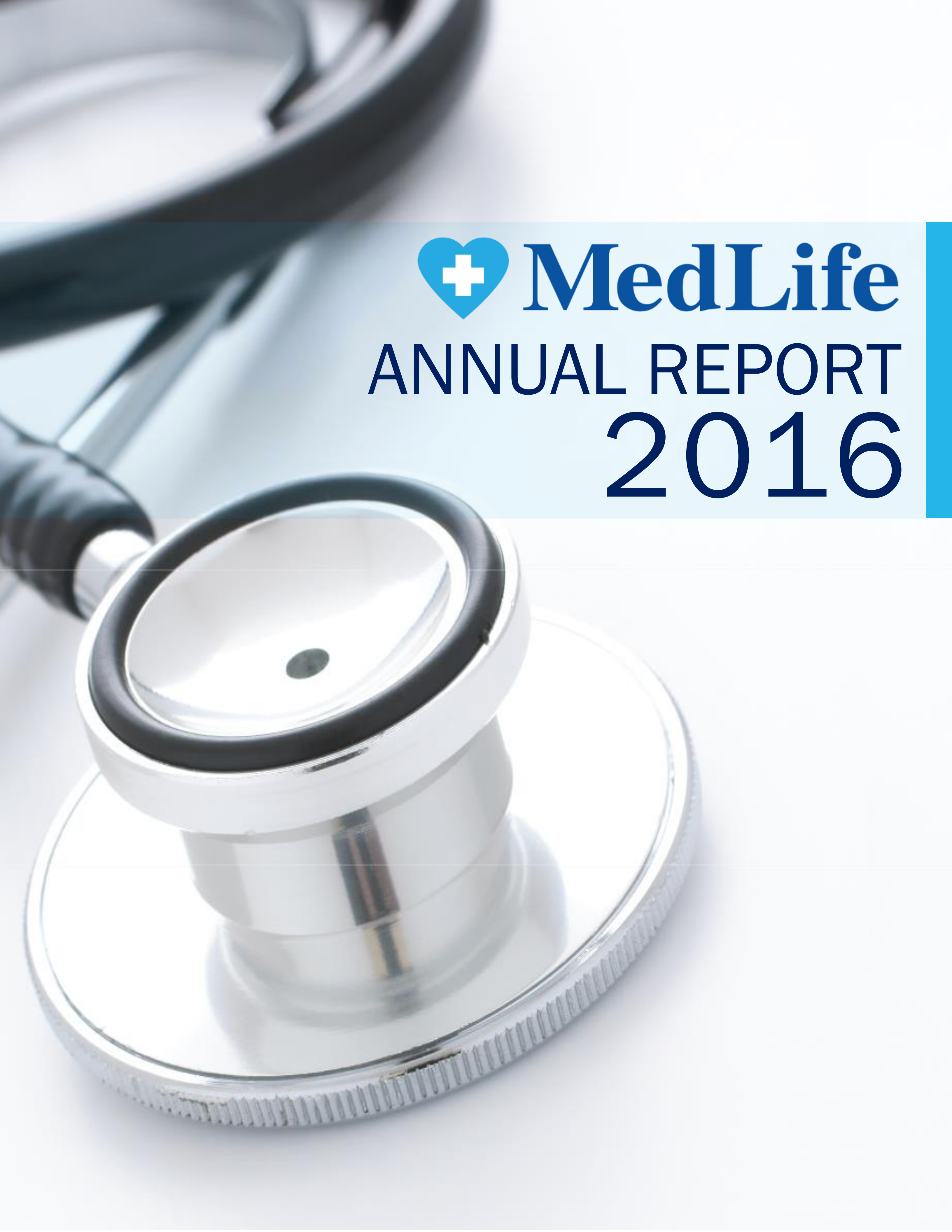


# MedLife

# ANNUAL REPORT 2016

# CONTENTS



# MEDLIFE GROUP IN FIGURES

## Consolidated Statement of Financial Position

| RON | 31 December 2016 |
|---|---|
| Non-current assets | 375,364,713 |
| Current assets | 90,754,747 |
| **TOTAL ASSETS** | **466,119,460** |
| Current liabilities | 145,300,339 |
| Long term liabilities | 213,144,255 |
| Deferred tax liability | 14,655,982 |
| **TOTAL LIABILITIES** | **373,100,576** |
| Equity attributable to owners of the Group | 81,546,473 |
| Non-controlling interests | 11,472,411 |
| **TOTAL EQUITY** | **93,018,884** |

## Pro Forma Consolidated Statement of Profit and Loss

| RON | FY 2016 |
|---|---|
| Sales | 526,816,210 |
| Other operating revenues | 7,179,488 |
| **OPERATING INCOME** | **533,995,698** |
| **OPERATING EXPENSES** | **(500,048,514)** |
| **OPERATING PROFIT** | **33,947,184** |
| **FINANCIAL RESULT** | **(18,041,681)** |
| **RESULT BEFORE TAXES** | **15,905,503** |
| Income tax expense | (4,725,375) |
| **NET RESULT** | **11,180,128** |

## Operational data for 2016 financial year

| Description | For FY 2016 |
|---|---|
| Clinics visits | 909,132 |
| Dental offices visits | 69,111 |
| Laboratory tests | 4,223,840 |
| Health Prevention Packages (as at 31 December 2016) | 420,933 |
| Hospitals patients | 56,283 |
| Pharmacies transactions | 264,604 |

# MIHAIL MARCU

## Chairman of the Board and Chief Executive Officer

Dear Shareholders,

2016 was a year of challenges for MedLife, a peak year, when we managed to obtain remarkable financial results and to successfully complete the listing of our company on the Bucharest Stock Exchange, with a significant degree of subscription and a large, balanced distribution, as regards both retail and institutional investors.

The history of MedLife started 21 years ago, at the ground floor of a house in Bucharest. The passion, enthusiasm and dedication to medicine determined Dr. Mihaela Marcu to continue developing the company. From the very beginning, one of our most important goals was to provide Romanians with access to high performance healthcare services in our MedLife clinics and hospitals, in as many areas of the country as possible. During all these years, we have never ceased to innovate, to know, to invest in our physicians and in medical devices and to be present, as close to our patients as possible.

In 2016, MedLife expanded with green field projects, inaugurating the 17th hyperclinic in the company's portfolio in Ploiești, providing integrated outpatient services, imaging and laboratory tests, under the same roof. The new unit offers patients investigations and treatments for 22 medical specialties and it has 14 medical practices for examinations and clinical and paraclinical investigations. 2016 also meant the completion of five important acquisitions for MedLife. By acquiring the majority shares package in the Dent Estet group of companies, MedLife has become leader of the dentistry segment, with Dent Estet being one of the few niche businesses in Romania that has had a well-defined business strategy from the very beginning, as regards the development and expansion of the company, thus recording a constant year-over-year growth. These common values have been a great premise for us to come together and act under the umbrella of an integrated system; the alignment of two leaders on the private healthcare services market in Romania was a first.

The full acquisition of the Prima Medical imaging centre and the Diamed Center network of laboratories has helped reinforce our leadership position in the south-east of the country, with "Sfânta Maria" laboratories also being based on Diamed Center.

Stem Cells Bank meant entering a new business segment, as it is one of the most modern and best-equipped stem cells bank in South Eastern Europe. By integrating this new service, we provide full solutions for the over 3,500 births in our three MedLife maternity hospitals. The list of acquisitions completed in 2016 ends with Panduri Medical Centre, a reference operator with an activity of over 9 years on the market in the Capital, having two medical test laboratories and two clinics.

The end of the year meant listing MedLife in the Bucharest Stock Exchange. 21 December 2016 was the day when the company's shares were admitted for trading on the spot regulated market managed by the Bucharest Stock Exchange, Premium Category, with the "M" trading symbol. The listing was conducted by the initial public offering initiated by V4C Eastern Europe Holding V Limited and International Finance Corporation, member of the World Bank Group, by selling 8,840,480 shares owned by the selling shareholders. The two partners, V4C and IFC, have had an important contribution to the company MedLife, particularly as regards acquisitions, proving their dedication to the development of local capital and the private healthcare sector.

In perspective, 2017 will continue at the same accelerated pace. We have started on an expansion trend, we have announced the acquisition of two important companies, first of them is Almina Trading whose transaction has already been concluded on the date of this report and Anima, for which we are waiting the resolution of the Competition Council and condition precedents approval. At the same time, we are considering a new series of green field projects and the development of new business lines.

# Significant events in the past twelve months

## Developments in 2016

### Organic growth

During 2016, the Med Life S.A. ("the Company") opened in Ploiesti the 17th Hyperclinic from MedLife portfolio. The new unit offers patients investigation and treatment for 22 medical specialities, including pediatrics, ENT, gastroenterology, orthopedics, dermatology, general surgery and neurosurgery. The new facility covers an area of 700 square meters, is located on two levels and includes 14 medical offices for consultations, clinical and laboratory investigations. The medical team consists of more than 50 doctors and support staff.

### Acquisitions completed in 2016

During 2016, the Company completed the purchase of:

- Dent Estet, which has provided to MedLife Group ("the Group") a strong platform for the further development of a standalone Stomatology business line, following the opening of the Group's first standalone stomatology clinic in May 2015. The acquisition makes the Group the leader in this highly fragmented segment. The Group has already identified and is assessing further potential acquisitions in the Stomatology business line.
- Diamed Center, a laboratory operator, which is being used as a launching base for the "Sfânta Maria" laboratories brand.
- Prima Medical, an imagistic center located in Craiova, which complements the Group's existing footprint in the region.
- Stem Cells Bank, a complementary activity to the Group's maternity services. The Group had previously outsourced this activity and the addition of Stem Cells Bank allows the Group to capture additional revenue and profit.
- Centrul Medical Panduri S.A., a medical company operating two clinics and one laboratory in Bucharest, which further expands the Group's position in Bucharest.

### Credit facilities contracted by the Company during 2016

1. **Club Loan**

The Company, together with Bahtco Invest, Accipiens and PDR (as borrowers) concluded on March 2, 2016 a Club Loan, a credit facility agreement with a club of credit institutions composed of the Banca Comercială Română S.A., BRD – Groupe Société Générale S.A., ING Bank N.V. Amsterdam – Bucharest Branch and Raiffeisen Bank S.A.. The financing parties have provided to borrowers three credit facilities, totaling EUR 48,764,589.89 and RON 27,000,000, as follows:

(a) Term facility in EUR, totaling 28,764,589.98, allocated as follows:
- Up to EUR 15,711,008.29 to the Company,
- Up to EUR 972,937.81 to Accipiens,
- Up to EUR 6,486,252.13 to Bahtco Invest,
- Up to EUR 5,594,391.75 to PDR,

intended for the total refinancing of the sums owed by each of the above entities under a credit facility agreement concluded with BCR on August 28, 2014.

(b) Revolving type facility in RON, amounting to RON 27,000,000, granted to the Company in order to refinance in full the amounts owed by it under a credit facility agreement concluded with BCR on August 28, 2014 and financing current needs of the Company;

(c) A term facility in euro, totaling EUR 20,000,000, granted to the Company for the acquisition of shareholdings in companies with similar or complementary activities to those of borrowers (**"Target companies covered by the Club Loan**"), respectively, within EUR 3,000,000 to the Companies Targeted by the Club Loan that will join as borrowers to the credit facility agreement to refinance their financial debts.

2. **Loans from International Finance Corporation, a member of World Bank Group**

The Company (as borrower) together with Accipiens, Bahtco Invest and PDR (as co-debtors) concluded the term loan agreement dated September 30, 2016, in the maximum amount of EUR 10,000,000 intended to finance the investment plan of the Company and of co-borrowers to expand their operations, both organically and through acquisitions of holdings in companies with activities similar or complementary to those of the borrowers.

**Listing and Trading**

Starting from 21th of December 2016, the shares issued by MedLife SA are traded on the stock market managed by the Bucharest Stock Exchange, Premium Category, with the "M" trading symbol.

The listing was made through the initial public offering initiated by V4C Eastern Europe Holding V Limited and International Finance Corporation, member of the World Bank Group through the sale of 8,840,480 ordinary shares owned by the selling shareholders, as follows : a number of 7,283,360 Shares owned by V4C Eastern Europe Holdings V Limited and a number of up to 1,557,120 Shares owned by International Finance Corporation.

# MedLife's commitment

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

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

It is to your benefit that we bring the experience of our over 20 years of activity on the private healthcare service market in Romania. We are committed to providing unique services due to the professionalism, care and responsibility of our medical staff, with the ultramodern equipment and facilities that we make available to every patient, every day

# COMPANY PRESENTATION

Founded in 1996, MedLife is the leading private healthcare provider in Romania. According to the 2016 PMR Report, it holds leadership positions in key metrics including sales, number of clinics, number of hospital beds and number of HPP subscribers. It is also one of the large private healthcare companies in CEE by sales, according to the Group's review of public data.

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

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

The Group has the largest number of medical facilities in Romania. These include 35 medical facilities in Bucharest, making it the largest private healthcare network in the city, and a further 53 medical facilities in
.
the rest of Romania including in cities and towns such as Arad, Brasov, Galati, Craiova, Ploiesti, Cluj Napoca, Iasi, Timisoara, and Constanta. The Group owns the real estate underlying its most significant hospital facilities in Bucharest as well as its hospitals in Brasov and Arad. Other facilities are used under long term leases.

The Group provides its services via the largest single pool of private doctors and nurses in Romania, totaling approximately 2,000 doctors and 1,300 nurses as of 31 December 2016. The Group's policy is to favour the employment of medical staff on an exclusive basis, unlike many competitors which share their medical staff with other private healthcare providers or with the public healthcare facilities. The Group engages part-time professionals only for specific specialities or functions. In addition, committed to providing quality medical services, the Group has consistently invested in medical equipment supporting its market position as a technology leader in diagnostic imaging.

In the Company's 20 years of operation on the Romanian market, over 5 million unique patients were provided services in the Group's medical facilities, which accounts for over one in four Romanians, based on the population data of Eurostat for 2015.

MedLife units as at 31 December 2016

- 37 clinics,
- 8 hospitals,
- 26 laboratories,
- 143 sampling points,
- 8 dental offices,
- 9 pharmacies.

# Business Model

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

The Group divides its operations into six business lines:

**Corporate**: The Corporate business line offers HPP to corporate clients as part of their employee benefit packages. These programmes, which focus on prevention through regular check-ups and access to diagnostic services, complement the legally required occupational health services that corporate clients also contract from MedLife under the HPP offering. MedLife holds a portfolio of over 505,000 subscribers to its programmes from over 4,500 different companies. The Group has the largest base of individuals benefiting from HPP in Romania, according to the 2016 PMR Report.

**Clinics**: The Clinics business line includes the Group's ambulatory clinics and diagnostic imaging services. Clinics offer general practitioner and specialist consultations and include the Group's outpatient diagnostic imaging services. Certain of its clinics also undertake day hospitalization services. As of 31 December 2016, the Group covered 44 medical specialities in its 37 clinic locations.

**Laboratories :** The Laboratories business line provides biochemistry, haematology, coagulation, immunology, microbiology, anatomy, pathology, cytology, molecular biology and toxicology laboratories tests. The Laboratories business line conducted a total of 4,223,840 laboratories tests during 2016. As of 31 December 2016, the Group processed its samples in 26 labs and operated 143 sampling points across the country

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

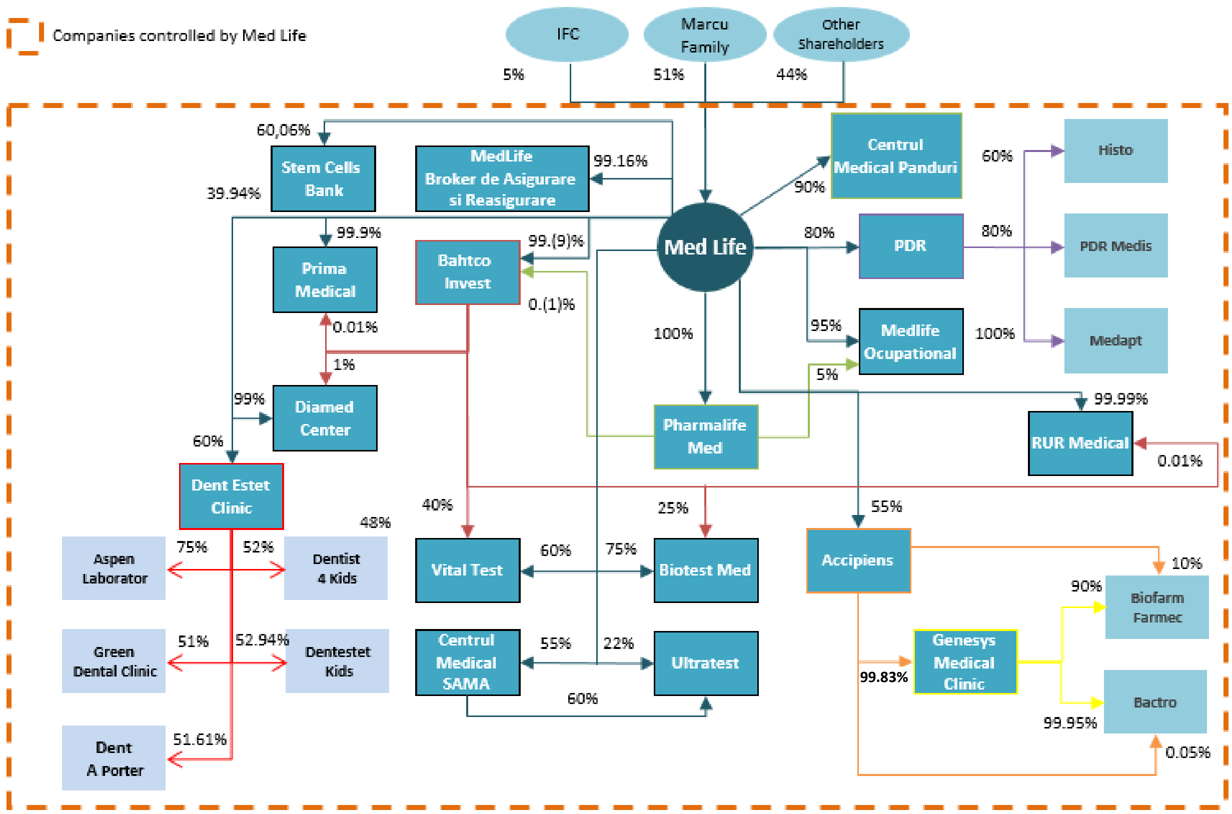
The financial results from these three 1-day hospital services are accounted for in the Clinics division. The Group regards these units as functional parts of the hyperclinics located in Iași, Craiova and Timișoara. The Group's 8 hospital locations and the additional three 1-day inpatient units have a total of 620 licensed beds and 25 operating theatres as of 31 December 2016, forming the largest chain of private hospitals in Romania.

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

**Stomatology**: The Stomatology business line provides a wide range of dental services from simple check-ups to complicated surgery. As of 31 December 2016, the 8 dental offices in operation included 2 clinics focused on children in Timisoara and Bucharest, a clinic focused on teens, and 5 clinics for adults.

# MedLife group structure as at 31 December 2016

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




A further brief description of the companies within the Group (except Med Life S.A.) is provided below.

## Accipiens

Accipiens S.A. ("Accipiens") is a company active in Arad, which operates, through Genesys Medical Clinic S.R.L., a company where it holds 99.83% of the share capital, the Genesys hospital in Arad. MedLife acquired 55% of the share capital of Accipiens in February 2011, with the remaining 45% being held by minority shareholders that are former owners of Accipiens

## RUR Medical

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

## PDR

Policlinica de Diagnostic Rapid S.A. ("PDR") is a company carrying out specialised medical activities, which operates, directly and through companies under its control, the Group's PDR Hospital, PDR Hyperclinic, Livada Hyperclinic, as well as a number of laboratories in Brasov, Romania. MedLife acquired 80.008% of PDR's share capital in August 2010, with the remaining 19.992% being held by minority shareholders that are former owners of PDR.

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

### Centrul Medical SAMA
Centrul Medical SAMA S.A. ("CM Sama") is a company carrying out specialised medical activities, which operates, directly or through companies under its control, the MedLife Craiova Hyperclinic, which can provide day-hospitalisation as well as the usual clinics services, and a network of laboratories in Craiova and in other cities in the south-west of Romania. MedLife completed the acquisition of 55% of the share capital of CM Sama in February 2015, with the remaining 45% being held by minority shareholders that are former owners of CM Sama.

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

### MedLife Broker de asigurări
Med Life Broker de Asigurare și Reasigurare S.R.L. ("MedLife Insurance Broker") is a company carrying out insurance intermediation activities. MedLife Insurance Broker is fully controlled by MedLife, which holds a participation of 99.1611% in MedLife Insurance Broker's share capital, with the remaining shareholding of 0.8389% being held by Dorin Preda (who is a member of the Board of Directors in MedLife).

### MedLife Ocupațional
Med Life Ocupațional S.R.L. ("MedLife Ocupational") is a company carrying out general medical assistance activities. MedLife Ocupational is fully controlled by MedLife, which holds a participation of 95% in MedLife Ocupational's share capital, with the remaining shareholding of 5% being held by PharmaLife.

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

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

### Stem Cells Bank
Stem Cells Bank S.A. ("Stem Cells Bank") operates a stem cells bank in Bucharest and Timisoara, Romania. MedLife completed the acquisition of 60.0626% in the share capital of Stem Cells Bank in March 2016, with the remaining 39.9374% being held by minority shareholders that are former owners in Stem Cells Bank.

### Dent Estet
Dent Estet Clinic S.A. ("Dent Estet") is a company active in the dental care business, which operates, directly and through companies where it holds a majority stake, 8 dental clinics in Bucharest and Timisoara and one dental laboratory. MedLife completed the acquisition of 60% of the share capital of Dent Estet in July 2016, with the remaining 40% being held by the founder of Dent Estet.

### Centrul Medical Panduri
Centrul Medical Panduri S.A. ("CM Panduri") is a company providing specialised medical assistance in two clinics and a laboratory in Bucharest. MedLife completed the acquisition of 90% in the share capital of CM Panduri in October 2016, with the remaining 10% being held by a minority shareholder that is the former owner of CM Panduri.

# BOARD OF DIRECTORS

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

## Board of Directors structure

### Mihail Marcu (30 September 1970)

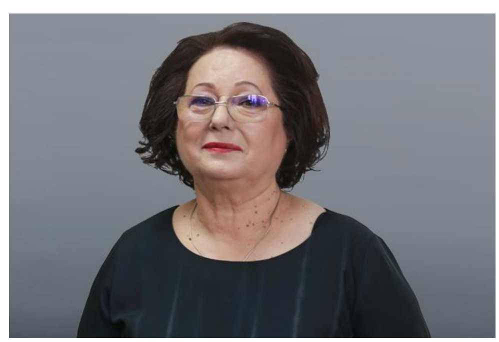
**Mihail Marcu** has been the Chairman of the Board of Directors of MedLife since August 2006. Mihail Marcu is a graduate of Bucharest University, the Mathematics and Computer Science Faculty in 1995, and has further graduated other post-graduate and advanced training courses delivered by the Romanian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

### Nicolae Marcu (26 October 1968)

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

### Mihaela-Gabriela Cristescu (28 August 1942)

**Mihaela-Gabriela Cristescu** has been a member of the Board of Directors of MedLife since 2006, working for the Company in various positions as early as 1999; she is also the founder of the Company. Previously, Mihaela-Gabriela Cristescu worked as a primary care physician, pediatrics, in Dr. Victor Gomoiu Clinical Children's Hospital of Bucharest (1987-1999), and Călărași Children's Hospital (1981-1987). Mihaela- Gabriela Cristescu is a graduate of Carol Davila Medicine and Pharmacy University of Bucharest, Faculty of Medicine (1967).



Dimitrie Pelinescu-Onciul (11 August 1947)

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

Dorin Preda (3 April 1976)

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

Leonard Gherghina (21 February 1964)

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

Ion Nicolae Scorei (22 December 1974)

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

# EXECUTIVE COMMITTEE

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

Mihail Marcu, Chief Executive Officer

Nicolae Marcu, Chief Healthcare and Operations Officer

Dorin Preda, Chief Finance and Treasury

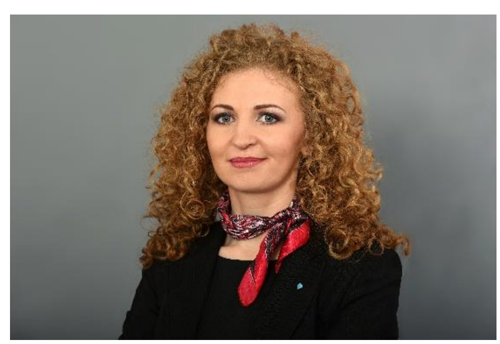
Adrian Lungu, Chief Financial Officer

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

Adrian Constantin Stanese, Human Resources Manager

Adrian Constantin Stănese has been the Manager of Human Resources Department since April 2016. In 2005, Adrian graduated Lucian Blaga University, Faculty of Science with a degree in psychology, and in 2007 graduated the masters studies from the same university in organizational psychology. In 2014, he graduated from postgraduate specialization studies in health management at Lucian Blaga University, Faculty of Medicine in Sibiu. Currently, he benefits from a ArtofHR scholarship for the Masters program in Business Administration (EMBA) within Contrugli Business School (2015-2017). Prior to joining the MedLife team Adrian held the position of Human Resources Manager in the Polisano Group (2008-2015) and was previously a Human Resources specialist (2005-2008).

Geanina Nicoleta Durigu, Laboratory Manager



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

**Mariana Ilea-Brates, Purchasing Manager**

Mariana Ilea-Brateş is the manager of the Supply Department of the Company since November 2004. Mariana Ilea-Brateş graduated in 1992 from the Polytechnic Institute of Bucharest, Faculty of Inorganic Chemical Technology. During university, she worked as a laboratory chemist at the National Institute of Wood (1986-1992), and after graduation she was a chemical engineer at the same institution (1992-2000). Before joining the MedLife team in 2004, she served as manager of procurement and management within Medicover.

**Mirela Dogaru, Corporate Manager**

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

**Mihai Stelian Vârciu, Medical Manager**

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

**Vera Firu, Accounting and Tax Manager**

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

# COMPANY MANAGEMENT

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

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

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

# PEOPLE AND RESOURCES

The Group services patients through the largest private pool of doctors and nurses in Romania. As of 31 December 2016, the Group collaborated with a total of approximately 2,000 physicians and 1,300 qualified nurses across its business lines, including both employees working exclusively for the Group and collaborators, providing services as independent contractors.

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

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

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

# MEDLIFE STRATEGIC OBJECTIVES AND DIRECTIONS

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

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

## Competitive strengths

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

- over 28,000 tests are processed daily in our laboratories.
- 70% of the total number of tests performed in the laboratories of the Group are processed within 24 hours
- over 1,200 laboratory tests are available to MedLife patients

# Development directions

## Organic growth

During the period between 2014 and 2016, the Company opened a number of new clinics and other facilities, particularly sampling points for its Laboratories business line. Many of these facilities are believed to still have the capacity to service greater numbers of patients, which should allow for the increase in their revenue and profit contribution, as they reach fuller utilisation. Further, the Group continues to optimize the mix of services offered at its other facilities to the specific local market conditions, seeking to improve the revenue and margins of each location. As a result, the continued ramp-up of these facilities is expected to improve margins as well as deliver further sales growth. The Company often takes advantage of the base facilities resulting from an acquisition to further organically expand the business of the acquired company.

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

As of 31 December 2016, the Group had 14 sampling points opened under the "Sfânta Maria" laboratories brand, adding organic growth to its acquisition. The Group is currently evaluating other organic development opportunities, including the launch of a new hospital outside Bucharest. These projects remain under development and as of the date of report have not been approved by the Board of Directors.

## Selective acquisitions and integration of other market players

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

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

The Group's acquisition strategy envisages the full integration of the acquired units into the MedLife system, ensuring uniformity of service, branding and other standards across the business. The Group's support functions such as human resource management, accounting, marketing, public relations and purchasing are centralized, thus reducing the costs and increasing the efficiencies within such functions. The Group pays particular attention to its IT solutions, which are a critical part of increased client service, and seeks to transfer its accumulated know-how to the operation of the acquired business. The Group's 12 past acquisitions and integrations provide a clear road map for further acquisitions.

