# MED LIFE S.A.

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AND ADMINISTRATORS' REPORT)**

Free translation from the original Romanian version.

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**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders,
Med Life S.A.

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

**Opinion**

1. We have audited the consolidated financial statements of Med Life S.A. and its subsidiaries (the Group), with registered office in 365 Grivitei Road, Bucharest, district 1, identified by unique tax registration code 8422035, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and notes to the consolidated financial statements.

2. The financial statements as at December 31, 2018 are identified as follows:

| | |
|---|---|
| • Net assets/ Equity | RON 178.872.902 |
| • Net profit/(loss) for the financial year | RON 16.782.637 |

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, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

**Basis for Opinion**

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

**Key Audit Matters**

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

| KEY AUDIT MATTER | How our audit addressed the key audit matter |
|---|---|
| Valuation of goodwill | |
| 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.<br><br>As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include:<br>>> Revenue growth<br>>> Operating margins and<br>>> The discount rates applied to the projected future cash flows.<br><br>Accordingly, the impairment test of these assets is considered to be a key audit matter.<br><br>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.<br><br>Our audit procedures included:<br>>> Engaging our internal specialists to assist with:<br>−− 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.<br>−− Evaluating the appropriateness of the assumptions used to calculate the discount rates and recalculating these rates.<br>>>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.<br>>>We subjected the key assumptions to sensitivity analyses.<br>>>We compared the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to evaluate reasonableness of management's projections. |

**Other information- Administrator's Report**

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

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

   In connection with our audit of the consolidated financial statements for the year ended December 31, 2018, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

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

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

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

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the (standalone) financial statements prepared as at December 31, 2018, we are required to report if we have identified a material misstatement of this Administrator's report . We have nothing to report in this regard.

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

7. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU with subsequent amendments and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

15. We have been appointed by the General Assembly of Shareholders on April 28, 2018 to audit the financial statements of Med Life S.A. for the financial year ended December 31, 2018. The uninterrupted total duration of our commitment is 1 year, covering the financial years ended December 31, 208.

We confirm that:

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

- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537 / 2014 were provided.

The engagement partner on the audit resulting in this independent auditor’s report is Madeline Alexander.

*Madeline Alexander, Audit Partner*

***For signature, please refer to the original Romanian version.***

*Registered with the Authority for the Public Oversight of the Statutory Audit Activity under number 36*

On behalf of:

**DELOITTE AUDIT S.R.L.**

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

Sos. Nicolae Titulescu nr. 4- 8, America House, Intrarea de Est,
Etajul 2 - zona Deloitte și Etajul 3, sector 1,
Bucharest, Romania
March 21, 2019

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

| | Note | December 31, 2018 | January 1, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Long Term** | | | |
| Goodwill | **4** | 82,378,647 | 66,035,963 |
| Intangible assets | **5** | 39,647,014 | 34,299,738 |
| Tangible assets | **5** | 458,033,010 | 325,845,288 |
| Financial assets | **5.5** | 10,115,776 | 6,161,678 |
| **TOTAL NON-CURRENT ASSETS** | | **590,174,447** | **432,342,667** |
| **Current Assets** | | | |
| Inventories | **6** | 31,070,480 | 20,325,330 |
| Receivables | **7** | 78,957,879 | 58,450,406 |
| Other receivables | | 13,117,114 | 5,549,527 |
| Cash and cash equivalents | **8** | 34,206,159 | 79,227,766 |
| | | **157,351,632** | **163,553,029** |
| Assets classified as held for sale | **9** | 381,665 | 381,665 |
| **Prepayments** | **10** | **6,186,462** | **7,068,126** |
| **TOTAL CURRENT ASSETS** | | **163,919,759** | **171,002,820** |
| **TOTAL ASSETS** | | **754,094,206** | **603,345,487** |
| **LIABILITIES & SHAREHOLDER'S EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade accounts payable | **11** | 140,970,528 | 103,839,523 |
| Overdraft | **14** | 30,911,018 | 2,013,469 |
| Current portion of lease liability | **13** | 8,949,472 | 3,177,961 |
| Current portion of long term debt | **14** | 23,162,490 | 36,642,740 |
| Current tax liabilities | | 729,572 | 1,112,707 |
| Provisions | | 2,458,957 | - |
| Other liabilities | **12** | 37,605,544 | 20,232,973 |
| Liabilities directly associated with assets classified as held for sale | **9** | 458,785 | 558,370 |
| **TOTAL CURRENT LIABILITIES** | | **245,246,366** | **167,577,743** |
| **Long Term Debt** | | | |
| Lease liability | **13** | 26,525,231 | 10,111,452 |
| Long term debt | **14** | 287,013,365 | 242,797,699 |
| **TOTAL LONG-TERM LIABILITIES** | | **313,538,596** | **252,909,151** |
| Deferred tax liability | **25** | 16,436,342 | 15,196,634 |
| **TOTAL LIABILITIES** | | **575,221,304** | **435,683,528** |
| **SHAREHOLDER'S EQUITY** | | | |
| Issued capital | **15** | 81,495,470 | 81,495,470 |
| Treasury shares | | (6,056,105) | - |
| Reserves | **17** | 93,906,109 | 93,181,880 |
| Retained earnings | | (9,994,660) | (22,640,779) |
| **Equity attributable to owners of the Group** | | **159,350,814** | **152,036,571** |
| Non-controlling interests | **18** | 19,522,088 | 15,625,388 |
| **TOTAL EQUITY** | | **178,872,902** | **167,661,959** |
| **TOTAL LIABILITIES AND EQUITY** | | **754,094,206** | **603,345,487** |

Approved by the Board of Directors on the date of March 21, 2019 and signed on behalf of by:

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

**MED LIFE GROUP**
**CONSOLIDATED STATEMENT OF**
**COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018**
**(all the amounts are expressed in RON, unless otherwise specified)**

| | Note | Year ended December 31 2018 | Year ended December 31 2017 |
|---|---|---|---|
| Sales | **19** | 794,562,861 | 623,219,949 |
| Other operating revenues | **20** | 9,844,865 | 7,496,681 |
| **Operating Income** | | **804,407,726** | **630,716,630** |
| **Operating expenses** | **21,22** | **(766,014,417)** | **(595,857,844)** |
| **Operating Profit** | | **38,393,309** | **34,858,786** |
| Finance cost | **23** | (17,567,816) | (14,201,686) |
| Other financial expenses | **23** | 3,008,389 | (6,380,555) |
| **Financial result** | **23** | **(14,559,427)** | **(20,582,241)** |
| **Result Before Taxes** | | **23,833,882** | **14,276,545** |
| Income tax expense | **25** | (7,051,245) | (5,544,920) |
| **Net Result** | | **16,782,637** | **8,731,625** |
| Owners of the Group | | 13,370,348 | 4,382,702 |
| Non-controlling interests | **18** | 3,412,289 | 4,348,924 |
| **Other comprehensive income items that will not be reclassified to profit or loss** | | | |
| Gain / Loss on revaluation of properties | | - | - |
| Corrections related to prior years | | - | - |
| Deferred tax on other comprehensive income components | | - | - |
| **TOTAL OTHER COMPREHENSIVE INCOME** | | **-** | **-** |
| **Total other comprehensive income attributable to:** | | | |
| Owners of the Group | | - | - |
| Non-controlling interests | | - | - |
| **TOTAL COMPREHENSIVE INCOME** | | **16,782,637** | **8,731,625** |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Group | | 13,370,348 | 4,382,702 |
| Non-controlling interests | **18** | 3,412,289 | 4,348,924 |

Approved by the Board of Directors on the date of March 21, 2019 and signed on behalf of by:

**Mihail Marcu,**
Administrator

**Vera Firu,**
Director Economic

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

| | Note | Year ended December 31 2018 | Year ended December 31 2017 |
|---|---|---|---|
| **Net income before taxes** | **25** | **23,833,883** | **14,276,545** |
| **Adjustments for** | | | |
| Depreciation | **21** | 56,982,245 | 43,078,621 |
| Disposal of subsidiaries | | - | - |
| Provisions for risks and charges | | (260,399) | - |
| Interest revenue | **23** | (813,677) | (613,193) |
| Interest expense | **23** | 17,567,816 | 14,201,686 |
| Allowance for doubtful debts and receivables written-off | **7** | (161,589) | (485,889) |
| Written off and allowance of other current assets | **7** | - | - |
| Financial Discounts | **23** | (6,983) | - |
| Other non-monetary gains | **20** | (6,549,809) | (4,561,947) |
| Unrealized exchange gain / loss | **23** | 1,407,018 | 7,102,716 |
| Bargain gain | **26** | - | (729,165) |
| Net gain on disposal of property | **5** | - | - |
| **Operating cash flow before working capital changes** | | **91,998,505** | **72,269,374** |
| Decrease / (increase) in accounts receivable | | (20,931,344) | (18,029,348) |
| Decrease / (increase) in inventories | | (5,902,259) | (2,718,311) |
| Decrease / (increase) in prepayments | | 1,889,895 | (155,089) |
| Increase / (decrease) in accounts payable | | 8,257,035 | 2,380,649 |
| **Cash generated from WC changes** | | **(16,686,673)** | **(18,522,099)** |
| **Cash generated from operations** | | **75,311,832** | **53,747,275** |
| Income Tax Paid | | (6,194,673) | (5,058,217) |
| Interest Paid | | (18,165,105) | (13,455,456) |
| Interest received | | 813,677 | 613,193 |
| **Net cash from operating activities** | | **51,765,731** | **35,846,795** |
| Investment in business combination | **26** | (16,985,373) | (29,388,050) |
| Additional participation interest acquired | **26** | - | (2,401,752) |
| Purchase of intangible assets | **5** | (2,396,311) | (1,534,853) |
| Purchase of property, plant and equipment | **5** | (49,923,781) | (40,626,665) |
| Proceed from sale business combination | | - | - |
| Proceed from sale of fixed assets | | - | - |
| **Net cash used in investing activities** | | **(69,305,465)** | **(73,951,320)** |

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

| | Note | Year ended December 31 2018 | Year ended December 31 2017 |
|---|---|---|---|
| **Cash flow from financing activities** | | | |
| Share capital contribution | **17** | - | 67,563,436 |
| Increase in Loans | **14** | 46,683,462 | 65,257,781 |
| Payment of loans | **14** | (58,474,480) | (21,661,647) |
| Financial Lease payments | | (9,341,826) | (14,218,842) |
| Dividends paid to NCI | **18** | (292,924) | (310,287) |
| Payments for acquisition of treasury shares | | (6,056,105) | - |
| **Net cash from / (used in) financing activities** | | **(27,481,873)** | **96,630,441** |
| **Net change in cash and cash equivalents** | | **(45,021,607)** | **58,525,916** |
| Cash and cash equivalents beginning of the period | | 79,227,766 | 20,701,850 |
| **Cash and cash equivalents end of the period** | | **34,206,159** | **79,227,766** |

Approved by the Board of Directors on the date of March 21, 2019 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, 2018
**(all the amounts are expressed in RON, unless otherwise specified)**

| | **Share Capital** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Paid and registered** | **Paid, registered after year end**** | **Treasury shares** | **Share premium** | **General reserves and other reserves** | **Revaluation Reserve*** | **Accumulated Results** | **Attributable to owners of the parent** | **Non-controlling interests** | **Total Equity** |
| **Balance as at January 1, 2018** | **5,023,000** | **513,271** | **-** | **75,959,199** | **10,920,039** | **82,261,841** | **(22,640,779)** | **152,036,571** | **15,625,388** | **167,661,959** |
| Recognition of other reserves for fiscal purposes | - | - | - | - | 617,485 | - | (617,485) | - | - | - |
| Recognition of other reserves | - | - | - | - | 106,744 | - | (106,744) | - | - | - |
| Sale of subsidiaries | - | - | - | - | - | - | - | - | - | - |
| Share capital contribution | - | - | - | - | - | - | - | - | - | - |
| Additional non-controlling interest arising as of result of business combinations | - | - | - | - | - | - | - | - | 777,335 | 777,335 |
| Subsequent acquisition of NCI | - | - | - | - | - | - | - | - | - | - |
| Distribution of dividends | - | - | - | - | - | - | - | - | (292,924) | (292,924) |
| Acquisition of treasury shares | - | - | (6,056,105) | - | - | - | - | **(6,056,105)** | - | (6,056,105) |
| **Total comprehensive income** | **-** | - | - | - | - | - | **13,370,348** | **13,370,348** | **3,412,289** | **16,782,637** |
| Gain/loss on revaluation of properties | - | - | - | - | - | - | - | - | - | - |
| Deferred tax related to revaluation reserve | - | - | - | - | - | - | - | - | - | - |
| Profit of the year (loss) | - | - | - | - | - | - | 13,370,348 | 13,370,348 | 3,412,289 | 16,782,637 |
| **Balance as at December 31, 2018** | **5,023,000** | **513,271** | **(6,056,105)** | **75,959,199** | **11,283,019** | **82,261,841** | **(9,994,660)** | **159,350,814** | **19,522,088** | **178,872,902** |

**Note*:** The closing balance of the revaluation reserve as of December 31, 2018 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 21, 2019 and signed on behalf of by:

**Mihail Marcu,**
Administrator

**Vera Firu,**
Director Economic

**(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 other reserves | - | - | - | 1,202,416 | - | (1,202,416) | - | - | - |
| Sale of subsidiaries | - | - | - | - | - | - | - | - | - |
| 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 21, 2019 and signed on behalf of by:

**Mihail Marcu,**
Administrator

**Vera Firu,**
Director Economic

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

## 1. DESCRIPTION OF THE BUSINESS

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

Medlife Group is offering a large range of medical service having opened 20 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Braila, Sibiu, Cluj and Constanta, one Hyperclinic recently opened in Oradea, 47 Clinics, 10 hospitals – located in Bucharest, Sibiu, Arad and Brasov, 33 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.

