SA	23,398,167	17,566,953
MedLife Ocupational SRL	2,417,380	2,041,892
Vital Test SRL	269	-
Accipiens SA	-	1,921,773
Genesys Medical Clinic SRL	-	274,588
Rur Medical SRL	-	1,285,260
Stem Cells Bank SA	2,092,576	532,355
Diamed Center SRL	3,532,326	998,422
Total	**31,440,718**	**25,542,850**

As of December 31, 2017, Med Life SA records long term loans to be collected from Bahtco Invest SA (RON 10,969,782) and Med Life Ocupational SRL (RON 188,531).

As of December 31, 2016, Med Life SA records long term loans to be collected from Bahtco Invest SA (RON 10,690,576) and Med Life Ocupational SRL (RON 188,043).

Loans obtained	December 31, 2017	January 1, 2017
Genesys Medical Clinic SRL	-	270,678
Pharmalife Med SRL	1,224,083	159,379
PDR SA	386,455	47,645
Policlinica de Diagnostic Medis SRL	453,517	
Accipiens SA	-	1,660,659
Asilife SA	180,636	177,854
Prima Medical SRL	611,006	433,524
	2,855,697	**2,749,739**

22. TAXATION

	December 31, 2017	December 31, 2016
Current income tax expense	(805,134)	(1,999,255)
Deferred tax expense	-	1,190,858
Total tax expense	**(805,134)**	**(808,397)**

22. TAXATION (continued)

	December 31, 2017	December 31, 2016
Loss before tax	**(1,714,888)**	**(6,944,456)**
Income tax expense calculated at 16%	-	-
Effect of expenses that are not deductible in determining taxable profit	(805,134)	1,999,255
Effect of temporary differences	-	(1,190,858)
Income tax expense recognized in profit or loss	**(805,134)**	**(808,397)**

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

The components of deferred tax as of December 31, 2017 are presented below:

Components of deferred tax	December 31, 2017	Change in deferred tax	January 1, 2017
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, 2017	Change in deferred tax	January 1, 2017
Receivables	-	-	-
Non-current assets	-	-	-
Revaluation reserve	12,044,056	-	12,044,056
Total deferred tax liability	**12,044,056**	**-**	**12,044,056**
Net deferred tax liability	**10,785,523**		**10,785,523**

22. TAXATION (continued)

The components of deferred tax as of December 31, 2016 are presented below:

Components of deferred tax	December 31, 2016	Change in deferred tax	January 1, 2016
Deferred tax assets			
Non-current assets	-	(67,676)	67,676
Trade receivables	1,258,534	1,258,534	-
Total deferred tax asset	**1,258,534**	**1,190,858**	**67,676**

Deferred tax liability	December 31, 2016	Change in deferred tax	January 1, 2016
Receivables	-		
Non-current assets	-		
Revaluation reserve	12,044,056	1,145,102	10,898,954
Total deferred tax liability	**12,044,056**	**1,145,102**	**10,898,954**
Net deferred income tax liability / (assets)	**10,785,523**		**10,831,279**

The net effect of the change on deferred tax balances recognized as at December 31, 2016, except for the deferred tax related to the revaluation reserve which is recognized in equity, is reflected in the statement of comprehensive income for the year then ended.

23. FINANCIAL INSTRUMENTS (IFRS 7)

(a) Capital risk management

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

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

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

(b) Significant accounting policies

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

(c) Financial risk management objectives

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

(d) Market risk

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

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

(e) Interest rate risk management

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

(f) Liquidity risk management

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

Financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short-term and long-term loans and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts. The carrying amounts represent the Company's maximum exposure to credit risk for existing receivables.

23. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments

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

2017	**1 EUR = RON 4.6597**		
	RON	**EUR**	**Total**
ASSETS			
Cash and cash equivalents	65,199,832	4,807,699	70,007,531
Trade receivables	36,182,268	-	36,182,268
Receivables from group companies	21,954,037	9,486,681	31,440,718
Long-term loans to group companies	-	11,158,313	11,158,313
LIABILITIES			
Trade payables	62,556,608	-	62,556,608
Short-Term and Long-Term portions of loans	27,000,000	183,110,796	210,110,796
Short-Term and Long-Term portions of financial leasing	-	6,561,580	6,561,580
Payables to group companies	2,855,697	-	2,855,697

2016	**1 EUR = RON 4.5411**		
	RON	**EUR**	**Total**
ASSETS			
Cash and cash equivalents	6,369,984	7,589,207	13,959,191
Trade receivables	29,344,895	-	29,344,895
Receivables from group companies	25,542,850	-	25,542,850
Long-term loans to group companies	-	10,878,619	10,878,619
LIABILITIES			
Trade payables	65,327,621	-	65,327,621
Short-Term and Long-Term portions of loans	27,000,000	126,868,008	153,868,008
Short-Term and Long-Term portions of financial leasing	-	10,142,174	10,142,174
Payables to group companies	2,749,739	-	2,749,739

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

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

	December 31, 2017	**December 31, 2016**
Profit or loss	16,421,968	11,854,236

23. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

(g) Fair value of financial instruments (continued)

The following table details the Company's remaining contractual maturity for financial liabilities as of December 31, 2017. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay, The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
Non-interest bearing instruments					
Trade payables		62,556,608	62,556,608	-	-
Interest bearing instruments					
IFC loans	EURIBOR 6M + relevant spread %	54,917,894	9,985,069	39,940,276	4,992,549
Club Loan	EURIBOR 6M + relevant spread %	153,984,218	14,588,672	95,796,278	43,599,268
Lease contracts		6,561,580	515,738	6,045,842	-
Total		**278,020,300**	**87,646,087**	**141,782,397**	**48,591,816**

The following table details the Company's remaining contractual maturity for financial liabilities as of January 1, 2017. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay, The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Carrying Amount	Less than 1 year	1 to 5 years	More than 5 years
Non-interest bearing instruments					
Trade payables		65,327,621	65,327,621	-	-
Interest bearing instruments					
IFC loans	EURIBOR 6M + relevant spread %	31,138,971	2,594,913	20,759,305	7,784,753
Club Loan	EURIBOR 6M + relevant spread %	122,729,039	8,619,412	86,550,218	27,559,409
Lease contracts		10,142,174	4,374,976	5,767,198	-
Total		**229,337,805**	**80,916,922**	**113,076,721**	**35,344,162**

24. COMMITMENTS AND CONTINGENCIES

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

IFC related commitments

In accordance with Share retention agreement concluded with IFC - the Shareholders should not sell or in any manner dispose of, pledge or encumber, or permit any encumbrance to exist over, all or any portion of the shares in the capital of the Company which they own at the moment of the agreement as long as any part of the principal of or interest or any other amounts owned by Med Life to IFC under the Loan Agreement remain outstanding and unpaid.