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

In furtherance of this strategy, during 2016 the Company completed the purchase of:

- Dent Estet, which has provided the Group a strong platform for the further development of a standalone Stomatology business line, following the opening of the Group's first standalone stomatology clinic in May 2015. The acquisition makes the Group the leader in this highly fragmented segment. The Group has already identified and is assessing further potential acquisitions in the Stomatology business line.
- Diamed Center, a laboratory operator, which is being used as a launching base for the "Sfânta Maria" laboratories brand.
- Prima Medical, an imagistic center located in Craiova, which complements the Group's existing footprint in the region.
- Stem Cells Bank, a complementary activity to the Group's maternity services. The Group had previously outsourced this activity and the addition of Stem Cells Bank allows the Group to capture additional revenue and profit.
- Centrul Medical Panduri S.A., a medical company operating two clinics and one laboratory in Bucharest, which further expands the Group's position in Bucharest.

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

## Perspectives

The Group expects that its financial results will continue to grow as volumes at its facilities continue to grow and the financial results of the recent acquisitions continue to be consolidated in the financial results of the Group. It expects to continue to consider the acquisition of potential targets, which would result in an expansion of services in areas where it is present or allow the Group to enter into new geographic areas. The Group is also developing potential organic expansion opportunities in the Hospitals business line. In addition, the Company's subsidiary Dent Estet Clinic announced its intention to open a new dental clinic as well as other facilities in 2017.

# STATUTE OF CORPORATE GOVERNANCE

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

## General Shareholders Meeting

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

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

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

## The Board of Directors

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

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

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

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

## Consultative Committees

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

<u>Audit Committee</u>

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

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

<u>The Investment Committee</u>

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

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

<u>The Appointments and Remuneration Committee</u>

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

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

## Executive Committee

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

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

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


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

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

# RISK MANAGEMENT AND INTERNAL CONTROL

### Risk Management

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

### Foreign Exchange Risk

The Group is primarily exposed to the volatility of RON against EUR. Other currencies have only a limited impact on its cash flow and results. The effect of foreign exchange risk on cash flows is regularly monitored. For a detailed discussion of foreign exchange risk management, including sensitivity analysis, please refer to Note 27 (g) to the Annual Financial Statements.

### Operational Risk

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

### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group seeks to limit the credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular analysis of debt service, ageing of receivables, etc. Counterparty limits are established in combination with credit terms. With respect to credit risk arising from the Group's other financial assets, including cash and cash equivalents, its exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its credit risk with regard to other financial instruments by only dealing with banks believed to be reputable.

### Liquidity Risk

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

### Interest Rate Risk

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

### Internal Control

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

### Off-balance sheet arrangements

As of 31 December 2016, other than operating lease commitments and committed capital expenditure (as described above), the Group is not a party to any off-balance sheet obligations or arrangements.

### Changes in Accounting Policies

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

# MEDLIFE SHARES

### Subscribed and paid in share capital

Company's share capital is fully subscribed and paid and has a value of RON 5,023,000, of which RON 4,015,500 and RON equivalent of USD 362,161.1, representing a cash contribution and RON 2,935.5 contributions in kind of Mr. Mihai Marcu and Nicolae Marcu, as shareholders.

Company's share capital is divided into 20,092,000 nominative, freely transferable, fully paid ordinary shares, each having a face value of RON 0.25, issued in dematerialized form by registration in Company's shareholders register. The are no shares issued that do not represent share capital of the Company. The Company issued only one class of shares: ordinary. There are no shares in the Company held by the Company or its subsidiaries. The Company has not issued convertible securities, exchange securities or securities with warrants associated.

### History of the share capital of the Company

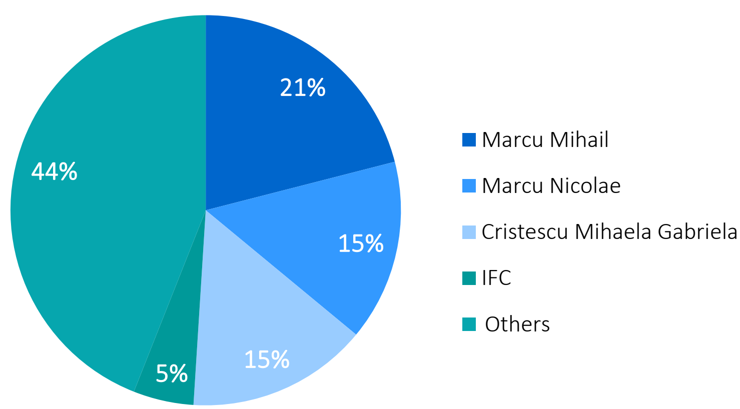
In the period 2013-2016 there were no changes in the share capital of the Company.

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

### Shareholding structure of Med Life S.A. as at 31 December 2016

As at 31 December 2016, MedLife S.A. had the following shareholding structure: Marcu family (51%), International Finance Corporation (5%), are traded on the spot regulated market managed by the Bucharest Stock Exchange, Premium Category, with the "M" trading symbol. Around 90 legal entities, both from Romania, and abroad, held approximately 41% of the free traded shares, the remaining percentage (3%) being owned by approximately 900 individuals.

| Shareholder | No. of shares |
|---|---|
| Marcu Mihail | 4,219,320 |
| Marcu Nicolae | 3,013,800 |
| Cristescu Mihaela Gabriela | 3,013,800 |
| IFC | 1,004,600 |
| Others | 8,840,480 |




### MedLife Shares

As at 31 December 2016, the price of a MedLife share was of 26.3 RON, an increase of 1.2% as compared to the share price on the debut date.

# DIVIDENDS POLICY

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

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

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

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

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

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

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

According to the Companies Law, a dividend distribution out of fictitious profits or from sources that cannot be distributed, in the absence of annual financial statements or contrary to the relevant data included in the financial statements, attracts the criminal liability of the directors, managers, members of the executive board or of the supervisory board or of the legal representatives of the company. Furthermore, if the Company registers a loss of its net assets, the share capital must be replenished or reduced before any dividend distribution. In addition, if the Company has accumulated losses, it may not pay dividends until the losses are offset.

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

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

MedLife registers positive satisfaction levels from patients, scores highly on customer’s recognition of its brands, and has a strong track record of referrals by its patients. MedLife has been recognised as the "Most

Trusted Brand" by Readers’ Digest in the Romanian Private Clinics category for six years in a row, including 2015, and is placed first among the Group's competitors in e-Research Company’s 2015 survey of unaided brand awareness.

# FINANCIAL ANALYSIS

*The following discussion of the Group's financial condition and results of operations as of and for the years ended 31 December 2014, 2015 and 2016 should be read in conjunction with the Financial Statements and the information relating to the Group's business included elsewhere in this Annual Report. Selected financial information in this section has been derived from the Financial Statements, in each case without material adjustment, unless otherwise stated. Investors should read the Annual Report together with the Financial Statements and other reports issued by the Group and not just rely upon summarized information.*

The following table sets out the Group's consolidated statement of profit and loss and other comprehensive income for the periods ended 31 December 2014, 2015 and 2016 respectively:

| | For the year ended 31 December, | | |
|---|---|---|---|
| | 2014 | 2015 | 2016 |
| **Sales** | **332,602,460** | **390,978,897** | **502,986,790** |
| Other operating revenues | 4,623,353 | 4,591,826 | 5,468,590 |
| **Operating income** | **337,225,813** | **395,570,723** | **508,455,380** |
| **Operating expenses** | **(310,914,057)** | **(366,579,247)** | **(488,901,027)** |
| **Operating profit** | **26,311,756** | **28,991,476** | **19,554,353** |
| Finance cost | (12,674,545) | (11,270,696) | (13,336,592) |
| Other financial expenses | (3,672,730) | (4,722,017) | (5,048,649) |
| **Financial result** | **(16,347,275)** | **(15,992,713)** | **(18,385,241)** |
| **Result before taxes** | **9,964,481** | **12,998,763** | **1,169,112** |
| Income tax expense | (2,308,529) | (3,093,994) | (2,411,102) |
| **Net result** | **7,655,952** | **9,904,769** | **(1,241,990)** |
| attributable to : | | | |
| Owners of the Group | 6,546,639 | 8,580,871 | (5,109,958) |
| Non-controlling interests | 1,109,313 | 1,323,898 | 3,867,968 |
| | | | |
| Gain/Loss on revaluation of properties | (101,150) | - | 3,398,211 |
| Corrections related to prior years | - | (391,949) | - |
| Deferred tax on other comprehensive income components | 16,184 | 62,335 | (543,714) |
| **Total other comprehensive income** | **(84,966)** | **(329,614)** | **2,854,497** |
| attributable to : | | | |
| Owners of the Group | (84,966) | (329,614) | 5,439,256 |
| Non-controlling interests | - | - | (2,584,759) |
| **Total comprehensive income** | **7,570,986** | **9,575,155** | **1,612,507** |
| attributable to : | | | |
| Owners of the Group | 6,461,673 | 8,251,257 | 329,298 |
| Non-controlling interests | 1,109,313 | 1,323,898 | 1,283,209 |

## Overview of the Group's sales streams

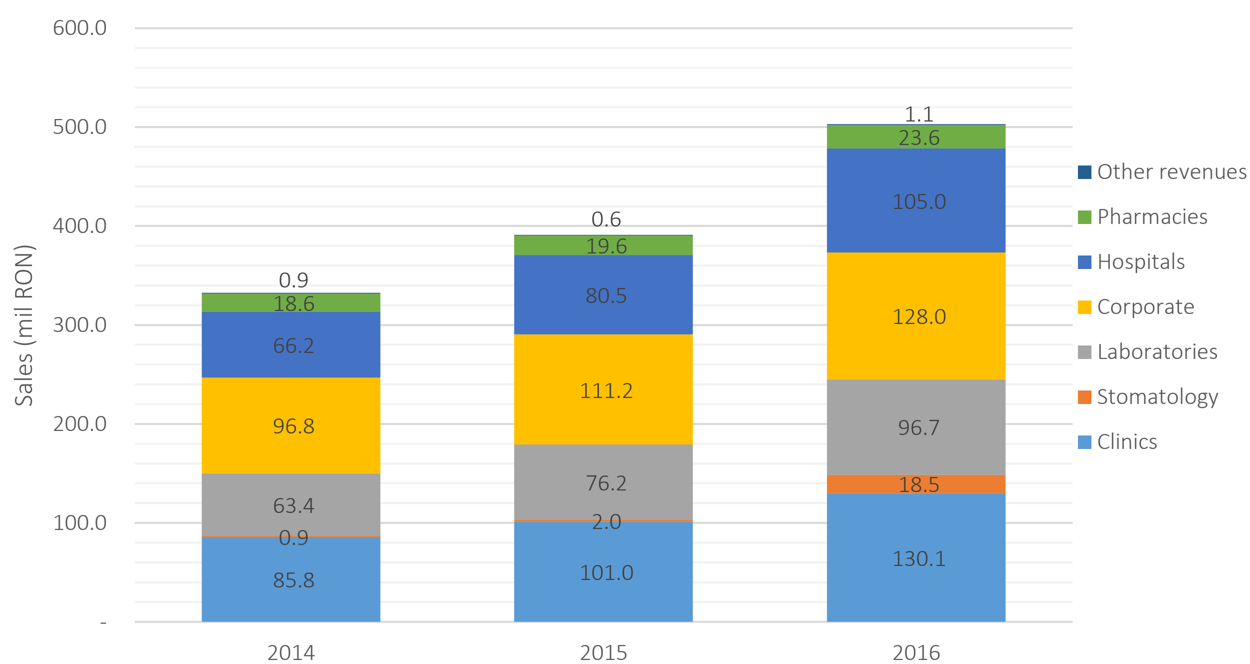
The Group's core activities are conducted through six business lines, providing a well-balanced business portfolio that covers all key segments of the private medical services market.

Sales for 2016 financial year amounted to RON 502,986,790, higher than the sales amount recorded in 2015 with RON 112,007,893 or 28.6%. This increase was mainly the result of significant growth in all of the Group's business lines, led on a percentage basis by Stomatology, Clinics and Laboratories as well as the impact of the acquisitions completed by the Group in 2016.

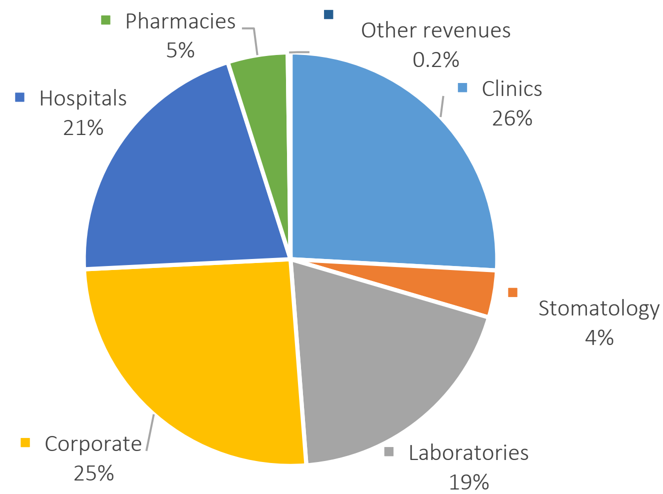
The following table sets out the sales for each of the Group's business lines for the years ended 31 December 2014, 2015 and 2016.

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | Change % 2015/2014 | Change % 2016/2015 |
| Sales (RON) | RON | RON | RON | | |
| Clinics | 85,770,273 | 101,014,108 | 130,109,363 | 17.8% | 28.8% |
| Stomatology | 930,250 | 1,973,307 | 18,504,217 | 112.1% | 837.7% |
| Laboratories | 63,378,774 | 76,187,985 | 96,725,937 | 20.2% | 27.0% |
| Corporate | 96,821,851 | 111,190,772 | 127,988,835 | 14.8% | 15.1% |
| Hospitals | 66,216,466 | 80,483,227 | 104,977,229 | 21.5% | 30.4% |
| Pharmacies | 18,572,490 | 19,573,149 | 23,597,580 | 5.4% | 20.6% |
| Other revenues | 912,355 | 556,349 | 1,083,629 | -39.0% | 94.8% |
| **TOTAL Sales** | **332,602,459** | **390,978,897** | **502,986,790** | **17.6%** | **28.6%** |

## Sales evolution 2014, 2015, 2016



From the Group's total consolidated sales of RON 502,986,790 in 2016, sales of the Corporate business line represented 25.4% of the total sales, while sales obtained by the Hospitals business line represented 20,9% of the total sales for the same period, sales of the Clinics business line represented 25,9% of the total sales for the same period, sales of the Laboratories business line represented 19,2% of the total sales for the same period, sale of the Pharmacies business line represented 4,7% of the total sales for the same period and sales of the Stomatology business line represented 3,7% of total sales recorded in the period. Other sales recorded in the twelve months period ended 31 December 2016 represented 0,2% of the total consolidated sales.




## Group sales evolution

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2016 | |
| | RON | % | RON | % | RON | % |
| Clinics | 85,770,273 | 17.1% | 101,014,108 | 20.1% | 130,109,363 | 25.9% |
| Stomatology | 930,250 | 0.2% | 1,973,307 | 0.4% | 18,504,217 | 3.7% |
| Laboratories | 63,378,774 | 12.6% | 76,187,985 | 15.1% | 96,725,937 | 19.2% |
| Corporate | 96,821,851 | 19.2% | 111,190,772 | 22.1% | 127,988,835 | 25.4% |
| Hospitals | 66,216,466 | 13.2% | 80,483,227 | 16.0% | 104,977,229 | 20.9% |
| Pharmacies | 18,572,490 | 3.7% | 19,573,149 | 3.9% | 23,597,580 | 4.7% |
| Other revenues | 912,355 | 0.2% | 556,349 | 0.1% | 1,083,629 | 0.2% |
| Total sales | 332,602,459 | 100% | 390,978,897 | 100% | 502,986,790 | 100% |

## Business model independent of NHIH funding

The Group’s business and revenue model focuses on the spending power of corporations and private individuals on medical services, while the State's contribution through the NHIH represents a complement, not the core revenue of MedLife’s activities. In 2016, 87% of the Group's revenue came from corporations and private individuals. During the same period, only 13% of the Group's revenue came from providing services to patients insured by State programmes. In 2014 and 2015, the Group's revenue from State insured patients represented 13%, and 12% respectively of the Group's total sales.

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2016 | |
| | RON | % | RON | % | RON | % |
| Corporations and Private Individuals for HPP and fee-for service payments | 290,995,095 | 87% | 342,498,549 | 88% | 437,598,507 | 87% |
| State insured patients paid by the NHiH | 41,607,364 | 13% | 48,480,348 | 12% | 65,388,283 | 13% |
| TOTAL | 332,602,459 | | 390,978,897 | | 502,986,790 | |

## Clinics

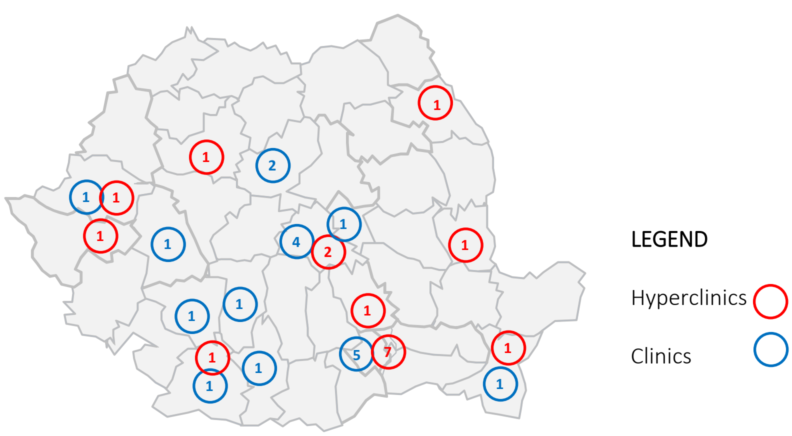
The core of the Group's operations is the network of ambulatory clinics throughout Romania. The business line comprises a network of 37 facilities, which offer a wide range of outpatient services covering a broad range of medical specialities. The Group's diagnostic imaging services provided to clients other than hospital inpatients also form part of this business line.

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

- Hyperclinics, a format pioneered by MedLife in Romania, consisting of large facilities with at least 20 medical offices and surface areas in excess of 1,000 sqm. It is a one-stop-shop for clinical examinations and imaging. This format is designed for larger urban areas, with a population over 175,000. Hyperclinics would usually include a broad range of imaging services on site including radiology, bone density – DEXA, CT, MRI 3T, 2D-4D ultrasounds and Mammography; in the case of new openings, such services may be included in the Hyperclinics' offering gradually. Hyperclinic locations also host the services of other business lines, such as pharmacies or sampling points for laboratories. As of 31 December 2016, the Group operated 17 Hyperclinics throughout Romania.
- Clinics, offering a range of treatments from general practitioner services to specialists, are aimed at servicing the core needs of the Group's HPP patients and FFS clients. The Group's clinics typically have between 5 and 12 medical offices, although smaller satellite clinics are in operation to address specific market situations. Clinics are designed for smaller cities or to serve specific concentrations of patients. Clinics, with limited capacity and generally limited imaging services, act as feeder networks for the more specialised services located in the Hyperclinics. Certain clinics are fully specialized, such as Mindcare and the Obor and Paediatrics hospitals, which also have dedicated outpatient units.

The revenue breakdown for Clinics, which excludes any revenue from servicing HPP patients (but includes their subsequent FFS spending), highlights the continued growth in sales supported by both existing and newly-opened clinics.

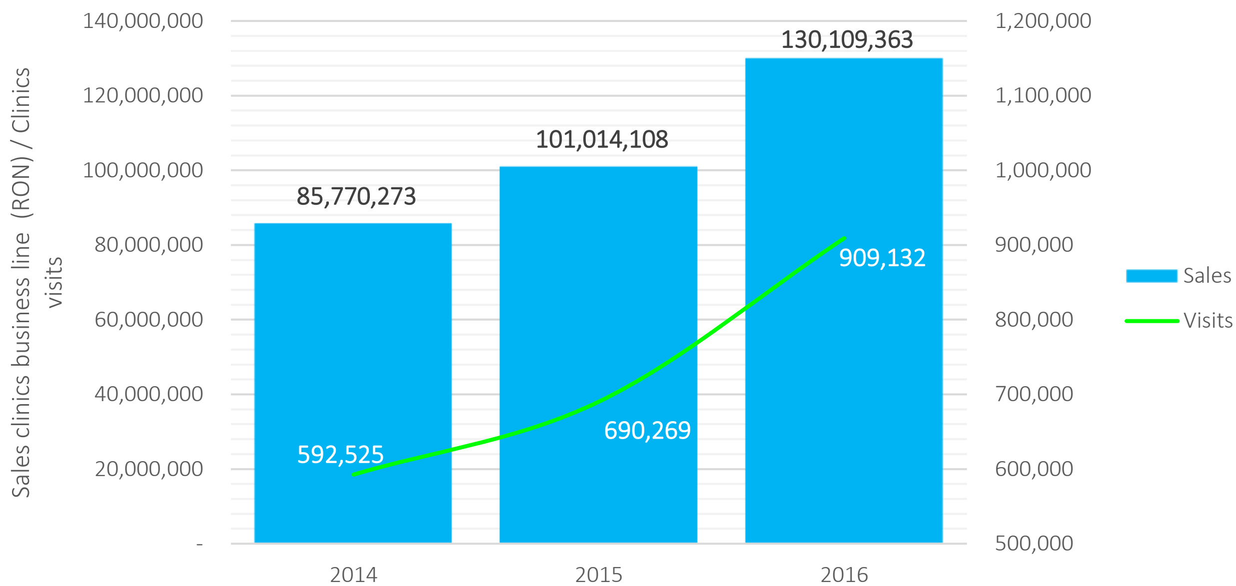
### Clinics network national footprint



## Analysis of clinics business line 2016 evolution

The sales of the Clinics business line increased in 2016 by RON 29,095,255, or 29%, from RON 101,014,108 in 2015 to RON 130,109,363 in 2016. The increase was due to a 32% increase in the number of visits, from approximate 690.000 in 2015, to approximate 909.000 in 2016. The increase in the number of visits were driven by the continued growth of customer numbers in the Group's clinics opened before 2016, as well as due to acquistions made during the year. The average fee per visit recorded a decrease of 2% from 146.3 RON/visit in 2015 to 143.1 RON/visit in 2016. The decrease was caused by the change in the mix of services accessed by the group's clients.

The Clinics business line derives its revenue predominately from FFS clients. Treatment of State insured patients for the NHIH, mainly relating to diagnostic imaging services, represented 6%, 9% și 10% of the business line's sales in 2014, 2015 and 2016, respectively.




# Corporate

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

MedLife has a portfolio of over 505,000 HPPs patients from over 4,500 different companies. The Group has the largest base of individuals benefiting from HPP in Romania, according to the 2016 PMR Report.

The HPPs offered by the Group consist of the following:

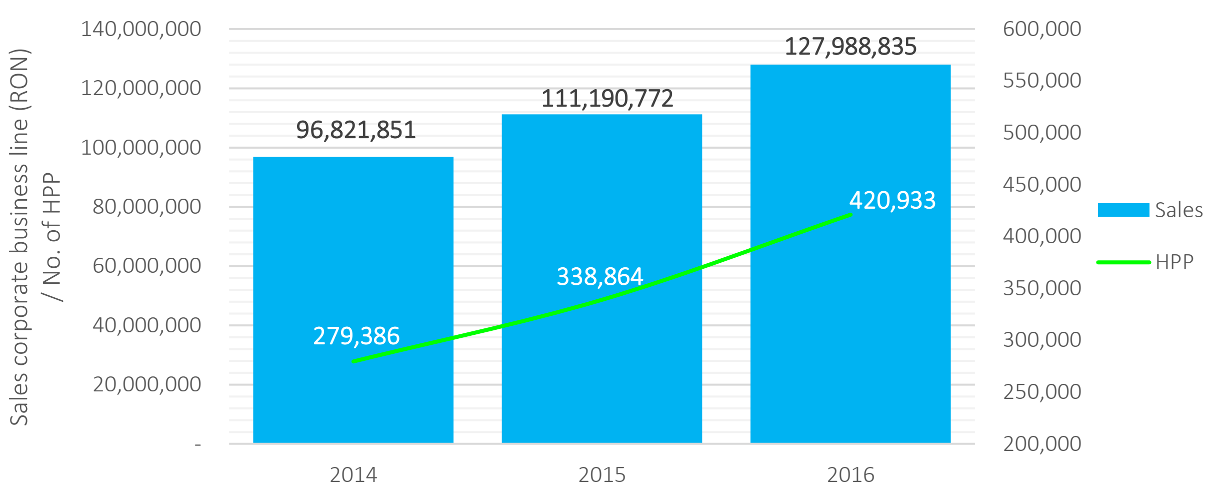
- Mandatory occupational health services, which mainly include the provision of annual employee check-ups and more specific services depending on the client's industry. Many companies begin by purchasing occupational health services under the "Standard" HPP and then add benefits under broader HPPs from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

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

## Analysis of corporate business line 2016 evolution

For the year ended at 31 Decembrie 2016, MedLife increased its revenues from HPP sales by 15%, as compared to the previous financial year. This was achieved by consistently growing the number of corporate clients and implicitly the number of its individual subscribers, while focusing on the retention and up-sale of existing clients The average annual price per HPP decreased by 7% or 24 RON in 2016 as compared to 2015 due to new subscribers that have HPP packages with a lower value than the average of the previous year. This is mainly due to Group expansion to markets outside Bucharest.

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

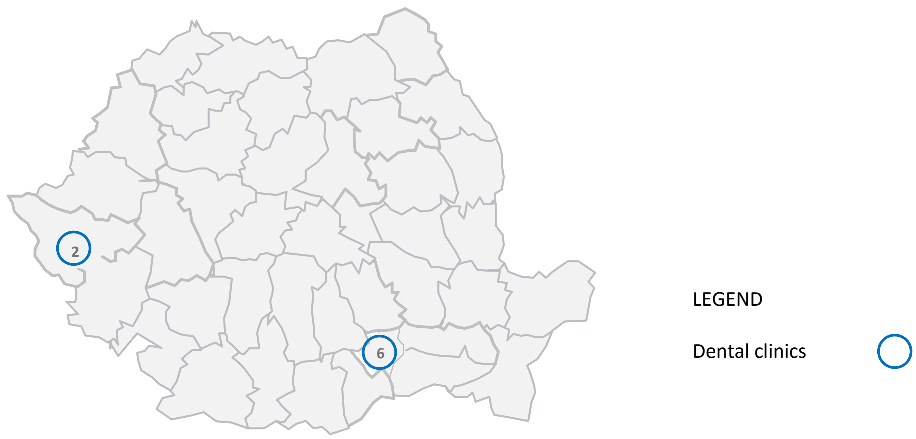


# Stomatology

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

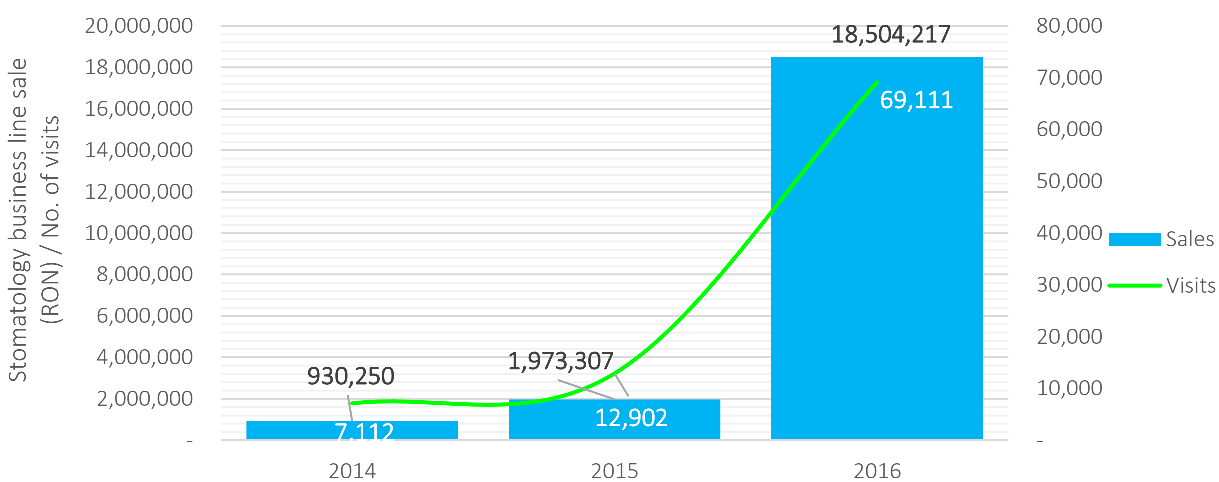
The Dent Estet acquisition propelled the Group to a leading position on the stomatology market, which remains highly fragmented. Following the Dent Estet acquisition, the Group plans to continue to expand under the Dent Estet brand, building on its strong existing positioning in the market The Group's Stomatology business line offers a full range of dental services, from routine check-ups to dental surgery, implants and orthodontics. As of 31 December 2016, 90 doctors were employed in this business line. The business line operates in leased facilities.

