

MED LIFE S.A.
THIRD QUARTER OF 2019 REPORT

MED LIFE SA
Q3 2019 REPORT

(all the amounts are expressed in RON, unless otherwise specified)

Name of the issuing company: Med Life S.A.

Registered Office: Bucharest, 365 Calea Griviței, district 1, Romania

Fax no.: 0040 374 180 470

Unique Registration Code at the National Office of Trade Registry: 8422035

Order number on the Trade Registry: J40/3709/1996

Subscribed and paid-in share capital: RON 5,536,270.50

Regulated market on which the issued securities are traded: Bucharest Stock Exchange

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Note: The following financial statements are prepared in accordance with international financial reporting standards, as adopted by European Union ("IFRS").

Semester report concluded in compliance with ASF Regulation no. 5/2018 on issuers of financial instruments and capital markets and Law no. 24/2017 on issuers of financial instruments and capital markets.

The following financial statements are unaudited.

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(all the amounts are expressed in RON, unless otherwise specified)

I. UNAUDITED STANDALONE FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019 ("STANDALONE FS")

UNAUDITED STANDALONE STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED SEPTEMBER 30, 2019 ("STANDALONE BS")

	September 30, 2019	January 1, 2019	Variation 2019/2018
ASSETS			
Long Term			
Intangible assets	9,188,466	7,701,244	19.3%
Tangible assets	185,111,338	183,020,161	1.1%
Right-of-use-asset (IFRS 16)	68,358,001	-	100.0%
Financial assets	166,909,681	147,899,593	12.9%
TOTAL NON-CURRENT ASSETS	429,567,486	338,620,998	26.9%
Current Assets			
Inventories	5,770,447	6,533,910	-11.7%
Receivables	60,783,752	47,146,208	28.9%
Receivables with group companies	82,704,207	74,915,161	10.4%
Other receivables	7,345,321	3,944,995	86.2%
Cash and cash equivalents	17,919,440	21,758,563	-17.6%
	174,523,167	154,298,837	13.1%
PREPAYMENTS	2,699,532	2,204,277	22.5%
TOTAL CURRENT ASSETS	177,222,699	156,503,114	13.2%
TOTAL ASSETS	606,790,185	495,124,112	22.6%
LIABILITIES & SHAREHOLDER'S EQUITY			
Current Liabilities			
Trade accounts payable	89,910,697	75,848,191	18.5%
Overdraft	9,502,200	9,327,799	1.9%
Current portion of lease liability	27,539,402	2,252,331	1,122.7%
Current portion of long term debt	19,717,457	14,669,616	34.4%
Intercompany payables	1,715,545	2,754,866	-37.7%
Current tax liabilities	181,576	312,992	-42.0%
Other liabilities	13,491,048	6,388,289	111.2%
TOTAL CURRENT LIABILITIES	162,057,925	111,554,084	45.3%
Long Term Debt			
Lease liability	61,348,349	15,161,217	304.6%
Long term debt	210,527,722	205,624,681	2.4%
TOTAL LONG-TERM LIABILITIES	271,876,071	220,785,898	23.1%
Deferred tax liability	11,130,145	10,785,523	3.2%
TOTAL LIABILITIES	445,064,141	343,125,505	29.7%
Issued capital	81,495,470	81,495,470	0.0%
Treasury shares	(2,044,367)	(6,056,105)	-66.2%
Reserves	73,097,247	73,097,247	0.0%
Retained earnings	9,177,694	3,461,995	165.1%
Equity attributable to owners of the Co	161,726,044	151,998,607	6.4%
TOTAL EQUITY	161,726,044	151,998,607	6.4%
TOTAL LIABILITIES AND EQUITY	606,790,185	495,124,112	22.6%

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

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UNAUDITED STANDALONE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED SEPTEMBER 30, 2019 ("**STANDALONE PL**")