The shareholders of the Company agreed to pledge to IFC as security all shares, security, rights, money or property either accruing or acquired including any proceeds from disposal of shares until all obligations are paid or discharged. Med Life may be obliged to buy back all or part of these shares hold by IFC as it may deem and in a commercially reasonable manner, if either the company or the other shareholder fails to meet certain covenants specified in the agreement or the provisions of the Share Retention agreement.

Club loan related commitments

In accordance with the Club loan facilities agreement, the Med Life SA shall ensure that it shall not incur any additional Capital Expenditure except for any acquisition financed from Facility C and capital expenditures up to the aggregate amounts agreed in the contract for the years 2016-2023.

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.

Acquisition of other companies:

MedLife signed in October the acquisition of the 100% stake in Polisano medical services, one of the largest private medical operators in Romania. Founded in the 90's, Polisano is the first fully integrated medical group in Romania. It includes a series of four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital – Polisano European Hospital in Sibiu – recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization centre and the biggest private maternity in Transylvania. The transaction will be completed following the validation by the Competition Council and approval of the condition precedents.

Other commitments

As at December 31, 2017 and December 31, 2016, the Med Life SA holds insurance policies to cover possible liabilities towards doctors for malpractice as well as insurance contracts related to buildings and medical equipment.

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

BCR issued letters of warranties in the favor of Med Life S,A, in amount of RON 1,710,563, out of which in EUR 323,559 as of December 31, 2017 (December 31, 2017:RON 2,972,900,equivalent of EUR 654,665.

24. COMMITMENTS AND CONTINGENCIES (continued)

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 2017.

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

Transfer pricing

The fiscal legislation from Romania includes the "market value" principle, according to which the transactions between related parties have to be performed at the market value. The local tax payers, who carry transactions with related parties, have to prepare and make available to the tax authorities from Romania, at their written request, the transfer pricing documentation file. If the companies do not prepare the documentation or they present an incomplete transfer pricing file may attract penalties for non-conformity, and additionally to the information presented in the transfer pricing file, the fiscal authorities may have a different interpretation of the transactions and the circumstances compared to the management's assessment and, as a result, they may impose additional fiscal obligations as a result of adjusting transfer prices. The management of the Company is confident that, if required, they will submit the necessary information in due time to the fiscal authorities. The transactions with related parties and group companies are performed based on the market value principle.

Litigation

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

25. AUDITORS 'FEES

The auditor of the Group is Deloitte Audit SRL.

The fee for the audit of the consolidated financial statements as of December 31, 2017 of the Group prepared in accordance with IFRS as adopted by EU and the individual financial statements as of December 31, 2017 of the Group prepared in accordance with IFRS as adopted by EU of Med Life SA was EUR 78,100, excluding VAT and out of pocket expenses.

The fee for other audit related services performed in 2017 (in accordance with ISAE 3000 and ISAE 3,240) was EUR 15,000, excluding VAT.

26 EVENTS AFTER THE BALANCE SHEET DATE

In February 2018, Med Life SA acquired 90% of the share capital of Ghencea Medical Center.

In March 2018, Med Life SA acquired 80% of the share capital of Solomed Group, a group of medical clinics in Pitesti, Costesti and Curtea de Arges.

There were no other significant subsequent events after December 31, 2017.

Approved by the Board of Directors on the date of March 23, 2018 and signed on behalf of by:

Mihail Marcu, **Administrator**	**Vera Firu,** **Director Economic**

ADMINISTRATORS' REPORT
MED LIFE S.A.

YEAR ENDED DECEMBER 31, 2017

1. Presentation of the Company

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

Med Life Group is offering a large range of medical service having opened 18 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Braila, Cluj and Constanta, 33 Clinics, 8 hospitals – located in Bucharest, Arad and Brasov, 29 Laboratories, 10 Pharmacies and 9 Dental Clinics. The Group has also more than 140 private Clinic partners around Romania.

MedLife is one of the leading health care services providers in Romania, having a significant market share at a national level.

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

Details of Med Life SA's subsidiaries at December 31, 2017 and January 1, 2017 are as follows:

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2017	January 1, 2017
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	80.01%	80.01%
2	Medapt SRL	Medical Services	Brasov, Romania	80.01%	80.01%
3	Histo SRL	Medical Services	Brasov, Romania	48.01%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL	Medical Services	Sfantu Gheorge, Romania	64.01%	64.01%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100%	100%
6	Medsanrom SRL (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	Asilife Insurance Broker SRL	Insurance broker	Bucharest, Romania	99%	99%
9	Accipiens SA	Rental activities	Arad, Romania	55%	55%
10	Genesys Medical Clinic SRL	Medical services	Arad, Romania	58%	55%
11	Biofarm Farmec SRL	Distribution of Pharmaceutical Products in specialised stores	Arad, Romania	55%	55%
12	RUR Medical SA	Medical services	Brasov, Romania	100%	100%
13	Biotest Med SRL	Medical services	Constanta, Romania	100%	100%
14	Vital Test SRL	Medical services	Iasi, Romania	100%	100%
15	Bactro SRL (indirectly)	Other healthcare services	Deva, Romania	55%	55%
16	Centrul Medical Sama S.A.	Medical Services	Craiova, Romania	55%	55%
17	Ultratest S.A.	Other healthcare services	Craiova, Romania	55%	55%
18	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
19	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%
20	Stem Cells Bank SA	Medical Services	Timisoara, Romania	100%	60%
21	Dent Estet Clinic SA	Dental healthcare activities	Bucharest, Romania	60%	60%
22	Centrul Medical Panduri	Medical Services	Bucharest, Romania	90%	90%
23	Almina Trading SA	Medical services	Targoviste, Romania	80%	-
24	Anima Specialty Medical Services SRL	Medical services	Bucharest, Romania	100%	-
25	Anima Promovare si Vanzari SRL	Medical services	Bucharest, Romania	100%	-
26	Valdi Medica SRL	Medical services	Cluj, Romania	55%	-

Dent Estet Clinic SA also owns the following companies as described below:

	Name of subsidiary	Principal Activity	Place of operation	December 31, 2017	January 1, 2017
1	Green Dental Clinic SRL	Dental healthcare activities	Bucharest, Romania	51%	51%
2	Dentist 4 Kids SRL	Dental healthcare activities	Bucharest, Romania	52%	52%
3	Dent A Porter SRL	Dental healthcare activities	Bucharest, Romania	51.61%	51.61%
4	Dentestet Kids	Dental healthcare activities	Bucharest, Romania	52.94%	52.94%
5	Aspen Laborator Dentar	Dental healthcare activities	Bucharest, Romania	75%	75%

MedLife's business model focuses on servicing corporations and private clients. The Company seeks to capture the private healthcare spending of these clients throughout all stages of a medical condition: prevention, diagnosis and treatment, by offering a wide range of medical services delivered in modern, high quality facilities by professional teams of doctors, nurses and support personnel. The Company puts considerable emphasis on client service, operating an IT infrastructure and customer service and sales operation that has served over 5 million unique patients, representing over 1 in 4 Romanians.