## Dental clinics national footprint




## Analysis of stomatology business line 2016 evolution

Stomatology business line sales increased in 2016 by RON 16,530,910, from RON 1,973,307 in 2015 to RON 18,504,217 in 2016. The increase in sales and visits was was due to Dent Estet acquisition. Stomatology is not subject to NHIH allocations; all of the sales are fee for service ("FFS") based.



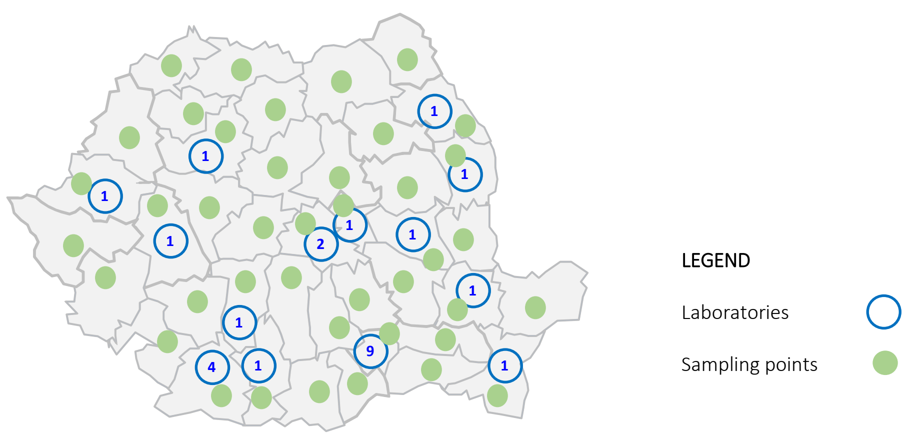
# Laboratories

The Group is a leading player in the field of laboratories, where the Group has been active since 1999. The Group is currently the leading laboratory chain focused on the private market, according to the 2016 PMR Report. The Laboratories business line provides the following range of services: biochemistry, haematology, coagulation, immunology, microbiology, anatomy, pathology, cytology, molecular biology and toxicology. More complex and unique types of laboratories tests are supported through a partnership with Cerba Laboratory (Pasteur) in France.

The Group operates 24 laboratories under the MedLife brand, ranging from the large, state-of-the-art Grivita lab facility to smaller regional facilities. As of 31 December 2016, the Group also operated approximately 143 sampling points throughout Romania. Sampling points are locations where the Group collects blood and other samples from patients.

In 2016, the Group acquired Diamed Center, a chain of five laboratories out of which two are located in Bucharest and three in other cities in Romania. The Group's objective is to use this acquisition as a platform for the launch of a second laboratory brand, "Sfânta Maria". This network will be positioned as a lower-priced laboratory venue compared to the MedLife branded laboratories and would offer patients a competitive alternative when price is a key purchasing decision. The Diamed Center laboratories are undergoing a process of re-branding of the existing locations, undertaken simultaneously with the opening of new sampling points under the "Sfânta Maria" laboratory brand. As of 31 December 2016, 5 laboratories and 14 sampling points had been established under the "Sfânta Maria" laboratory brand. The Group also expects that "Sfânta Maria" laboratories will work to expand the volume of contracted NHIH work, building on its existing base of NHIH contracts. However, this is not expected to materially change the Laboratories business line’s overall exposure to NHIH contracts.

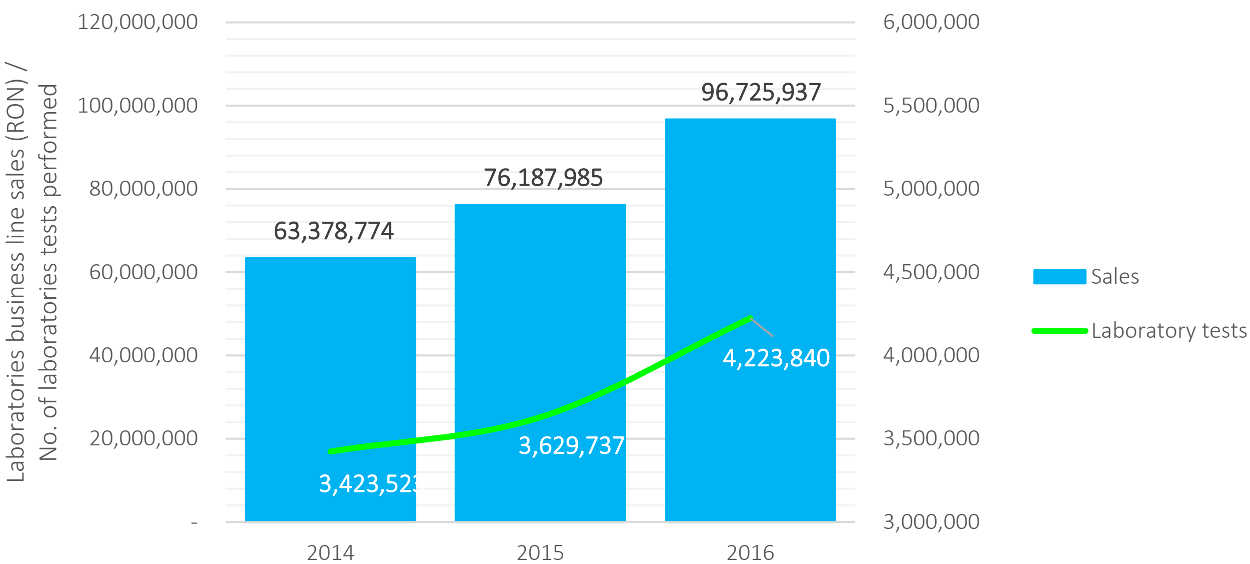
## Laboratories and Sampling Points national footprint




## Analysis of laboratories business line 2016 evolution

Laboratories sales increased in 2016 by RON 20,537,952, or 27%, from RON 76,187,985 in 2015 to RON 96,725,937 in 2016. The increase was largely due to an increase in the number of laboratory tests performed by 16% in 2016 as compared to 2015 from approximately 3,630,000 test in 2015 to over 4,223,000 laboratory tests in 2016, while the average fee decreased by 9%, from 21 RON/lab test in 2015 to 22.9 RON/lab test in 2016. The changes in average fees are due to changes in the mix of laboratory tests performed.

The Laboratories business line sources the bulk of its revenue from FFS clients. In 2016, only 16% of the busines line’s revenue came from servicing NHIH patients, while in 2015 and 2014 the corresponding figures were 15% and 17%, respectively.




## Spitale

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

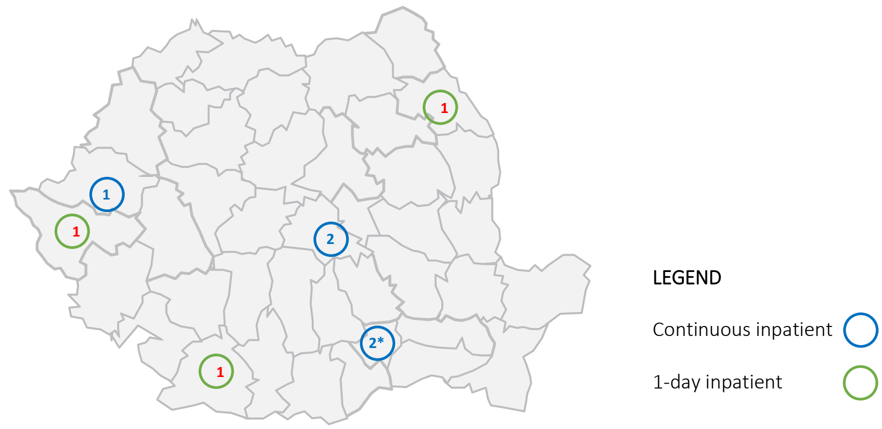
Between 2010-2016, the Group developed five new hospitals and bought and acquired and integrated two existing hospital business:

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

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

| | Paediatrics Hospital | LMH | Angio | Orthopaedics Hospital | Titan Hospital | Turnului Hospital | Eva Maternity | Genesys Hospital | Iași 1-day inpatient | Timișoara 1-day inpatient | Craiova 1-day inpatient | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ATI | 10 | 14 | - | 11 | 4 | 8 | 3 | 4 | 1 | 2 | - | 57 |
| Neonatology | - | 43 | - | - | - | - | 10 | 10 | - | - | - | 63 |
| Continuous Inpatient | 96 | 99 | 9 | 25 | 14 | 48 | 16 | 59 | 6 | - | - | 372 |
| 1-day inpatient | 26 | 26 | - | - | 11 | 26 | 6 | 4 | - | 8 | 21 | 128 |
| TOTAL | 132 | 182 | 9 | 36 | 29 | 82 | 35 | 77 | 7 | 10 | 21 | 620 |

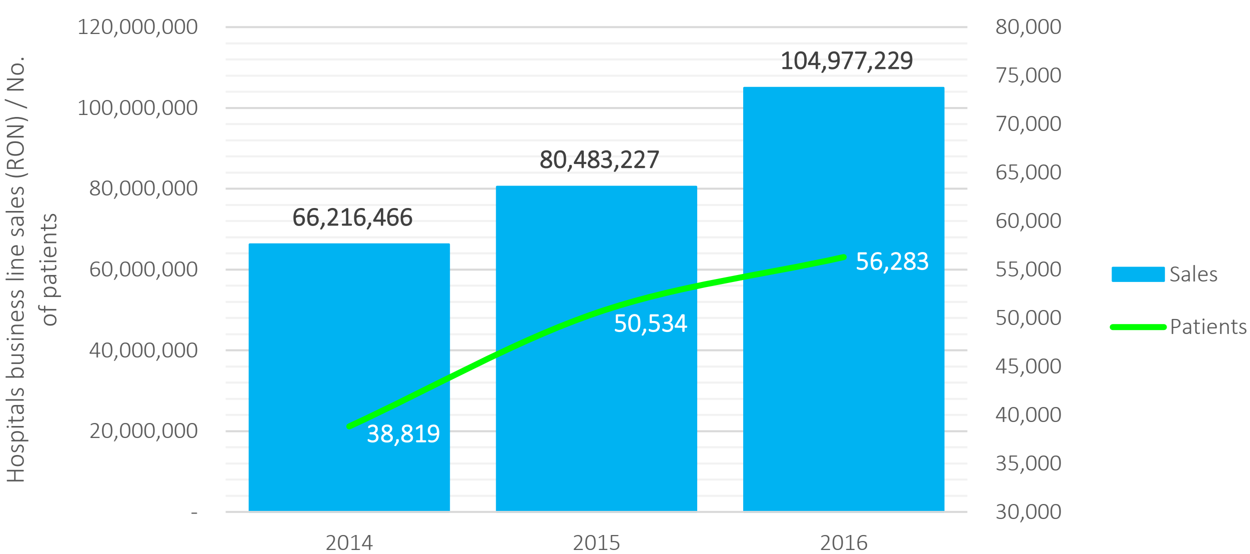
## Hospitals national footprint




## Analysis of hospitals business line 2016 evolution

The Hospitals business line's total sales increased in 2016 by RON 24,494,002, or 30%, from RON 80,483,227 in 2015 to RON 104,977,229 in 2016. The increase in 2016 was due to a 11% increase in the number of patients from approximately 50,500 in 2015 to approximately 56,300 in 2016. Also, in 2016 the average price per patient recorded a increase of 17% or RON 273 from RON 1,593 in 2015 to RON 1,865 in 2016. The average price per patient increase was driven by the much higher complexity of the surgeries undertaken.

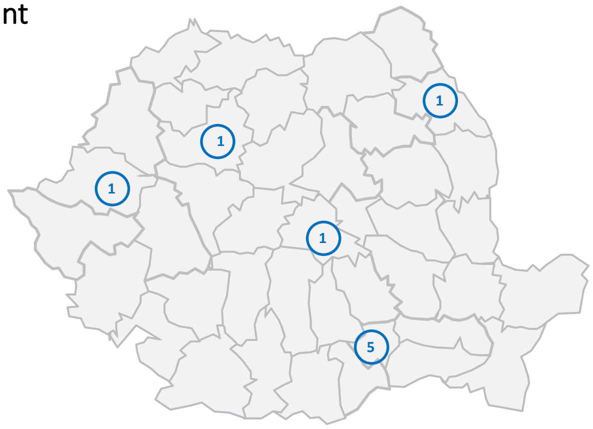
The Hospitals business line derives its revenue predominantly from FFS patients. Treatment of State insured patients for the NHIH, generally relating to maternity, gynaecology, and cardiology represented 29%, 26% și 27% of the business line’s sales in 2014, 2015 și 2016.



## Pharmacies

The Group launched its PharmaLife brand of pharmacies in 2010 to capture additional revenue from the patient traffic in the Group's clinics. PharmaLife operates pharmacies only in the Group's own facilities, space, license and sales potential permitting. As at 31 December 2016, 9 pharmacies were in operation, providing patients with prescription, over-the-counter and healthcare related products.

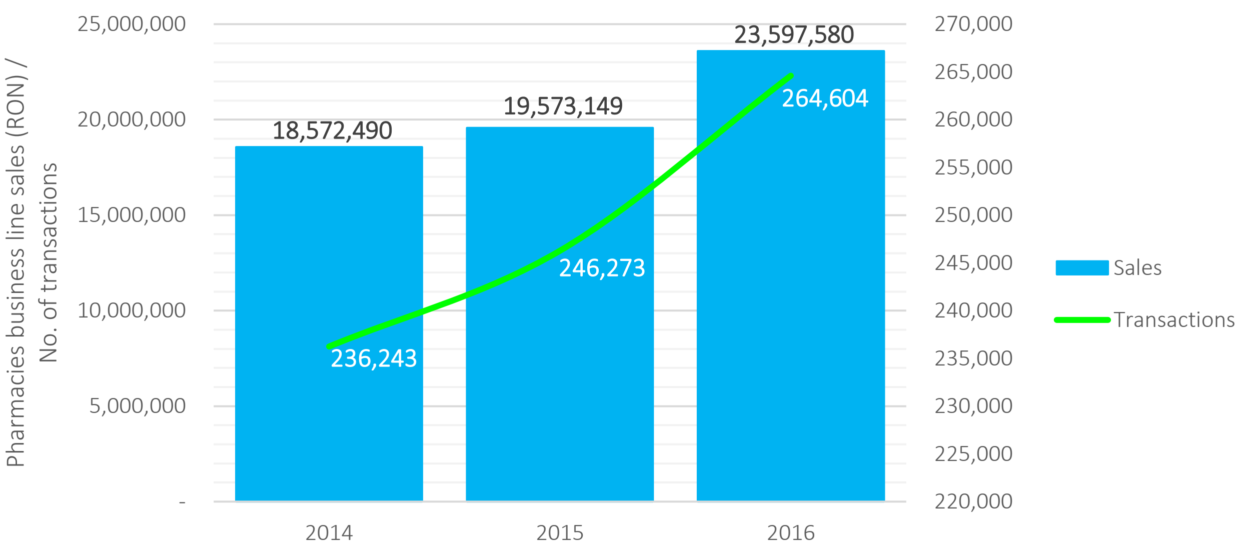
### Pharmacies national footprint




### Analysis of pharmacies business line 2016 evolution

The sales of the Pharmacies business line increased in 2016 by RON 4,024,431 or 21%, from RON 19,573,149 in 2015 to RON 23,597,580 in 2016. The increase was mainly due to an increase of 12% of the average value of each transaction from RON 79.5 per transaction to 89.2 RON per transaction, but also to the increase transactions from 246.273 in 2015 to 264.604 in 2016.

In 2016, 60% of the PharmaLife sales were cash-based, rather than NHIH-subsidised. In 2015 cash-based sales represented 66% out of total pharmacies business line.



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

### Other revenues

Other revenues include mostly sales brokerage commissions pertaining to the insurances intermediated by the Group's insurance broker. Other revenues increased in 2016 by RON 527,280 or 94.8%, from RON 556,349 in 2015 to RON 1,083,629 in 2016.

### Other operating revenues

Other operating revenues increased in 2016 by RON 876,764, or 139.5%, from RON 4,591,826 in 2015 to RON 5,468,590 in 2016. This item mainly includes the capitalized costs of intangible assets as a result of the Group's investment of its own resources in the further development of its IT platform.

### Operating expenses

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide the Group's services. The Group's operating expenses as a percentage of sales were 93.5% in 2014, 93.8% in 2015 and 97.2% in 2016. Main operating expenses categories are detailed below.

### Operating expenses evolution 2014, 2015 si 2016

| | For the period ende 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2015 | | 2016 | |
| Description | RON | % | RON | % | RON | % |
| Consumable materials & repair materials | 59,106,844 | 19% | 67,341,375 | 18% | 83,701,521 | 17% |
| Commodities expenses | 14,795,168 | 5% | 16,567,264 | 5% | 18,908,567 | 4% |
| Utilities | 4,068,569 | 1% | 4,548,024 | 1% | 5,074,199 | 1% |
| Repairs maintenance | 3,130,308 | 1% | 3,717,021 | 1% | 5,133,520 | 1% |
| Rent | 13,489,834 | 4% | 18,015,043 | 5% | 28,055,943 | 6% |
| Insurance premiums | 1,308,594 | 0% | 1,557,943 | 0% | 1,868,261 | 0% |
| Promotion expense | 3,629,919 | 1% | 7,220,996 | 2% | 10,371,665 | 2% |
| Communications | 2,805,613 | 1% | 3,307,332 | 1% | 3,249,114 | 1% |
| Third party expenses (including doctor's agreements) | 90,915,681 | 29% | 105,249,949 | 29% | 133,552,240 | 27% |
| Salary and related expenses | 65,346,280 | 21% | 82,369,499 | 22% | 113,810,954 | 23% |
| Social contributions | 16,996,494 | 5% | 18,574,414 | 5% | 25,748,024 | 5% |
| Other administration & operating exp. | 9,540,491 | 3% | 11,362,246 | 3% | 24,304,132 | 5% |
| Impairment gains recognized in profit and loss | 78,443 | 0% | - | 0% | (970,918) | 0% |
| Depreciation | 25,701,817 | 8% | 26,748,141 | 7% | 36,093,805 | 7% |
| **TOTAL** | **310,914,057** | 100% | **366,579,247** | 100% | **488,901,026** | 100% |

### Salary and related expenses and social contributions

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

The Group's salaries and social contributions increased in 2016 by RON 38,615,065, or 38.3%, from RON 100,943,913 in 2015 to RON 139,558,978 in 2016, mainly due to the effect from companies acquisitions made in 2016 and the increase in salaries for certain categories of medical employees, in response to the October 2015 increase in public sector healthcare wages, also contributed to the increase.

This category of expense as a percentage of the Group's sales represented 24.8% in 2014, 25.8% in 2015 și 27.7% in 2016.

### Consumables, materials and repair materials

These expenses include various medical supplies and other goods used by the Group's business lines, including laboratory reagents, surgery and consultation sterilized consumables, and cleaning supplies. The Group's expense for consumables, materials and repair materials increased in 2016 by RON 16,360,146 or 24.3%, from RON 67,341,375 in 2015 to RON 83,701,521 in 2016. The increase is due to the general increase in volumes as the number of units grew through openings and acquisitions and their activity increased.

This category of expense as a percentage of the Group's sales represented 17.8% in 2014, 17.2% in 2015 and 21.4% in 2016.

### Rent and utilities

These expenses include the rent for the locations where the Group's units and headquarters operate that are not owned by the Group, the expenses of operating leases and the utilities paid for all units. The Group's expense for rent and utilities increased in 2016 cu RON 10,567,075, or 46.8%, from RON 22,563,067 in 2015, or RON 33,130,142. The increase in rents from 2015 to 2016 was largely due to the increase in leased locations both for clinics and sampling points as a result of the openings.

This category of expense as a percentage of the Group's sales represented 5,3% în 2014, 5,8% în 2015 și 6.6% în 2016. The increase as a percentage of sales was driven primarily by lease agreements for new facilities, which in their early ramp-up phase operated with a higher ratio of expense to sales, and the increased use of operating leases.

### Commodities expenses

These expenses mainly include the cost of the pharmaceutical products sold by the Group's pharmacies. Commodities expenses increased in 2016 by RON 2,341,303, or 14.1%, from RON 16,567,264 in 2015 from RON 18,908,567 in 2016. The increase was due due to increased sales of pharmaceuticals and the higher cost of those products following regulatory changes impacting drug prices.

This category of expense as a percentage of the Group's sales represented 4.4% in 2014, 4.2% in 2015 și 4.8% in 2016.

### Promotion expense

These expenses include the Group's advertising campaigns in various media, public relations activities and other marketing related expenses. The promotion expenses increased in 2016 by RON 3,150,669, or 43.6%, from RON 7,220,996 in 2015 to RON 10,371,665 in 2016. The increase was driven by the Group's decision to increase marketing spending to support growth in cash sales and develop national brand awareness as the Group moved increasingly outside Bucharest.

This category of expense as a percentage of the Group's sales represented 1.1% in 2014, 1.8% in 2015 și 2.7% în 2016. The increase in the expense relative to sales was mainly driven by the Group's efforts to complement its expanding geographical footprint with increasing brand awareness at the national level.

### Insurance premiums and communication

These expenses include communication related expenses (internet, telephone) and both medical and nonmedical insurance premiums, including policies for malpractice, third party liability, motor vehicles third party and facultative, and property insurance. he expense for insurance premiums and communication increased in 2016 by RON 252,100, or 5.2%, from RON 4,865,275 in 2015, to RON 5,117,375 in 2016. The increase was related to the general increase of Group's operations (increased fleet, number of units, phone subscriptions, etc.). This category of expense as a percentage of the Group's sales represented 1.2% in 2014 and 2015, respectivly 1.3% in 2016.

### Third party expenses (including doctors' agreements)

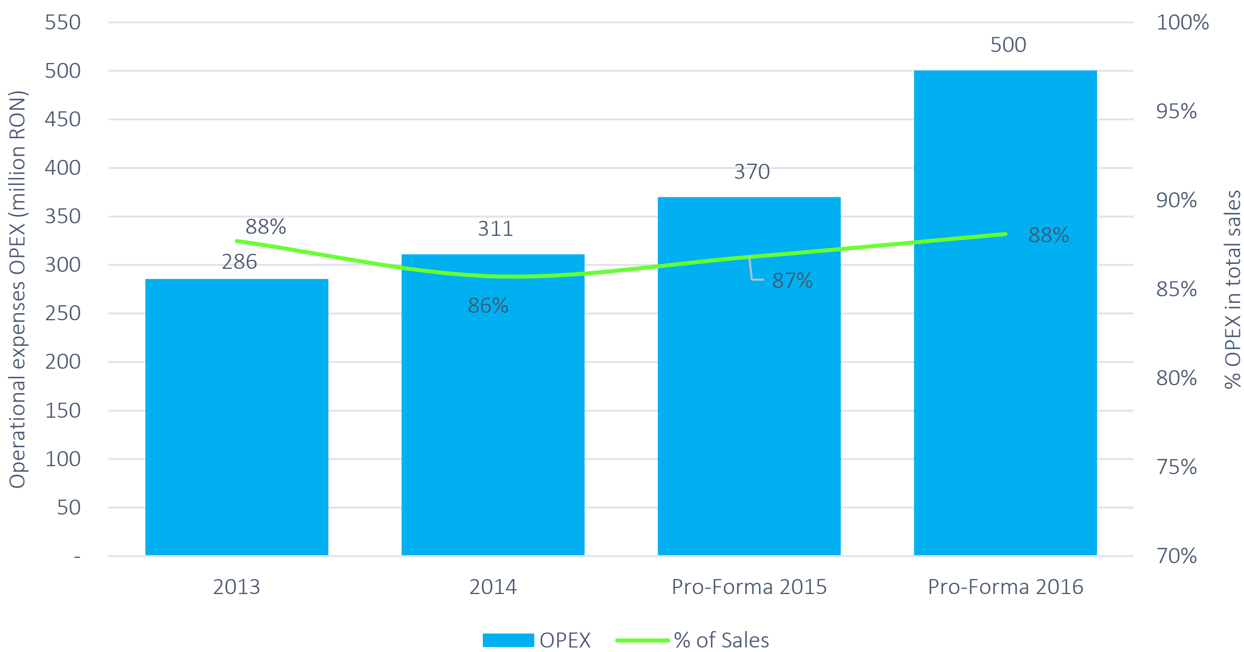
Third party expenses include mainly the costs of doctors contracted by the Group as independent service providers. It also includes various other costs incurred with third parties such as financial and legal consultants and the costs of the NetLife network, which services the Group's HPP clients in areas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

The Group's third party expense increased in 2016 by RON 28,302,291, or 26.9%, from 105,249,949 RON in 2015, to RON 133,552,240 in 2016. This increase was largely due to the increase in the services provided by doctors contracted by the Group as independent service providers, to reflect the expansion of the Group's activities and as a result of the Group's acquisitions completed in 2016.

### Depreciation

Depreciation and amortization expenses increased in 2016 by RON 8,374,746, or 31.3%, from RON 26,748,141 in 2015 to RON 35,122,887 in 2016. The increase is due to due to increased investments in non-current assets and acquisitions closed in 2016.

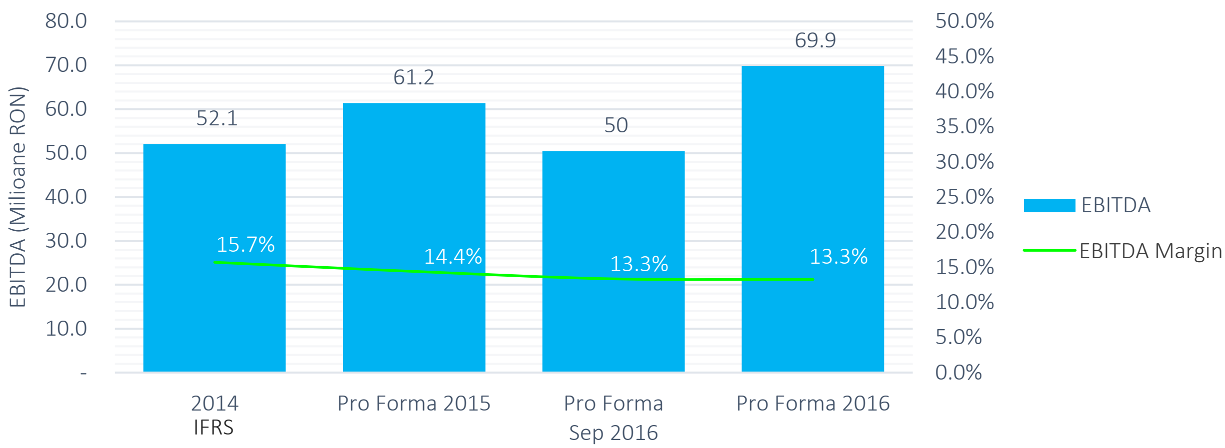
### Operational expenses to sales evolution



EBITDA PRO-FORMA

Adjusted EBITDA, presented in the Pro Forma Financial Information for the year ended December 31, 2016, recorded an increase of 14%, or 8.662.122 RON, as compared to the Adjusted EBITDA presented in the Pro Forma Financial Information for the year ended December 31, 2016, from RON 61,196,551 in 2015, to RON 69,858,673 in 2016. Please refer to the "Pro-forma financial information for the 12 month period ended December 31, 2016" annex for more details in regards to Pro Forma financial information.

EBITDA and EBITDA Margin evolution 2014-2016




Operating Profit

Operating profit in 2016, decreased by RON 9,437,123, or 32,6%, from RON 28,991,476 in 2015 to RON 19,554,353 in 2016. The decrease was triggered by a lower EBITDA and higher depreciation and amortization expense resulting from the increased base of assets following the significant investments in tangible assets and acquisitions.

Financial result

As a result of the factors discussed below, the financial loss from 2016 increased by RON 2,392,529, or 15%, from RON 15,992,713 in 2015, to RON 18,385,242 in 2016.

Net interest expense

Net interest expense increased in 2016 by RON  2,065,896, or 18.3%, from RON 11,270,696 in 2015 to RON 13,336,592 in 2016. The increase in net interest expense was due to the increase in interest bearing debt from one period to the other.