	9 Month ended September 30,		Variation
	2019	2018	2019/2018
Sales	336,686,593	312,352,139	7.8%
Other operating revenues	4,011,223	224,515	1,686.6%
Operating Income	340,697,816	312,576,654	9.0%
Operating expenses	(323,098,984)	(301,885,581)	7.0%
Operating Profit	17,598,832	10,691,073	64.6%
Finance cost	(8,511,473)	(7,437,929)	14.4%
Other financial income (expenses)	(2,409,736)	824,599	-392.2%
Financial result	(10,921,209)	(6,613,330)	65.1%
Result Before Taxes	6,677,623	4,077,743	63.8%
Income tax expense	(961,924)	(1,641,339)	-41.4%
Net Result	5,715,699	2,436,404	134.6%
Other comprehensive income items that will not be reclassified to profit or loss			
Gain / Loss on revaluation of properties	-	-	0%
Deferred tax on other comprehensive income components	-	-	0%
TOTAL OTHER COMPREHENSIVE INCOME	-	-	0%
TOTAL COMPREHENSIVE INCOME	5,715,699	2,436,404	134.6%

Mihail Marcu,
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Vera Firu,
Accounting and Tax Manager

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UNAUDITED STANDALONE INTERIM STATEMENT OF CASH FLOW FOR THE PERIOD ENDED
SEPTEMBER 30, 2019

	September 30, 2019	September 30, 2018
Net income before taxes	6,677,623	4,077,743
Adjustments for		
Depreciation	35,619,000	22,416,416
Interest expense	8,511,473	7,437,929
Other non-monetary gains	(2,869,556)	-
Unrealized exchange loss on interest bearing obligations	4,020,147	563,754
Interest revenue	(1,610,411)	(1,388,353)
Operating cash flow before working capital changes	50,348,275	33,107,489
Decrease / (increase) in accounts receivable	(17,037,870)	(14,875,019)
Decrease / (increase) in inventories	763,463	1,328,624
Decrease / (increase) in prepayments	(495,255)	(165,698)
Increase / (decrease) in accounts payable	3,208,454	1,968,207
Cash generated from WC changes	(13,561,208)	(11,743,886)
Cash generated from operations	36,787,067	21,363,603
Income tax paid	(748,718)	(1,209,636)
Interest received	1,610,411	1,388,353
Interest paid	(5,804,020)	(6,151,680)
Net cash from operating activities	31,844,740	15,390,640
Purchase of investments	(12,742,236)	(13,544,676)
Purchase of intangible assets	(2,084,246)	(1,023,245)
Purchase of property, plant and equipment	(12,557,694)	(21,152,110)
Loans granted	(7,789,046)	(39,596,532)
Net cash used in investing activities	(35,173,222)	(75,316,563)
Cash flow from financing activities		
Payment of loans	(7,105,586)	(14,227,540)
Payments of financial leasing	(1,596,700)	(1,688,257)
Increase in loans	11,487,080	21,004,739
Acquisition of own shares	(2,256,114)	-
Decrease in loans granted to group companies	(1,039,321)	(1,115,021)
Net cash from financing activities	(510,641)	3,973,921
Net change in cash and cash equivalents	(3,839,123)	(55,952,002)
Cash and cash equivalents beginning of the year	21,758,563	70,007,531
Cash and cash equivalents end of the year	17,919,440	14,055,529

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II. FINANCIAL ANALYSIS

ANALYSIS OF THE STANDALONE PL

Sales for the 9 month period ended 30 September 2019 ("**9 months 2019**") amounted to RON 336,686,593, higher by 7.8% compared to sales recorded in the 9 months of 2018 ("**9 months 2018**"). This increase was mainly the result of a growth in all of the business lines determined by a mixture of increase in prices and volume.

Other operating revenues recorded a increase during 9 months 2019 as compared to 9 months 2018, amounting to RON 3,786,708 as at 30 September 2019.

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide services. Med Life SA recorded operating expenses of RON 323,098,984 during 9 months 2019, representing an increase of 7.0%, or RON 21,213,403, as compared to 9 months 2018. The increase is mainly linked to overall business increase.

Operating profit recorded a 64.6% increase in 9 months 2019 as compared to 9 months 2018, from RON 10,691,073 in 9 months 2018 to RON 17,598,832 in 9 months 2019.