The Company divides its operations into four business lines:

- Corporate: The Corporate business line offers HPP to corporate clients as part of their employee benefit packages. These programmes, which focus on prevention through regular check-ups and access to diagnostic services, complement the legally required occupational health services that corporate clients also contract from MedLife under the HPP offering.
- Clinics: The Clinics business line includes the Company's ambulatory clinics and diagnostic imaging services. Clinics offer general practitioner and specialist consultations and include the Company's 140 outpatient diagnostic imaging services. Certain of its clinics also undertake day hospitalisation services.
- Laboratories: The Laboratories business line provides biochemistry, haematology, coagulation, immunology, microbiology, anatomy, pathology, cytology, molecular biology and toxicology laboratories tests.
- Hospitals: The Hospitals business line covers the Company's inpatient activities, which consist of a wide range of medical and surgical specializations.

2. Developments in 2017

2.1. Acquisitions completed in 2017

The Company signed the Sales Purchase Agreement for the acquisition of shares in the following companies:

- 80% of share capital of Almina Trading SA
- 100% of share capital in Anima Specialty Medical Services SRL and Anima Promovare si Vanzari SRL
- 55% of share capital in Valdi Medica SRL

Almina Trading acquisition

Almina Trading ("Almina") has an activity of 20 years on the local market and it is the largest healthcare operator in Dambovita County. The company has eight medical centers – five in Targoviste, two in Pucioasa and one in Buftea – and two laboratories (Targoviste and Buftea), providing its patients with integrated outpatient, imaging and laboratory analysis services. The eight units are fitted with high-performing medical equipment and they are staffed with a medical team of over 125 specialists.
Almina Trading transaction concluded on the March 29, 2017.

Anima acquisition

Anima Specialty Medical Services and Anima Promovare si Vanzari ("Anima") consists of 6 clinics and a laboratory, has over 200 employees, medical specialists and support staff and is the first private healthcare provider with its own family medicine network in Romania. At the same time, Anima is one of the largest private outpatient healthcare services provider which has agreements with the Bucharest Health Insurance Fund (CASMB), covering over 15 medical specialties, including family medicine, ob-gyn, ENT, endocrinology, ophthalmology, dermatovenerology, cardiology, psychiatry, rheumatology, gastroenterology, allergology and clinical immunology. According to the company's representatives, Anima currently has some 75,000 corporate subscribers, mostly focusing on subscriptions covering occupational health services.

Anima transaction concluded on May 26, 2017.

Stake increase Stem Cells Bank SA and Accipiens SA

The Company acquired in June, a new stake of 40% in Stem Cells Bank SA in Timișoara, one of the most modern and well-equipped stem cells bank in south-eastern Europe. In addition, in June, MedLife took over another 3% in Accipiens SA, which controls 100% of Genesys Medical Clinic SRL in Arad, one of the largest private healthcare operators in the western Romania, with the Company currently owning a stake of 58%.

Valdi Medica acquisition

The Company finalised in September 2017 the acquisition of a 55% stake in Valdi Medica SRL. Valdi Medica SRL operates the Humanitas hospital from Cluj. Humanitas Hospital was opened at the end of 2016 and it is the newest private hospital in Cluj-Napoca; it provides a wide range of services and advanced surgical treatments, including: endocrine surgery, oncological and reconstructive surgery, plastic surgery, reparative surgery of the abdominal wall and aesthetic surgery, which are performed by physicians with great professional training and who are dedicated to their work. At the same time, the hospital is fitted with state-of-the-art equipment, and the operating theatre includes 2 operating rooms and an anaesthesia and intensive care department.

Acquisition of other companies:

MedLife signed in October the acquisition of the 100% stake in Polisano medical services, one of the largest private medical operators in Romania. Founded in the 90's, Polisano is the first fully integrated medical group in Romania. It includes a series of four clinics with its own laboratories located in Bucharest and Sibiu, a private hospital – Polisano European Hospital in Sibiu – recognized as one of the most modern and performing hospital units in Romania, one in vitro fertilization centre and the biggest private maternity in Transylvania. The transaction will be completed following the validation by the Competition Council and approval of the condition precedents.

Valuation of investments in other companies

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

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

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

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

2.2. Second Public Offering

In 2017, as a result of a Second Public Offering, Med Life S.A. issued 2,053,082 new shares with a nominal value of RON 0.25 per share, increasing the share capital from RON 5,023,000 to RON 5,536,271. The subscribers of the share increase will benefit from full rights related to the acquired shares starting from the date of the registration by the Central Depository. The shares were subscribed in 2017. The Central Depository registered the newly subscribed shares on January 11, 2018.

2.3. New facilities

In February 2017, Med Life extended its presence in Brasov and opened a new hyperclinic and a new laboratory. These two investments are the result of an investment of EUR 1.3 million.

In November 2017, Med Life opened the first hyperclinic in Braila. The investment in this unit reached approximately EUR 700,000.

2.4. Acquisition of a new headquarter

In 2017, Med Life SA purchased a building located in Banu Manta Street from Telekom and performed a sale and leaseback through financial leasing.

3. Credit facilities contracted by the Company

3.1. Club Loan

On August 28, 2014, Med Life signed a refinancing agreement with BCR related to the A and B loan obtained from IFC and Erste Bank (parties to a participation agreement dated 11 August 2011 according to which Erste Group Bank AG has purchased all the participations in the initial loan B).

According to the agreement with IFC, the Group shall maintain a set of financial indicators. The indicators are to be computed based on the IFRS consolidated financial statements. As of December 31, 2015, the management of the Group computed these indicators according to the loan agreement. The creditor waived the right to recall the loan as a result of the breach of certain covenants.