Net foreign exchange (losses) / gains

Net foreign exchange (losses) / gains increased in 2016 by RON 237,216, or 10%, from RON 2,371,662 in 2015, from  RON 2,608,878 RON in 2016.

Net other financial income / (expenses)

Net financial expenses increased by RON 89,416 or 3.8%, from 2,350,355 RON in 2015, to  RON 2,439,771 in 2016.

Result before taxes

As a result of the factors discussed above, the result before taxes decreased in 2016 by RON 11,829,651, from RON 12,998,763 in 2015, to RON 1,169,112 in 2016.

### Tax on income

Tax on income decreased in 2016 by RON 682,892, or 22.1%, from RON 3,093,994 in 2015, to RON 2,411,102 in 2016, as a result of the decrease in other operating income and the increase in net finance cost.

### Net income / (loss) for the year

As a result of the factors discussed above, the Group incurred a loss in 2016 of RON 1,241,990, as compared to a net profit of RON 9,904,769 in 2015, mainly triggered by the one-off allowance of RON 7,365,835 recorded in 2016 in respect of a charge for a NHIH receivable related to the period between 2008 and 2010.

## Consolidated statement of financial position

The following table sets out the Group's consolidated statement of financial position for the periods ended 31 December 2014, 2015 and 2016 respectively.

| | For the year ended 31 December, | | |
|---|---|---|---|
| | 2014 | 2015 | 2016 |
| ASSETS | | | |
| LONG TERM ASSETS | | | |
| Goodwill | 22,580,306 | 24,275,015 | 43,993,237 |
| Intangible assets | 12,396,599 | 13,811,734 | 26,512,923 |
| Tangible fixed assets | 255,817,347 | 280,210,741 | 304,857,393 |
| Financial fixed assets | 840 | 871 | 1,160 |
| TOTAL NON-CURRENT ASSETS | 290,795,092 | 318,298,361 | 375,364,713 |
| Deferred tax assets | - | - | |
| CURRENT ASSETS | | | |
| Inventories | 10,553,737 | 13,969,838 | 17,373,541 |
| Receivables | 39,898,398 | 41,799,756 | 43,203,974 |
| Current tax assets | - | - | - |
| Other receivables | 1,344,125 | 256,414 | 2,357,689 |
| Cash at bank and in hand | 7,583,358 | 5,881,496 | 20,701,850 |
| | 59,379,618 | 61,907,504 | 83,637,054 |
| Assets classified as held for sale | 381,665 | 381,665 | 381,665 |
| PREPAYMENTS | 3,666,828 | 4,145,435 | 6,736,028 |
| TOTAL CURRENT ASSETS | 63,428,111 | 66,434,604 | 90,754,747 |
| TOTAL ASSETS | 354,223,203 | 384,732,965 | 466,119,460 |
| CURRENT LIABILITIES | | | |
| Trade accounts payable | 64,808,736 | 73,170,998 | 98,432,380 |
| Overdraft | 15,582,209 | 15,513,594 | 1,267,442 |
| Current portion of lease liability | 1,255,341 | 7,032,056 | 7,031,122 |
| Current portion of long term debt | 13,918,290 | 17,907,388 | 19,127,593 |
| Current tax liabilities | 84,649 | 919,814 | 1,099,391 |
| Other liabilities | 9,262,150 | 11,673,569 | 17,713,204 |
| Liabilities directly associated with assets classified as held for sale | 745,267 | 690,640 | 629,207 |
| TOTAL CURRENT LIABILITIES | 105,656,642 | 126,908,059 | 145,300,339 |
| LONG TERM DEBT | | | |
| Lease liability | 1,666,461 | 12,294,667 | 10,382,639 |
| Long term debt | 155,022,740 | 143,524,638 | 202,761,616 |
| TOTAL LONG-TERM LIABILITIES | 156,689,201 | 155,819,305 | 213,144,255 |
| Deferred tax liability | 15,059,481 | 14,809,109 | 14,655,982 |
| TOTAL LIABILITIES | 277,405,324 | 297,536,473 | 373,100,576 |
| SHAREHOLDER'S EQUITY | | | |
| Issued capital | 13,932,034 | 13,932,034 | 13,932,034 |
| Reserves | 83,128,282 | 86,504,066 | 91,961,424 |
| Retained earnings | (24,014,725) | (19,139,252) | (24,346,985) |
| Equity attributable to owners of the Group | 73,045,591 | 81,296,848 | 81,546,473 |
| Non-controlling interests | 3,772,288 | 5,899,644 | 11,472,411 |
| TOTAL EQUITY | 76,817,879 | 87,196,492 | 93,018,884 |
| TOTAL LIABILITIES AND EQUITY | 354,223,203 | 384,732,965 | 466,119,460 |

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

### Long term assets

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

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

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

As at 31 December 2016, the Group had the following structure of tangible and intangible assets:

| Cost | Intangible | Land | Constructions | Vehicles and equipment | Construction in progress | TOTAL |
|---|---|---|---|---|---|---|
| **01 January 2016** | **28,730,788** | **28,628,917** | **215,767,462** | **146,761,943** | **7,880,094** | **427,769,204** |
| Additions | 7,339,081 | - | 51,490 | 25,697,241 | 13,447,401 | 46,535,213 |
| Transfers | - | - | 11,579,861 | - | (11,579,861) | - |
| Disposals | (279,976) | - | - | (956,679) | - | (1,236,655) |
| Additions from business combinations | 13,874,703 | 148,542 | 246,713 | 18,335,310 | 209,763 | 32,815,031 |
| Disposals from business combinations | (1,891) | - | - | (1,912,315) | (17,600) | (1,931,806) |
| Revaluation | - | (1,663,323) | (7,390,511) | - | - | (9,053,834) |
| **31 December 2016** | **49,662,705** | **27,114,136** | **220,255,015** | **187,925,500** | **9,939,797** | **494,897,153** |
| **Depreciation** | | | | | | |
| **01 January 2016** | **14,919,054** | **84,120** | **31,312,673** | **87,430,882** | **-** | **133,746,729** |
| Charge of the year | 8,230,727 | - | 10,979,864 | 16,883,214 | - | 36,093,805 |
| Disposals | (279,707) | - | - | (921,028) | - | (1,200,735) |
| Additions from business combinations | 281,330 | - | 11,042 | 8,910,226 | - | 9,202,598 |
| Disposals from business combinations | (1,622) | - | - | (890,975) | - | (892,597) |
| Revaluation | - | - | (12,452,045) | - | - | (12,452,045) |
| Impairment losses recognized in | - | - | (970,918) | - | - | (970,918) |
| **31 December 2016** | **23,149,782** | **84,120** | **28,880,616** | **111,412,319** | **-** | **163,526,837** |
| **Net book value** | | | | | | |
| **01 January 2016** | **13.811.734** | **28.544.797** | **184.454.789** | **59.331.061** | **7.880.094** | **294.022.475** |
| **31 December 2016** | **26.512.923** | **27.030.016** | **191.374.399** | **76.513.181** | **9.939.797** | **331.370.316** |

The net book value as of December 31, 2016 of fixed assets acquired through capital lease by Med Life was RON 17,691,057 (2015: RON 17,223,794; 2014: RON 1,792,840).

### Capital expenditure

The total capital expenditures (tangibles and intangibles), including the assets acquired as part of business combinations, increased by RON 24,526,696, or 45%, from RON 54,823,548 in 2015, to RON 79,350,244 in 2016 The increase in capital expenditure was generated by an increase of RON 26,001,208 of additions from business combintations in 2016 as compared to 2015 and a decrease of RON  1,474,512 recorded for other capital expenditure elements, other that additions from business combinations in 2016 compared to 2015.

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

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

## Current Assets

### Inventories

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

| | For the year ended 31 December, | | |
|---|---|---|---|
| | 2014 | 2015 | 2016 |
| Consumables | 5,591,030 | 8,063,708 | 11,149,639 |
| Materials in the form of inventory items | 367,668 | 373,116 | 222,067 |
| Commodities | 4,593,004 | 5,531,383 | 6,000,816 |
| Inventory in transit | 2,035 | 1,631 | 1,019 |
| **TOTAL** | **10,553,737** | **13,969,838** | **17,373,541** |

### Receivables

Receivables are stated in the balance sheet at anticipated realizable value. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the collection terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is determined based on management's risk assessment of the trade receivables collectability. In 2016 a provision of RON 8.175.200 was recorded.

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

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

| | For the year ended 31 December, | | |
|---|---|---|---|
| | 2014 | 2015 | 2016 |
| Customers | 46,124,498 | 48,476,389 | 57,352,607 |
| Advances to suppliers | 2,339,492 | 1,888,959 | 2,522,169 |
| Bad debt provisions | (8,565,592) | (8,565,592) | (16,670,802) |
| **TOTAL** | **39,898,398** | **41,799,756** | **43,203,974** |

## Current Liabilities

### Group suppliers

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

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

The Group acquires their pharmaceutical products from local distributors of pharmaceuticals and the main suppliers in 2015 were Mediplus Exim and Farmexpert D.C.I. The largest non-medical suppliers of the Group are Telekom Romania for communication solutions and property leases and Capital Fleet Management for operational leasing. Other non-medical purchases include information technology and information systems hardware and software, office equipment, stationery, furniture. In addition, various services such as medical waste disposal, laundry, security, catering are outsourced by the Group to third party companies.

Current liabilities increased by 14% in 2016 as compared with 2015, to 145,300,339 RON from 126,908,059 RON.

## Financial Debt

As at 31 December 2016, the companies within the Group were parties to a number of financing agreements, used to finance the Group's capital expenditures as well as working capital.

The table below summarises the Group's interest bearing debts as at 31 Decembrie 2014, 2015 and, 2016 :

| | For the year ended 31 Decembrie, | | |
|---|---|---|---|
| **Loan agreements** | **2014** | **2015** | **2016** |
| Non-current portion IFC loan (a) and (b) | 16,032,127 | 11,272,579 | 28,544,058 |
| Current portion IFC loan (a) and (b) | 6,452,256 | 4,911,209 | 2,594,913 |
| Current portion Transilvania loan granted to Genesys (c) | 752,992 | 991,562 | 995,200 |
| Non-current portion Transilvania loan granted to Genesys (c) | 12,446,792 | 11,568,219 | 10,615,461 |
| Current portion BCR loan granted to Med Life (f) | 6,800,305 | 11,536,493 | - |
| Non-current portion BCR loan granted to Med Life (f) | 126,456,558 | 119,384,887 | - |
| Current portion Club loan (f) | - | - | 14,880,254 |
| Non-current portion Club loan (f) | - | - | 162,508,582 |
| Non-current portion of other loans (g) | - | 1,298,957 | 1,093,515 |
| Current portion of other loans (g) | - | 468,120 | 657,226 |
| **TOTAL** | **168,941,030** | **161,432,026** | **221,889,209** |

| | For the year ended 31 Decembrie, | | |
|---|---|---|---|
| **Overdraft** | **2014** | **2015** | **2016** |
| Short term loan BCR (d) | 15,582,209 | 15,220,002 | - |
| Short term loan Transilvania Bank (e) | - | 293,592 | 1,267,442 |
| **TOTAL** | **15,582,209** | **15,513,594** | **1,267,442** |

**(a)** As of December 31, 2015, the Group had two loans outstanding from International Finance Corporation (“IFC”), member of World Bank Group. The first agreement was signed in 2006 for a total amount of EUR 5,000,000. The interest rate was sum of the relevant spread and six-month EURIBOR.

In May 2016, the last installment was paid and the outstanding amount as of December 31, 2016 regarding this specific loan is nil.

The outstanding balance of the loan received from IFC as at December 31, 2015 is in amount of RON 1,640,753, the equivalent of EUR 362,638 (December 31, 2014: RON 4,876,131, the equivalent of EUR 1,087,912).

**(b)** In 2010, the Med Life SA concluded a second loan agreement with IFC with a total value of EUR 10,000,000 (Loan A) and then, in 2011 Med Life and co-borrowers (Accipiens SA, Bahtco Invest SA and Policlinica de Diagnostic Rapid SA) signed an Amended and Restated Loan Agreement with IFC and Erste and additional funding of EUR 40,000,000 (Loan B) was obtained.

In August 2014, the Group signed a refinancing agreement with BCR for the total amount of EUR 30,398,901 representing EUR 28,298,901 of the Amended and Restated Loan Agreement with IFC and an additional EUR 2,100,000 representing the amount of the initial B loan available as of the dated of this agreement.

As of December 31, 2015, the outstanding balance related to this loan is RON 14,543,034, equivalent of EUR 3,214,285 (December 31, 2014: RON 17,608,249, the equivalent of EUR 3,928,572). As of December 31, 2016, the outstanding balance is RON 12,974,571, the equivalent of EUR 2,857,143.

On September 30, 2016, Med Life (together with the co-borrowers- Policlinica de Diagnostic Rapid SA, Bahtco Invest SA and Accipiens SA) signed a new loan agreement with IFC in amount of EUR 10,000,000. The purpose of the facility is to refinance part of the club loan agreement mentioned above related to the financing of acquisitions of shares in new companies. As well, through signing this new agreement with IFC, the Group refinanced the existing contract with IFC described above in (b).

As of December 31, 2016, the outstanding balance related to the new facility obtained from IFC is RON 18,164,400, the equivalent of EUR 4,000,000.

According to the new loan agreement, the outstanding balance as of December 31, 2016 will be repaid through 12 consecutive installments of EUR 238,095 starting November 15, 2017.

According to the new loan agreement, the repayment of EUR 10,000,000 will be performed through 12 consecutive installments of EUR 833,333 starting November 15, 2017.

The set of indicators that have to be maintained by the Group were modified and will be calculated semi-annually on basis of Adjusted Equity, Adjusted Prospective Debt Service Coverage Ratio and adjusted EBITDA.

The interest to be charged will be charged based on EURIBOR plus relevant spread.

The IFC loan is secured through the following guarantees:

- immovable mortgage on land and buildings situated on 365 Calea Grivitei
- immovable mortgage on land and buildings owned by Bahtco Invest SA (Pediatrics Hospital)
- immovable mortgage on land and buildings owned by Policlinica de Diagnostic Rapid SA (PDR Clinic and Hospital)
- immovable mortgage on land and buildings owned by RUR Medical SA
- a first ranking mortgage on Med Life's shares held by the Sponsors (Mr. Mihail Marcu, Ms. Mihaela Gabriela Cristescu and Mr. Nicolae Marcu) from time to time in favour of IFC securing IFC Equity, as amended from time to time
- a second ranking on all the Borrower's shares held by the Sponsors from time to time in favour of IFC securing the obligations of the Borrower under the agreement
- a mortgage on Med Life's cash accounts opened with BCR, as amended from time to time
- a mortgage on each of the Co-Borrower's cash accounts opened with BCR
- mortgage on shares owned by the Borrower in the share capital of each the Co-Borrowers, Centrul Medical Sama SA, RUR Medical SA, Ultratest SA, Prima Medical SRL, Diamed Center SRL, Stem Cells Bank SA, Centrul Medical Panduri SA, Dent Estet Clinic SA and any other material company or accession borrower
- movable mortgage agreement: certain movable assets: medical equipment (including future medical equipment), insurances related to tangible assets mortgaged in relation to the transaction documents, bank and treasury accounts, commercial receivables of Borrower
- movable mortgage agreement: certain movable assets: medical equipment (including future medical), insurances related to tangible assets mortgaged in relation to the transaction documents, bank and treasury accounts of Bahtco Invest SA, Policlinica de Diagnostic Rapid SA, Accipiens SA
- movable mortgage of Target Shares owned by the Borrower in favor of IFC.
- movable mortgage agreement over certain commercial receivables of Med Life (including receivables against the National Health House of Romania, the Health Insurance House of the Defense, Public Order, National

Safety and Judicial Authority in Romania or any similar entity and receivables arising under large commercial contracts).

**(c)** In 2010, Accipiens SA (one of the subsidiaries of the Group) signed a loan agreement with Transilvania Bank. The purpose of the loan was the construction of a medical institution. The loan is to be repaid by August 15, 2028. In 2012, the loan payable was transferred to another fully owned subsidiary by Accipiens SA - Genesys Medical Clinic SRL. As of December 31, 2014, the outstanding balance is RON 13,199,785 equivalent of EUR 2,775,949. As of December 31, 2015, the outstanding balance is RON 12,559,781 equivalent of EUR 2,945,000. As of December 31, 2016, the outstanding loan balance is RON 11,610,661, the equivalent of EUR 2,556,795.

The applied interest is EURIBOR at 6 months plus relevant spread per annum until June 15, 2016, recomputed each semester starting August 6, 2010 on a 360 days basis.

According to the agreement, there is a pledge on the present and future collections in Transilvania Bank accounts for Accipiens SA and Genesys SRL. There is a pledge on the shares of Accipiens and on part of the subsidiary's fixed assets. All fixed assets under pledge shall be insured with an agreed insurance company.

During 2016, Genesys Medical Clinic SRL took over the two loans from Agis 2000 SRL. The loans were obtained for purchasing medical equipment. The loans were obtained in 2013 (payable in 2017) and in 2014 (payable in 2021). The interest charged for both loans is between 6% and 10%. The total amount payable as of December 31, 2015 is EUR 90,986, the equivalent of RON 411,666. The total amount payable for these two loans as of December 31, 2016 is RON 306,911.

**(d)** Med Life SA concluded in 2011 another contract for a multi-product facility with BCR with as maximum amount of EUR 5,000,000. At the date of the consolidated financial statements, the Shareholders have approved only the maximum amount of EUR 4,000,000. The outstanding balance as of December 31, 2014 is EUR 3,476,542 (RON 15,582,209).The outstanding balance as of December 31, 2015 is EUR 3,363,908 (RON 15,220,000). In 2016, as part of the Club Loan Agreement, Med Life refinanced this facility with facility B of the Club Loan agreement.

**e)** Genesys SRL obtained an overdraft facility from Transilvania Bank. The interest to be applied is between 7% and 10% per annum. The outstanding balance as of December 31, 2014 is nil.The outstanding balance as of December 31, 2015 is EUR 64,890 (RON 293,595). The outstanding balance as of December 31, 2016 is RON 86,152.

The subsidiary granted as guarantees :

- Second class mortgage on the building and land CF no. 301842 Arad - Accipiens Clinic;
- Real mobile guarantee on the present and future collections and balance of the current accounts opened at Transilvania Bank by Accipiens SA;
- Real mobile guarantee on the present and future collections and balance of the current accounts opened at Transilvania Bank by Genesys Medical Clinic;
- Real mobile guarantee on the present and future collections and balance of the current accounts opened at Transilvania Bank by Genesys Medical Clinic related to the contract signed with the National Health House Arad.

Additionally, the newly acquired companies in 2016 have overdraft facilities as described below:

| | Bank | Maturity of the facility | Maximum Limit |
|---|---|---|---|
| Prima | Unicredit Tiriac Bank | Septembrie 2017 | 800,000 RON |
| Diamed | Raiffeisen Bank | Mai, 2017 | 200,000 RON |
| Dent Estet | Piraeus Bank | Martie, 2017 | 100,000 EUR |

**(f)** On August 28, 2014, the Group signed a refinancing agreement with BCR related to the A and B loan obtained from IFC and Erste Bank (parties to a participation agreement dated 11 August 2011 according to which Erste Group Bank AG has purchased all the participations in the initial loan B).

The outstanding balance as of December 31, 2015 is EUR 28,936,099, equivalent of RON 130,921,380 (December 31, 2014: EUR 29,730,899, equivalent of RON 133,256,863).

According to the agreement with IFC, the Group shall maintain a set of financial indicators. The indicators are to be computed based on the IFRS consolidated financial statements. As of December 31, 2015, the management of the Group computed these indicators according to the loan agreement. The creditor waived the right to recall the loan as a result of the breach of certain covenants.

In 2016, the Group signed a club loan agreement with four banks (the Finance Parties- Banca Comerciala Romana SA, BRD- Groupe Societe Generale SA, ING Bank N.V. Amsterdam-Bucharest Branch and Raiffeisen Bank SA) for the total amount of EUR 48,764,590 and RON 27,000,000, through which the Group refinanced the entire long-term loan from BCR (described above) and the short-term credit facility from BCR, in order to continue the investing activities.

The Club loan granted to the Group three facilities. As of December 31, 2016, the outstanding amounts for each facility are presented below:

| Facility | Amount in EUR | Amount in RON |
|---|---|---|
| Facility A | 26,386,295 | 119,822,804 |
| Facility B | - | 27,000,000 |
| Facility C | 6,517,723 | 29,597,633 |
| **Total** | **32,904,018** | **176,420,437** |

The Group shall repay Facility A and Facility C pro rata with the amount made available in semi-annual installments according to the agreed schedule.

The Group shall repay each Facility B loan drawn on the last day of its Interest Period. Without prejudice on the Group's obligation, one or more Facility B loans are to be made available to the Group on the same day that a maturing Facility B loan is due to be repaid by the Group, in whole or in part for the purpose of refinancing the maturing Facility B loan.

The rate of interest on each loan for each interest period is the percentage rate per annum which is the aggregate of the applicable margin and in relation to any loan in EUR, EURIBOR or, in relation to any loan in RON, ROBOR.

The following security was requested:

- immovable mortgage over (i) a plot of land located at 365 Calea Grivitei sector 1, Bucharest Romania (cadastral number 13183/1) and the buildings related
- immovable mortgage over a plot of land and the buildings thereon comprising Pediatrics Hospital located in Bucharest, 7 Zagazului street - land book 218010
- immoveable mortgage over a plot of land and the buildings thereon comprising PDR Clinic and Hospital located in Brasov 5, Turnului Street - land book no 127854
- moveable mortgage over certain moveable assets (large medical equipment) owned by each of Med Life, Bahtco Invest SA and Policlinica de Diagnostic Rapid SA
- moveable mortgage over future medical equipment to be acquired by each original borrower created in favor of Finance Parties and securing as regards Med Life and Bahtco Invest SA, the obligations of Med Life and Bahtco Invest SA under the Finance documents and as regards other original borrower, its obligations under Finance Documents.
- moveable mortgage over the insurances of each borrower related to tangible assets mortgaged in favor of the Finance Parties
- movable mortgage over the shares owned by the Company in the share capital of the other original borrowers and Centrul Medical Sama SA, Ultratest SA, Rur Medical SA and any other material company or accession borrower if case, respectively created by the Company in favor of the Finance Parties and securing the obligations of the Company and Bahtco under finance agreements.
- moveable mortgage over the bank and treasury accounts of each original borrowers
- moveable mortgage over certain commercial receivables of the Company (including receivables against the

National Health House of Romania, the Health Insurance House of the Defense, Public Order, National Safety and Judicial Authority in Romanian or any similar entity and receivables arising under commercial contracts created in the favor of the Finance Parties)

- moveable mortgage over the shares of the sponsors in the borrower to be created under ta moveable mortgage agreement over shares to be entered into between the sponsors, the lender and IFC

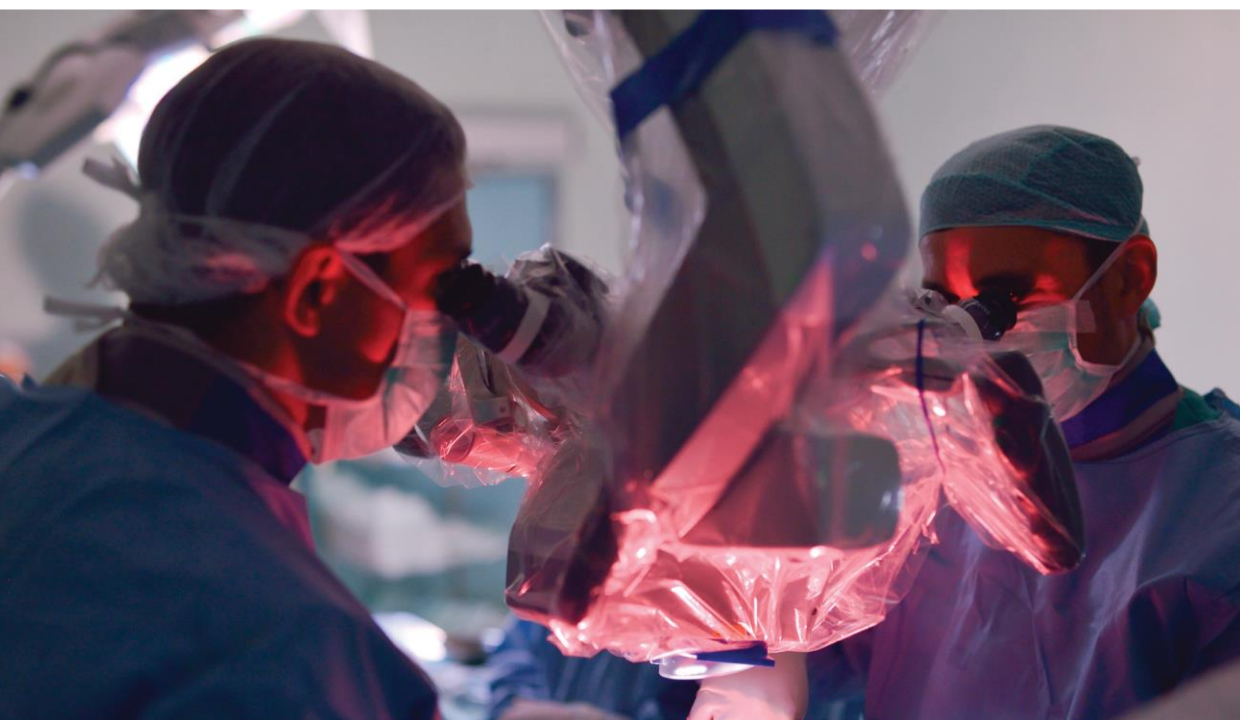
**(g)** Centrul Medical Sama SA obtained six long-term loans from Transilvania Bank for purchasing medical equipment and for construction of the clinic. The total amount payable as of December 31, 2015 is EUR 288,492, equivalent of RON 1,305,282. The total amount payable as of December 31, 2016 is RON 1,397,598.

The charged interest is between 4% and 9%.

| | Year of granting | Year of repayment | Total amount |
|---|---|---|---|
| Loan 1 | 2013 | 2018 | EUR 105,000 |
| Loan 2 | 2015 | 2020 | EUR 90,164 |
| Loan 3 | 2013 | 2018 | RON 151,960 |
| Loan 4 | 2013 | 2021 | EUR 150,000 |
| Loan 5 | 2011 | 2021 | EUR 150,000 |
| Loan 6 | 2016 | 2021 | RON 532,306 |

The building and the land are pledged according to the loan contracts above, as well as the acquired equipment and the future collections in the bank's current accounts.

Biotest Med SRL obtained a loan from Libra Bank. The outstanding amount as of December 31, 2016 is RON 44,444.