Financial loss increased in 9 months 2019 by 65.1%, from a loss of RON 6,613,330 in 9 months 2018 to a loss of RON 10,921,209 in 9 months 2019.

Net result increased in 9 months 2019 by RON 3,279,295 from a profit of RON 2,436,404 in 9 months 2018 to a profit of RON 5,715,699 in 9 months 2019.

ANALYSIS OF THE STANALONE BS

Non-current assets amount to RON 429,567,486 as of 30 September 2019, recording an increase of 26,9% as compared to 31 December 2018. The increase is mainly the result of the registration of the right of use with the adoption of the IFRS 16 Standard.

Prepayments recorded as at 30 September 2019 amount to RON 2,699,532. As compared to 31 December 2018, an increase of RON 495,255 was recorded. The increase is linked to accrued expenses and prepaid local tax liabilities.

Current assets increased by RON 20,719,585 or 13.2% from RON 156,503,114 in 31 December 2018 to RON 177,222,699 in 30 September 2019.

Current liabilities (excluding interest bearing debt items), increased by RON 19,994,528, or 23.4%, from RON 85,304,338 as at 31 December 2018 to RON 105,298,866 as at 30 September 2019.

Interest bearing debt increased by RON 81,599,487, from RON 247,035,644 as of 31 December 2018 to RON 328,635,131 as of 30 September 2019. The increase is mainly due to financing of the main activity of the company.

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III. IMPORTANT EVENTS IN Q3 2019

Acquisition of Rozsakert Medical Center Group Hungary

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

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

Medlife announced the acquisition of a new 35% stake in the SAMA Group of companies in Craiova. In this way, MedLife will be the shareholder with 90% of the shares of the Oltenia group of companies (from 55% share initially). Medlife also acquired another 3% of PDR Braşov Group, one of the most important private medical services providers in Romania, thus the company holding 83% of the shareholding (from 80% share initially) and 3 percent of the Genesys Arad group, the company currently holding the 61% package (from 58% previously held).

Inauguration of the first dental clinics Dent Estet in Sibiu

In Q1 2019 the Dent Estet Group opened 2 dental clinics in Sibiu, one focusing on dental services for children and the other one for adults. The Dent Estet Group is the largest dental clinic in Romania, with more than 20 years of experience. The group has a medical team with multidisciplinary expertise and international certifications. Thus, in the new Dent Estet clinics in Sibiu, patients benefit from an in-house dental radiology studio and a digital photo studio, as well as the most advanced digital technologies, including the Waterlase Laser and the Digital Scanner.

Acquisition of Badea Medical

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

Increase of credit facility

Medlife has signed a EUR 90 million syndicated facility, which includes amendment and increase of its existing facilities by EUR 24 million, funds that will be used in the acquisition program, both at national and international level.

IV. IMPORTANT SUBSEQUENT EVENTS

Acquisition of companies

Onco Team Diagnostic

MedLife announced in September 2019 the acquisition of the majority package of 75% of the medical company Onco Team Diagnostic, thus adding in the procurement portfolio the first laboratory with the profile of pathological anatomy and molecular biology. The unit joins the

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laboratories in the group (MedLife Grivița, MedLife Brașov, Panduri Laboratory etc.) that provide this analysis segment.

Lotus Hospital

Medlife announced the acquisition of 100% of the shares of **Lotus Hospital** in Ploiești, the most important provider of private medical services in Prahova county, which provides integrated outpatient, imaging, laboratory, hospitalization and maternity services.

The hospital comprises 22 beds in 12 reserves, 2 intensive care rooms and one operating block with 2 operating rooms. The outpatient part is equipped with 9 consulting rooms, covering 21 medical specialties, but also with a complete department of radiology and medical imaging equipped with state-of-the-art equipment. At the same time, the unit also includes a laboratory, which performs over 500 most complex medical tests.

Micromedica Medical Center

Medlife announced the acquisition of the majority package of **Micromedica Medical Center**, one of the most important providers of private medical services in Moldova.

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

There were no other significant events after September 30, 2019.