Medlfie's business model is based on providing medical services to its clients both individuals and companies.
The group's activities are split in six business lines:

- Corporate: the corporate business line offers client companies health prevention packages as part of the benefits granted by the later to their employees
- Clinics: the clinics business line includes ambulatory and imagistic medical services provided by the Group
- Laboratories: the laboratory business line includes providing laboratory analyses, biochemical, haematological, coagulation, immunological, microbiological, anatomical, pathological, cytological, molecular and toxicological laboratory analyses
- Hospitals: The Hospitals business line covers the Group's hospitalization activities, consisting of a wide range of medical and surgical specializations. The 10 hospitals of the group are located in Arad, Bucharest, Brasov, Cluj and Sibiu.
- Pharmacies: The Business Line Pharmacies offer recipe products, free products and other associated medical products in the 10 pharmacies opened in or near the Clinics of the Group.
- Dentistry: The Dentistry business line provides a wide range of dental services ranging from simple examinations to complex surgery

Details of Med Life SA's subsidiaries at December 31, 2018 and January 1, 2018 are as follows:

| | Name of subsidiary | Principal Activity | Place of operation | December 31, 2018 | January 1, 2018 |
|---|---|---|---|---|---|
| 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 | Sfantul Gheorghe, 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 | Med Life Broker de Asigurare si Reasigurare SRL | Insurance broker | Bucharest, Romania | 99% | 99% |
| 9 | Accipiens SA | Rental activities | Bucharest, Romania | 58% | 58% |
| 10 | Genesys Medical Clinic SRL | Medical services | Bucharest, Romania | 58% | 58% |
| 11 | Biofarm Farmec SRL | Distribution of Pharmaceutical Products in specialised stores | Bucharest, Romania | 58% | 58% |
| 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 | Bucharest, Romania | 100% | 100% |
| 15 | Bactro SRL (indirectly) | Other healthcare services | Deva, Romania | 58% | 58% |
| 16 | Centrul Medical Sama S.A. | Medical Services | Craiova, Romania | 55% | 55% |

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

| | | | | | |
|---|---|---|---|---|---|
| 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% | 100% |
| 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% | 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% |
| 27 | Clinica Polisano SRL | Medical services | Sibiu, Romania | 100% | 0% |
| 28 | Solomed Clinic SA | Medical services | Pitesti, Romania | 80% | 0% |
| 30 | Ghencea Medical Center SA | Medical services | Bucharest, Romania | 90% | 0% |
| 31 | Sfatul medicului | Medical platform | Bucharest, Romania | 100% | 0% |

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

## 1. DESCRIPTION OF THE BUSINESS (continued)

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

| | Name of subsidiary | Main activity | Place of operation | December 31, 2018 | January 1, 2018 |
|---|---|---|---|---|---|
| 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% | 0% |
| 7 | Transilvania Imagistica SA (owned by Genesys SRL) | Medical services | Oradea, Romania | 100% | 0% |

## 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 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 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 expects that the adoption of these new standards and amendments to existing standards will not have a material impact on the Group's financial statements during the initial period of application.

### 2.2 Amendments to the existing standards issued by IASB and adopted by the EU, adopted by Group, as at December 31, 2018

At the date of authorization of these consolidated financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU and adopted by Group:

- **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).

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

- **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).

As at December 31, 2018, the Group has adopted these new standards and amendments to existing standards.

### 2.3 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 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019).

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

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

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

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

- **Amendments to IFRS 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),

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

- **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 financial statements of 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 financial statements of the Group are set out below.

### 3.1 Statement of compliance

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

The accounting policies applied in these financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2017, except for the adoption of new standards effective as of January 1st 2018.

Starting with January 1st 2018, the Group has applied for the first time two new standards, IFRS 9 „Financial instruments" and IFRS 15 „Revenues from contracts with customers".

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

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.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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, 2018 the exchange rate was of 4.0736 RON for 1 USD (31 December 2017: RON 3.8915 for 1 USD) and of 4.6639 RON for 1 EUR (31 December 2017: RON 4.6597 for 1 EUR). The average exchange rate for the period of 12 months ended 31 December 2018 was of 3.9416 RON for 1 USD (12 months period ended 31 December 2017 : 4.0525 for 1 USD) and 4.6535 RON for 1 EUR (12 months period ended 31 December 2017 : 4.5681 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 2018 and in 2017 were eliminated.

### 3.10 Comparative information

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

### 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, 2018 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, 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 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.12 Assets held under finance leases

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

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

### 3.13 Intangible assets

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

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

***Intangible assets acquired in a business combination***

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

***De-recognition of intangible assets***

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

***Impairment of tangible and intangible assets other than goodwill***

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.13 Intangible assets (continued)

***Impairment of tangible and intangible assets other than goodwill***

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

### 3.14 Investments in subsidiaries

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

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

### 3.15 Investments in associates

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

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

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

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

### 3.16 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises of all the costs incurred in bringing the inventories to their present location and condition, being valued on a first in 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 3.20 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

***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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.31 Fair value

As described above, certain accounting policies of the Group and information presentation criteria require determination of the fair value both for the assets and the liabilities of the Group.

In determining the fair value of assets and liabilities, the Group uses as much as possible observable market values. Fair values are classified on various levels based on inputs used in valuation techniques, as follows:

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

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

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

### 3.32 IAS 29

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

### 3.33 IFRS 8

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

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.34 IFRS 9 „Financial instruments"

Starting with January 1st 2018, the Group has applied for the first time the new standard IFRS 9 „Financial instruments". IFRS 9 introduces changes regarding the recognition and measurement of financial assets and results in an earlier recognition of bad debt allowances for receivables.