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

## Liquidity and Capital Resources

The following table sets out the Group's summary cash flow information for the periods ended 31 decembrie 2014, 2015 and 2016:

| | Anul încheiat la 31 decembrie | | |
|---|---|---|---|
| | 2014 | 2015 | 2016 |
| **Cash flow from operating activities** | | | |
| **Profit / Loss before tax** | **9,964,481** | **12,998,763** | **1,169,111** |
| **Adjustments for:** | | | |
| Depreciation | 25,701,817 | 26,748,141 | 36,093,805 |
| Disposal of subsidiaries | - | - | 714,750 |
| Interest expense | 12,674,545 | 11,270,696 | 13,336,592 |
| Interest income | (249,829) | (385,938) | (454,439) |
| Allowance for doubtful debts and receivables written-off | (163,247) | 214,477 | 8,175,200 |
| Write off and allowance of other current assets | - | - | 109,041 |
| Financial discounts | 3,422,588 | 2,804,052 | 3,052,445 |
| Gain/(Loss) with impairment of non-current assets | 78,443 | - | (970,918) |
| Unrealized exchange gain/loss | 548,279 | 2,357,932 | 2,608,677 |
| Other non-monetary gains | (3,762,989) | (3,300,000) | (3,300,000) |
| Net gain/(loss) on disposal of property | (87,464) | (57,292) | - |
| **Operating cash flow before working capital changes** | **48,126,624** | **52,650,831** | **60,534,265** |
| Increase in accounts receivable | (8,012,264) | (3,242,399) | (11,152,764) |
| Increase in inventories | (563,174) | (3,390,778) | (2,974,751) |
| Decrease/(Increase) in prepayments | (553,319) | (422,694) | (446,269) |
| Increase in accounts payable | 11,995,406 | 9,447,452 | 12,787,223 |
| **Cash generated from operations** | **50,993,273** | **55,042,412** | **58,747,704** |
| Income tax paid | (2,544,718) | (2,470,547) | (2,945,862) |
| Interest paid | (12,779,919) | (11,316,966) | (13,144,091) |
| Interest received | 249,829 | 385,938 | 454,439 |
| **Net cash flow from operating activities** | **35,918,465** | **41,640,837** | **43,112,190** |
| **Cash flow from investing activities** | | | |
| Investments in business combinations | (187,913) | (3,107,334) | (32,993,008) |
| Purchase of intangible assets | (2,528,137) | (1,831,817) | (4,038,544) |
| Purchase of property, plant and equipment | (25,237,615) | (23,194,914) | (28,035,141) |
| Proceeds from sale of fixed assets | 89,782 | 57,292 | 45,000 |
| **Net cash used in investing activities** | **(27,863,883)** | **(28,076,773)** | **(65,021,693)** |
| **Cash flow from financing activities** | | | |
| Share capital contribution (non-controlling interest) | 2,499,000 | - | 137,030 |
| Increase in loans | 10,154,562 | 1,633,867 | 73,824,643 |
| Payment of loans | (18,925,454) | (13,110,964) | (30,629,749) |
| Payments of financial leasing | (1,192,521) | (3,788,829) | (6,602,067) |
| **Net cash generated by financing activity** | **(7,464,413)** | **(15,265,926)** | **36,729,857** |
| **Net change in cash and cash equivalents** | **590,169** | **(1,701,862)** | **14,820,354** |
| **Cash and cash equivalents opening balance** | **6,993,189** | **7,583,358** | **5,881,496** |
| **Cash and cash equivalents closing balance** | **7,583,358** | **5,881,496** | **20,701,850** |

**Net cash generated from operating activities**

Net cash generated from operations increased in 2016 by RON 1,471,353, or 3,5%, from RON 41,640,837 in 2015, to RON 43,112,190. The increase was mainly due to additional mainly due to higher earnings before non-cash revenues and charges, and to changes recorded in the net working capital position of the Group.

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

**Net cash used in investing activities**

Net cash used in investing activities increased by RON 36,944,920 or 131.6%, from RON 28,076,773 in 2015, to 65,021,693 RON in 2016. In 2016, cash outflows for investments in non-current assets (intangibles and property plant and equipment) were RON 32,073,685, increasing with 7,046,954 RON as compared to 2015. In 2016 cash outflows for business combinations (acquisitions) amounted to RON 32,993,008, as compared to RON 3,107,334 in 2015.

**Net cash used in financing activities**

Net cash generated by financing activities increased by RON 51,995,784, from a cash outflow of RON 15,265,926 in 2015, to an inflow of RON 36,729,857 in 2016. In 2016, the Group's cash outflows to repay loans and financial leasing amounted to RON 37,231,816, while cash inflows from loan drawdowns to finance the acquisitions and increase working capital lines to support growth were of RON 73,824,643.

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

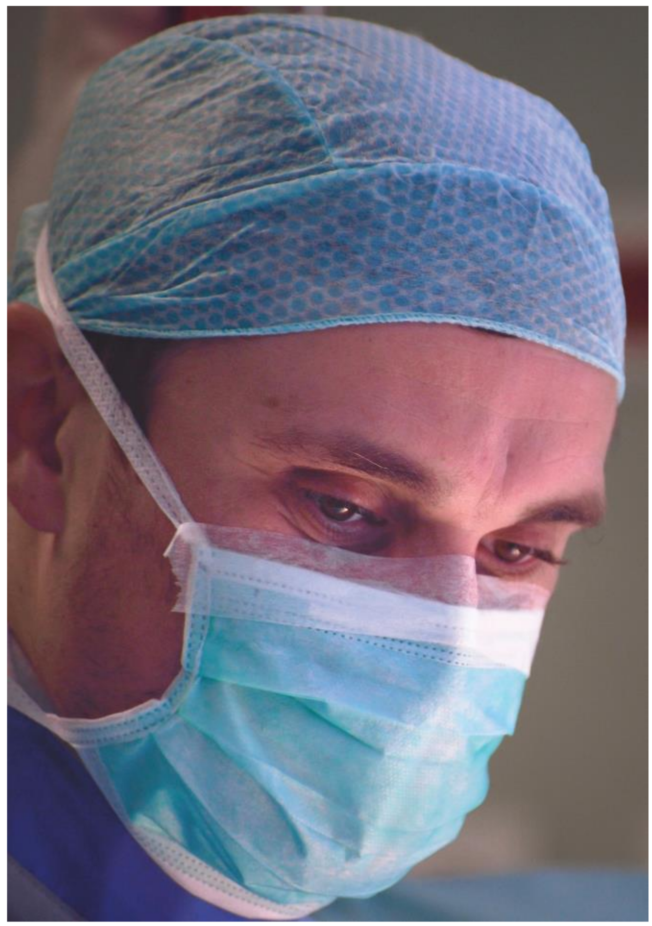
# SUBSEQUENT EVENTS

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

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

- 80% of share capital of Almina Trading SRL
- 100% of share capital in Anima Speciality Medical Services SRL.

Almina Trading has an activity of 20 years on the local market and it is the largest healthcare operator in Dâmbovița County. The company has eight medical centres – five in Târgoviște, two in Pucioasa and one in Buftea – and two laboratories (Târgoviște and Buftea), providing its patients with integrated outpatient, imaging and laboratory analysis services. The eight units are fitted with high-performing medical equipment and they are staffed with a medical team of over 125 specialists. According to the representatives of the acquired company, Almina Trading had a turnover of approximately €1.3 million in the first 9 months of the year 2016.



Anima Specialty Medical Services consists of 6 polyclinics and a laboratory, has over 200 employees, medical specialists and support staff, and it is the first private healthcare network with an own family medicine network in Romania. At the same time, Anima is one of the largest private outpatient healthcare services provider that has agreements with the Bucharest Health Insurance Fund (CASMB), covering over 15 specialties, including family medicine, ob-gyn, ENT, endocrinology, ophthalmology, dermatovenerology, cardiology, psychiatry, rheumatology, gastroenterology, allergology and clinical immunology. According to the company's representatives, Anima currently has 75,000 corporate subscribers, mostly focusing on subscriptions covering occupational medicine services. In 2016, Anima had a turnover of €5.2 million. Anima transaction is subjected to Competition Councils approval and to Conditions Precedent.

Anima Speciality Medical Services has not been concluded by the date of approval of this annual report.

There were no other significant subsequent events after December 31, 2016.
Annexes

# ANNEXES

**MED LIFE GROUP**

**PRO FORMA FINANCIAL INFORMATION**
**FOR THE 12 MONTH PERIOD ENDED AS AT**
**DECEMBER 31, 2016**

**Note 1: Introduction**

The following unaudited consolidated pro forma financial information of the consolidated statement of profit and loss and other comprehensive income are based on the Group's audited Consolidated Financial Statements for the 12 month period ended on 31 December 2016, adjusted with the historical financial results of the companies acquired by the Group during the period from 1 January 2016 up to 31 December 2016 (the "**Acquired Companies**"). Details of the Acquired Companies are set out in Note 2 below.

The unaudited consolidated pro forma financial information for the 12 months ended 31 December 2016 transpose (i) the acquisition of the Acquired Companies as if the acquisition had occurred on 1 January 2016 by combining the financial results for the period of the Acquired Companies with those of the Group and (ii) the elimination of certain expenses included in the Consolidated Statement of Profit and Loss and Other Comprehensive Income of the Group which the Group considers to be non-operational and/or non-recurring in nature.

Pro forma financial information provide a hypothetical illustration of the impact of the transactions on the Company’s earnings. Pro forma financial information has been prepared for the Group as at and for the 12- month period ended on 31 December 2016. Pro forma financial information should be read in conjunction with the Consolidated Financial Statements for the period ended 31 December 2016.

**Note 2: Purpose of the Pro Forma Financial Information**

The unaudited consolidated Pro forma financial information set out below has been prepared to (i) illustrate the effect on the Group of the acquisitions completed in 2016 and (ii) provide an estimate of the Group's recurring EBITDA.

The Group's unaudited consolidated pro forma Adjusted EBITDA is also useful when analysing the Group's current debt compared to its earnings capacity. Although the Consolidated Statement of Financial Position in the Consolidated Financial Statements includes the full amount of debt incurred to finance the acquisitions completed as of 31 December 2016, the Consolidated Statement of Profit and Loss and Other Comprehensive income includes only a portion of the annual earnings of the Acquired Companies. Using the unaudited consolidated pro forma Adjusted EBITDA for such comparison allows inclusion of a measure of the full period earnings that will contribute to the servicing of the debt incurred in relation to the acquisitions.

In 2016 the Company made the following acquisitions in pursuit of a consolidation strategy aimed at complementing the Group's service offering, expanding its national footprint and consolidating its market position:

- 100% of the shares in Prima Medical, March 2016;
- 60% of the shares in Stem Cells Bank, March 2016;
- 100% of the shares in Diamed Center, March 2016;
- 60% of the shares in Dent Estet, July 2016.
- 90% of the shares in CM Panduri, October 2016.

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

***Pro Forma Consolidated Statement of Profit and Loss***

| | 12 Month ended 31 December 2016 | | | |
|---|---|---|---|---|
| (RON, unless otherwise indicated) | **Consolidated FS** | **Normalisation** | **One off** | **Pro forma** |
| **SALES** | **502,986,790** | **23,829,420** | **-** | **526,816,210** |
| Other operating revenues | 5,468,590 | 1,710,898 | - | 7,179,488 |
| **OPERATING INCOME** | **508,455,380** | **25,540,318** | **-** | **533,995,698** |
| **OPERATING EXPENSES** | **(488,901,027)** | **(23,958,997)** | **12,811,510** | **(500,048,514)** |
| **OPERATING PROFIT** | **19,554,353** | **1,581,321** | **12,811,510** | **33,947,184** |
| Net finance cost | (13,336,592) | (225,316) | - | (13,561,908) |
| Other financial expenses | (5,048,649) | 568,876 | - | (4,479,773) |
| **FINANCIAL RESULT** | **(18,385,241)** | **343,560** | **-** | **(18,041,681)** |
| **RESULT BEFORE TAXES** | **1,169,112** | **1,924,881** | **12,811,510** | **15,905,503** |
| Income tax expense | (2,411,102) | (264,431) | (2,049,842) | (4,725,375) |
| **NET RESULT** | **(1,241,990)** | **1,660,450** | **10,761,668** | **11,180,128** |

***Net Income to Adjusted EBITDA***

| | 12 Month ended 31 December 2016 | | | |
|---|---|---|---|---|
| *(RON, unless otherwise indicated)* | **Consolidated FS** | **Normalisation** | **One off** | **Pro forma** |
| **Net income/(loss) for the period** | **(1,241,990)** | **1,660,450** | **10,761,668** | **11,180,128** |
| Add back: | | | | |
| **Taxes on income** | **2,411,102** | **264,431** | **2,049,842** | **4,725,375** |
| *Out of which:* | | | | |
| Base tax expense | 2,411,102 | 264,431 | - | 2,675,533 |
| One off impact | - | - | 2,049,842 | 2,049,842 |
| **Net financial result** | 18,385,241 | (343,560) | - | 18,041,681 |
| **Depreciation, amortisation and impairment, including write-ups** | 35,122,887 | 788,602 | - | 35,911,489 |
| **Adjusted EBITDA** | **54,677,239** | **2,369,923** | **12,811,510** | **69,858,673** |

***Sales split by Business Line***

| | 12 Month ended 31 December 2016 | | | |
|---|---|---|---|---|
| *(RON, unless otherwise indicated)* | **Consolidated FS** | **Normalisation** | **One off** | **Pro forma** |
| Clinics | 130,109,363 | 1,116,816 | - | 131,226,179 |
| Stomatology | 18,504,217 | 14,719,092 | - | 33,223,309 |
| Laboratories | 96,725,937 | 7,993,512 | - | 104,719,449 |
| Corporate | 127,988,835 | - | - | 127,988,835 |
| Hospitals | 104,977,229 | - | - | 104,977,229 |
| Pharmacies | 23,597,580 | - | - | 23,597,580 |
| Other | 1,083,629 | - | - | 1,083,629 |
| **Total Sales** | **502,986,790** | **23,829,420** | **-** | **526,816,210** |

**Note 3. Basis for the Pro Forma Financial Information**

The unaudited consolidated pro forma financial information of the Statement of Profit and Loss for the 12-month period ended 31 December 2016 have been prepared starting from the audited Consolidated Financial Statements of the Group as of 31 December 2016. The pro forma financial information was prepared in a manner consistent with the accounting policies adopted by the Group in the audited Consolidated Financial Statements as of 31 December 2016.

The unaudited pro forma financial information for the 12 months ended 31 December give effect to the acquisition of the Acquired Companies as if each acquisition had occurred on 1 January 2016. Also, certain expense items incurred by the Group in the relevant period but considered to be non-operational and non-recurring in nature, as detailed in the notes to the tables, are reflected in the consolidated pro forma statement of profit and loss as one off adjustments, based on management judgment for the Group, without taking into account the Acquired Companies.

**Note 4. Pro Forma Financial Information adjustments**

*Note 4.1 - Normalization adjustment*

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

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

| Entity | Date of obtaining control | Months included in Normalization (inclusive) 1 January - 31 December 2016 |
|---|---|---|
| Prima Medical SRL | March 2016 | January – March 2016 |
| Diamed Center SRL | March 2016 | January – March 2016 |
| Stem Cells Bank SA | March 2016 | January – March 2016 |
| Dent Estet Clinic SA | June 2016 | January – June 2016 |
| Aspen Laborator Dentar SRL | June 2016 | January – June 2016 |
| Dent A Porter SRL | June 2016 | January – June 2016 |
| Dentestet Kids SRL | June 2016 | January – June 2016 |
| Dentist 4 Kids SRL | June 2016 | January – June 2016 |
| Green Dental Clinic SRL | June 2016 | January – June 2016 |
| CM Panduri | September 2016 | January – September 2016 |

*Note 4.2 - One off adjustments*

The one off adjustments represent expenses which have been included in the Group's Consolidated Statement of Profit and Loss and other comprehensive income but which, in the Group's opinion, represent non-recurring and/or non-operational expenses. These expenses relate mainly to: (i) costs incurred in relation to the acquisition of the Acquired Companies which were expensed rather than capitalized as part of the acquisition cost of the company, including the costs of aborted or continuing acquisition processes; (ii) costs which were related to certain consulting services and the cost of financing from the International Finance Corporation, member of the World Bank Group; (iii) certain other costs with external consultants in relation to non-operational or non-recurring matters; (iv) a provision in the twelve month statement in respect of the full amount of a receivable from the NHIH related to the 2008-2010 period, which is currently under litigation and (v) cost in relation to the Initial Public Offer.
The One off expenses are presented below. The amounts calculated for each of the expenses is gross of the applicable income tax.

| Type of Expense | Amount for 2016 (RON) | Note |
|---|---:|---:|
| Cost of Acquisitions | 2,323,141 | *Note A* |
| Cost of Financing | 181,664 | *Note B* |
| Consultancy Costs | 611,425 | *Note C* |
| NHIH receivable allowance | 7,365,835 | *Note D* |
| Cost of IPO | 2,329,445 | *Note E* |
| **Total** | **12,811,510** | |

**Note A**

Cost of Acquisitions includes the expenses incurred in respect of external due diligence reports on targets covering financial, taxation and legal due diligence, costs in relation to specialized reports required for purchase price allocation calculations as well as the cost of legal advisory services in relation to the signing and closing of the transactions concluded in the period. The external costs of aborted acquisitions are also included.

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

**Note B**

In 2016, the Group entered into a new financing facility of EUR 10m with the International Finance Corporation, member of the World Bank Group. The costs related to the implementation of this financing were incurred by the Group. These expenses are classified as one-offs as they do not relate to the on-going operational business of the Group.

**Note C**

In 2016, the Group incurred expenses related to the exploration of a potential structured financing. In 2016, the Group incurred consulting costs related to the adoption of the new Fiscal Code as at 1 January 2016. In particular, the focus was on the fiscal treatment of independent practitioners (such as some of the Group's doctors) under the new regulations. These expenses are treated as one-off.

**Note D**

As at 31 December 2016, the Group's consolidated statement of financial position included a receivable of RON 7.36 million from the NHIH in relation to certain of the services provided to NHIH insured clients in the 2008-2010 period. These amounts related to services that were provided in excess of the stated allocations of NHIH funds to the Group, but for which the Group believes that it has a valid claim for re-imbursement. The Group has initiated litigation proceedings against the NHIH. Since the end of 2010, the Group has not recorded similar receivables from the NHIH and the other receivables recorded from NHIH are deemed to be fully collectable by the Group and are not outstanding on average more than 60 days.

Given the increasing age of this receivable, the Group has recorded in its Consolidated Financial Statements for the period ended as at 31 December 2016, a bad debt allowance against the full amount of this receivable.

The Group has reclassified this allowance as a one-off item given its non-recurring nature and its relation to historic periods and practices, which have not been continued.

**Note E**

In 2016 the Group incurred expenses in relation to the IPO process for the listing of the Company with the Bucharest Stock Exchange Market.

MED LIFE S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2016

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

(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

| **CONTENTS:** | **PAGE:** |
|---|---|

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# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Med Life S.A.

## Opinion

1. We have audited the consolidated financial statements of Med Life S.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, 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.

2. 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, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU.

## Basis for Opinion

3. We conducted our audit in accordance with the Auditing Standards adopted by the Chamber of Auditors of Romania, which are International Standards on Auditing (ISAs). Our responsibilities under this law and regulation are further described in the Auditor's "*Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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

4. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Deloitte.

| KEY AUDIT MATTER | How our audit addressed the key audit matter |
|---|---|
| Valuation of goodwill | |
| Goodwill represents 9% 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><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><br>>> Engaging our internal specialists to assist with:<br><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><br>–– Evaluating the appropriateness of the assumptions used to calculate the discount rates and recalculating these rates.<br><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<br>of the Cash Generating Unit.<br><br>>>We subjected the key assumptions to sensitivity analyses.<br><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.<br><br>We found that the assumptions used by management were comparable with historical performance and the expected future outlook and the discount rates used were appropriate in the circumstances. |

**Reporting requirements concerning the administrators' consolidated report**

5. The administrators are responsible for the preparation and presentation of the standalone administrators' report in accordance with the requirements of the Ministry of Public Finance Order 2844/2016 , article no.20 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, which does not contain material misstatements and for such internal control as management determines is necessary to enable the preparation of administrator's report that is free from material misstatement, whether due to fraud or error.

   The consolidated administrators' report is presented from pages 1 to 9 and is not part of the consolidated financial statements.

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Our opinion on the consolidated financial statements does not cover the administrators' report.

In connection with our audit of the consolidated financial statements, we have read the administrators' report accompanying the consolidated financial statements and presented from pages 1 to 9 and we report as follows:

a) in the consolidated administrators' report, we have not identified information which is not consistent, in all material respects, with the information presented in the consolidated financial statements attached;

b) the administrators' report identified above contains, in all material respects, the required information according to the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20 (accounting regulations regarding annual standalone financial statements and annual consolidated financial statements);

c) based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2016, we have not identified information included in the consolidated administrators' report that contains a material misstatement of fact.

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

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

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

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

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

7. 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.

Deloitte.

8. 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.

9. 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.

10. 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.

11. 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.

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

Farrukh Khan, Audit Partner

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

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

On behalf of:

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

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

Bucharest, Romania
March 24, 2017

**MED LIFE GROUP**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT DECEMBER 31, 2016**
**(all the amounts are expressed in RON, unless otherwise specified)**

| | Notes | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **LONG TERM** | | | | |
| Goodwill | 4,25 | 43,993,237 | 24,275,015 | 22,580,306 |
| Intangible assets | 5 | 26,512,923 | 13,811,734 | 12,396,599 |
| Tangible fixed assets | 5 | 304,857,393 | 280,210,741 | 255,817,347 |
| Financial fixed assets | | 1,160 | 871 | 840 |
| **TOTAL NON-CURRENT ASSETS** | | **375,364,713** | **318,298,361** | **290,795,092** |
| Deferred tax asset | | | - | - |
| **CURRENT ASSETS** | | | | |
| Inventories | 6 | 17,373,541 | 13,969,838 | 10,553,737 |
| Receivables | 7 | 43,203,974 | 41,799,756 | 39,898,398 |
| Other receivables | | 2,357,689 | 256,414 | 1,344,125 |
| Cash at bank and in hand | 8 | 20,701,850 | 5,881,496 | 7,583,358 |
| | | **83,637,054** | **61,907,504** | **59,379,618** |
| Assets classified as held for sale | 9 | 381,665 | 381,665 | 381,665 |
| **PREPAYMENTS** | 10 | **6,736,028** | **4,145,435** | **3,666,828** |
| **TOTAL CURRENT ASSETS** | | **90,754,747** | **66,434,604** | **63,428,111** |
| **TOTAL ASSETS** | | **466,119,460** | **384,732,965** | **354,223,203** |
| **LIABILITIES &SHAREHOLDER'S EQUITY** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Trade accounts payable | 11 | 98,432,380 | 73,170,998 | 64,808,736 |
| Overdraft | 14 | 1,267,442 | 15,513,594 | 15,582,209 |
| Current portion of lease liability | 13 | 7,031,122 | 7,032,056 | 1,255,341 |
| Current portion of long term debt | 14 | 19,127,593 | 17,907,388 | 13,918,290 |
| Current tax liabilities | | 1,099,391 | 919,814 | 84,649 |
| Other liabilities | 12 | 17,713,204 | 11,673,569 | 9,262,150 |
| Liabilities directly associated with assets classified as held for sale | | 629,207 | 690,640 | 745,267 |
| **Total Current Liabilities** | | **145,300,339** | **126,908,059** | **105,656,642** |
| **LONG TERM DEBT** | | | | |
| Lease liability | 13 | 10,382,639 | 12,294,667 | 1,666,461 |
| Long term debt | 14 | 202,761,616 | 143,524,638 | 155,022,740 |
| **TOTAL LONG-TERM LIABILITIES** | | **213,144,255** | **155,819,305** | **156,689,201** |
| Deferred tax liability | 24 | 14,655,982 | 14,809,109 | 15,059,481 |
| **TOTAL LIABILITIES** | | **373,100,576** | **297,536,473** | **277,405,324** |

The accompanying notes are an integral part of the consolidated financial statements.

**MED LIFE GROUP**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT DECEMBER 31, 2016**
**(all the amounts are expressed in RON, unless otherwise specified)**

| | Notes | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|---|
| **SHAREHOLDER'S EQUITY** | | | | |
| Issued capital | **15** | 13,932,034 | 13,932,034 | 13,932,034 |
| Reserves | **16** | 91,961,424 | 86,504,066 | 83,128,282 |
| Retained earnings | | (24,346,985) | (19,139,252) | (24,014,725) |
| **Equity attributable to owners of the Group** | | **81,546,473** | **81,296,848** | **73,045,591** |
| Non-controlling interests | **17** | 11,472,411 | 5,899,644 | 3,772,288 |
| **TOTAL EQUITY** | | **93,018,884** | **87,196,492** | **76,817,879** |
| **TOTAL LIABILITIES AND EQUITY** | | **466,119,460** | **384,732,965** | **354,223,203** |

Approved by the Board of Directors on the date of March 24, 2017 and signed on behalf of by:

**Mihail Marcu,**
Administrator

**Vera Firu,**
Director Economic

The accompanying notes are an integral part of the consolidated financial statements.

**MED LIFE GROUP**
**CONSOLIDATED STATEMENT OF**
**COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2016**
**(all the amounts are expressed in RON, unless otherwise specified)**

| | Notes | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|---|
| **SALES** | 18 | 502,986,790 | 390,978,897 |
| Other operating revenues | 19 | 5,468,590 | 4,591,826 |
| **OPERATING INCOME** | | **508,455,380** | **395,570,723** |
| **OPERATING EXPENSES** | 20 | **(488,901,027)** | **(366,579,247)** |
| **OPERATING PROFIT** | | **19,554,353** | **28,991,476** |
| Finance cost | | (13,336,592) | (11,270,696) |
| Other financial expenses | | (5,048,649) | (4,722,017) |
| **FINANCIAL RESULT** | 22 | **(18,385,241)** | **(15,992,713)** |
| **RESULT BEFORE TAXES** | | **1,169,112** | **12,998,763** |
| Income tax expense | 24 | (2,411,102) | (3,093,994) |
| **NET RESULT** | | **(1,241,990)** | **9,904,769** |
| Owners of the Group | | (5,109,958) | 8,580,871 |
| Non-controlling interests | | 3,867,968 | 1,323,898 |
| **Other comprehensive income items that will not be reclassified to profit or loss** | | | |
| Gain / Loss on revaluation of properties | 16,17 | 3,398,211 | - |
| Corrections related to prior years | | - | (391,949) |
| Deferred tax on other comprehensive income components | 24 | (543,714) | 62,335 |
| **TOTAL OTHER COMPREHENSIVE INCOME** | | **2,854,497** | **(329,614)** |
| **Total other comprehensive income attributable to:** | | | |
| Owners of the Group | 16 | 5,439,256 | (329,614) |
| Non-controlling interests | 17 | (2,584,759) | - |
| **TOTAL COMPREHENSIVE INCOME** | | **1,612,507** | **9,575,155** |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Group | | 329,298 | 8,251,257 |
| Non-controlling interests | | 1,283,209 | 1,323,898 |

Approved by the Board of Directors on the date of March 24, 2017 and signed on behalf of by:

**Mihail Marcu,**
Administrator

**Vera Firu,**
Director Economic

**MED LIFE GROUP**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2016**
**(all the amounts are expressed in RON, unless otherwise specified)**

| | Note | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Profit / Loss before tax** | | **1,169,112** | **12,998,763** |
| **Adjustments for:** | | | |
| Depreciation | **20,5** | 36,093,805 | 26,748,141 |
| Disposal of subsidiaries | | 714,750 | - |
| Interest expense | **22** | 13,336,592 | 11,270,696 |
| Interest revenues | **22** | (454,439) | (385,938) |
| Allowance for doubtful debts and receivables written-off | **7** | 8,175,200 | 214,477 |
| Write off and allowance of other current assets | | 109,041 | |
| Financial discounts | **22** | 3,052,445 | 2,804,052 |
| Gain related to impairment of non-current assets | **20** | (970,918) | - |
| Unrealized exchange gain / loss | **22** | 2,608,677 | 2,357,932 |
| Other non-monetary gains | **19** | (3,300,000) | (3,300,000) |
| Net gain on disposal of property | | - | (57,292) |
| **Operating cash flow before working capital changes** | | **60,534,265** | **52,650,831** |
| Increase in accounts receivable | | (11,152,764) | (3,242,399) |
| Increase in inventories | | (2,974,751) | (3,390,778) |
| Increase in prepayments | | (446,269) | (422,694) |
| Increase in accounts payable | | 12,787,223 | 9,447,452 |
| **Cash generated from operations** | | **58,747,704** | **55,042,412** |
| Income tax paid | | (2,945,862) | (2,470,547) |
| Interest paid | | (13,144,091) | (11,316,966) |
| Interest received | | 454,439 | 385,938 |
| **Net cash flow from operating activities** | | **43,112,190** | **41,640,837** |
| **Cash flow from investing activities** | | | |
| Investments in business combinations | **25** | (32,993,008) | (3,107,334) |
| Purchase of intangible assets | **5** | (4,038,544) | (1,831,817) |
| Purchase of property, plant and equipment | **5** | (28,035,141) | (23,194,914) |
| Proceeds from sale of business combinations | | 45,000 | - |
| Proceeds from sale of fixed assets | | - | 57,292 |
| **Net cash used in investing activities** | | **(65,021,693)** | **(28,076,773)** |
| **Cash flow from financing activities** | | | |
| Share capital contribution (non-controlling interest) | **17** | 137,030 | - |
| Increase in loans | | 73,824,643 | 1,633,867 |
| Payment of loans | | (30,629,749) | (13,110,964) |
| Payments of financial leasing | | (6,602,067) | (3,788,829) |

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

| | Note | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|---|
| **Net cash generated by/ (used in) financing activity** | | **36,729,857** | **(15,265,926)** |
| Effect of changes in exchange rates over cash | | - | - |
| **Net increase/ (decrease) in cash and cash equivalents** | | **14,820,354** | **(1,701,862)** |
| **Cash and cash equivalents opening balance** | **8** | **5,881,496** | **7,583,358** |
| **Cash and cash equivalents closing balance** | **8** | **20,701,850** | **5,881,496** |

Approved by the Board of Directors on the date of March 24, 2017 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, 2016
(all the amounts are expressed in RON, unless otherwise specified)

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

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

Approved by the Board of Directors on the date of March 24, 2017 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 | 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, 2015** | **5,023,000** | **8,909,034** | **5,976,083** | **77,152,199** | **(24,014,725)** | **73,045,591** | **3,772,288** | **76,817,879** |
| Recognition of other reserves for fiscal purposes | - | - | 3,705,398 | - | (3,705,398) | - | - | - |
| Additional non-controlling interest arising as of result of business combinations | - | - | - | - | - | - | 803,458 | **803,458** |
| **Total comprehensive income** | **-** | **-** | **-** | **(329,614)** | **8,580,871** | **8,251,257** | **1,323,898** | **9,575,155** |
| Deferred tax related to revaluation reserve | - | - | - | 62,335 | - | 62,335 | - | 62,335 |
| Correction of prior year errors | - | - | - | (391,949) | - | (391,949) | - | (391,949) |
| Profit of the year (loss) | - | - | - | - | 8,580,871 | 8,580,871 | 1,323,898 | 9,904,769 |
| **Balance as at December 31, 2015** | **5,023,000** | **8,909,034** | **9,681,481** | **76,822,585** | **(19,139,252)** | **81,296,848** | **5,899,644** | **87,196,492** |

**Note*:** The closing balance of the revaluation reserve as of December 31, 2015 in amount of RON 76,822,585 comprises revaluation reserve in amount of RON 91,455,907 and deferred tax computed on revaluation reserve in amount of RON (14,633,322). During the year 2015, the Group identified as a result of a change in estimate that the value of properties before recorded revaluation should have been higher by RON 391,949. As a result, the Group decided to adjust current year other comprehensive income related to the revaluation reserve and to correct the deferred tax recorded.