V. MAIN FINANCIAL RATIOS PERIOD ENDED AT SEPTEMBER 30, 2019

Current ratio

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{177,222,699}{162,057,925} = 1.09$$

Debt to equity ratio

$$\frac{\text{Long Term Debt}}{\text{Equity}} = \frac{271,876,071}{162,726,044} = 168\%$$

$$\frac{\text{Long Term Debt}}{\text{Capital Assets}} = \frac{271,876,071}{433,602,115} = 63\%$$

Trade receivables turnover (days)

$$\frac{\text{Average receivables}}{\text{Sales}} = \frac{53,964,980}{336,686,593} = 43.28$$

Fixed assets turnover

$$\frac{\text{Sales}}{\text{Net Fixed Assets}} = \frac{336,686,593}{429,567,486} = 0.78$$

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VI. EBITDA EVOLUTION

	9 Month ended 30 September,		Variation
	2019	2018	2019/2018
Sales	336,686,593	312,352,139	7.8%
Other operating revenues	4,011,223	224,515	1,686.6%
Operating Income	340,697,816	312,576,654	9.0%
Operating expenses	(323,098,984)	(301,885,581)	7.0%
Operating Profit	17,598,832	10,691,073	64.6%
EBITDA	53,217,831	33,107,489	60.7%
Finance cost	(8,511,473)	(7,437,929)	14.4%
Other financial income / (expenses)	(2,409,736)	824,599	-392.2%
Financial result	(10,921,209)	(6,613,330)	65.1%
Result Before Taxes	6,677,623	4,077,743	63.8%
Income tax expense	(961,924)	(1,641,339)	-41.4%
Net Result	5,715,699	2,436,404	134.6%

Mihail Marcu,
Director general

Vera Firu,
Director Economic

MED LIFE S.A.
STANDALONE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER OF 2019

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

MED LIFE SA
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FOR THE THIRD QUARTER OF 2019

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Note: The following standalone interim financial statements are prepared in accordance with international financial reporting standards, as adopted by European Union ("IFRS").

Report concluded in compliance with ASF Regulation no. 5/2018 on issuers of financial instruments and capital markets and Law no. 24/2017 on issuers of financial instruments and capital markets.

The following standalone financial statements are unaudited.

MED LIFE SA
STANDALONE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER OF 2019

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UNAUDITED STANDALONE INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

UNAUDITED STANDALONE INTERIM STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED
SEPTEMBER 30, 2019

	September 30, 2019	January 1, 2019	Variation 2019/2018
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Long Term			
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Tangible assets	185,111,338	183,020,161	1.1%
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Deferred tax liability	11,130,145	10,785,523	3.2%
TOTAL LIABILITIES	445,064,141	343,125,505	29.7%
SHAREHOLDER'S EQUITY			
Issued capital	81,495,470	81,495,470	0.0%
Treasury shares	(2,044,367)	(6,056,105)	-66.2%
Reserves	73,097,247	73,097,247	0.0%
Retained earnings	9,177,694	3,461,995	165.1%
Equity attributable to owners of the Co	161,726,044	151,998,607	6.4%
TOTAL EQUITY	161,726,044	151,998,607	6.4%
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Mihail Marcu,
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Vera Firu,
Accounting and Tax Manager

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TOTAL COMPREHENSIVE INCOME	5,715,699	2,436,404	134.6%

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FOR THE THIRD QUARTER OF 2019

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SEPTEMBER 30, 2019

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Adjustments for		
Depreciation	35,619,000	22,416,416
Interest expense	8,511,473	7,437,929
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Unrealized exchange loss on interest bearing obligations	4,020,147	563,754
Interest revenue	(1,610,411)	(1,388,353)
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Increase / (decrease) in accounts payable	3,208,454	1,968,207
Cash generated from WC changes	(13,561,208)	(11,743,886)
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Interest paid	(5,804,020)	(6,151,680)
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Purchase of intangible assets	(2,084,246)	(1,023,245)
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Increase in loans	11,487,080	21,004,739
Acquisition of own shares	(2,256,114)	-
Decrease in loans granted to group companies	(1,039,321)	(1,115,021)
Net cash generated from / (used in) financing activities	(510,641)	3,973,921
Net change in cash and cash equivalents	(3,839,123)	(55,952,002)
Cash and cash equivalents beginning of the year	21,758,563	70,007,531
Cash and cash equivalents end of the year	17,919,440	14,055,529