Being permitted by the standard, the Group adopted IFRS 9 starting with January 1st 2018 using the modified retrospective method, with cumulated adjustments from the initial application recognized in equity as of January 1st 2018 and without restating the figures of the comparative period.

For the Group's trade receivables, there are no significant differences between the initial evaluation method according to IAS 39 and the new evaluation criteria under IFRS 9.

### 3.35 IFRS 15 „Revenues from contracts with customers"

IFRS 15 „Revenues from contracts with customers" introduces a comprehensive model for revenue recognition and measurement. The standard replaces the existing criteria for revenue recognition, replacing the standards IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes".

Under the new standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Group is expected to be entitled to receive in exchange of those goods or services.

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

In respect to the timing of the revenue recognition, all of the Group's services provided are transferred to the customer when the services are rendered. Based on internal assessment of the possible impact resulting from the application of IFRS 15 not significant effect was identified on these consolidated financial statements.

Also, a number of other amendments and interpretations have been effective starting with January 1st 2018, but do not have a significant effect on these consolidated financial statements.

### 3.36 IFRS 16 „Leases"

Starting with January 1st 2019, the Group will adopt the new standard IFRS 16 „Leases". IFRS 16 is effective for annual periods beginning on or after January, 1st 2019. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 16. Recognition of a right of use as an asset and a lease liability for contracts existing on 31 December 2018 will result in an increase in the value of tangible assets and liabilities of approximately ROL 110 million on 1 January 2019. On the income and expense side, will report depreciation expense and interest expense instead of rental expenses. This will lead to an increase in operating result that will be offset by higher interest expense. Based on the analysis, the resulting impact is not significant.

### 3.37 Subsequent events

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

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

## 4. GOODWILL

The Group records goodwill resulting from business combinations.

Please see below the goodwill recorded as of December 31, 2018 and January 1, 2018:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| 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 | 6,354,631 |
| Anima Specialty Medical Services SRL | 12,863,892 | 12,863,892 |
| Valdi Medica SRL | 2,824,203 | 2,824,203 |
| Clinica Polisano SRL | 4,070,023 | - |
| Ghencea Medical Center | 4,693,895 | - |
| Grupul Solomed | 6,066,602 | - |
| Sfatul medicului | 1,503,438 | - |
| Transilvania Imagistica | 8,726 | - |
| **TOTAL** | **82,378,647** | **66,035,963** |

### Movement in Goodwill

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Balance at the beginning of the year | 66,035,963 | 43,993,237 |
| Goodwill recognized during the year | 16,342,684 | 22,042,726 |
| Disposal of subsidiaries | - | - |
| **TOTAL** | **82,378,647** | **66,035,963** |

During the year ended December 31, 2018, the Group obtained control over various companies and recorded a goodwill of RON 16,342,684. For further details on business combinations performed in the year ended December 31, 2018 and the year ended December 31, 2017, 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, 2018.

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

## 5. TANGIBLE AND INTANGIBLES FIXED ASSETS

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

| | Intangibles* | Land | Constructions | Vehicles and equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **January 1, 2018** | **66,401,761** | **27,114,136** | **243,558,849** | **229,918,397** | **12,089,627** | **579,082,770** |
| Additions | 5,485,867 | - | 545,292 | 63,882,798 | 13,876,893 | 83,790,850 |
| Transfers | | - | 10,683,259 | 109,930 | (10,793,189) | - |
| Disposals | (36,144) | - | - | (4,199,280) | - | (4,235,424) |
| Additions from business combinations | 6,496,547 | - | 55,731,400 | 110,597,699 | 33,606 | 172,859,252 |
| Disposals from business combinations | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - |
| **December 31, 2018** | **78,348,031** | **27,114,136** | **310,518,800** | **400,309,544** | **15,206,937** | **831,497,448** |

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

| | Intangibles* | Land | Constructions | Vehicles and equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Depreciation** | | | | | | |
| **January 1, 2018** | **32,102,023** | **84,120** | **45,751,453** | **141,000,148** | **-** | **218,937,744** |
| Charge of the year | 6,223,206 | - | 16,585,505 | 34,173,534 | - | 56,982,245 |
| Disposals | (19,075) | - | - | (2,021,308) | - | (2,040,383) |
| Additions from business combinations | 394,863 | - | 8,364,245 | 51,178,710 | - | 59,937,818 |
| Disposals from business combinations | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - |
| Impairment losses recognized in profit or loss | - | - | - | - | - | - |
| **December 31, 2018** | **38,701,017** | **84,120** | **70,701,203** | **224,331,084** | **-** | **333,817,424** |
| **Net Book Values** | | | | | | |
| **January 1, 2018** | **34,299,738** | **27,030,016** | **197,807,396** | **88,918,249** | **12,089,627** | **360,145,026** |
| **December 31, 2018** | **39,647,014** | **27,030,016** | **239,817,597** | **175,978,460** | **15,206,937** | **497,680,024** |

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

## 6. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

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** |

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

## 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, 2018 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, 2018.

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

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

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

| **Carrying amount without revaluation** | **December 31, 2018** | **January 1, 2018** |
|---|---|---|
| Land | 4,705,086 | 4,705,086 |
| Buildings | 186,320,397 | 130,019,084 |
| **TOTAL** | **191,025,483** | **134,724,170** |

### 5.2. Assets pledged as securities

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

- mortgage on the land located in Calea Grivitei nr 365 sector 1 Bucharest Romania (cadastral number 13183/1) and related constructions
- mortgage on the land and buildings that make up the Pediatric Hospital in Bucharest. str. Zagazului nr. 7 - CF 218010
- mortgage on the land and buildings that make up the Clinic and PDR Hospital located in Brasov str. 5 - CF 127854

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

## 5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

### 5.3. Intangible assets

| Carrying amount | December 31, 2018 | January 1, 2018 |
|---|---|---|
| Set-up and development costs | 8,563 | 13,758 |
| Customer lists | 6,022,310 | 3,683,529 |
| Contract advantage | 4,992,463 | 4,088,463 |
| Trademark | 15,452,595 | 12,655,595 |
| Concessions, patents, licenses, trademarks and similar rights and assets | 4,267,216 | 4,572,641 |
| Other intangible assets | 8,903,867 | 9,285,752 |
| **TOTAL** | **39,647,014** | **34,299,738** |

### 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 |
| Clinica Polisano (2018) | - | - | 2,076,000 | 2,076,000 |
| Ghencea Medical Center (2018) | - | 600,000 | 280,000 | 880,000 |
| Grupul Solomed (2018) | - | 170,000 | 157,000 | 327,000 |
| Sfatul medicului (2018) | 2,338,781 | - | 235,000 | 2,573,781 |
| Transilvania Imagistica (2018) | - | 134,000 | 49,000 | 183,000 |
| **Total** | **7,714,120** | **5,210,799** | **15,452,595** | **28,377,514** |

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

## 5. TANGIBLE AND INTANGIBLES FIXED ASSETS (continued)

### 5.5. Financial assets

| Carrying amount | December 31, 2018 | January 1, 2018 |
|---|---|---|
| Long-term receivables for stem cells processing | 8,581,006 | 6,160,418 |
| Additional acquisition of shares in Sama (10%) | 1,532,500 | |
| Other receivables | 2,270 | 1,260 |
| **TOTAL** | **10,115,776** | **6,161,678** |

As of December 31, 2018, the Group presents RON 8,581,006 as long-term receivables for stem cells processing.