In 2016, the Med Life SA signed a club loan agreement with four banks (the Finance Parties- Banca Comerciala Romana SA, BRD- Groupe Societe Generale SA, ING Bank N.V. Amsterdam-Bucharest Branch and Raiffeisen Bank SA) for the total amount of EUR 48,764,590 and RON 27,000,000, through which the Group refinanced the entire long-term loan from BCR (described above) and the short-term credit facility from BCR, in order to continue the investing activities.

The Club loan granted to the Group four facilities. As of December 31, 2017, the outstanding amounts for each facility are presented below:

Facility	**Amount in EUR**	**Amount in RON**
Facility A	23,485,695	109,436,293
Facility B	-	27,000,000
Facility C	9,750,000	45,432,075
Facility D	4,673,872	21,778,841
Total	**37,909,567**	**203,647,209**

As of December 31, 2017, the outstanding amounts for each facility related to Med Life SA are presented below:

Facility	**Amount in EUR**	**Amount in RON**
Facility A	12,827,715	59,773,302
Facility B	-	27,000,000
Facility C	9,750,000	45,432,075
Facility D	4,673,872	21,778,841
Total	**27,251,587**	**153,984,218**

3.2. Loans from International Finance Corporation, a member of World Bank Group

In 2010, Med Life SA concluded a second loan agreement with IFC with a total value of EUR 10,000,000 (Loan A) and then, in 2011 Med Life and co-borrowers (Accipiens SA, Bahtco Invest SA and Policlinica de Diagnostic Rapid SA) signed an Amended and Restated Loan Agreement with IFC and Erste and additional funding of EUR 40,000,000 (Loan B) was obtained.

In August 2014, the Group signed a refinancing agreement with BCR for the total amount of EUR 30,398,901 representing EUR 28,298,901 of the Amended and Restated Loan Agreement with IFC and an additional EUR 2,100,000 representing the amount of the initial B loan available as of the dated of this agreement.

As of December 31, 2017 the outstanding balance is the equivalent of EUR 2,619,048.

On September 30, 2016, Med Life (together with the co-borrowers- Policlinica de Diagnostic Rapid SA, Bahtco Invest SA and Accipiens SA) signed a new loan agreement with IFC in amount of EUR 10,000,000. The purpose of the facility is to refinance part of the club loan agreement mentioned above related to the financing of acquisitions of shares in new companies. As well, through signing this new agreement with IFC, the Group refinanced the existing contract with IFC described above in (b).

According to the new loan agreement, the outstanding balance will be repaid through 12 consecutive installments of EUR 238,095 starting November 15, 2017.

As of December 31, 2016, the outstanding balance related to the new facility obtained from IFC is RON 18,164,400, the equivalent of EUR 4,000,000. As of December 31, 2017, the outstanding balance related to the new facility obtained from IFC is RON 42,713,917, the equivalent of EUR 9,166,667.

According to the new loan agreement, the repayment of EUR 10,000,000 will be performed through 12 consecutive installments of EUR 833,333 starting November 15, 2017. The interest to be charged will be charged based on EURIBOR plus relevant spread.

The set of indicators that have to be maintained by the Group were modified and will be calculated semi-annually on basis of Adjusted Equity, Adjusted Prospective Debt Service Coverage Ratio and adjusted EBITDA.

The IFC loan is secured through the following guarantees:

- immovable mortgage on land and buildings situated on 365 Calea Grivitei
- immovable mortgage on land and buildings owned by Bahtco Invest SA (Pediatrics Hospital)
- immovable mortgage on land and buildings owned by Policlinica de Diagnostic Rapid SA (PDR Clinic and Hospital)
- immovable mortgage on land and buildings owned by RUR Medical SA
- a first ranking mortgage on Med Life's shares held by the Sponsors (Mr. Mihail Marcu, Ms. Mihaela Gabriela Cristescu and Mr. Nicolae Marcu) from time to time in favour of IFC securing IFC Equity, as amended from time to time
- a second ranking on all the Borrower's shares held by the Sponsors from time to time in favour of IFC securing the obligations of the Borrower under the agreement
- a mortgage on Med Life's cash accounts opened with BCR, as amended from time to time
- a mortgage on each of the Co-Borrower's cash accounts opened with BCR
- mortgage on shares owned by the Borrower in the share capital of each the Co-Borrowers, Centrul Medical Sama SA, RUR Medical SA, Ultratest SA, Prima Medical SRL, Diamed Center SRL, Stem Cells Bank SA, Centrul Medical Panduri SA, Dent Estet Clinic SA and any other material company or accession borrower
- movable mortgage agreement: certain movable assets: medical equipment (including future medical equipment), insurances related to tangible assets mortgaged in relation to the transaction documents, bank and treasury accounts, commercial receivables of Borrower
- movable mortgage agreement: certain movable assets: medical equipment (including future medical), insurances related to tangible assets mortgaged in relation to the transaction documents, bank and treasury accounts of Bahtco Invest SA, Policlinica de Diagnostic Rapid SA, Accipiens SA
- movable mortgage of Target Shares owned by the Borrower in favor of IFC.
- movable mortgage agreement over certain commercial receivables of Med Life (including receivables against the National Health House of Romania, the Health Insurance House of the Defense, Public Order, National Safety and Judicial Authority in Romania or any similar entity and receivables arising under large commercial contracts).

4. Financial Analysis

Analysis of the individual profit and loss

Sales for the 12 month period ended December 31, 2017 amounted to RON 379,664,698, higher by 11.1% compared to sales recorded in the 12 month period ended December 31, 2016. This increase was mainly the result of a growth in all of the business lines determined by a mixture of increase in prices and volume.

Other operating revenues recorded an increase of RON 493,402 in 2017 as compared to 2016, amounting to RON 4,418,145 as at December 2017. The increase is linked to the capitalized costs of intangible assets as a result of the Company's investment of its own resources in the further development of its IT platform.

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide services. Med Life SA recorded operating expenses of RON 371,724,783 in 2017, representing an increase of 9.8%, or RON 33,031,776, as to 2016 financial year.

Operating profit recorded a 77.5 % increase in 2017 as compared to 2016, from RON 5,394,775 in 2016 to RON 12,358,060 in 2017.

Financial loss increased in the in 2017 by RON 165,194 from a loss of RON 13,907,741 in the corresponding period of 2016 to a loss of RON 14,072,948 in 2017.