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UNAUDITED STANDALONE INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2019

	Share Capital	Own shares	Share premium	General reserves and other reserves	Revaluation Reserve	Accumulated Results	Total Equity
Balance as at January 1, 2019	5,536,271	(6,056,105)	75,959,199	10,072,949	63,024,298	3,461,995	151,998,607
Variation of own shares		4,011,738				-	4,011,738
Total comprehensive income	-	-	-	-	-	5,715,699	5,715,699
Gain or loss from revaluation	-	-	-	-	-	-	-
Deferred tax related to other comprehensive income	-	-	-	-	-	-	-
Profit of the year	-	-	-	-	-	5,715,699	5,715,699
Balance as at September 30, 2019	5,536,271	(2,044,367)	75,959,199	10,072,949	63,024,298	9,177,694	161,726,044

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

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UNAUDITED STANDALONE INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2018

	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, 2018	5,023,000	513,271	75,959,199	9,684,470	63,024,298	(259,965)	153,944,273
Share capital contribution	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(2,436,404)	(2,436,404)
Gain or loss from revaluation	-	-	-	-	-	-	-
Deferred tax related to other comprehensive income	-	-	-	-	-	-	-
Loss of the year	-	-	-	-	-	(2,436,404)	(2,436,404)
Balance as at September 30, 2018	5,023,000	513,271	75,959,199	9,684,470	63,024,298	(2,176,451)	156,380,677

Note*: The closing balance of the revaluation reserve as of December 31, 2018 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.

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

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NOTES TO THE UNAUDITED INTERIM STANDALONE 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 centers located in Bucharest, Brasov, Cluj, Timisoara, Iasi, Galati, Constanta, Braila, Oradea, Ploiesti, Piatra Neamt and Bacau.

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 September 30, 2019 and January 1, 2019 are as follows:

	Name of subsidiary	Principal Activity	Place of operation	September 30, 2019	January 1, 2019
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	83.01%	80.01%
2	Medapt SRL	Medical Services	Brasov, Romania	83.01%	80.01%
3	Histo SRL	Medical Services	Brasov, Romania	49.81%	48.01%
4	Policlinica de Diagnostic Rapid Medis SRL	Medical Services	Sfantu Gheorge, Romania	66.41%	64.01%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100%	100%
6	Medsanrom SRL (Med Life Occupational SRL)	Medical Services	Bucharest, Romania	100%	100%
7	Pharmalife Med SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
8	Medlife Broker de Asigurare si Reasigurare SRL	Insurance broker	Bucharest, Romania	99%	99%
9	Accipiens SA	Rental activities	Bucharest, Romania	61%	58%
10	Genesys Medical Clinic SRL	Medical services	Bucharest, Romania	61%	58%
11	Biofarm Farmec SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	58%
12	RUR Medical SA	Medical services	Bucharest, Romania	100%	100%
13	Biotest Med SRL	Medical services	Bucharest, Romania	100%	100%
14	Vital Test SRL	Medical services	Bucharest, Romania	100%	100%
15	Bactro SRL	Other healthcare services	Deva, Romania	61%	58%
16	Centrul Medical Sama SA	Medical Services	Craiova, Romania	90%	55%
17	Ultratest SA	Other healthcare services	Craiova, Romania	76%	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%	100%
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%	80%
24	Anima Specialty Medical Services SRL	Medical services	Bucharest, Romania	100%	100%
25	Anima Promovare si Vanzari SRL	Medical services	Bucharest, Romania	100%	100%
26	Valdi Medica SRL	Medical services	Cluj, Romania	55%	55%

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27	Clinica Polissano SRL	Medical services	Sibiu, Romania	100%	100%
28	Solomed Clinic SA	Medical services	Pitesti, Romania	80%	80%
29	Ghencea Medical Center SA	Medical services	Bucharest, Romania	90%	90%
30	Sfatul Medicului	Medical platform	Bucharest, Romania	100%	100%
31	RMC Property Kft.	SPV	Budapest, Hungary	51%	0%
32	Badea Medical	Medical services	Cluj, Romania	65%	0%