## 6. INVENTORIES

| | December 31, 2018 | January 1, 2018 |
|---|---|---|
| Consumables | 20,132,101 | 10,981,134 |
| Materials in the form of inventory items | 254,463 | 112,671 |
| Commodities | 10,682,477 | 9,230,143 |
| Inventory in transit | 1,439 | 1,382 |
| **TOTAL** | **31,070,480** | **20,325,330** |

## 7. ACCOUNTS RECEIVABLE

| | December 31, 2018 | January 1, 2018 |
|---|---|---|
| Customers | 91,081,445 | 71,761,034 |
| Advances to suppliers | 5,285,312 | 3,581,967 |
| Bad debt provisions | (17,408,878) | (16,892,595) |
| **TOTAL** | **78,957,879** | **58,450,406** |

Trade receivables as of December 31, 2018 and as of January 1, 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 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, 2018 and January 1, 2018, the Management of the Group performed an assessment regarding the collectability of receivables - a total allowance of RON 17.408.878 (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.

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

## 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, 2018** | **January 1, 2018** |
|---|---|---|
| 90 - 180 days | 624,033 | 488,216 |
| 180 days - 270 days | 677,174 | 973,664 |
| 270 - 365 days | 654,092 | 2,271,282 |
| Over 365 days | 4,784,670 | 3,874,936 |
| **TOTAL** | **6,739,968** | **7,608,098** |
| Average age (days) | 90 | 90 |

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

| **Movement in the allowance for doubtful debts** | **December 31, 2018** | **January 1, 2018** |
|---|---|---|
| Balance at the beginning of the year | **16,892,595** | **16,670,802** |
| Additions from business combinations | 516,283 | 707,682 |
| Impairment losses and reversals recognized on receivables | - | (485,889) |
| **TOTAL** | **17,408,878** | **16,892,595** |

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, 2018** | **January 1, 2018** |
|---|---|---|
| 270-365 days | - | - |
| Over 365 days | 10,043,043 | 9,526,760 |
| **TOTAL GENERAL** | **10,043,043** | **9,526,760** |
| **Other allowance (described above)** | 7,365,835 | 7,365,835 |
| **TOTAL** | **17,408,878** | **16,892,595** |

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

## 8. CASH AND BANKS

| | December 31, 2018 | January 1, 2018 |
|---|---|---|
| Cash in bank | 30,568,057 | 76,956,322 |
| Cash in hand | 2,038,387 | 1,683,744 |
| Cash equivalents | 1,599,715 | 587,700 |
| **TOTAL** | **34,206,159** | **79,227,766** |

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, 2018 | January 1, 2018 |
|---|---|---|
| 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, 2018 and January 1, 2018 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, 2018 is RON 458,785 (January 1, 2018: RON 558,370).

## 10. PREPAYMENTS

As of December 31, 2018 the Group has prepayments in amount of RON 6,186,462 (RON 7,068,126 as of January 1, 2018). The prepayments balance as of December 31, 2018 and January 1, 2018 consists mainly of deferred commissions for financing related to the Club loan and amounts related to rent paid in advance for rented properties and other amounts such as insurance policies for professionals and tangible assets.

## 11. ACCOUNTS PAYABLE

| | December 31, 2018 | January 1, 2018 |
|---|---|---|
| Suppliers | 121,406,820 | 88,686,385 |
| Fixed assets suppliers | 17,802,730 | 13,667,285 |
| Advances paid by customers | 1,760,978 | 1,485,853 |
| **TOTAL** | **140,970,528** | **103,839,523** |

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

## 12. OTHER SHORT TERM LIABILITIES

| | December 31, 2018 | January 1, 2018 |
|---|---|---|
| Salary and related liabilities (including social contributions) | 13,028,465 | 14,985,699 |
| Other liabilities | 24,577,079 | 5,247,274 |
| **TOTAL** | **37,605,544** | **20,232,973** |

## 13. LEASING LIABILITIES

| | December 31, 2018 | January 1, 2018 |
|---|---|---|
| Non-current portion – Leasing | 26,525,231 | 10,111,452 |
| Current portion – Leasing | 8,949,472 | 3,177,961 |
| **TOTAL** | **35,474,703** | **13,289,413** |

Leasing facilities refer to medical equipment and vehicles acquired.

| **Obligations under finance lease** | December 31, 2018 | January 1, 2018 |
|---|---|---|
| **Minimum Lease Payments** | | |
| Short-term (less than one year) | 10,355,394 | 3,977,222 |
| Long-term (between 2 and 5 years) | 29,808,409 | 12,828,762 |
| **Total** | **40,163,803** | **16,805,984** |
| Less: future finance charges | (4,689,100) | (3,516,571) |
| **Present value of lease obligations** | | |
| **Analyzed as follows:** | | |
| Maturing within one year | 8,949,472 | 3,177,961 |
| Maturing after more than one year but not later than five year | 26,525,231 | 10,111,452 |
| **TOTAL** | **35,474,703** | **13,289,413** |

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

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

## 14. FINANCIAL DEBT

| **Loan contracts** | **December 31, 2018** | **January 1, 2018** |
|---|---|---|
| Current portion of long term debt | 54,073,508 | 38,656,209 |
| Long term debt | 287,013,365 | 242,797,699 |
| **TOTAL** | **341,086,873** | **281,453,908** |

**Overdraft**

| | **December 31, 2018** | **January 1, 2018** |
|---|---|---|
| Short term loan | 30,911,018 | 2,013,469 |
| **TOTAL** | **30,911,018** | **2,013,469** |

As at December 31, 2018, the Group's drawn and undrawn financing facilities included the following:

• On 31 October 2018, Med Life SA (together with the co-borrowers of the Rapid Diagnostic Polyclinic SA, Bahtco Invest SA and Accipiens SA) signed with Banca Comerciala Romana, Raiffeisen Bank, BRD Groupe Societe Generale and Banca Transilvania the refinancing of the existing facilities, the extension the reimbursement of the related terms and conditions, as well as an additional credit limit of 10 million euros, which will be in the form of a term facility and will be used by Medlife, together with other company's own cash, for possible new opportunities acquisitions in the market. At December 31, 2018, the balance of these facilities is 265,482,480 RON;

• a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn on 31 December 2018 is of RON 9,327,800;

• 4 secured loan contracts concluded between Banca Transilvania S.A. and Sama Medical Center S.A. for the purchase of medical equipment and the construction of a clinic, in a total amount of 797,148 RON, on 31 December 2018;

• an overdraft facility concluded between Transylvania Bank S.A. and Sama Medical Center S.A. since September 2016, having as balance on December 31, 2018 the amount of RON 900,000;

• 3 guaranteed loan contracts concluded between Banca Transilvania S.A. and Genesys Medical Center S.R.L., having on 31 December 2018 a balance of the borrowed amount of EUR 2,118,487 and RON 349,515; an overdraft facility with a balance on December 31, 2018 of RON 268,010;

• an overdraft facility between Unicredit Tiriac Bank and Prima Medical S.R.L., with a maximum credit limit of RON 800,000, drawn in full on 31 December 2018;

• a credit facility concluded between Garanti Bank S.A. and Dent Estet Clinic S.A. with the amount remaining to be reimbursed at December 31, 2018 of RON 589,272;

• a credit facility concluded between Marfin Bank Romania and Dent Estet Clinic S.A. with the amount remaining to be reimbursed at 31 December 2018 of RON 2,800,000;

• 10 guaranteed loan facilities concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L; the balance outstanding at 31 December 2018 is RON 4,621,906;

• an overdraft facility concluded between Garanti Bank S.A. and Anima Specialty Medical Services S.R.L within 1,500,000 RON; on 31 December 2018 the amount drawn is RON 1,000,000;

• a guaranteed loan agreement concluded between Banca Transilvania S.A. and Almina Trading S.A., with a balance outstanding at December 31, 2018 of RON 381,162;

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

## 14. FINANCIAL DEBT (continued)

• a guaranteed loan concluded between Bancpost and Med Life Ocupational S.R.L. worth EUR 225,000; the balance outstanding at 31 December 2018 is RON 458,785;

• 3 guaranteed loan contracts concluded between Libra Internet Bank and Valdi Medica S.R.L., the balance outstanding at 31 December 2018 is RON 1,305,792;

• 2 guaranteed loan contracts concluded between Banca Transilvania S.A. and Ghencea Medical Center, the balance outstanding at 31 December 2018 is RON 783,037;

• a loan agreement and a guaranteed overdraft facility between CEC Bank S.A. and Clinic Polisano S.R.L., the balance outstanding at 31 December 2018 is RON 40,710,343.

As at December 31, 2018 none of the Group members was in breach of any applicable term of the financing facilities.

## 15. ISSUED CAPITAL

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

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

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%** |

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

## 16. EARNINGS PER SHARE

| | 2018 | 2017 |
|---|---|---|
| Profit for the period | 16,782,637 | 8,731,625 |
| Number of ordinary shares at the begining of the period | 22,145,082 | 20,092,000 |
| Earning per share (lei/ share) | 0.76 | 0.43 |

## 17. RESERVES

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

| | December 31, 2018 | January 1, 2018 |
|---|---|---|
| General reserves | 1,867,202 | 1,867,202 |
| Other reserves | 9,415,817 | 9,052,837 |
| Revaluation reserves | 82,261,841 | 82,261,841 |
| **TOTAL** | **93,544,860** | **93,181,880** |

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, 2018 and January 1, 2018.

**General reserves and other reserves**

| | December 31, 2018 | January 1, 2018 |
|---|---|---|
| **Balance at beginning of the year** | **10,920,039** | **9,699,583** |
| Movements | 724,229 | 1,220,456 |
| **Balance at the end of the year** | **11,644,268** | **10,920,039** |

**Revaluation reserves**

| | December 31, 2018 | January 1, 2018 |
|---|---|---|
| **Balance at beginning of the year** | **82,261,841** | **82,261,841** |
| Decrease arising revaluation correction | - | - |
| Increase due to revaluation | - | - |
| Deferred tax related to revaluation | - | - |
| **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 24).

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

## 18. NON-CONTROLLING INTEREST

| | December 31, 2018 | January 1, 2018 |
|---|---|---|
| **Balance at beginning of year** | **15,625,388** | **11,472,411** |
| Decrease in non-controlling interest as a result of group acquisition of additional interest | - | (945,712) |
| Share of profit for the year | 3,412,289 | 4,348,924 |
| Non-controlling interests arising on the acquisition of subsidiaries | 777,335 | 1,060,052 |
| Distribution of dividends | (292,924) | (310,287) |
| **TOTAL** | **19,522,088** | **15,625,388** |

## 19. SALES

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

| Business Line | 12 months 2018 Sales | % of Total Sales | 12 months 2017 Sales | % of Total Sales |
|---|---|---|---|---|
| Clinics | 233,339,171 | 29,4% | 166,650,648 | 26.7% |
| Stomatology | 44,733,559 | 5,6% | 37,565,681 | 6.0% |
| Hospitals | 167,320,772 | 21,1% | 119,106,274 | 19.1% |
| Laboratories | 134,680,878 | 17,0% | 115,259,329 | 18.5% |
| Corporate | 169,171,271 | 21,3% | 144,621,716 | 23.2% |
| Pharmacies | 36,111,885 | 4,5% | 29,526,655 | 4.7% |
| Other revenue | 9,205,325 | 1,2% | 10,489,645 | 1.7% |
| **TOTAL** | **794,562,861** | **100%** | **623,219,949** | **100%** |

## 20. OTHER OPERATING REVENUES

Other operating revenues caption comprises:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Other operating income | 1,988,316 | 2,934,734 |
| Income from subsidies | 4,803,137 | - |
| Capitalized costs of intangible assets | 3,053,412 | 4,561,947 |
| **TOTAL** | **9,844,865** | **7,496,681** |