Analysis of the individual statement of financial position

Non-current assets amount to RON 309,337,942 as of December 31, 2017, recording an increase of 16.8% as compared to December 31, 2016. The increase is mainly linked to financial assets recorded as at December 31, 2017 in relation to Almina Trading, Anima and Valdi Medica acquisitions.

Current assets increased by RON 69,422,148, or 88.1%, from RON 78,786,958 in December 31, 2016 to RON 148,209,106 in December 31, 2017.

Prepayments recorded as at December 31, 2017 amount to RON 2,559,451. As compared to December 31, 2016, a decrease of RON 164,607 was recorded.

Current liabilities (excluding interest bearing debt items from banks, IFC and financial leasing), decreased by RON 3,863,773 or 4.8%, from RON 80,008,649 as at December 31, 2016, to RON 76,144,876 as at December 31, 2017.

Interest bearing debt increased by RON 52,662,194, from RON 164,010,182 as of 31 December 2016 to RON 216,672,376 as of 31 December 2017. The increase is mainly due to financing of the Banu Manta building, Almina Trading and Anima acquisitions and refinancing of leasing contracts through a new loan agreement.

5. Main Financial Indicators

1	***Current ratio***	**Period ended at December 31, 2017**		
	Current assets	148,209,106	=	1.4
	Current liabilities	102,443,041		

2	***Debt to equity ratio***	**Period ended at December 31, 2017**		
	Long Term Debt	190,374,211	=	124%
	Equity	153,944,273		
	Long Term Debt	190,374,211	=	55%
	Capital Assets	344,318,484		

3	***Trade receivables turnover (days)***	**Period ended at December 31, 2017**		
	Average receivables	32,763,582	=	31.1
	Sales	379,664,698		

4	***Fixed assets turnover***	**Period ended at December 31, 2017**		
	Sales	379,664,698	=	1.2
	Net Fixed Assets	309,337,942		

6. Non-financial information

Overview

Med Life provides its services via the largest single pool of private doctors and nurses in Romania, totaling approximately 2,300 doctors and 1,500 nurses. The Company's policy is to facilitate the employment of medical staff on an exclusive basis, unlike many competitors which share their medical staff with other private healthcare providers or with the public healthcare facilities. The Company engages part-time professionals only for specific specialties or functions. In addition, committed to providing quality medical services, the Company has consistently invested in medical equipment supporting its marketing position as a technology leader in diagnostic imaging.

The Company registers a high satisfaction level from patients, obtained a high score of awareness of its brand among clients and a high number of patients recommend its services. Med Life has been recognized as the "Most Trusted Brand" by Readers' Digest in the Romanian Private Clinics category for six years in a row, during the period 2009-2015, obtained four Superbrand distinctions including in 2017, Qudal distinction in 2016 and 2017 and is placed first among the competitors in the survey carried out by Exact Cercetare si Consultanta in 2017 to assess top-of-mind brand awareness. The Company surveys patients on a weekly basis for feedback on the medical services it provides.

Business Model

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

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

Many private healthcare providers in Romania remain dependent for a significant portion of their sales on contracts awarded by the NHIH to service State insured patients. This increases their exposure to changes in the NHIH healthcare priorities, pricings and allocation systems. With only 8% of its sales during 2017 deriving from the treatment of NHIH insured patients, MedLife can independently determine its policies and priorities.

The largest number of HPP clients in Romania

With over 570,000 HPP subscribers as at 30 September 2017, the Group has access to a significant potential client base for its FFS activities. This base is further expanded when the HPP subscribers bring family members and provide referrals to others for the Group's FFS offering. The HPP client base also provides opportunities for up-selling as many of the HPP clients begin with basic medical services packages and gradually move to more comprehensive services.

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

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

The Company's track record of organic and acquisition growth is largely due to the Company's strong management team. The Company has developed systems for screening potential acquisitions, completing detailed analysis and decision making in a timely manner, and implementing, post transaction, a fast and efficient integration process. The Company has a reputation in the market as a "friendly acquirer", mainly because the targets' founder/owners are often given the opportunity to stay in the business as minority shareholders, and managers of the subsidiary. Through this approach, MedLife retains their accumulated experience and market knowledge while being able to fully integrate the acquisition into its own systems and revenue capture opportunities. The Group has opened and acquired 102 facilities since 2009, providing the Group with valuable knowledge and experience to find the best path for continued and successful expansion.

Strategy

MedLife's strategy focuses on maintaining its leadership position. The Company seeks to grow its portfolio of facilities and services to profitably provide national coverage to the Group's existing and new clients. The Company targets opportunities that provide additional revenue capture and synergies within its existing network and services. This goal is expected to be achieved through a combination of organic growth and acquisitions of smaller medical healthcare providers in the market. At the same time, the Company remains committed to ensuring quality and safe medical treatment to its clients, balancing the medical risks and opportunities with the Group's commercial goals.

Organic growth

During the period 2014 – December 2017, the Company opened a number of new clinics and other facilities, particularly sampling points for its Laboratories business line. Many of these facilities are believed to still have the capacity to service greater numbers of patients, which should allow for the increase in their revenue and profit contribution, as they reach fuller utilization. Further, the Company and the Group continue to optimize the range of services offered at its other facilities to the specific local market conditions, seeking to improve the revenue and margins of each location. As a result, the constant and accelerated ramp-up of these facilities is expected to improve margins as well as deliver further sales growth.

People and resources

The Company services patients through the largest private pool of doctors and nurses in Romania. As of December 31, 2017, the Group, on an overall level, was collaborating with a number of approximately 2,300 physicians and 1,500 qualified nurses across its business lines, including both employees working exclusively for the Group and collaborators, providing services as independent professionals. In addition, more than 1,500 full time employees were working in support and administrative functions as of December 31, 2017.

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

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

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

Quality Standards

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

- ISO 9001:2008 (Quality Assessment) is based on the management of the organization's processes, oriented towards the client and the assessment of the client's satisfaction, as well as towards' top management's engagement for a continuous improvement.
- ISO 14001:2005 (Environmental management) provides requirements on the Company to declare its operations concerning control and decrease of its impact on the environment.
- OHSAS 18001:2007 (Occupational health & safety management system) represents a working model for the organizations that intend to have a better control over the professional risks.