Dent Estet Clinic SA, Solomed Clinic SRL, Genesys Medical Clinic SRL and Rózsakert Medical Center also own the following companies as described below:

	Name of subsidiary	Principal Activity	Place of operation	September 30, 2019	January 1, 2019
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%
6	Solomed Plus SRL (owned by Solomed Clinic SA)	Medical services	Pitesti, Romania	100%	100%
7	Transilvania Imagistica SA (owned by Genesys Medical Clinic SRL)	Medical services	Oradea, Romania	100%	100%
8	RMC DentArt (owned by RMC Property Kft.)	Dental healthcare activities	Budapest, Hungary	100%	0%
9	RMC Medical (owned by RMC Property Kft.)	Medical services	Budapest, Hungary	100%	0%

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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:

- **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),
- **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 4 "Insurance Contracts"** - Applying 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 IAS 40 "Investment Property"** - Transfers of Investment Property (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).
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

As at September 30, 2019, the Company did not adopt these new standards and amendments to existing standards. 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.

2.2 Amendments to the existing standards issued by IASB and adopted by the EU, but not yet adopted by the Company as at September 30, 2019

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:

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

As at September 30, 2019, the Company did not adopt these new standards and amendments to existing standards. 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.

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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),
- **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 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of materiality (applicable for annual periods beginning on or after January 1, 2020);
- **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),
- **Amendments to the References to the Conceptual Framework of IFRS** (applicable for annual periods beginning on or after January 1, 2020).

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 standalone interim financial statements of the Company are set out below.

3.1 Statement of compliance

The unaudited standalone interim financial statements have been prepared in accordance with

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Statement of compliance (continued)

International Accounting Standards for Financial Reporting ("IFRSs") as adopted by the European Union ("EU"), with the exception of the standards and amendments specified in paragraph 2.2, issued by the IASB and adopted by the European Union ("EU"), which entered into force for the current period, but will apply for the first time from 31 December 2019.

Additionally, the unaudited standalone interim 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 unaudited standalone interim 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 unaudited standalone interim 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 Company and have been adjusted to present the financial statements in accordance with IFRS.

3.3 Going concern

These unaudited standalone interim 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 unaudited standalone interim 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 unaudited standalone interim 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 September 30, 2019 the exchange rate was of RON 4.3488 for 1 USD, of RON 4.7511 for 1 EUR and of RON 1.4196 for 100 HUF. As at December 31, 2018 the exchange rate was of RON 4.0736 for 1 USD, of RON 4.6639 for 1 EUR and of RON 1.4527 for 100 HUF. The average exchange rate for third quarter of 2019 was of RON 4.2168 for 1 USD (third quarter of 2018: 3.8961 for 1 USD), RON 4.7383 for 1 EUR (third quarter of 2018: RON 4.6513 for 1 EUR) and RON 1.4673 for 100 HUF.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Foreign currency translation (continued)

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 valuers 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, 2018, 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, 2018.

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.

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

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

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

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(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.16 Lease contracts

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Taxation

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

Current tax

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

Deferred tax

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

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

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

Current and deferred tax for the period

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

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Provisions for risks and charges

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

3.23 Revenue recognition

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

Rendering of services

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

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

Interest revenues

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

3.24 Employee benefits

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

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

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 Fair value (continued)

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.

3.28 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 IFRS 16 „Leases”

Starting with January 1st 2019, the Company has applied the new standard IFRS 16 „Leases”. IFRS 16 is effective for annual periods beginning on or after January, 1st 2019. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Company has performed a detailed assessment of the impact resulting from the application of IFRS 16. Recognition of a right to use as an asset and a lease liability for existing contracts as of September 30, 2019 will result in an increase in the value of tangible assets and debts of approximately 70 million Ron. On the income side, the company reported depreciation expenses and interest expenses instead of rent expenses. This led to an increase in the operating result which was offset by higher interest expense and amortization.