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

## 21. OPERATING EXPENSES

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Consumable materials & repair materials | 126,048,830 | 97,974,250 |
| Commodities expenses | 29,367,048 | 24,115,025 |
| Utilities | 9,056,380 | 6,573,637 |
| Repairs maintenance | 8,984,186 | 6,435,809 |
| Rent | 41,986,204 | 38,281,750 |
| Insurance premiums | 2,538,221 | 2,103,123 |
| Promotion expense | 15,011,240 | 10,976,803 |
| Communications | 3,748,038 | 3,326,050 |
| Third party expenses (including doctor’s agreements) | 206,077,081 | 165,638,063 |
| Salary and related expenses | 245,139,121 | 152,403,119 |
| Social contributions | 8,136,171 | 34,608,368 |
| Depreciation | 56,982,245 | 43,078,621 |
| Other administration & operating exp. | 12,939,652 | 10,343,226 |
| **TOTAL** | **766,014,417** | **595,857,844** |

## 22. KEY MANAGEMENT PERSONNEL EXPENSES

The structure of Med Life personnel is described below:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Management | 158 | 93 |
| Staff | 4,969 | 3,511 |
| **Total** | **5,127** | **3,604** |

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

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Management | 31.227.409 | 22,805,657 |
| Staff | 213.911.711 | 129,597,462 |
| **Total** | **245.139.121** | **152,403,119** |

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

## 23. NET FINANCIAL RESULT

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Other financial income | 6,983 | - |
| Net foreign exchange rate impact - loss | (1,409,294) | (7,109,598) |
| Net finance cost – interest expense | (17,567,816) | (14,201,686) |
| Other income | 3,597,023 | 115,850 |
| Interest income | 813,677 | 613,193 |
| **NET FINANCIAL RESULT - LOSS** | **(14,559,427)** | **(20,582,241)** |

## 24. RELATED PARTIES

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

| **Closing balances** | December 31, 2018 | January 1, 2018 |
|---|---|---|
| **Payables** | | |
| MARCU NICOLAE | - | - |
| DR. CRISTESCU I. MIHAELA-GABRIELA | 49,804 | 52,400 |
| NAUTIC LIFE | - | - |
| **Receivables** | | |
| NAUTIC LIFE | - | - |
| MARCU NICOLAE | - | - |

| **Transactions during the year** | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **Expenses** | | |
| NAUTIC LIFE | - | - |
| MARCU NICOLAE | - | - |
| DR. CRISTESCU I. MIHAELA-GABRIELA | 642,400 | 466,835 |
| **Total** | **642,400** | **466,835** |
| **Acquisition of fixed assets** | | |
| NAUTIC LIFE | - | - |

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

## 25. TAXATION

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Current income tax expense | 5,811,538 | 5,004,268 |
| Deferred tax expense/release | 1,239,708 | 540,652 |
| **Total income tax** | **7,051,245** | **5,544,920** |

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| **Profit / (Loss) before tax** | **23,833,882** | **14,276,545** |
| Income tax expense calculated at 16% | 3,921,717 | 2,284,247 |
| Effect of expenses that are not deductible in determining taxable profit | 1,889,820 | 2,720,021 |
| Effect of temporary differences | 1,239,708 | 540,652 |
| **Income tax expense recognized in profit or loss** | **7,051,245** | **5,544,920** |

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, 2018 are presented below:

| **Components of deferred tax** | **December 31, 2018** | **Change in deferred tax** | **January 1, 2018** |
|---|---|---|---|
| **Deferred tax assets** | | | |
| Non-current assets | - | - | - |
| Trade receivables | 1,332,184 | - | 1,332,184 |
| **Total deferred tax asset** | **1,332,184** | | **1,332,184** |

| **Deferred tax liability** | **December 31, 2018** | **Change in deferred tax** | **January 1, 2018** |
|---|---|---|---|
| Non-current assets | 2,058,145 | 1,239,708 | 818,437 |
| Revaluation reserve | 15,710,381 | - | 15,710,381 |
| **Total deferred tax liability** | **17,768,526** | | **16,528,818** |
| **Net deferred tax liability** | **16,436,342** | | **15,196,634** |

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

## 25. TAXATION (continued)

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, 2018, except for the deferred tax related to the revaluation reserve which is recognized in equity, is reflected in the statement of comprehensive income for the year then ended.

## 26. BUSINESS COMBINATIONS

### 26.1. Subsidiaries acquired and consideration transferred

**Acquisition of Clinica Polisano SRL, Solomed Clinic SA, Ghencea Medical Center SA, Sfatul medicului and Centrul Transilvania Imagistica Oradea**

In 2018, the Group signed the Sales Purchase Agreement for the acquisition of shares in the following companies:

- 100% of share capital in Clinica Polisano SRL
- 80% of share capital of Solomed Clinic SA
- 90% of share capital of Ghencea Medical Center SA
- 100% of share capital in Sfatul medicului
- 100% of share capital in Centrul de Imagistica Transilvania Oradea through Genesys Medical Clinic SRL

**Clinica Polisano** („**Polisano**”) In October 2017 Medlife announced 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 has been concluded on 4th of April 2018, following the fulfillment of the conditions precedent.

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

## 26. BUSINESS COMBINATIONS (continued)

### 25.1. Subsidiaries acquired and consideration transferred (continued)

**Solomed Clinic** („**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 has been concluded on 14th of May 2018, following the fulfillment of the conditions precedent.

**Ghencea Medical Center** („**Ghencea**") 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 has been concluded on 24th of May 2018, following the fulfillment of the conditions precedent.

**Sfatul medicului** Med Life acquired 100% majority stake in sfatulmedicului.ro platform, the largest medical information hub in Romania. Established 15 years ago, sfatulmedicului.ro is among the top sites dedicated to the Romanian health segment. The platform has a monthly average of more than 3.2 million unique users and over 12 million views. In addition to the information service, users access the medical self-evaluation service and online analysis of the analyzes on this platform. As a result of this transaction, Sfatulmedicului.ro will retain the team that has carried out the project all these years, and in order to preserve its independence and impartiality towards the market, the management will be completely independent from Med Life and the current directors. The transaction was finalized on 14 August 2018 once the suspensive conditions were met.

**Centrul Transilvania Imagistica Oradea** Medlife has taken over Centrul Transilvania Imagistica Oradea, a provider of medical diagnostic, imaging and radiology services, one of the most important players in the northwest of the country on this segment. The center is equipped with high-performance medical equipment and investigations are carried out by a team of specialist.