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

Health, Safety, Security and Environment

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

As of December 31, 2017, the Company is in various stages of procedures for obtaining or updating its fire prevention authorizations for certain of its medical units and other premises. The completion of these procedures is subject to various requirements, such as the performance of certain works and upgrades to the Company's facilities. The Company regards the amounts of the required investments as being immaterial; however, the completion of the necessary works and upgrades is subject to, in certain cases, additional authorizations and clearances, or other procedures in which the Group has engaged. As at December 31, 2017, the Company does not have all fire prevention authorizations in place.

Equipment and Technology

The Company purchases computerized optical coherence tomography systems, investigation equipment through MRI and CT equipment, bone densitometer, dermatoscopy fotofinder, fibro scan equipment, laser, lypocryo cold vacuum systems, endoscopic capsule diagnostic systems.

Information Technology

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

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

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

7. Corporate governance

The corporate governance statement

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

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

As of 4 January 2016, a new corporate governance code issued by the Bucharest Stock Exchange entered into force and is applicable to all issuers of securities traded on the spot regulated market operated by the Bucharest Stock Exchange. The new Corporate Governance Code is be applicable to the Company after the admission of its shares to trading on the spot regulated market managed by the Bucharest Stock Exchange.

The Company took measures to ensure that within a 12-month period as of the admission of shares on the spot regulated market operated by the Bucharest Stock Exchange, at least two independent members were appointed in the Board of Directors.

In 2017, Med Life SA published on its website: the Organization and Deployment Policy for the Shareholders Assembly Meetings, the Code of Ethics and Conduct, the Social Responsibility Code, the Forecast Policy and the Corporate Governance Statute.

7.1. Shareholding structure

As of December 31, 2017 the shareholders' structure of Med Life SA, the parent company of Med Life Group, is as presented below:

	No. of shares	%
Marcu Mihail	4,219,320	21.00%
Marcu Nicolae	3,013,800	15.00%
Cristescu Mihaela Gabriela	3,028,892	15.08%
Others	9,829,988	48.92%
TOTAL	**20,092,000**	**100%**

The shareholders' structure of Med Life SA in place following the share capital increase process, as presented in the Central Depository notification, dated January 11, 2018, is as presented below:

	No. of shares	%
Marcu Mihail	4,219,320	19.05%
Marcu Nicolae	3,013,800	13.61%
Cristescu Mihaela Gabriela	3,243,892	14.65%
Others	11,668,070	52.69%
TOTAL	**22,145,082**	**100%**

Information regarding the shareholders' rights are public and can be found in the published Prospectus of the Company.

7.2. Company Management

The Company is managed in one tier system by the Board of Directors that delegated management of the Company to the managers. The Board of Directors consists of seven (7) members appointed by the Ordinary General Meeting of Shareholders for a term of 4 years, with the possibility of re-election for subsequent 4 years terms of office. The Chairman and Vice-Chairman of the Board of Directors are elected by the Board of Directors among its members.

The Board of Directors is responsible for all useful and necessary acts to fulfil the object of activity of the Company, except for the duties that are allocated by law to the shareholders' meetings.

Board of Directors

As at the date of December 31, 2017, the Board of Directors consists of the following members:

Name	Date of Birth	Title
Mihail Marcu	30.09.1970	Member and Chairman of the Board of Directors
Ana Maria Mihaescu	29.07.1955	Member of the Board of Directors
Ion Nicolae Scorei	22.12.1974	Member of the Board of Directors
Dimitrie Pelinescu-Onciul	11.08.1947	Member of the Board of Directors
Dorin Preda	03.04.1976	Member of the Board of Directors
Marius-Leonard Gherghina	21.02.1964	Member of the Board of Directors
Nicolae Marcu	26.10.1968	Member of the Board of Directors

The venue where the members of the Board of Directors carry out their duties is the registered office of the Company.

Executives

The individuals holding positions of executive manager in the Company as at December 31, 2017 or the persons to whom management of the Company has been delegated pursuant to the Articles of Association, are presented in the table below.

Name	Title
Mihail Marcu	Chief Executive Officer (CEO)
Nicolae Marcu	Chief Healthcare and Operations Officer
Dorin Preda	Chief Finance and Treasury
Adrian Lungu	Chief Financial Officer
Radu Petrescu	Human Resoource Manager
Geanina Durigu	Laboratory Manager
Mariana Brates	Purchasing Manager
Mihai-Stelian Vârciu	Medical Manager
Vera Firu	Accounting and Tax Manager
Mirela Dogaru	Corporate Manager

7.2. Audit Committee

The audit committee has two members:

Name	Date of Birth	Title
Ion Nicolae Scorei	22.12.1974	Member of the Board of Directors (Non-Executive)
Marius-Leonard Gherghina	21.02.1964	Member of the Board of Directors (Non-Executive)

8. Internal Control

MedLife established a system of internal control. Internal control is an activity of objective and independent evaluation with consultative purpose performed in order to increase value added and improving the activity of the Company.

Internal control supports the Company to reach the objectives agreed upon through systematic and disciplined approach of evaluation and improvement of risk management efficiency, internal controls systems efficiency and general management efficiency.

The objectives of the internal control are:

- Assessment and evaluation of the accuracy of realized tasks
- Evaluation of conformity with internal procedures
- Detection of inefficiency, waste, abuse and other irregularities
- Presentation to the Board of Directors of objective information from areas covered by internal control and of recommendations in order to eliminate identified issues and follow-up
- Rendering of services in terms of assessments, evaluations, recommendations for the Board of Directors

The Company's internal control checked: compliance with the laws in force; application of the decisions made by the management; good operation of the internal activity; efficient use of resources; prevention and control of the risk of failing to reach the goals set; ensuring an accounting management and financial monitoring of the Company's activities.

Internal control is applicable:

- prior to conducting the operations, upon the preparation of the budget, which would allow subsequently to conducting the operations, the budget control;
- during the operations and after their completion, a case where it is analysed the profitability of the operations and it is ascertained the existence of the conformity or possible irregularities, which need to be adjusted.

9. Risk exposures

Capital risk

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 borrowings from bank and IFC and also financial leasing, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

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.

Financial risk management objectives

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

Foreign exchange risk

The Company conducts its business and makes transactions expressed in various currencies. Management analyzes the exposure to currency risks.

Credit risk

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

Liquidity risk

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

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 2017.