Approved by the Board of Directors on the date of March 24, 2017 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, 2016
(all the amounts are expressed in RON, unless otherwise specified)

| | Share Capital | Share premium | General reserves and other reserves | Revaluation Reserve* | Accumulated Result | Attributable to owners of the parent | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2014** | **5,023,000** | **8,909,034** | **1,042,307** | **77,237,165** | **(25,627,588)** | **66,583,918** | **163,975** | **66,747,893** |
| Recognition of other reserves for fiscal purposes | - | - | 4,933,776 | - | (4,933,776) | - | - | - |
| Additional non-controlling interest (Policlinica de Diagnostic Rapid) | - | - | - | - | - | - | 2,499,000 | **2,499,000** |
| **Total comprehensive income** | **-** | **-** | **-** | **(84,966)** | **6,546,639** | **6,461,673** | **1,109,313** | **7,570,986** |
| Deferred tax related to revaluation reserve | - | - | - | 16,184 | - | 16,184 | - | 16,184 |
| Revaluation of fixed assets | - | - | - | (101,150) | - | (101,150) | - | (101,150) |
| Profit of the year (loss) | - | - | - | - | 6,546,639 | 6,546,639 | 1,109,313 | 7,655,952 |
| **Balance as at December 31, 2014** | **5,023,000** | **8,909,034** | **5,976,083** | **77,152,199** | **(24,014,725)** | **73,045,591** | **3,772,288** | **76,817,879** |

**Note*:** The closing balance of the revaluation reserve as of December 31, 2014 in amount of RON 77,152,199 comprises revaluation reserve in amount of RON 91,847,856 and deferred tax computed on revaluation reserve in amount of RON (14,695,657).

Approved by the Board of Directors on the date of March 24, 2017 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, Timisoara, Iasi, Galati and Constanta.

Med Life Group is offering a large range of medical service having opened 17 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Cluj and Constanta; 8 hospitals – located in Bucharest, Arad and Brasov, 19 Medical Centers and 24 Laboratories for analysis, as well as 3 maternity hospitals. The Group has also more than 140 private Clinic partners around Romania.

Med Life is one of the leading health care services providers in Romania, having a significant market share at a national level.

The registered office of Med Life is located in Bucharest, Calea Grivitei, no. 365.

Details of the Company's subsidiaries at December 31, 2016, December 31, 2015 and December 31, 2014 are as follows:

| | Name of subsidiary | Principal Activity | Place of operation | Proportion of ownership interest and voting power held | | |
|---|---|---|---|---|---|---|
| | | | | December 31, 2016 | December 31, 2015 | December 31, 2014 |
| 1 | Policlinica de Diagnostic Rapid SA | Medical Services | Brasov, Romania | 80.01% | 80.01% | 80.01% |
| 2 | Medapt SRL | Medical Services | Brasov, Romania | 80.01% | 80.01% | 80.01% |
| 3 | Histo SRL | Medical Services | Brasov, Romania | 48.01% | 48.01% | 48.01% |
| 4 | Policlinica de Diagnostic Rapid Medis SRL | Medical Services | Sfantu Gheorge, Romania | 64.01% | 64.01% | 64.01% |
| 5 | Bahtco Invest S.A. | Development of building projects | Bucharest, Romania | 100% | 100% | 100% |
| 6 | Medsanrom SRL (Med Life Ocupational SRL) | Medical Services | Bucharest, Romania | 100% | 100% | 100% |
| 7 | Pharmalife Med SRL | Distribution of Pharmaceutical Products in specialised stores | Bucharest, Romania | 100% | 100% | 100% |
| 8 | Asilife Insurance Broker SRL | Insurance broker | Bucharest, Romania | 95% | 95% | 95% |
| 9 | Accipiens | Rental activities | Bucharest, Romania | 55% | 55% | 55% |
| 10 | Genesys SRL | Medical services | Bucharest, Romania | 55% | 55% | 55% |
| 11 | Biofarm Farmec SRL | Distribution of Pharmaceutical Products in specialised stores | Bucharest, Romania | 55% | 55% | 55% |
| 12 | RUR Medical Services | Medical services | Bucharest, Romania | 100% | 100% | 100% |
| 13 | Biotest Med | Medical Services | Bucharest | 100% | 100% | 100% |
| 14 | Vital Test | Medical Services | Bucharest | 100% | 100% | 100% |

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

## 1. DESCRIPTION OF THE BUSINESS (continued)

During the year 2015, the Group also acquired control of the following companies:

| | Name of subsidiary | Principal Activity | Place of operation | Proportion of ownership interest and voting power held December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|---|---|---|
| 15 | Agis 2000 SRL | Other healthcare services | Arad, Romania | - | 55% | - |
| 16 | Bactro SRL | Other healthcare services | Deva, Romania | 55% | 55% | - |
| 17 | Centrul Medical Sama S.A. | Medical Services | Craiova, Romania | 55% | 55% | - |
| 18 | Ultratest S.A. | Other healthcare services | Craiova, Romania | 55% | 55% | - |

Agis 2000 SRL was disposed of in 2016.

During the year 2016, the Group also acquired control of the following companies:

| | Name of subsidiary | Principal Activity | Place of operation | Proportion of ownership interest and voting power held December 31, 2016 | December 31, 2015 |
|---|---|---|---|---|---|
| 1 | Diamed Center SRL | Medical Services | Bucharest, Romania | 100% | - |
| 2 | Prima Medical SRL | Medical Services | Craiova, Romania | 100% | - |
| 3 | Stem Cells Bank SA | Medical Services | Timisoara, Romania | 60% | - |
| 4 | Dent Estet Clinic SA | Dental healthcare activities | Bucharest, Romania | 60% | - |
| 5 | Centrul Medical Panduri SA | Medical Services | Bucharest, Romania | 90% | |

One of the companies acquired in 2016, Dent Estet Clinic SA also owns the following companies as described below:

| Name of subsidiary | Principal Activity | Place of operation | Proportion of ownership interest and voting power held by Dent Estet Clinic SA December 31, 2016 |
|---|---|---|---|
| Green Dental Clinic SRL | Dental healthcare activities | Bucharest, Romania | 51% |
| Dentist 4 Kids SRL | Dental healthcare activities | Bucharest, Romania | 52% |
| Dent A Porter SRL | Dental healthcare activities | Bucharest, Romania | 51.61% |
| Dentestet Kids | Dental healthcare activities | Bucharest, Romania | 52.94% |
| Aspen Laborator Dentar | Dental healthcare activities | Bucharest, Romania | 75 % |

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

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

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

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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

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

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

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 are not yet effective:

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

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

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **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 IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),

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

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

- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).
- **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 "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 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

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 interim financial statements of the Group are set out below.

### 3.1 Statement of compliance

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

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

### 3.2 Basis of preparation

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

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

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

### 3.3 Going concern

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

### 3.4 Basis of consolidation

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.4 Basis of consolidation (continued)

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

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

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

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

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

### 3.5 Business combinations

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

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

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

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

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

## 3. 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.

## 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, 2016 the exchange rate was of 4.3033 RON for 1 USD and of 4.5411 RON for 1 EUR. As at December 31, 2015 the exchange rate was of RON 4.1477 for 1 USD and of RON 4.5245 for 1 EUR.

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

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

### 3.10 Comparative information

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

### 3.11 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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.11 Property, plant and equipment (continued)

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

### 3.12 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.

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 |

### 3.13 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.13 Intangible assets (continued)

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

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

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

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

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

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

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

### 3.14 Investments in subsidiaries

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.15 Investments in associates

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

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

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

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

### 3.16 Inventories

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

### 3.17 Trade receivables

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

### 3.18 Cash and cash equivalents

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.25 Share premiums

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

### 3.26 Revaluation reserve

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

### 3.27 Provisions for risks and charges

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

### 3.28 Revenue recognition

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

***Rendering of services***

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

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

***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. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.29 Employee benefits

***Employee benefits***

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

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

### 3.30 Related parties

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

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

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

### 3.31 Fair value

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

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

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

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

### 3.32 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, 2016, December 31, 2015 and December 31, 2014.

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Policlinica de Diagnostic Rapid Group | 11,281,899 | 11,281,899 | 11,281,899 |
| Pharmalife Med SRL | 138,997 | 138,997 | 138,997 |
| Accipiens Group | 10,853,416 | 10,853,416 | 10,853,416 |
| Biotest Med SRL | 215,289 | 215,289 | 215,289 |
| Vital Test SRL | 90,706 | 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 | - |
| Agis | - | 123,971 | - |
| Diamed Center SRL | 2,646,208 | - | - |
| Prima Medical SRL | 1,422,493 | - | - |
| Stem Cells Bank SA | 1,217,669 | - | - |
| Dent Estet Clinic SA | 7,576,551 | - | - |
| Centrul Medical Panduri SA | 6,979,272 | - | - |
| **TOTAL** | **43,993,237** | **24,275,015** | **22,580,306** |

**Movement in Goodwill**

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Balance at the beginning of the year | 24,275,015 | 22,580,306 |
| Goodwill recognized during the year | 19,842,193 | 1,694,709 |
| Disposal of subsidiaries | (123,971) | - |
| **TOTAL** | **43,993,237** | **24,275,015** |

During the year ended December 31, 2016, the Group obtained control over various companies and recorded a goodwill of RON 19,842,193. For further details on business combinations performed in the year ended December 31, 2016 and the year ended December 31, 2015, 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, 2016.

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

## 5. TANGIBLE AND INTANGIBLES FIXED ASSETS

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

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

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

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

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

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

As of December 31, 2015 the Group's tangible and intangible assets' structure was the following:

| | Intangibles* | Land | Constructions | Vehicles and equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **January 1, 2015** | 23,574,905 | 28,076,286 | 199,239,735 | 114,999,865 | 7,665,356 | 373,556,147 |
| Additions | 5,157,652 | - | 198,239 | 27,487,226 | 15,166,608 | 48,009,725 |
| Transfers | - | - | 14,733,124 | 245,566 | (14,978,690) | - |
| Disposals | (24,479) | - | (80,645) | (503,306) | (2,061) | (610,491) |
| Additions from business combinations | 22,710 | 552,631 | 1,677,009 | 4,532,592 | 28,881 | 6,813,823 |
| **December 31, 2015** | 28,730,788 | 28,628,917 | 215,767,462 | 146,761,943 | 7,880,094 | 427,769,204 |

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, 2015** | 11,178,306 | 84,120 | 22,975,452 | 71,104,323 | - | 105,342,201 |
| Charge of the year | 3,732,125 | - | 8,071,134 | 14,944,882 | - | 26,748,141 |
| Disposals | (13,600) | - | - | (466,822) | - | (480,422) |
| Additions from business combinations | 22,223 | - | 266,087 | 1,848,499 | - | 2,136,809 |
| Impairment losses recognized in profit or loss | - | - | - | - | - | - |
| **December 31, 2015** | 14,919,054 | 84,120 | 31,312,673 | 87,430,882 | - | 133,746,729 |
| **Net Book Values** | | | | | | |
| **January 1, 2015** | 12,396,599 | 27,992,166 | 176,264,283 | 43,895,542 | 7,665,356 | 268,213,946 |
| **December 31, 2015** | 13,811,734 | 28,544,797 | 184,454,789 | 59,331,061 | 7,880,094 | 294,022,475 |

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

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

As of December 31, 2014 the Group's tangible and intangible assets' structure was the following:

| | Intangibles* | Land | Constructions | Vehicles and equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **January 1, 2014** | **17,097,005** | **28,076,286** | **187,865,790** | **97,534,776** | **5,722,549** | **336,296,406** |
| Additions | 6,471,933 | - | 535,702 | 17,383,371 | 12,638,213 | 37,029,219 |
| Transfers | - | - | 10,752,571 | - | (10,752,571) | - |
| Disposals | - | - | - | (421,162) | - | (421,162) |
| Additions from business combinations | 5,967 | - | 85,672 | 502,880 | 57,165 | 651,684 |
| **December 31, 2014** | **23,574,905** | **28,076,286** | **199,239,735** | **114,999,865** | **7,665,356** | **373,556,147** |

Additions include additions from business combinations - please see further details in Note 25.

| | Intangibles* | Land | Constructions | Vehicles and equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Depreciation** | | | | | | |
| **January 1, 2014** | **6,892,011** | **84,120** | **14,809,534** | **58,001,718** | **-** | **79,787,383** |
| Charge of the year | 4,280,991 | - | 8,164,088 | 13,256,738 | - | 25,701,817 |
| Disposals | - | - | - | (317,801) | - | (317,801) |
| Additions from business combinations | 5,304 | | 1,830 | 163,668 | | 170,802 |
| Revaluation | - | - | - | - | - | - |
| **December 31, 2014** | **11,178,306** | **84,120** | **22,975,452** | **71,104,323** | **-** | **105,342,201** |
| **Net Book Values** | | | | | | |
| **January 1, 2014** | **10,204,994** | **27,992,166** | **173,056,256** | **39,533,058** | **5,722,549** | **256,509,023** |
| **December 31, 2014** | **12,396,599** | **27,992,166** | **176,264,283** | **43,895,542** | **7,665,356** | **268,213,946** |

The net book value as of December 31, 2016 of fixed assets acquired through capital lease by Med Life was RON 17,691,057 (2015: RON 17,223,794; 2014: RON 1,792,840).

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

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

Information regarding the fair value as of December 31, 2016:

| | Level 1 | Level 2 | Level 3 | Fair value as of December 31, 2016 |
|---|---|---|---|---|
| Land | - | - | 27,030,016 | 27,030,016 |
| Buildings | - | - | 191,374,399 | 191,374,399 |

| | Level 1 | Level 2 | Level 3 | Fair value as of December 31, 2015 |
|---|---|---|---|---|
| Land | - | - | 28,544,797 | 28,544,797 |
| Buildings | - | - | 184,454,789 | 184,454,789 |

| | Level 1 | Level 2 | Level 3 | Fair value as of December 31, 2014 |
|---|---|---|---|---|
| Land | - | - | 27,992,166 | 27,992,166 |
| Buildings | - | - | 176,264,283 | 176,264,283 |

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, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Land | 4,705,086 | 4,705,086 | 4,102,883 |
| Buildings | 122,520,203 | 110,221,566 | 107,505,584 |
| **TOTAL** | **127,225,289** | **114,926,652** | **111,608,467** |

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

### 5.2. Assets pledged as securities

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

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

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

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

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

(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, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Set-up and development costs | 10,789 | 18,007 | 11,053 |
| Customer lists | 2,553,529 | 1,431,177 | 2,116,855 |
| Contract advantage | 1,435,896 | 183,038 | 267,277 |
| Trademark | 10,948,595 | - | - |
| Concessions, patents, licenses, trademarks and similar rights and assets | 2,061,316 | 1,480,722 | 2,095,991 |
| Other intangible assets | 9,502,798 | 10,698,790 | 7,905,423 |
| **TOTAL** | **26,512,923** | **13,811,734** | **12,396,599** |

During 2016, as a result of business combinations, the Group recorded additional intangible assets (carrying value) resulting from business combinations in amount of RON 13,593,373.

| Cost | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Set-up and development costs | 39,118 | 37,458 | 35,694 |
| Customer lists | 4,245,339 | 2,977,094 | 2,977,094 |
| Contract advantage | 1,654,232 | 380,750 | 380,748 |
| Trademark | 10,948,595 | - | - |
| Concessions, patents, licenses, trademarks and similar rights and assets | 4,530,576 | 3,080,157 | 3,066,870 |
| Other intangible assets | 28,244,845 | 22,255,328 | 16,082,481 |
| **TOTAL** | **49,662,705** | **28,730,787** | **22,542,887** |

| Accumulated amortization | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Set-up and development costs | (28,329) | (19,451) | (24,640) |
| Customer lists | (1,691,810) | (1,545,917) | (860,240) |
| Contract advantage | (218,336) | (197,712) | (113,471) |
| Trademark | - | - | - |
| Concessions, patents, licenses, trademarks and similar rights and assets | (2,469,260) | (1,599,435) | (970,879) |
| Other intangible assets | (18,742,047) | (11,556,538) | (8,177,058) |
| **TOTAL** | **(23,149,782)** | **(14,919,053)** | **(10,146,288)** |

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

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

### 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 |
| **Total** | **4,245,339** | **1,654,232** | **10,948,595** | **16,848,166** |

## 6. INVENTORIES

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Consumables | 11,149,639 | 8,063,708 | 5,591,030 |
| Materials in the form of inventory items | 222,067 | 373,116 | 367,668 |
| Commodities | 6,000,816 | 5,531,383 | 4,593,004 |
| Inventory in transit | 1,019 | 1,631 | 2,035 |
| **TOTAL** | **17,373,541** | **13,969,838** | **10,553,737** |

## 7. ACCOUNTS RECEIVABLE

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Customers | 57,352,607 | 48,476,389 | 46,124,498 |
| Advances to suppliers | 2,522,169 | 1,888,959 | 2,339,492 |
| Bad debt provisions | (16,670,802) | (8,565,592) | (8,565,592) |
| **TOTAL** | **43,203,974** | **41,799,756** | **39,898,398** |

Trade receivables as of December 31, 2015 and as of December 31, 2014 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.

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

## 7. ACCOUNTS RECEIVABLE (continued)

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, 2016, the Management of the Group performed an assessment regarding the collectability of receivables- a total allowance of RON 16,670,802 (which includes the amount of RON 7,365,835 in relation to the National Health House described above) represents management's best estimate regarding the receivables which are not to be collected. The assessment takes into consideration the collection pattern of the receivables over the last two years. The Group monitors the credit quality of its customers on an ongoing basis. Credit risk is spread over a large customer base and the Group is not dependent on the collection of receivables from a limited number of customers.

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, 2016** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|---|
| 90 - 180 days | 1,252,714 | 145,431 | 1,207,962 |
| 180 days - 270 days | 952,544 | 630,195 | 786,505 |
| 270 - 365 days | 1,185,080 | 678,670 | 961,370 |
| Over 365 days | 3,158,676 | 1,121,592 | 2,352,479 |
| **TOTAL** | **6,549,014** | **2,575,888** | **5,308,316** |
| Average age (days) | 90 | 90 | 90 |

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

| **Movement in the allowance for doubtful debts** | **December 31, 2016** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|---|
| Balance at the beginning of the year | 8,565,592 | 8,565,592 | 8,665,839 |
| Impairment losses and reversals recognized on receivables | 8,105,210 | - | (100,247) |
| **TOTAL** | **16,670,802** | **8,565,592** | **8,565,592** |

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

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

## 7. ACCOUNTS RECEIVABLE (continued)

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, 2016** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|---|
| 270-365 days | 988,647 | - | 346,165 |
| Over 365 days | 8,316,320 | 8,565,592 | 8,219,427 |
| **TOTAL GENERAL** | **9,304,967** | **8,565,592** | **8,565,592** |
| **Other allowance (described above)** | 7,365,835 | - | - |
| **TOTAL** | **16,670,802** | **8,565,592** | **8,565,592** |

## 8. CASH AND BANKS

| | **December 31, 2016** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|---|
| Cash in bank | 18,022,894 | 4,892,954 | 6,676,734 |
| Cash in hand | 1,810,985 | 773,611 | 759,672 |
| Cash equivalents | 867,971 | 214,931 | 146,952 |
| **TOTAL** | **20,701,850** | **5,881,496** | **7,583,358** |

## 9. ASSETS CLASSIFIED AS HELD FOR SALE

| | **December 31, 2016** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|---|
| Apartment owned by Med Life Ocupational | 381,665 | 381,665 | 381,665 |
| **TOTAL** | **381,665** | **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, 2016, December 31, 2015 and December 31, 2014 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, 2016 is RON 629,207 (December 31, 2015: RON 690,640; December 31, 2014: RON 745,267).

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

## 10. PREPAYMENTS

As of December 31, 2016 the Group has prepayments in amount of RON 6,736,028 (RON 4,145,435 as of December 31, 2015 and RON 3,666,828 as of December 31, 2014). The prepayments balance as of December 31, 2016 consists mainly of deferred commissions for financing related to the Club loan and the IFC loan obtained in 2016 and amounts related to rent paid in advance for rented properties and other amounts such as insurance policies for professionals and tangible assets.

## 11. ACCOUNTS PAYABLE

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Suppliers | 80,920,609 | 64,242,355 | 55,603,280 |
| Fixed assets suppliers | 16,429,728 | 7,699,865 | 8,299,864 |
| Advances paid by customers | 1,082,043 | 1,228,778 | 905,592 |
| **TOTAL** | **98,432,380** | **73,170,998** | **64,808,736** |

## 12. OTHER SHORT TERM LIABILITIES

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Salary and related liabilities (including social contributions) | 11,346,075 | 7,178,136 | 6,537,888 |
| Other liabilities | 6,367,129 | 4,495,433 | 2,724,262 |
| **TOTAL** | **17,713,204** | **11,673,569** | **9,262,150** |

## 13. LEASING LIABILITIES

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Non-current portion – Leasing | 10,382,639 | 12,294,667 | 1,666,461 |
| Current portion – Leasing | 7,031,122 | 7,032,056 | 1,255,341 |
| **TOTAL** | **17,413,761** | **19,326,723** | **2,921,802** |

Leasing facilities refer to medical equipment and vehicles acquired.

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

## 13. LEASING LIABILITIES (continued)

**Obligations under finance lease**

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| **Minimum Lease Payments** | | | |
| Short-term (less than one year) | 9,502,879 | 8,791,239 | 1,394,921 |
| Long-term (between 2 and 5 years) | 15,551,753 | 15,696,504 | 1,803,509 |
| **Total** | **25,054,632** | **24,487,743** | **3,198,430** |
| Less: future finance charges | (7,640,871) | (5,161,020) | (276,628) |
| **Present value of lease obligations** | | | |
| **Analyzed as follows:** | | | |
| Maturing within one year | 7,031,122 | 7,032,056 | 1,255,341 |
| Maturing after more than one year but not later than five year | 10,382,639 | 12,294,667 | 1,666,461 |
| **TOTAL** | **17,413,761** | **19,326,723** | **2,921,802** |

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

## 14. FINANCIAL DEBT

**Loan agreements**

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Non-current portion IFC loan (a) and (b) | 28,544,058 | 11,272,579 | 16,032,127 |
| Current portion IFC loan (a) and (b) | 2,594,913 | 4,911,209 | 6,452,256 |
| Current portion Transilvania loan granted to Genesys (c) | 995,200 | 991,562 | 752,992 |
| Non-current portion Transilvania loan granted to Genesys (c) | 10,615,461 | 11,568,219 | 12,446,792 |
| Current portion BCR loan granted to Med Life (f) | - | 11,536,493 | 6,800,305 |
| Non-current portion BCR loan granted to Med Life (f) | - | 119,384,887 | 126,456,558 |
| Current portion Club loan (f) | 14,880,254 | - | - |
| Non-current portion Club loan (f) | 162,508,582 | - | - |
| Non-current portion of other loans (g) | 1,093,515 | 1,298,957 | - |
| Current portion of other loans (g) | 657,226 | 468,120 | - |
| **TOTAL** | **221,889,209** | **161,432,026** | **168,941,030** |

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

## 14. FINANCIAL DEBT (continued)

**Overdraft**

| | **December 31, 2016** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|---|
| Short term loan BCR (d) | - | 15,220,002 | 15,582,209 |
| Short term loan Transilvania Bank (e) | 1,267,442 | 293,592 | - |
| **TOTAL** | **1,267,442** | **15,513,594** | **15,582,209** |

**(a)** As of December 31, 2015, the Group had two loans outstanding from International Finance Corporation ("IFC"), member of World Bank Group. The first agreement was signed in 2006 for a total amount of EUR 5,000,000. The interest rate was sum of the relevant spread and six-month EURIBOR.

In May 2016, the last installment was paid and the outstanding amount as of December 31, 2016 regarding this specific loan is nil.

The outstanding balance of the loan received from IFC as at December 31, 2015 is in amount of RON 1,640,753, the equivalent of EUR 362,638 (December 31, 2014: RON 4,876,131, the equivalent of EUR 1,087,912).

**(b)** In 2010, the Med Life SA concluded a second loan agreement with IFC with a total value of EUR 10,000,000 (Loan A) and then, in 2011 Med Life and co-borrowers (Accipiens SA, Bahtco Invest SA and Policlinica de Diagnostic Rapid SA) signed an Amended and Restated Loan Agreement with IFC and Erste and additional funding of EUR 40,000,000 (Loan B) was obtained.

In August 2014, the Group signed a refinancing agreement with BCR for the total amount of EUR 30,398,901 representing EUR 28,298,901 of the Amended and Restated Loan Agreement with IFC and an additional EUR 2,100,000 representing the amount of the initial B loan available as of the dated of this agreement.

As of December 31, 2015, the outstanding balance related to this loan is RON 14,543,034, equivalent of EUR 3,214,285 (December 31, 2014: RON 17,608,249, the equivalent of EUR 3,928,572). As of December 31, 2016, the outstanding balance is RON 12,974,571, the equivalent of EUR 2,857,143.

On September 30, 2016, Med Life (together with the co-borrowers- Policlinica de Diagnostic Rapid SA, Bahtco Invest SA and Accipiens SA) signed a new loan agreement with IFC in amount of EUR 10,000,000. The purpose of the facility is to refinance part of the club loan agreement mentioned above related to the financing of acquisitions of shares in new companies. As well, through signing this new agreement with IFC, the Group refinanced the existing contract with IFC described above in (b).

As of December 31, 2016, the outstanding balance related to the new facility obtained from IFC is RON 18,164,400, the equivalent of EUR 4,000,000.

## 14. FINANCIAL DEBT (continued)

According to the new loan agreement, the outstanding balance as of December 31, 2016 will be repaid through 12 consecutive installments of EUR 238,095 starting November 15, 2017.

According to the new loan agreement, the repayment of EUR 10,000,000 will be performed through 12 consecutive installments of EUR 833,333 starting November 15, 2017.

The set of indicators that have to be maintained by the Group were modified and will be calculated semi-annually on basis of Adjusted Equity, Adjusted Prospective Debt Service Coverage Ratio and adjusted EBITDA.

The interest to be charged will be charged based on EURIBOR plus relevant spread.