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

| ***Assets acquired and liabilities recognized at the date of acquisition*** | **2018** | **2017** |
|---|---|---|
| Non-current assets | 114,842,433 | 19,024,403 |
| Current assets | 15,255,599 | 9,389,426 |
| Current liabilities | 69,476,415 | 9,945,796 |
| Non-current liabilities | 56,527,294 | 6,438,004 |
| **Net assets** | **4,094,323** | **12,030,029** |

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

## 26. BUSINESS COMBINATIONS (continued)

### 26.3. Goodwill arising on acquisition

| | 2018 | 2017 |
|---|---|---|
| Consideration transferred | 19,659,671 | 32,283,538 |
| Less: fair value of identifiable net assets acquired | (4,094,323) | (12,030,029) |
| Plus non-controlling interest | 777,335 | 1,060,052 |
| **Goodwill arising on acquisition** | **16,342,683** | **22,042,726** |
| **Bargain gain arising on acquisition** | **-** | **(729,165)** |

### 26.4. Net cash outflow on acquisition of subsidiaries

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Consideration paid in cash | 19,272,179 | 32,283,538 |
| Less: cash and cash equivalent balances acquired at acquisition date | (2,286,806) | (2,895,488) |
| | **16,985,373** | **29,388,050** |

## 27. FINANCIAL INSTRUMENTS (IFRS 7)

### *(a) Capital risk management*

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

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

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

### *(b) Significant accounting policies*

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

### *(c) Financial risk management objectives*

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

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

## 27. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

### *(d) Market risk*

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

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

### *(e) Interest rate risk management*

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

### *(f) Liquidity risk management*

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

### *(g) Fair value of financial instruments*

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

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

| **2018** | **1 EUR = RON 4,6639 RON** | **EUR** | **Total** |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 34,206,159 | - | 34,206,159 |
| Trade receivables | 78,957,879 | - | 78,957,879 |
| Financial assets | 1,533,509 | 8,582,267 | 10,115,776 |
| **LIABILITIES** | | | |
| Trade payables | 140,970,528 | - | 140,970,528 |
| Liabilities held for sale | - | 458,785 | 458,785 |
| Overdraft | 9,327,800 | 21,583,218 | 30,911,018 |
| Short-Term and Long-Term portions of loans | 44,464,202 | 265,711,653 | 310,175,855 |
| Short-Term and Long-Term portions of financial leasing | 2,056,966 | 33,417,737 | 35,474,703 |

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

## 27. FINANCIAL INSTRUMENTS (IFRS 7) (continued)

### *(g) Fair value of financial instruments (continued)*

| **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 |

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, 2018** | **December 31, 2017** |
|---|---|---|
| Profit or loss | 31,258,913 | 25,529,579 |

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

## 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, 2018. 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 | | 140,970,528 | 140,970,528 | - | - |
| **Interest bearing instruments** | | | | | |
| Liabilities directly linked to assets held for sale | | 458,785 | 458,785 | | |
| Loans - others | EURIBOR/ROBOR + applicable spread % | 44,693,375 | 5,828,289 | 33,650,457 | 5,214,629 |
| Club Loan | EURIBOR/ROBOR + applicable spread % | 265,482,480 | 17,334,201 | 248,148,279 | - |
| Transilvania overdraft and others | | 30,911,018 | 30,911,018 | - | - |
| Lease contracts | | 35,474,703 | 8,949,472 | 26,525,231 | |
| **Total** | | **517,990,889** | **204,452,293** | **308,323,967** | **5,214,629** |

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

## 27. 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** |

## 28. COMMITMENTS AND CONTINGENCIES

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

**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.

**Other commitments**

As at December 31, 2018 and December 31, 2017, the Group holds insurance policies to cover possible liabilities towards doctors for malpractice as well as insurance contracts related to buildings and medical equipment.

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

BCR issued letters of warranties in the favour of Med Life S,A, in amount of RON 2,138,270, out of which in EUR 332,046 as of December 31, 2018 (December 31, 2017: RON 1,710,563, equivalent of EUR 323,559).

**Fiscal environment**

The taxation system in Romania is still developing and is subject to various interpretations and constant changes, which may sometimes be retroactive. Although the actual tax due for a transaction may be minimum, delay interests may be significant, as they can be calculated at the value of the transaction and at a rate of 0.02% per day (interest) and 0.01% (penalties) per day in 2018.

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

**Transfer pricing**

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

**Litigation**

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

## 29. AUDITORS 'FEES

The auditor of the Group is Deloitte Audit SRL.

The fee for the audit of the consolidated financial statements as of December 31, 2018 of the Group prepared in accordance with IFRS as adopted by EU and the individual financial statements as of December 31, 2018 of the Group prepared in accordance with IFRS as adopted by EU of Med Life SA was EUR 115,500 excluding VAT and out of pocket expenses.

The fee for other audit related services performed in 2018 (in accordance with ISAE 3000 and ISAE 3,240) was EUR 8,000, excluding VAT.

## 30. EVENTS AFTER THE BALANCE SHEET DATE

**Initiation of Share buy-back Program**
Medlife announced, by decision of the Board of Directors adopted on 18 October 2018, the initiation of the share buy-back program starting on 9 November 2018. By the EGSM decision of October 8, 2018, it was approved the buy-back of a maximum number of 868,000 own shares for a maximum period of 18 months from the date of publication of the decision in the Official Gazette of Romania. Thus, Medlife will buy-back up to 868,000 own shares with a nominal value of 0.25 lei / share, not exceeding the 10% threshold of the share capital of the Company. The own shares acquired under the Program will be offered to former or current members of the management or former or current employees of some of the Company's subsidiaries in exchange for the shares held by them in the respective subsidiaries of the Company.

**Increase participation in Group Sama Craiova and Group PDR Brasov**
Medlife has announced the acquisition of a 35% stake in Group Sama Craiova, which is why Medlife has become the shareholder with 90% shares (from 55% of the initial package). Medlife also has acquired another 3 percent of the Group PDR Brasov (Policlinica de Diagnostic Rapid), the company currently owning 83% of the package (from 80% initial package). Additional shares of Sama and PDR groups were acquired by Medlife as a result of an exchange with Medlife's shares, a decision taken by the Board of Directors of the Company, empowered by the Extraordinary General Meeting of Shareholders on October 8, 2018. This operation aims at alignment at the group level, but is also in line with the acquisition strategy, which recognizes and encourages the contribution of the founders of the subsidiaries to the integrated activity of the Medlife Group.

**Acquisition of Rozsakert Medical Center Hungary**
Medlife announced the first international transaction: the purchase of 51% of the majority package of Rozsakert Medical Center in Hungary. Rozsakert Medical Center is among the top 10 private health care providers in Hungary. The company is comprised of a multidisciplinary clinic that includes a compartment 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.

There were no other significant events after December 31, 2018.

Approved by the Board of Directors on the date of March 21, 2019 and signed on behalf of by:

**Mihail Marcu,**
Administrator

**Vera Firu,**
Director Economic