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

Transfer pricing

The fiscal legislation from Romania includes the "market value" principle, according to which the transactions between related parties have to be performed at the market value. The local tax payers, who carry transactions with related parties, have to prepare and make available to the tax authorities from Romania, at their written request, the transfer pricing documentation file. If the companies do not prepare the documentation or they present an incomplete transfer pricing file may attract penalties for non-conformity, and additionally to the information presented in the transfer pricing file, the fiscal authorities may have a different interpretation of the transactions and the circumstances compared to the management's assessment and, as a result, they may impose additional fiscal obligations as a result of adjusting transfer prices. The management of the Company is confident that, if required, they will submit the necessary information in due time to the fiscal authorities. The transactions with related parties and group companies are performed based on the market value principle.

Litigation

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

10. Subsequent events

In February 2018, Med Life SA acquired 90% of the share capital of Ghencea Medical Center.

In March 2018, Med Life SA acquired 80% of the share capital of Solomed Group, a group of medical clinics in Pitesti, Costesti and Curtea de Arges.

There were no other significant subsequent events after December 31, 2017.

Administrator

THE STATE OF CONFORMITY WITH THE CORPOARTE GOVENRNANCE CODE OF BVB VALID ON THE DATE OF PUBLISHING THE HEREBY REPORT FOR THE COMPANY MED LIFE S.A.

(hereby referred to as the "Company")

SECTION A. RESPONSIBILITIES

Provisions to be complied with:

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

MedLife S.A. fulfils this provision. The Corporate Governance Statute of the company adopted and published on the company's website on the date of February 28th 2017 is based on the provisions of the company's Constitutive Act, updated with the Decisions of the Board of Directors from November 21st and December 21st 2016, that clearly sets the responsibilities of the Board and those of the Executive Committee.

The company's Board of Directors (hereinafter the "**BOD**") has approved the internal rulebook of the Board of Directors on the date of February 28th 2017. This document is an internal document.

The BOD has approved and published on the company's website an Ethics and Conduct Code on the date of February 28th 2017, code to which the Company's Statute of Corporate Governance refers and that institutes behaviour standards that shall be complied with within MedLife and in its subsidiaries at all levels: directors, executive managers, managers, employees, suppliers and subcontractors or consultants, regardless whether they are hired or perform their activity permanently or temporarily.

2.Provisions to handle conflicts of interests should be included in the Board's Rulebook.

Such provisions are found in the Ethics and Conduct Code and in the Board of Directors' Internal Rulebook.

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

MedLife S.A.'s BOD is formed of 7 members, as per the Constitutive Act published on the company's webpage.

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

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

- They are not General Manager/executive manager of the company or of a company controlled by the former and they have not held such office in the last five (5) years;
- They are not employees of the company or of a company controlled by the former and they have not held such office in the last five (5) years;
- Does not receive and did not receive an additional compensation or other advantages from the company or from a company controlled by the former, outside those appropriate to the position of non-executive director;
- are not or have not been an employee or have not or had not in the course of the previous year a contractual relation with a significant shareholder of the company, shareholder that controls over 10% of the voting rights, or with a company controlled by the latter;
- do not have and did not have in the previous year a business or professional relation with the company or with a company controlled by latter, either directly or acting as client, partner, shareholder, member of the Board of Directors / director, general manager / executive manager or employee of a company if, by its substantial nature, such relation may affect their objectivity;
- are not and have not been in the last three year the external or internal auditor or partner or salary associate of the current external financial auditor or of the company's internal auditor or of a company controlled by the latter;
- are not general manager / executive manager of another company where a different general manager/executive manager of the company is a non-executive director;
- have not been a non-executive director of the company for a period longer than twelve years;
- do not have family connections with a person in the cases mentioned above.

MedLife S.A fulfils this requirement. As per the Constitutive Act, the majority of the BOD members are non-executive, while 2 members are independent.

5. Other commitments and relatively permanent professional obligations of a member of the Board, including executive and non-executive offices in the Board of non-profit companies and institutions, shall

be revealed to the shareholders and potential investors prior to nomination and in the course of their mandate.

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

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

MedLife fulfils this requirement. There are professional relations with the President of the BOD, who holds more than 5% of the voting rights, however this does not affect and did not affect the position of the BOD members regarding matters decided by the BOD.

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

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

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

MedLife S.A. fulfils this requirement.

The provision has been complied with both in the year 2015, as well as in the year 2016, the members of the BOD going through a process of self-evaluation for the activity within the year 2017.

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

In the year 2017 there have taken place a number of 12 meetings. In the year 2017 the company hired a qualified internal auditor and a number of 3 meetings were held by the audit committee. The Investments Committee met at least once per month. The Nomination and Remuneration committee was established and the functioning procedure is pending finalization.

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

Two of the four (4) non-executive members of the BORD, a number of two (2) members are independent.

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

MedLife fulfils this criterion. The componence of the hereby Committee is published on the webpage of the company. Two of the three members of said Board are independent.

Section B

Risk management and internal controlling system

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

MedLife fulfils this requirement. The Constitutive Act of MedLife, corroborated with the Statute of Corporate Governance provide the existence of said committee, its structure as well as its responsibilities. The committee includes 3 non-executive members, out of which 2 are independent. The Board of Directors has approved the Functioning Rulebook of this committee.

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

In the year 2017, the BOD elected as president of the Audit Committee Mr Marius Leonard Gherghina, non-executive independent BOD member.

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

The Internal Audit Department has evaluated the efficiency of the internal control system for MedLife as of the date of the hereby report and is currently granting consultancy in view of increasing the efficiency of this system.

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

The evaluation report for the year 2017 has been presented towards and discussed by the members of the Audit Committee.

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

The evaluation report for the year 2017 has been presented towards and discussed by the members of the Audit Committee.

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

The Evaluation report for the year 2017 has been presented towards and discussed by the members of the Audit Committee.

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

The evaluation report for the year 2017 has been presented towards and discussed by the members of the Audit Committee.

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

MedLife fulfils this requirement.

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

MedLife fulfils this requirement. The Company has adopted a Code of Ethics on the date of February 28th 2017.

10. The Board shall adopt a policy by which to insure that any transaction of the company, with any of the companies with which it has close relations, the value of which is equal to or higher than 5% of the net assets of the company (as per the latest financial report) is approved by the BOD, pursuant to a mandatory opinion of the audit committee and correctly revealed to the shareholders and potential investors, to the extent in which these transactions fall under the category of events that make the object of reporting requirements.

Such a policy is under development, pursuant to which it shall be included in the Rulebook of the Board of Directors.

11. Internal audit shall be performed by a structurally separate division (internal audit department) within the company or by hiring an independent third-party entity.

Internal audit is performed by the Internal Audit Department.