3.30 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.

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4. FINANCIAL ASSETS

The company has significant investments in other companies.

Carrying amount	30 September 2019	1 January 2019
Cost of investments in other companies	153,475,280	135,043,779
Long-term loans granted to group companies	11,934,193	11,191,914
Other financial assets	1,500,208	1,663,900
TOTAL	166,909,681	147,899,593

Investments in other companies

Investments in other companies represent 25% of the total assets of the Company.

Movement in cost of investments

	30 September 2019	1 January 2019
Balance at the beginning of the year	135,043,779	120,447,736
Acquisition of social parts in other companies	18,431,501	14,596,043
Balance at year end	153,475,280	135,043,779

In 2019, the Company signed the Sales Purchase Agreement for the acquisition of shares in the following companies:

- 35% of share capital of Sama;
- 3% of share capital of PDR Brasov (Policlinica de Diagnostic Rapid);
- 3% of share capital of Accipients Arad (part of Genesys Group Arad);
- 51% of share capital of RMC Property Kft;
- 65% of share capital of Badea Medical.

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.

Following the management's assessment, it was found that there were no indications of impairment on 30 September 2019 and, consequently, the depreciation test was not carried out.

Long-term loans granted to other companies

As of September 30, 2019, the Company presents long-term loans granted to Bahtco Invest SA and Med Life Occupational SRL of RON 11,934,193 (January 1, 2019: RON 11,191,914).

Other financial assets

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

5. TANGIBLE AND INTANGIBLES FIXED ASSETS

	30 September 2019	1 January 2019
Gross book value	379,502,906	358,466,015
Accumulated depreciation	(185,203,102)	(167,744,610)
Net book value	194,299,804	190,721,405

6. INVENTORIES

	30 September 2019	1 January 2019
Consumable	5,718,175	6,513,579
Other inventory items	52,272	18,892
Inventory in transit	-	1,439
TOTAL	5,770,447	6,533,910

7. ACCOUNTS RECEIVABLE

	30 September 2019	1 January 2019
Customers	72,184,621	60,587,456
Advances to suppliers	4,795,781	2,755,402
Allowance for bad debt	(16,196,650)	(16,196,650)
TOTAL	60,783,752	47,146,208

Trade receivables as of September 30, 2019 and as of December 31, 2018 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 starting with 31 December 2016.

As of September 30, 2019, 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 that 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 90 days. No interest is charged on trade receivables for the first 90 days from the date of the invoice.

8. CASH AND BANKS

	30 September 2019	1 January 2019
Cash in bank	16,867,748	19,397,886
Cash in hand	1,132,418	1,032,328
Cash equivalents	(80,726)	1,328,349
TOTAL	17,919,440	21,758,563

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9. PREPAYMENTS

As of September 30, 2019 the Company has prepayments in amount of RON 2,699,532 (RON 2,204,277 as of December 31, 2018). The prepayments balance as of September 30, 2019 consists mainly of deferred commissions for financing related to the Club loan and the IFC loan and amounts related to rent paid in advance for rented properties and other amounts such as insurance policies for professionals and tangible assets.

10. ACCOUNTS PAYABLE

	30 September 2019	1 January 2019
Suppliers	78,112,971	66,821,334
Fixed assets suppliers	8,797,164	7,810,360
Advances paid by customers	3,000,562	1,216,497
TOTAL	89,910,697	75,848,191

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

11. OTHER SHORT TERM LIABILITIES

	30 September 2019	1 January 2019
Salary and related liabilities (incl. contributions)	11,933,902	5,937,202
Other liabilities	1,557,146	451,087
TOTAL	13,491,048	6,388,289

12. LEASING LIABILITIES

	30 September 2019	1 January 2019
Current term portion – Leasing	61,348,349	15,161,217
Non-current portion – Leasing	27,539,402	2,252,331
TOTAL	88,887,752	17,413,548

13. FINANCIAL DEBT

	30 September 2019	1 January 2019
Current portion of long-term loans	19,717,457	14,669,616
Non-current portion of long-term loans	210,527,722	205,624,681
TOTAL	230,245,179	220,294,297

(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.