The IFC loan is secured through the following guarantees:

- immovable mortgage on land and buildings situated on 365 Calea Grivitei
- immovable mortgage on land and buildings owned by Bahtco Invest SA (Pediatrics Hospital)
- immovable mortgage on land and buildings owned by Policlinica de Diagnostic Rapid SA (PDR Clinic and Hospital)
- immovable mortgage on land and buildings owned by RUR Medical SA
- a first ranking mortgage on Med Life's shares held by the Sponsors (Mr. Mihail Marcu, Ms. Mihaela Gabriela Cristescu and Mr. Nicolae Marcu) from time to time in favour of IFC securing IFC Equity, as amended from time to time
- a second ranking on all the Borrower's shares held by the Sponsors from time to time in favour of IFC securing the obligations of the Borrower under the agreement
- a mortgage on Med Life's cash accounts opened with BCR, as amended from time to time
- a mortgage on each of the Co-Borrower's cash accounts opened with BCR
- mortgage on shares owned by the Borrower in the share capital of each the Co-Borrowers, Centrul Medical Sama SA, RUR Medical SA, Ultratest SA, Prima Medical SRL, Diamed Center SRL, Stem Cells Bank SA, Centrul Medical Panduri SA, Dent Estet Clinic SA and any other material company or accession borrower
- movable mortgage agreement: certain movable assets: medical equipment (including future medical equipment), insurances related to tangible assets mortgaged in relation to the transaction documents, bank and treasury accounts, commercial receivables of Borrower
- movable mortgage agreement: certain movable assets: medical equipment (including future medical), insurances related to tangible assets mortgaged in relation to the transaction documents, bank and treasury accounts of Bahtco Invest SA, Policlinica de Diagnostic Rapid SA, Accipiens SA
- movable mortgage of Target Shares owned by the Borrower in favor of IFC.
- movable mortgage agreement over certain commercial receivables of Med Life (including receivables against the National Health House of Romania, the Health Insurance House of the Defense, Public Order, National Safety and Judicial Authority in Romania or any similar entity and receivables arising under large commercial contracts).

## 14. FINANCIAL DEBT (continued)

**(c)** In 2010, Accipiens SA (one of the subsidiaries of the Group) signed a loan agreement with Transilvania Bank. The purpose of the loan was the construction of a medical institution. The loan is to be repaid by August 15, 2028. In 2012, the loan payable was transferred to another fully owned subsidiary by Accipiens SA - Genesys Medical Clinic SRL. As of December 31, 2014, the outstanding balance is RON 13,199,785 equivalent of EUR 2,775,949. As of December 31, 2015, the outstanding balance is RON 12,559,781 equivalent of EUR 2,945,000. As of December 31, 2016, the outstanding loan balance is RON 11,610,661, the equivalent of EUR 2,556,795.

The applied interest is EURIBOR at 6 months plus relevant spread per annum until June 15, 2016, recomputed each semester starting August 6, 2010 on a 360 days basis.

According to the agreement, there is a pledge on the present and future collections in Transilvania Bank accounts for Accipiens SA and Genesys SRL. There is a pledge on the shares of Accipiens and on part of the subsidiary's fixed assets. All fixed assets under pledge shall be insured with an agreed insurance company.

During 2016, Genesys Medical Clinic SRL took over the two loans from Agis 2000 SRL. The loans were obtained for purchasing medical equipment. The loans were obtained in 2013 (payable in 2017) and in 2014 (payable in 2021). The interest charged for both loans is between 6% and 10%. The total amount payable as of December 31, 2015 is EUR 90,986, the equivalent of RON 411,666. The total amount payable for these two loans as of December 31, 2016 is RON 306,911.

**(d)** Med Life SA concluded in 2011 another contract for a multi-product facility with BCR with as maximum amount of EUR 5,000,000. At the date of the consolidated financial statements, the Shareholders have approved only the maximum amount of EUR 4,000,000. The outstanding balance as of December 31, 2014 is EUR 3,476,542 (RON 15,582,209).The outstanding balance as of December 31, 2015 is EUR 3,363,908 (RON 15,220,000). In 2016, as part of the Club Loan Agreement, Med Life refinanced this facility with facility B of the Club Loan agreement.

**e)** Genesys SRL obtained an overdraft facility from Transilvania Bank. The interest to be applied is between 7% and 10% per annum. The outstanding balance as of December 31, 2014 is nil.The outstanding balance as of December 31, 2015 is EUR 64,890 (RON 293,595). The outstanding balance as of December 31, 2016 is RON 86,152.

The subsidiary granted as guarantees:

- Second class mortgage on the building and land CF no. 301842 Arad - Accipiens Clinic;
- Real mobile guarantee on the present and future collections and balance of the current accounts opened at Transilvania Bank by Accipiens SA;
- Real mobile guarantee on the present and future collections and balance of the current accounts opened at Transilvania Bank by Genesys Medical Clinic;
- Real mobile guarantee on the present and future collections and balance of the current accounts opened at Transilvania Bank by Genesys Medical Clinic related to the contract signed with the National Health House Arad.

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

## 14. FINANCIAL DEBT (continued)

Additionally, the newly acquired companies in 2016 have overdraft facilities as described below:

| | Bank | Maturity of the facility | Maximum limit |
|---|---|---|---|
| Prima | Unicredit Tiriac Bank | September, 2017 | RON 800,000 |
| Diamed | Raiffeisen Bank | May, 2017 | RON 200,000 |
| Dent Estet | Piraeus Bank | March, 2017 | EUR 100,000 |

**(f)** On August 28, 2014, the Group signed a refinancing agreement with BCR related to the A and B loan obtained from IFC and Erste Bank (parties to a participation agreement dated 11 August 2011 according to which Erste Group Bank AG has purchased all the participations in the initial loan B).

The outstanding balance as of December 31, 2015 is EUR 28,936,099, equivalent of RON 130,921,380 (December 31, 2014: EUR 29,730,899, equivalent of RON 133,256,863).

According to the agreement with IFC, the Group shall maintain a set of financial indicators. The indicators are to be computed based on the IFRS consolidated financial statements. As of December 31, 2015, the management of the Group computed these indicators according to the loan agreement. The creditor waived the right to recall the loan as a result of the breach of certain covenants.

In 2016, the Group signed a club loan agreement with four banks (the Finance Parties- Banca Comerciala Romana SA, BRD- Groupe Societe Generale SA, ING Bank N.V. Amsterdam-Bucharest Branch and Raiffeisen Bank SA) for the total amount of EUR 48,764,590 and RON 27,000,000, through which the Group refinanced the entire long-term loan from BCR (described above) and the short-term credit facility from BCR, in order to continue the investing activities.

The Club loan granted to the Group three facilities. As of December 31, 2016, the outstanding amounts for each facility are presented below:

| Facility | Amount in EUR | Amount in RON |
|---|---|---|
| Facility A | 26,386,295 | 119,822,804 |
| Facility B | - | 27,000,000 |
| Facility C | 6,517,723 | 29,597,633 |
| **Total** | **32,904,018** | **176,420,437** |

The Group shall repay Facility A and Facility C pro rata with the amount made available in semi-annual installments according to the agreed schedule.

The Group shall repay each Facility B loan drawn on the last day of its Interest Period. Without prejudice on the Group's obligation, one or more Facility B loans are to be made available to the Group on the same day that a maturing Facility B loan is due to be repaid by the Group, in whole or in part for the purpose of refinancing the maturing Facility B loan.

The rate of interest on each loan for each interest period is the percentage rate per annum which is the aggregate of the applicable margin and in relation to any loan in EUR, EURIBOR or, in relation to any loan in RON, ROBOR.

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

## 14. FINANCIAL DEBT (continued)

The following security was requested:

- immovable mortgage over (i) a plot of land located at 365 Calea Grivitei sector 1, Bucharest Romania (cadastral number 13183/1) and the buildings related
- immovable mortgage over a plot of land and the buildings thereon comprising Pediatrics Hospital located in Bucharest, 7 Zagazului street - land book 218010
- immoveable mortgage over a plot of land and the buildings thereon comprising PDR Clinic and Hospital located in Brasov 5, Turnului Street - land book no 127854
- moveable mortgage over certain moveable assets (large medical equipment) owned by each of Med Life, Bahtco Invest SA and Policlinica de Diagnostic Rapid SA
- moveable mortgage over future medical equipment to be acquired by each original borrower created in favor of Finance Parties and securing as regards Med Life and Bahtco Invest SA, the obligations of Med Life and Bahtco Invest SA under the Finance documents and as regards other original borrower, its obligations under Finance Documents.
- moveable mortgage over the insurances of each borrower related to tangible assets mortgaged in favor of the Finance Parties
- movable mortgage over the shares owned by the Company in the share capital of the other original borrowers and Centrul Medical Sama SA, Ultratest SA, Rur Medical SA and any other material company or accession borrower if case, respectively created by the Company in favor of the Finance Parties and securing the obligations of the Company and Bahtco under finance agreements.
- moveable mortgage over the bank and treasury accounts of each original borrowers
- moveable mortgage over certain commercial receivables of the Company (including receivables against the National Health House of Romania, the Health Insurance House of the Defense, Public Order, National Safety and Judicial Authority in Romanian or any similar entity and receivables arising under commercial contracts created in the favor of the Finance Parties)
- moveable mortgage over the shares of the sponsors in the borrower to be created under ta moveable mortgage agreement over shares to be entered into between the sponsors, the lender and IFC

**(g)** Centrul Medical Sama SA obtained six long-term loans from Transilvania Bank for purchasing medical equipment and for construction of the clinic. The total amount payable as of December 31, 2015 is EUR 288,492, equivalent of RON 1,305,282. The total amount payable as of December 31, 2016 is RON 1,397,598.

The charged interest is between 4% and 9%.

| | Year of granting | Year of repayment | Total amount |
|---|---|---|---|
| Loan 1 | 2013 | 2018 | EUR 105,000 |
| Loan 2 | 2015 | 2020 | EUR 90,164 |
| Loan 3 | 2013 | 2018 | RON 151,960 |
| Loan 4 | 2013 | 2021 | EUR 150,000 |
| Loan 5 | 2011 | 2021 | EUR 150,000 |
| Loan 6 | 2016 | 2021 | RON 532,306 |

The building and the land are pledged according to the loan contracts above, as well as the acquired equipment and the future collections in the bank's current accounts.

Biotest Med SRL obtained a loan from Libra Bank. The outstanding amount as of December 31, 2016 is RON 44,444.

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

## 15. ISSUED CAPITAL

As of December 31, 2016, December 31, 2015 and December 31, 2014, the total issued capital of Med Life was RON 13,932,034 divided in share capital of RON 5,023,000 and share premium of RON 8,909,034.

As of December 31, 2015 and December 31, 2014 the shareholders' structure is as presented below:

| | **No. of shares** | **%** | **Value** |
|---|---|---|---|
| Marcu Mihail | 105,483 | 21.00% | 1,054,830 |
| Marcu Nicolae | 75,345 | 15.00% | 753,450 |
| Cristescu Mihaela Gabriela | 75,345 | 15.00% | 753,450 |
| IFC | 64,043 | 12.75% | 640,433 |
| SGAM Eastern Europe Holding V. Limited/ Value 4 Capital | 182,084 | 36.25% | 1,820,838 |
| **TOTAL** | **502,300** | **100%** | **5,023,000** |

In December 2016, Med Life SA, the parent company of Med Life Group was listed on the Bucharest Stock Exchange. The shareholders' structure as of December 31, 2016 is presented below:

| | **No. of shares** | **%** | **Value** |
|---|---|---|---|
| Marcu Mihail | 4,219,320 | 21.00% | 1,054,830 |
| Marcu Nicolae | 3,013,800 | 15.00% | 753,450 |
| Cristescu Mihaela Gabriela | 3,013,800 | 15.00% | 753,450 |
| Other shareholders | 9,845,080 | 49.00% | 2,461,270 |
| **TOTAL** | **20,092,000** | **100%** | **5,023,000** |

## 16. RESERVES

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

| | **December 31, 2016** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|---|
| General reserves | 1,028,142 | 1,010,040 | 1,009,800 |
| Other reserves | 8,671,441 | 8,671,441 | 4,966,283 |
| Revaluation reserves | 82,261,841 | 76,822,585 | 77,152,199 |
| **TOTAL** | **91,961,424** | **86,504,066** | **83,128,282** |

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.

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

## 16. RESERVES (continued)

### General reserves and other reserves

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| **Balance at beginning of the year** | **9,681,481** | **5,976,083** | **1,042,307** |
| Movements | 18,102 | 3,705,398 | 4,933,776 |
| **Balance at the end of the year** | **9,699,583** | **9,681,481** | **5,976,083** |

| **Revaluation reserves** | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Balance at beginning of the year | **76,822,585** | **77,152,199** | **77,237,165** |
| Decrease arising revaluation correction | - | (391,949) | (101,150) |
| Increase due to revaluation | 6,475,305 | - | - |
| Deferred tax related to revaluation | (1,036,049) | 62,335 | 16,184 |
| **Balance at the end of the year** | **82,261,841** | **76,822,585** | **77,152,199** |

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

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

## 17. NON-CONTROLLING INTEREST

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| **Balance at beginning of year** | **5,899,644** | **3,772,288** | **163,975** |
| Additional non-controlling interest arising from the increase in share capital of Policlinica de Diagnostic Rapid | - | - | 2,499,000 |
| Share of profit for the year | 3,867,968 | 1,323,898 | 1,109,313 |
| Share of other comprehensive income | (2,584,759) | - | - |
| Share capital contribution | 137,030 | - | - |
| Non-controlling interests arising on the acquisition of subsidiaries | 4,152,528 | 803,458 | - |
| **TOTAL** | **11,472,411** | **5,899,644** | **3,772,288** |

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

## 18. SALES

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

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Sales from medical services rendered | 479,278,749 | 370,437,646 |
| Sales from selling commodities | 23,517,185 | 20,235,474 |
| Sales from broker commission | 164,439 | 176,779 |
| Other sales | 26,417 | 128,998 |
| **TOTAL** | **502,986,790** | **390,978,897** |

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Clinics | 130,109,363 | 101,014,108 |
| Stomatology | 18,504,217 | 1,973,307 |
| Laboratories | 96,725,937 | 76,187,985 |
| Corporate | 127,988,835 | 111,190,772 |
| Hospitals | 104,977,229 | 80,483,227 |
| Pharmacies | 23,597,580 | 19,573,149 |
| Other revenues | 1,083,629 | 556,349 |
| **TOTAL** | **502,986,790** | **390,978,897** |

## 19. OTHER OPERATING REVENUES

Other operating revenues caption comprises:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Other operating income | 2,168,590 | 1,291,826 |
| Capitalized costs of intangible assets | 3,300,000 | 3,300,000 |
| **TOTAL** | **5,468,590** | **4,591,826** |

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

## 20. OPERATING EXPENSES

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Consumable materials & repair materials | 83,701,521 | 67,341,375 |
| Commodities expenses | 18,908,567 | 16,567,264 |
| Utilities | 5,074,199 | 4,548,024 |
| Repairs maintenance | 5,133,520 | 3,717,021 |
| Rent | 28,055,943 | 18,015,043 |
| Insurance premiums | 1,868,261 | 1,557,943 |
| Promotion expense | 10,371,665 | 7,220,996 |
| Communications | 3,249,114 | 3,307,332 |
| Third party expenses (including doctor's agreements) | 133,552,240 | 105,249,949 |
| Salary and related expenses | 113,810,954 | 82,369,499 |
| Social contributions | 25,748,024 | 18,574,414 |
| Depreciation | 36,093,805 | 26,748,141 |
| Impairment gains recognized in profit and loss | (970,918) | - |
| Other administration & operating exp. | 24,304,132 | 11,362,246 |
| **TOTAL** | **488,901,027** | **366,579,247** |

## 21. KEY MANAGEMENT PERSONNEL EXPENSES

The structure of Med Life personnel is described below:

| | December 31, 2016 | December 31, 2015 (Restated) |
|---|---|---|
| Management | 77 | 53 |
| Staff | 3,351 | 2,613 |
| **Total** | **3,428** | **2,666** |

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

| | December 31, 2016 | December 31, 2015 (Restated) |
|---|---|---|
| Management | 16,664,561 | 8,246,279 |
| Staff | 97,146,393 | 74,123,220 |
| **Total** | **113,810,954** | **82,369,499** |

As of December 31, 2016, the Group performed the analysis of management salaries and determined a new method of defining key personnel, which is more relevant from Group perspective. As a result, the group restated the disclosure for the year ended December 31, 2015 for salaries expenses for key management to present comparative figures.

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

## 22. FINANCIAL NET RESULT

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Other financial expenses | (3,052,445) | (2,804,052) |
| Net foreign exchange rate impact | (2,608,878) | (2,371,662) |
| Net finance cost – interest expense | (13,336,592) | (11,270,696) |
| Other income | 158,235 | 67,759 |
| Interest income | 454,439 | 385,938 |
| **FINANCIAL NET RESULT-LOSS** | **(18,385,241)** | **(15,992,713)** |

## 23. RELATED PARTIES

The related parties identified are: Nautic Life SRL and Marcu Nicolae (shareholder).

| **Closing balances** | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| **Payables** | | | |
| MARCU NICOLAE | - | 5,084 | 5,084 |
| NAUTIC LIFE | 140,440 | - | 55,030 |
| **Receivables** | | | |
| NAUTIC LIFE | - | - | - |
| MARCU NICOLAE | - | - | - |

| **Transactions during the year** | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| **Expenses** | | | |
| NAUTIC LIFE | - | - | - |
| MARCU NICOLAE | - | - | - |
| **Total** | **-** | **-** | **-** |
| **Acquisition of fixed assets** | | | |
| NAUTIC LIFE | 4,237,180 | 3,511,265 | 4,403,469 |

## 24. TAXATION

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Current income tax expense | 3,107,943 | 3,268,300 | 2,536,641 |
| Deferred tax expense | (696,841) | (174,306) | (228,112) |
| **Total income tax** | **2,411,102** | **3,093,994** | **2,308,529** |

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

## 24. TAXATION (continued)

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| **Profit / (loss) before tax** | **1,169,112** | **12,998,763** | **9,964,481** |
| Income tax expense calculated at 16% | 187,058 | 2,079,802 | 1,594,317 |
| Effect of expenses that are not deductible in determining taxable profit | 2,920,885 | 1,188,498 | 942,324 |
| Effect of temporary differences | (696,841) | (174,306) | (228,112) |
| **Income tax expense recognized in profit or loss** | **2,411,102** | **3,093,994** | **2,308,529** |

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, 2016 are presented below:

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

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

The net effect of the change on deferred tax balances recognized as at December 31, 2016, except for the deferred tax related to the revaluation reserve which is recognized in equity, is reflected in the statement of comprehensive income for the year then ended.

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

## 24. TAXATION (continued)

The components of deferred tax as of December 31, 2015 are presented below:

| Components of deferred tax | December 31, 2015 | Change in deferred tax | January 1, 2015 |
|---|---|---|---|
| **Deferred tax assets** | - | - | - |
| Non-current assets | 371,104 | 174,306 | 196,798 |
| Trade payables | - | - | - |
| **Total deferred tax asset** | **371,104** | **174,306** | **196,798** |

| Deferred tax liability | December 31, 2015 | Change in deferred tax | January 1, 2015 |
|---|---|---|---|
| Receivables | 13,546 | - | 13,546 |
| Non-current assets | - | - | - |
| Revaluation reserve | 15,166,667 | (62,335) | 15,229,002 |
| **Total deferred tax liability** | **15,180,213** | **(62,335)** | **15,242,548** |
| **Net deferred income tax liability / (assets)** | **14,809,109** | | **15,059,481** |

The net effect of the change on deferred tax balances recognized as at December 31, 2015, except for the deferred tax related to the revaluation reserve which is recognized in equity, is reflected in the statement of comprehensive income for the year then ended.

The components of deferred tax as of December 31, 2014 are presented below:

| Components of deferred tax | December 31, 2014 | Change in deferred tax | January 1, 2014 |
|---|---|---|---|
| **Deferred tax assets** | | | |
| Non-current assets | 196,798 | 196,798 | - |
| Trade payables | - | - | - |
| **Total deferred tax asset** | **196,798** | **196,798** | **-** |

| Deferred tax liability | December 31, 2014 | Change in deferred tax | January 1, 2014 |
|---|---|---|---|
| Receivables | 13,546 | 2 | 13,544 |
| Non-current assets | - | (58,534) | 58,534 |
| Revaluation reserve | 15,229,002 | (16,184) | 15,245,186 |
| **Total deferred tax liability** | **15,242,548** | **(74,716)** | **15,317,264** |
| **Net deferred income tax liability / (assets)** | **15,059,481** | **(271,514)** | **15,317,264** |

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

## 25. BUSINESS COMBINATIONS

### 25.1. Subsidiaries acquired and consideration transferred

**Subsidiaries acquired in 2014**

| Name of subsidiary | Principal Activity | Date of acquisition | Proportion of voting equity interests acquired |
|---|---|---|---|
| BIOTEST MED SRL | Other activities related to human health | February 21, 2014 | 100% |
| VITAL TEST SRL | Specialized Medical Assistance | April 3, 2014 | 100% |
| **Total** | | | |

**BIOTEST MED SRL acquisition**

On February 21, 2014, the Group acquired 100% share of BIOTEST MED SRL. 75% of shares are held directly by Med Life SA and the rest of 25% is held indirectly through Bahtco Invest SA (wholly owned subsidiary of Med Life Group).

**VITAL TEST SRL acquisition**

On April 3, 2014, the Group acquired 100% share of VITAL TEST SRL. 60% of shares are held directly by Med Life SA and the rest of 40% is held indirectly through Bahtco Invest SA (wholly owned subsidiary of Med Life Group).

**Subsidiaries acquired in 2015**

| Name of subsidiary | Principal activity | Date of acquisition | Proportion of voting equity interests acquired |
|---|---|---|---|
| Agis 2000 SRL | Other healthcare services | November 30, 2015 | 55% |
| Bactro SRL | Other healthcare services | November 30, 2015 | 55% |
| Centrul Medical Sama S.A. | Medical Services | February 28, 2015 | 55% |
| Ultratest S.A. | Other healthcare services | February 28, 2015 | 55% |

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

## 25. BUSINESS COMBINATIONS (continued)

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

**CENTRUL MEDICAL SAMA SA acquisition**

On February 28, 2015, the Group acquired 55% shares of Centrul Medical Sama SA.

**ULTRATEST SA acquisition**

On February 28, 2015, the Group acquired 55% shares of Ultratest SA.

**AGIS 2000 SRL acquisition**

On November 30, 2015, the Group acquired 100% shares of Agis 2000 SRL. The shares are held 100% directly by Genesys Medical SRL, which is a subsidiary of Med Life Group. The acquisition was sold in June 2016.

**BACTRO SRL acquisition**

On November 30, 2015, the Group acquired 100% shares of Bactro SRL. The shares are held 100% directly by Genesys Medical SRL, which is a subsidiary of Med Life Group.

**Subsidiaries acquired in 2016**

| Name of subsidiary | Principal Activity | Date of acquisition | Proportion of voting equity interests acquired |
|---|---|---|---|
| Diamed Center SRL | Other healthcare services | March 30, 2016 | 100% |
| Prima Medical SRL | Other healthcare services | March 12, 2016 | 100% |
| Stem Cells Bank SA | Medical Services | March 30, 2016 | 60% |
| Dent Estet Clinic SA | Dental healthcare activities | July 11, 2016 | 60% |
| Centrul Medical Panduri SA | Medical Services | October 4, 2016 | 90% |

**Diamed Center SRL acquisition**

On March 30, 2016, Med Life Group obtained control over Diamed Center SRL purchasing all the shares of the company. Diamed Center SRL was created in 2002 and operates 5 laboratories, two medical clinics, one medical recovery center and eight sampling points in Bucharest, Braila, Tecuci and Focsani.

**Prima Medical SRL acquisition**

On March 12, 2016, the Group obtained control over Prima Medical SRL by purchasing all the shares of the company. Prima Medical SRL was created in 2004. Its main activities relate to the rendering of radiology services and medical imaging services.

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

## 25. BUSINESS COMBINATIONS (continued)

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

**Stem Cells Bank SA acquisition**

On March 30, 2016, the Group obtained control over Stem Cells Bank SA by purchasing 60% of the share capital of the company. Stem Cells Bank SA renders services related to the processing and storing of stem cells.

**Dent Estet Clinic acquisition**

On July 11, 2016, the Group obtained control over Dent Estet Clinic SA. The company was created in 1999 and it is one of the main players on the dental services market.

**Centrul Medical Panduri acquisition**

On October 4, 2016, the Group obtained control over Centrul Medical Panduri SA. The company was created in 2007 and currently has two clinics and a laboratory in Bucharest.

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

| ***Assets acquired and liabilities recognized at the date of acquisition*** | **2016** | **2015** |
|---|---|---|
| Non-current assets | 23,613,873 | 4,731,014 |
| Current assets | 8,748,200 | 1,073,606 |
| Current liabilities | 11,629,782 | 1,586,011 |
| Non-current liabilities | - | 1,565,194 |
| **Net assets** | **20,732,291** | **2,653,415** |

### 25.3. Goodwill arising on acquisition

| | **2016** | **2015** |
|---|---|---|
| Consideration transferred | 36,421,956 | 3,498,857 |
| Less: fair value of identifiable net assets acquired | (20,732,291) | (2,607,606) |
| Plus non-controlling interest | 4,152,528 | 803,458 |
| **Goodwill arising on acquisition** | **19,842,193** | **1,694,709** |

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

## 25. BUSINESS COMBINATIONS (continued)

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

| | December 31, 2016 | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Consideration paid in cash | 36,421,956 | 3,498,857 | 315,646 |
| Less: cash and cash equivalent balances acquired at acquisition date | (3,428,948) | (391,523) | (127,733) |
| | **32,993,008** | **3,107,334** | **187,913** |

## 26. FINANCIAL INSTRUMENTS (IFRS 7)

### *(a) Capital risk management*

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

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

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

### *(b) Significant accounting policies*

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

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

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

## 26. 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.

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

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

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

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

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

| **2015** | **1 EUR = RON 4.5245 RON** | **EUR** | **Total** |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 5,707,887 | 173,609 | 5,881,496 |
| Trade receivables | 41,799,756 | - | 41,799,756 |
| **LIABILITIES** | | | |
| Trade payables | 73,170,998 | - | 73,170,998 |
| Liabilities held for sale | - | 690,640 | 690,640 |
| Overdraft | 15,513,594 | - | 15,513,594 |
| Short-Term and Long-Term portions of loans | - | 161,432,026 | 161,432,026 |
| Short-Term and Long-Term portions of financial leasing | 1,711,216 | 17,615,507 | 19,326,723 |

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

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

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

| **2014** | **1 EUR = RON 4.4821 RON** | **EUR** | **Total** |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 7,234,934 | 348,424 | 7,583,358 |
| Trade receivables | 35,316,243 | - | 35,316,243 |
| **LIABILITIES** | | | |
| Trade payables | 64,808,736 | - | 64,808,736 |
| Liabilities held for sale | - | 745,267 | 745,267 |
| Overdraft | 15,582,209 | - | 15,582,209 |
| Short-Term and Long-Term portions of loans | - | 168,941,030 | 168,941,030 |
| Short-Term and Long-Term portions financial leasing | - | 2,921,802 | 2,921,802 |

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, 2016** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|---|
| Profit or loss | 20,357,035 | 15,081,758 | 14,469,639 |

(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, 2016. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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

(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, 2015. 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 | | 73,170,998 | 73,170,998 | - | - |
| **Interest bearing instruments** | | | | | |
| IFC loans | EURIBOR 6M + relevant spread % | 16,183,788 | 4,911,209 | 11,272,579 | - |
| Liabilities directly linked to assets held for sale | | 690,640 | 690,640 | - | - |
| Transilvania Loans | EURIBOR 6M + relevant spread % | 14,326,858 | 1,459,682 | 12,867,176 | - |
| BCR Loan | EURIBOR 6M + relevant spread % | 130,921,380 | 11,536,493 | 77,959,538 | 41,425,349 |
| BCR Overdraft | Relevant spread | 15,220,002 | 15,220,002 | - | - |
| Transilvania overdraft | | 293,595 | 293,595 | - | - |
| Lease contracts | | 19,326,723 | 7,032,056 | 12,294,667 | - |
| **Total** | | **270,133,982** | **114,314,675** | **114,393,960** | **41,425,349** |

(all the amounts are expressed in EUR, 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, 2014. 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 | - | 64,808,737 | 64,808,737 | - | - |
| **Interest bearing instruments** | | | | | |
| IFC loan | EURIBOR (6 month) + relevant spread % p.a. | 22,484,383 | 16,032,127 | 6,452,256 | - |
| Transilvania Loan | EURIBOR 6M + relevant spread % p.a. | 13,199,784 | 752,992 | 12,446,792 | - |
| BCR Loans | EURIBOR 6 month + relevant spread p.a. | 133,256,863 | 6,800,305 | 66,203,616 | 60,252,942 |
| BCR Overdraft | EURIBOR 1 month + relevant spread | 15,582,209 | 15,582,209 | | - |
| Lease contracts | | 2,921,802 | 1,255,341 | 1,666,461 | - |
| **Total** | | **252,253,778** | **105,231,711** | **86,769,125** | **60,252,942** |

## 27. COMMITMENTS AND CONTINGENCIES

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

### IFC related commitments

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

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

## 27. COMMITMENTS AND CONTINGENCIES (continued)

### 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, 2016 and December 31, 2015, the Group holds insurance policies to cover possible liabilities towards doctors for malpractice as well as insurance contracts related to buildings and medical equipment.

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

BCR issued letters of warranties in the favor of Med Life S.A. in amount of RON 2,972,900 , equivalent of EUR 654,665 as of December 31, 2016 (December 31, 2015:RON 2,468,400,equivalent of EUR 545,463; December 31, 2014: RON 2,023,834, equivalent of EUR 451,537).

### 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 0.03% per day (interest) and 0.02% (penalties) per day in 2015. Starting with January 2016, the level of interest charged was reduced to 0.02% per day and the level of penalties charged was reduced 0.01% per day.

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.

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

## 27. COMMITMENTS AND CONTINGENCIES (continued)

**Litigation**

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

## 28. AUDITORS 'FEES

The auditor of the Group is Deloitte Audit SRL.

The fee for the audit of the consolidated financial statements as of December 31, 2016 of the Group prepared in accordance with IFRS as adopted by EU and the standalone financial statements as of December 31, 2016 prepared in accordance with IFRS as adopted by EU of Med Life SA was EUR 78,100, excluding VAT and out of pocket expenses.

The fee for the review of the interim consolidated financial statements as of September 30, 2016 of the Group prepared in accordance with IFRS as adopted by EU was EUR 25,000 excluding VAT and out of pocket expenses.

The fee for the IPO related assurance services has been according to the engagement letter agreed between the parties.

The total fees for fiscal consulting services were:

| Supplier | Description | Amount in RON |
|---|---|---|
| TAX HOUSE | Fiscal consulting services | 82,777 |
| PWC ADVISORS | Fiscal opinion | 240,745 |
| DELOITTE TAX SRL | Fiscal consulting services | 351,795 |

## 29. EVENTS AFTER THE BALANCE SHEET DATE

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

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

- 80% of share capital of Almina Trading SRL
- 100% of share capital in Anima Speciality Medical Services SRL.

Neither transaction has been closed by the approval of the consolidated financial statements.

There were no other significant subsequent events after December 31, 2016.

Approved by the Board of Directors on the date of March 24, 2017 and signed on behalf of by:

**Mihail Marcu,**
Administrator

**Vera Firu,**
Director Economic

# ADMINISTRATORS' REPORT
# MED LIFE GROUP

**YEAR ENDED DECEMBER 31, 2016**

# 1. Presentation of the Group

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

Med Life Group is offering a large range of medical service having opened 17 Hyperclinics in Bucharest, Timisoara, Brasov, Arad, Iasi, Galati, Craiova, Cluj and Constanta; 8 hospitals – located in Bucharest, Arad and Brasov, 19 Medical Centers and 24 Laboratories for analysis, as well as 3 maternity hospitals. The Group has also more than 140 private Clinic partners around Romania.

MedLife is one of the leading health care services providers in Romania, having a significant market share at a national level.

The registered office of MedLife is located in Bucharest, Calea Grivitei, no. 365.

Details of the Company's subsidiaries at December 31, 2016, December 31, 2015 and December 31, 2014 are as follows:

| | | | | Proportion of ownership interest and voting power held | | |
|---|---|---|---|---|---|---|
| | **Name of subsidiary** | **Principal Activity** | **Place of operation** | **December 31, 2016** | **December 31, 2015** | **December 31, 2014** |
| 1 | Policlinica de Diagnostic Rapid SA | Medical Services | Brasov, Romania | 80.01% | 80.01% | 80.01% |
| 2 | Medapt SRL | Medical Services | Brasov, Romania | 80.01% | 80.01% | 80.01% |
| 3 | Histo SRL | Medical Services | Brasov, Romania | 48.01% | 48.01% | 48.01% |
| 4 | Policlinica de Diagnostic Rapid Medis SRL | Medical Services | Sfantu Gheorge, Romania | 64.01% | 64.01% | 64.01% |
| 5 | Bahtco Invest S.A. | Development of building projects | Bucharest, Romania | 100% | 100% | 100% |
| 6 | Medsanrom SRL (Med Life Ocupational SRL) | Medical Services | Bucharest, Romania | 100% | 100% | 100% |
| 7 | Pharmalife Med SRL | Distribution of Pharmaceutical Products in specialised stores | Bucharest, Romania | 100% | 100% | 100% |
| 8 | Asilife Insurance Broker SRL | Insurance broker | Bucharest, Romania | 95% | 95% | 95% |
| 9 | Accipiens | Rental activities | Bucharest, Romania | 55% | 55% | 55% |
| 10 | Genesys SRL | Medical services | Bucharest, Romania | 55% | 55% | 55% |
| 11 | Biofarm Farmec SRL | Distribution of Pharmaceutical Products in specialised stores | Bucharest, Romania | 55% | 55% | 55% |
| 12 | RUR Medical Services | Medical services | Bucharest, Romania | 100% | 100% | 100% |
| 13 | Biotest Med | Medical Services | Bucharest | 100% | 100% | 100% |
| 14 | Vital Test | Medical Services | Bucharest | 100% | 100% | 100% |

During the year 2015, the Group also acquired control of the following companies:

| | Name of subsidiary | Principal Activity | Place of operation | Proportion of ownership interest and voting power held | | |
|---|---|---|---|---|---|---|
| | | | | December 31, 2016 | December 31, 2015 | December 31, 2014 |
| 15 | Agis 2000 SRL | Other healthcare services | Arad, Romania | - | 55% | - |
| 16 | Bactro SRL | Other healthcare services | Deva, Romania | 55% | 55% | - |
| 17 | Centrul Medical Sama S.A. | Medical Services | Craiova, Romania | 55% | 55% | - |
| 18 | Ultratest S.A. | Other healthcare services | Craiova, Romania | 55% | 55% | - |

Agis 2000 SRL was disposed of in 2016.

During the year 2016, the Group also acquired control of the following companies:

| | Name of subsidiary | Principal Activity | Place of operation | Proportion of ownership interest and voting power held | |
|---|---|---|---|---|---|
| | | | | December 31, 2016 | December 31, 2015 |
| 1 | Diamed Center SRL | Medical Services | Bucharest, Romania | 100% | - |
| 2 | Prima Medical SRL | Medical Services | Craiova, Romania | 100% | - |
| 3 | Stem Cells Bank SA | Medical Services | Timisoara, Romania | 60% | - |
| 4 | Dent Estet Clinic SA | Dental healthcare activities | Bucharest, Romania | 60% | - |
| 5 | Centrul Medical Panduri | Medical Services | Bucharest, Romania | 90% | |

One of the companies acquired in 2016, Dent Estet Clinic SA also owns the following companies as described below:

| Name of subsidiary | Principal Activity | Place of operation | Proportion of ownership interest and voting power held by Dent Estet Clinic SA |
|---|---|---|---|
| | | | December 31, 2016 |
| Green Dental Clinic SRL | Dental healthcare activities | Bucharest, Romania | 51% |
| Dentist 4 Kids SRL | Dental healthcare activities | Bucharest, Romania | 52% |
| Dent A Porter SRL | Dental healthcare activities | Bucharest, Romania | 51.61% |
| Dentestet Kids | Dental healthcare activities | Bucharest, Romania | 52.94% |
| Aspen Laborator Dentar | Dental healthcare activities | Bucharest, Romania | 75 % |

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

The Group divides its operations into six business lines:

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

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

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

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

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

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

## 2. Developments in 2016

### Organic growth

During 2016, the Med Life SA opened in Ploiesti the $17^{th}$ Hyperclinic from MedLife portfolio. The new unit offers patients investigation and treatment for 22 medical specialties, including pediatrics, ENT, gastroenterology, orthopedics, dermatology, general surgery and neurosurgery. The new facility covers an area of 700 square meters, is located on two levels and includes 14 medical offices for consultations, clinical and laboratory investigations. The medical team consists of more than 50 doctors and support staff.

**Acquisitions completed in 2016**

During 2016, the Med Life SA completed the purchase of:

- Dent Estet, which has provided to MedLife Group ("the Group") a strong platform for the further development of a standalone Stomatology business line, following the opening of the Group's first standalone stomatology clinic in May 2015. The acquisition makes the Group the leader in this highly fragmented segment. The Group has already identified and is assessing further potential acquisitions in the Stomatology business line.
- Diamed Center, a laboratory operator, which is being used as a launching base for the "Sfânta Maria" laboratories brand.
- Prima Medical, an imagistic center located in Craiova, which complements the Group's existing footprint in the region.
- Stem Cells Bank, a complementary activity to the Group's maternity services. The Group had previously outsourced this activity and the addition of Stem Cells Bank allows the Group to capture additional revenue and profit.
- Centrul Medical Panduri S.A., a medical company operating two clinics and one laboratory in Bucharest, which further expands the Group's position in Bucharest.

**Sales evolution in 2016**

Sales recorded for the year ended December 31, 2016 are presented below:

| | December 31, 2016 | Proportion in total sales | December 31, 2015 | Proportion in total sales |
|---|---|---|---|---|
| Clinics | 130,109,363 | 25.87% | 101,014,108 | 25.84% |
| Stomatology | 18,504,217 | 3.68% | 1,973,307 | 0.50% |
| Laboratories | 96,725,937 | 19.23% | 76,187,985 | 19.49% |
| Corporate | 127,988,835 | 25.45% | 111,190,772 | 28.44% |
| Hospitals | 104,977,229 | 20.87% | 80,483,227 | 20.59% |
| Pharmacies | 23,597,580 | 4.69% | 19,573,149 | 5.01% |
| Other revenues | 1,083,629 | 0.22% | 556,349 | 0.14% |
| **TOTAL** | **502,986,790** | **100.00%** | **390,978,897** | **100.00%** |

**Credit facilities contracted by the Company**

1. **Club Loan**

Med Life SA, together with Bahtco Invest SA, Accipiens SA and Policlinica de Diagnostic Rapid SA ("PDR") (as borrowers) concluded on March 2, 2016 a Club Loan, a credit facility agreement with a club of credit institutions composed of the Banca Comercială Română S.A., BRD – Groupe Société Générale S.A., ING Bank N.V. Amsterdam – Bucharest Branch and Raiffeisen Bank S.A.. The financing parties have provided to borrowers three credit facilities with maximum limits of EUR 48,764,589.89 and RON 27,000,000, as follows:

(a) Term facility in EUR, amounting to 28,764,589.98, allocated as follows:
- Up to EUR 15,711,008.29 to the Company,
- Up to EUR 972,937.81 to Accipiens,
- Up to EUR 6,486,252.13 to Bahtco Invest,
- Up to EUR 5,594,391.75 to PDR,
intended for the total refinancing of the sums owed by each of the above entities under a credit facility agreement concluded with BCR on August 28, 2014.

(b) Revolving type facility in RON, amounting to RON 27,000,000, granted to the Company in order to refinance in full the amounts owed by it under a credit facility agreement concluded with BCR on August 28, 2014 and financing current needs of the Company;

(c) A term facility in euro, amounting to EUR 20,000,000, granted to the Company for the acquisition of shareholdings in companies with similar or complementary activities to those of borrowers (**"Target companies covered by the Club Loan**"), respectively, within EUR 3,000,000 to the Companies Targeted by the Club Loan that will join as borrowers to the credit facility agreement to refinance their financial debts.

2. **Loans from International Finance Corporation, a member of World Bank Group**

The Company (as borrower) together with Accipiens SA, Bahtco Invest SA and PDR (as co-debtors) concluded the term loan agreement dated September 30, 2016, in the maximum amount of EUR 10,000,000 intended to finance the investment plan of the Company and of co-borrowers to expand their operations, both organically and through acquisitions of holdings in companies with activities similar or complementary to those of the borrowers.

## 3. Listing and Trading

Starting from 21th of December 2016, the shares issued by Med Life SA are traded on the stock market managed by the Bucharest Stock Exchange, Premium Category, with the "M" trading symbol.

The listing was made through the initial public offering initiated by V4C Eastern Europe Holding V Limited and International Finance Corporation, member of the World Bank Group through the sale of 8,840,480 ordinary shares owned by the selling shareholders, as follows: a number of 7,283,360 Shares owned by V4C Eastern Europe Holdings V Limited and a number of up to 1,557,120 Shares owned by International Finance Corporation.

## 4. Corporate governance

### The corporate governance statement

During 11 months of 2016, the shares were not admitted to trading on a regulated market. Thus, the Company was required to comply with corporate governance regime established mainly by the Companies Law.

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

- The Company has not entered into management contracts with current members of the Board of Directors and mandate contracts with executive managers. Some executive managers have concluded labour contracts. According to the Companies Law, labour contracts concluded by members of the Board of Directors or executive managers are suspended during the period in which such persons hold this position;
- Because some members of the Board of Directors and some executive managers hold various positions in the administration, management or control bodies in the subsidiaries of the Company, any lending by the Company to such subsidiaries can be considered a loan by the Company to its directors which is prohibited under the Companies Law;
- Because some members of the Board of Directors and some executive managers hold various positions in the administration, management or control bodies in the subsidiaries of the Company and other positions within the Company (e.g. executive managers, legal advisors, employees) there is the possibility of occurrence of conflicts of interests.

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

The Company intends to take measures to ensure that within a 12-month period as of the admission of shares on the spot regulated market operated by the Bucharest Stock Exchange, at least two independent members will be appointed in the Board of Directors.

**1. Shareholding structure**

The shareholders' structure as of December 31, 2016 is presented below:

| | No. of shares | % | Value |
|---|---|---|---|
| Marcu Mihail | 4,219,320 | 21.00% | 1,054,830 |
| Marcu Nicolae | 3,013,800 | 15.00% | 753,450 |
| Cristescu Mihaela Gabriela | 3,013,800 | 15.00% | 753,450 |
| Other shareholders | 9,845,080 | 49.00% | 2,461,270 |
| **TOTAL** | **20,092,000** | **100%** | **5,023,000** |

Information regarding shareholders' rights is public and can be found in the published Prospectus of the Company.

**2. Company Management**

The Company is managed in one tier system by the Board of Directors that delegated management of the Company to the managers. The Board of Directors consists of seven (7) members appointed by the Ordinary General Meeting of Shareholders for a term of 4 years, with the possibility of re-election for subsequent 4 years terms of office. The Chairman and Vice-Chairman of the Board of Directors are elected by the Board of Directors among its members. The Board of Directors is responsible for all useful and necessary acts to fulfil the object of activity of the Company, except for the duties that are allocated by law to the shareholders' meetings.

**Board of Directors**

As at the date of December 31, 2016, the Board of Directors consists of the following members:

| Name | Date of Birth | Title |
|---|---|---|
| Mihail Marcu | 30.09.1970 | Member and Chairman of the Board of Directors |
| Mihaela-Gabriela Cristescu | 28.02.1942 | Member of the Board of Directors |
| Ion Nicolae Scorei | 22.12.1974 | Member of the Board of Directors |
| Dimitrie Pelinescu-Onciul | 11.08.1947 | Member of the Board of Directors |
| Dorin Preda | 03.04.1976 | Member of the Board of Directors |
| Marius-Leonard Gherghina | 21.02.1964 | Member of the Board of Directors |
| Nicolae Marcu | 26.10.1968 | Member of the Board of Directors |

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

**Executives**

The individuals holding positions of executive manager in the Company as at December 31, 2016 or the persons to whom management of the Company has been delegated pursuant to the Articles of Association, are presented in the table below. As at December 31, 2016, all these persons fulfil these functions based on labor contracts of indefinite duration, although, according to the applicable law, while holding the position of executive manager, labor contracts are suspended, and the Company is obliged to conclude with the executive managers mandate contracts. The executive managers carry out their duties at the registered office of the Company.

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

## 3. Internal Control

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

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

The objectives of the internal control are:

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

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

Internal control is applicable:

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

## 5. Risk exposures

### Capital risk

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

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

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

### Financial risk management objectives

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

### Foreign exchange risk

The Group conducts its business and makes transactions expressed in various currencies. As at December 31, 2016 the exchange rate was of 4.3033 RON for 1 USD and of 4.5411 RON for 1 EUR. As at December 31, 2015 the exchange rate was of RON 4.1477 for 1 USD and of RON 4.5245 for 1 EUR.

Management analyzes the exposure to currency risks.

### Credit risk

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

### Liquidity risk

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

### Fiscal environment

The taxation system in Romania is still developing and is subject to various interpretations and constant changes, which may sometimes be retroactive. Although the actual tax due for a transaction may be minimum, delay interests may be significant, as they can be calculated at the value of the transaction and at a rate of 0.03% per day (interest) and 0.02% (penalties) per day in 2015. Starting with January 2016, the level of interest charged was reduced to 0.02% per day and the level of penalties charged was reduced 0.01% per day.

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.

## 6. Subsequent events

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

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

- 80% of share capital of Almina Trading SRL
- 100% of share capital in Anima Speciality Medical Services SRL.

Neither transaction has been closed by the approval of the consolidated financial statements.

There were no other significant subsequent events after December 31, 2016.

**Mihail Marcu,**
Administrator

# Declaration of Corporate Gouvernance

| ID | Provision | State of compliance as at December 31, 2016 YES/NO | State of compliance as at April 27, 2017 YES/NO | Note |
|---|---|---|---|---|
| A1 | All companies should have internal regulation of the BoD which includes terms of reference/ responsibilities for BoD and key management functions of the company, applying, among others, the General Principles in Section A. | NO | YES | The internal regulation was approved in the BoD meeting from 22 March 2017. |
| A2 | The provisions regarding the management of the conflict of interests must be included in the regulation of the BoD. In any case, the members of the BoD must notify the BoD regarding any conflict of interests situation which occurred or may occur and must abstain from participating in the debates (including absence with the exception of the case in which the absence might impede quorum) and from voting on issues which may create the respective conflict of interests situation. | NO | YES | The internal regulation was approved in the BoD meeting from 22 March 2017. |
| A3 | The BoD or the Supervisory BoD must be made up of at least 5 members | YES | YES | |
| A4 | The majority of the members of the BoD must be non-executive. At least one member of the BoD or of the Supervisory BoD must be independent, in the case of Standard category companies. In the case of the companies from the Premium category, at least two non-executive BoD members have to be independent. Each independent member of the BoD or of the Supervisory BoD must submit a statement upon nomination for election or re-election, as well as when a change occurs in his or hers status, by indicating the elements based on which the independent character and judgement of the BoD member is asserted. | NO | NO | There is only one non-executive BoD member |
| A5 | Other engagements and professional obligations of the BoD members, including executive or non-executive positions in the BoDs of other companies and non-profit organizations must be disclosed to the shareholders and the potential investors before nomination and during the course of the mandate. | YES | YES | These provisions are respected, but there is no explicit regulation in this respect. |
| A6 | Each BoD member must disclose before the BoD information regarding any relationship with a shareholder which owns directly and indirectly more than 5% of the total voting rights. This obligation refers to any type of relationship which may affect the member's position regarding issues that are decided in the BoD. | YES | YES | These provisions are respected, but there is no explicit regulation in this respect. |
| A7 | The Company must appoint a secretary of the BoD responsible for supporting the activities of the BoD. | YES | YES | |
| A8 | The corporate governance statement will mention whether an evaluation of the BoD under the management of the President or of the nomination committee was performed and, if such an evaluation took place, it will summarize the key measures and the resulted improvements. The Company must have a policy/guide regarding the evaluation of the BoD comprising the purpose, the criteria and the frequency of the evaluation process. | NO | NO | The Company is in the process of implementing an evaluation process for the BoD. |
| A9 | The statement regarding the corporate governance must contain information regarding the number of meetings of the BoD and its Committees during the previous year, the participation of the administrators (in person or in absence) and a report of the BoD and of the Committees regarding their activities. | NO | NO | |
| A10 | The corporate governance statement must include information regarding the exact number of independent members from the BoD or from the Supervisory BoD. | YES | YES | |
| A11 | The BoD of companies in the Premium category must establish a nomination committee made up of non-executive members, which will lead the nomination procedure of new BoD members and will make recommendations to the BoD. The majority of the members of the nomination committee must be independent. | NO | NO | |
| | The terms of reference of the Nomination Committee will include a provision stating that the Nomination Committee is made up of non-executive members and that it will lead the nomination procedure of new BoD members and that it will make recommendations to the BoD. | NO | N/A | |
| B1 | The BoD must establish an audit committee in which at least one member must be an independent non-executive administrator. The majority of the members, including the President must have proven adequate qualification for the functions and responsibilities of the Committee. At least one member of the audit committee must have proven and adequate audit or accounting experience. For the companies in the Premium category, the audit committee must be made up of at least three members and the majority of the members of the committee must be independent. | NO | YES | The audit committee was established following BoD meeting from 22 March 2017. |
| B2 | The President of the audit committee must be an independent non-executive member. | NO | YES | |
| B3 | Among its responsibilities, the audit committee must perform an annual evaluation of the internal control system. | NO | YES | The internal regulation was approved in the BoD meeting from 22 March 2017. |
| | If the Audit committee evaluated the internal control system, taking into consideration the effectiveness and comprehension of the internal audit function, the adequacy degree of the risk management and internal control audit reports that are presented to the Audit Committee as well as the promptness and effectiveness with which the executive management solves the problems and deficiencies identified during the internal control and if it presents relevant reports to the BoD. | NO | NO | |
| B4 | The evaluation must consider the effectiveness and comprehension of the internal audit function, the adequacy degree of the risk management and internal control audit reports that are presented to the Audit Committee as well as the promptness and effectiveness with which the executive management solves the problems and deficiencies identified during the internal control and the presentation of relevant reports to the BoD. | NO | NO | |
| B5 | The Audit Committee must evaluate the conflict of interests related to the transactions of the company and its subsidiaries with affiliated parties.<br>Information regarding the number and value of the transactions with affiliated parties. | NO | YES | The internal regulation was approved in the BoD meeting from 22 March 2017. |
| B6 | The Audit Committee must evaluate the efficiency of the internal control system and of the risk management system. | NO | YES | |
| B7 | The Audit Committee must monitor the application of the legal standards and of the generally accepted internal control standards. The Audit Committee must receive and evaluate the reports of the internal audit team. | NO | YES | The internal regulation was approved in the BoD meeting from 22 March 2017. There are no evaluations made up to date. |
| B8 | Every time the Code mentions reports or analysis initiated by the Audit Committee, they must be followed up by periodic reports (at least annual ones) or ad-hoc reports which must be submitted to the BoD. | NO | YES | |
| B9 | No shareholder can be awarded preferential treatment against other shareholders in relation with transactions and agreements concluded by the company with shareholders and their affiliates. | YES | YES | These provisions are respected, but there is no explicit regulation in this respect. |
| B10 | The BoD must adopt a policy by means of which it makes certain that every company transaction with any of the companies it has tight relations with whose value is equal or higher than 5% of the company's net assets (as per the latest financial report) is approved by the BoD following the must have opinion of the Audit Committee and correctly revealed to the shareholders and potential investors, to the extent these transactions fall into the category of events that are the object of the reporting requirements. | NO | NO | These provisions are respected, but there is no explicit regulation in this respect. |
| B11 | Internal audit must be done by a structurally separated division (Internal Audit Department) within the company or by hiring an independent third party. | NO | YES | The audit committee was established following BoD meeting from 22 March 2017. |
| B12 | Internal audit must be done by a structurally separated division (Internal Audit Department) within the company or by hiring an independent third party.<br>In order to ensure the main functions of the internal audit department, this must report from a functional point of view to the BoD through the Audit Committee. From an administrative point of view and given the obligation of the management to monitor and reduce risks, this department must directly report to the General Manager. | NO | YES | |
| C1 | The company must publish on its website the remuneration policy and to include in the annual report a statement regarding the implementation of the remuneration policy during the yearly period that is the object of the analysis. The remuneration policy must be elaborated in such a way as to allow the shareholders to understand the principles and arguments that represent the basis for the remuneration of the BoD members and the General Manager, as well as of the Directorate members in the dualist system. This must describe the decision making process regarding remuneration, to detail the components of the remuneration of the executive management (such as salaries, annual bonuses, long term incentives related to the value of the shares, in kind benefits, pension and others) and to describe the purpose, principles and arguments that are the basis of each component (including the general criteria of performance related to each form of variable remuneration). In addition, the remuneration policy must specify the duration of the contract of the executive manager and the duration of the notice period established by contract, as well as the potential compensation for revocation without just cause [...] Any essential change that might occur in the remuneration policy must by published in due time on the company website. | NO | YES | The remuneration is to be approved in the GSM from 27 April 2017. |
| D1 | The company must set up an „Investor Relations" department-brought to the attention of the public through the responsible person/persons or as an organizational entity. In addition to the information imposed by specific legislation, the company must include on its website a section dedicated to Investor Relations, in Romanian and English languages, containing all the information considered relevant for the investors, including: | NO | YES | The IR section was set up in January 2017 |
| D 1.1 | The main corporate regulations: Articles of Incorporation, the procedure regarding the GMS | NO | YES | |
| | BoD and Advisory Committees reference terms | NO | YES | |
| | GMS regulations and procedures | NO | YES | |
| D 1.2 | The CVs of the company management, other professional engagements of the BoD members, including executive and non-executive positions in the BODs of other companies or non-profit institutions. | NO | YES | |
| D 1.3 | The current and periodical reports (quarterly, half quarterly, yearly)-at least those referred to in item D.8-including the current reports on the non-conformity to the present Code. | NO | YES | |

| ID | Provision | State of compliance as at December 31, 2016 YES/NO | State of compliance as at April 27, 2017 YES/NO | Note |
|---|---|---|---|---|
| D 1.4 | Information regarding the GMS: agenda and informative materials; the BoD member selection procedure; the arguments that support the proposals for the BoD, together with the CVs; the questions of the shareholders regarding topics on the agenda and the company's answers, including the resolutions adopted | NO | YES | |
| D 1.5 | Information regarding the corporate events, such as dividend pay out and other distributions for the shareholders, or other events that can extend or limit the rights of the shareholders, including the deadlines and the principles applicable to such operations. Such information will be made public as to allow the investors to make investment decisions. | NO | YES | |
| D 1.6 | Name and contact details of a person who can provide, upon request, relevant information. | NO | YES | |
| D 1.7 | Company presentations (presentations for investors, presentations on the quarterly results, etc), financial statements (quarterly, half yearly and yearly), audit reports and yearly reports. | NO | YES | |
| D 2 | The company will have a policy on the annual dividend distribution or other shareholder related benefits, proposed by the General Manager or Directorate and adopted by the BoD, as a set of guidelines that the company intends to use for the distribution of the net profit. The principles of the annual policy of distribution will be published on the company website. | NO | YES | |
| D 3 | The company will adopt a policy on forecast, either or not such forecasts are made public. The forecast refers to quantified conclusions of certain studies that envisage the global impact of a certain number of factors in the upcoming period (the so-called hypotheses). Given its very nature, this forecast has a high degree of uncertainty, the effective results being significantly different than the initial estimations. The policy on forecast will establish the frequency, the forecast period and the content of the forecast. If the forecast is published, such forecast can only be included in the quarterly, half yearly and yearly reports. The policy on forecast will be published on the company website. | NO | YES | |
| D 4 | The GMS rules must not limit the participation of the shareholders in the GMS and the exercise of their rights. | NO | YES | |
| D 5 | External auditors will be present in the GMS when their reports are presented. | NO | YES | |
| D 6 | The BoD will present to the annual GMS a brief opinion on the internal control systems and major risk management, as well as opinions on certain topics subject to the decision of the GMS. | NO | YES | |
| D 7 | Any specialist, consultant, expert or financial analyst can participate in GMS based on an invitation from the BoD. Journalists may also take part in the GMS, except the President of the BoD decides otherwise | NO | YES | |
| D 8 | The quarterly and half yearly reports will include information in both Romanian and English languages on the key factors that influence changes in sales, operation profit, net profit and other relevant financial indicators from quarter to quarter and year to year. | NO | YES | |
| D 9 | A company will organize at least two meetings/teleconferences with analysts and investors on an yearly basis. The information presented during these events will be published in the „Investor Relation" section on the company website at the date of the meetings/teleconferences. | NO | YES | |
| D 10 | If case be a company supports different forms of artistic, cultural, sport, educational or scientific activities and it considers that their impact on the innovation and competitiveness of the company is part of the company's mission and development strategy, the company will publish its policy regarding its activity in the field. | N/A | N/A | |