12. In order to insure fulfilling the main functions of the internal audit department, the latter shall report, from a functional standpoint, towards the BOD, by means of the audit committee. For administrative purposes and within the leadership's obligations to monitor and reduce risks, the former shall report directly to the general manager.

The Internal Audit Department reports to the Board of Directors from a functional standpoint, by means of the Audit Committee, and administratively, towards the General Manager.

Section C. Appropriate reward and incentive

1. The company shall publish on its internet webpage the remuneration policy and shall include, in the annual report, a statement regarding the implementation of the remuneration policy within the course of the annual period that is object of the analysis.

The remuneration policy shall be drafted such that it allows shareholders to understand the principles and arguments that form the basis of the remuneration for members of the BOD and of the General Manager, as well as of members of the Directorate, in a dualist system. The former shall describe the method of process management and decision making regarding remuneration, shall detail the component of remuneration of the executive leadership (such as salaries, annual bonuses, long term incentives related connected to the value of shares, benefits in kind, pensions and others) and to describe the purpose, principles and assumptions that underline the base of each component (including the general

performance criteria subsequent to each variable remuneration form). Furthermore, the remuneration policy shall specify the duration of the contract for the executive manager and the period of prior notice provided in the agreement, as well as any compensation for revocation without just cause.

The report regarding remuneration shall present implementation of the remuneration policy for individuals identified in the remuneration policy, in the course of the annual period that is object of the analysis.

Any essential change arisen in the remuneration policy shall be published in due time on the company's webpage.

The amount of remuneration for the members of the BOD is published on the company's website, together with the form of mandate agreement.

Considering the fact that the Nomination and Remuneration Committee was recently established, a Remuneration policy is to be formalized within the following year.

Section D Adding value by investor relations

D1. The company shall organise a service of Investor Relations – indicating to the general public the individual/individuals responsible or the organization unit. Outside of the mandatory information as per legal provisions, the company shall include on its webpage a section dedicated to Investor Relations, in Romanian and English language, with all the relevant information of interest to investors, including:

D.1.1. The main corporate regulations: constitutive document, procedures regarding general meetings of the shareholders;

D.1.2. Professional resumes of the members of the company's leadership bodies, other professional commitments of the members of the Board, including executive and non-executive offices in boards of directors in companies or non-profit institutions;

D.1.3. Current reports and periodical reports (quarterly, semestrial and annual);

D.1.4. Information regarding the general meetings of the shareholders;

D.1.Y. Information regarding corporate events;

D.1.Q. Names and contact details of an individual that may provide relevant information, on demand;

D.1.7. Company presentations (such as presentations for investors, presentations on quarterly results etc.), financial statements (quarterly, semestrial, annual), audit reports and annual reports.

The Company has both an Investor Relations service, as well as a section dedicated to investor relations on its webpage, both in Romanian (www.medlife.ro/relatia-cu-investitorii), as well as in English (www.medlifeinternational.com/investor-relations). In the Investors category on MedLife's webpage all the relevant information of interest to investors is included.

D2. The company shall have a policy regarding annual distribution of dividends or other benefits towards the shareholders, proposed by the General Manager or by the Executive Committee and adopted by the BOD, under the form of a set of guidelines which the company intends to follow regarding distribution of the net profit. The principles of annual distribution policy towards the shareholders shall be published on the company's webpage.

The Board of Directors does not propose the distribution of dividends out of the profit for the year 2017.

D3. The company shall adopt a policy in connection to the forecasts, whether they are made public or nor. The forecasts refer to quantified conclusions of studies targeting stability of the global impact of a number of factors regarding a future period (so-called hypotheses). By its nature, such projection holds a high level of uncertainty, as the actual results may vary significantly from the initially presented forecasts. The policy regarding forecasts shall establish the frequency, considered period and content of forecasts. If published, forecasts may be included only in the annual, semestrial or quarterly reports. The policy regarding forecasts shall be published on the company's webpage.

The Board of Directors has approved and published on the company's webpage, on the date of February 28th 2017, the Policy regarding forecasts.

D4. Rules of the general meetings of the shareholders shall not limit participation of shareholders to the general meetings and exercise of their rights. Amendments of rules shall enter into effect, at the earliest, starting with the following meeting of the shareholders.

The rules of the general meeting of the shareholders are mentioned in each summoning notice, published as per legal requirements, with at least 30 days in advance before each meeting. The rules for organizing general meetings have been published on the company's webpage on the date of April 27th 2017.

D5. External auditors shall be present at the general meeting of the shareholders when their reports are presented within the respective meetings.

The external auditors are invited to and attend the general meetings of the company's shareholders.

D6. The Board shall present to the annual general meeting of the shareholders a brief evaluation on the internal control and significant risks management systems, as well as opinions on matters subjected to the decision of the general meeting.

The Company has fulfilled this obligation, included in the Annual report presented in the attention of the shareholders, with at least 30 days in advance to the date of holding the GMS.

D7. Any specialist, consultant, expert or financial analyst may attend the meeting of the shareholders, based on a prior invitation by the BOD. Accredited journalists may also attend the general meeting of the shareholders, with the approval of the President of the BOD.

D8. Quarterly and semestrial financial reports shall include information both in Romanian, as well as in English, regarding key factors that influence amendments at the level of sales, of operational profit, net profit and of other relevant financial indicators, both from one quarter to another, as well as from one year to another.

MedLife fulfils this requirement, such reports are loaded on the company's website, both in Romanian and in English.

D9. A company shall organize at least two hearings / teleconferences with analysts and investors every year. The information presented on such occasions shall be published in the section investor relations of the company's webpage on the date of the hearings / teleconferences.

MedLife organizes quarterly teleconferences with analysts and investors.

D10. In case a company supports various forms of artistic and cultural expression, sporting activities, educational or scientific activities and considers that their impact on the company's innovating nature and its competitiveness are part of its development mission and strategy, it shall publish the policy regarding its activity in such field.

The Board of Directors has a pending debate on a Policy of social responsibility, the relevant elements of which are to be published on the company's webpage.

DECLARATION OF RESPONSIBLE PERSONS

The undersigned, **Mihail Marcu**, as chairman of the board of directors and CEO of Med Life S.A., hereby declare in lieu of an oath that, to the best of my knowledge, the annual financial and accounting statements prepared in accordance with the applicable accounting standards give a true and fair view of the assets, liabilities, financial position, profit and loss account of the company and of its subsidiaries captured in the consolidation of the financial statements and that the report of the board of directors gives a true and fair view of the development and performance of the company and a description of the main risks and uncertainties specific to its business.