On September 30, 2016, Med Life (together with the co-borrowers- Policlinica de Diagnostic Rapid SA,

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Bahtco Invest SA and Accipiens SA) signed a new loan agreement with IFC in amount of EUR 10,000,000.

13. FINANCIAL DEBT (continued)

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. 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.

On October 31, 2018 Med Life (with co-borrowers Policlinica de Diagnostic Rapid SA, Bahtco Invest SA and Accipiens SA) signed with the Banca Comerciala Romana, Raiffeisen Bank, BRD Groupe Societe Generale and Banca Transilvania a refinancing agreement of the existing facilities, extension of financing, rearranging terms and conditions, and extend the limit with additional credit of 10 million euro which will be in form of a term credit facility and will be used by Medlife, together with other own liquidity of the Company, for any new opportunities of acquisition. As at September 30, 2019, the balance of these facilities is EUR 45,858,587, the equivalent of RON 217,878,731, together with a facility of RON 10,000,000.

At the end of September 2019, Medlife signed a syndicated credit facility totaling 90 million euros, which includes modifying and increasing the existing facilities with an amount of 24 million euros. The syndicate of banks that sign the new syndicated loan consists of the Romanian Commercial Bank, as coordinator, principal arranger, documentation agent, facility and guarantees agent and financier, BRD Groupe Société Générale, Banca Transilvania and Raiffeisen Bank, as arrangers principals and funders.

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

The following 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
- immovable 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
- 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 borrower sponsors, which will be created under a moveable mortgage agreement over shares to be entered into between the sponsors and lenders.

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14. ISSUED CAPITAL

As of September 30, 2019 the shareholders' structure is as presented below:

	No. of shares	%
Marcu Mihail	3,897,920	17.60%
Marcu Nicolae	2,692,400	12.16%
Cristescu Mihaela Gabriela	3,110,115	14.04%
Altii	12,444,647	56.20%
TOTAL	22,145,082	100.00%

15. RESERVES

	30 September 2019	1 January 2019
General reserves	1,004,600	1,004,600
Other reserves	9,068,349	9,068,349
Revaluation reserves	63,024,298	63,024,298
TOTAL	73,097,247	73,097,247

16. SALES

Turnover for the nine months period ended September 30, 2019 is of RON 336,686,593 (for the nine months period ended September 30, 2018 - RON 312,352,139) 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

	30 September, 2019	30 September, 2018
Other operating revenues	2,125,478	224,515
Capitalized costs of intangible assets	1,885,745	-
TOTAL	4,011,223	224,515

18. OPERATING EXPENSES

	30 September, 2019	30 September, 2018
Consumable materials and repair materials	48,513,950	44,411,139
Utilities	3,236,916	2,964,331
Repairs maintenance	4,059,198	3,328,955
Rent	2,479,153	20,707,199
Insurance premiums	1,473,779	1,236,422
Promotion expense	5,379,047	8,150,857
Communications	1,584,065	1,709,625
Third party expenses (including doctor's agreements)	102,995,575	92,620,811
Salary and related expenses	108,030,078	95,580,423
Social contributions	3,904,731	3,345,372
Depreciation	35,619,000	22,416,416
Other administration and operating expenses	5,823,493	5,414,031

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TOTAL	323,098,984	301,885,581
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19. NET FINANCIAL RESULT

	30 September, 2019	30 September, 2018
Net foreign exchange rate impact	(4,020,147)	(563,754)
Net finance cost – interest expense	(8,511,473)	(7,437,929)
Interest income	1,610,411	1,388,353
NET FINANCIAL RESULT	(10,921,209)	(6,613,330)

20. SUBSEQUENT EVENTS

Acquisition of companies

MedLife announced in September 2019 the acquisition of the 75% majority package of the medical company **Onco Team Diagnostic**, thus adding to the acquisition portfolio the first laboratory with a profile of pathological anatomy and molecular biology. The unit joins the laboratories in the group (MedLife Grivița, MedLife Brașov, Panduri Laboratory etc.) that provide this analysis segment.

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

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

There were no other significant events after September 30, 2019.

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager