

MED LIFE GROUP
FIRST QUARTER REPORT 2017

MED LIFE GROUP
First Quarter Report 2017

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

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

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

Fax no.: 0040 374 180 470

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

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

Subscribed and paid-in share capital: RON 5,023,000

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

CONTENTS:

I. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2017	3
II. FINANCIAL ANALYSIS	6
III. IMPORTANT EVENTS Q1 2017	7
IV. MAIN FINANCIAL RATIOS	8
V. OPERATIONAL KEY PERFORMANCE INDICATORS	9
VI. UNAUDITED CONSOLIDATED PRO-FORMA FINANCIAL INFORMATION	10
VII. EBITDA EVOLUTION	13

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

Quarterly report concluded in compliance with: Law no. 24/2017 regarding the capital market and CNVM Regulation no. 1/2006 regarding the issuers and the securities operations

The following financial statement are unaudited.

MED LIFE GROUP
First Quarter Report 2017

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

I. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2017 ("CONSOLIDATED FS")

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ("CONSOLIDATED BS")

	March 31, 2017	December 31, 2016	Variation 2017/2016
ASSETS			
Long Term			
Goodwill	43,993,237	43,993,237	0.0%
Intangible assets	26,228,912	26,512,923	-1.1%
Tangible assets	309,986,434	304,857,393	1.7%
Financial assets	7,882,693	1,160	679442.5%
TOTAL NON-CURRENT ASSETS	388,091,276	375,364,713	3.4%
Current Assets			
Inventories	15,249,489	17,373,541	-12.2%
Receivables	49,351,262	43,203,974	14.2%
Other receivables	3,150,935	2,357,689	33.6%
Cash and cash equivalents	15,369,908	20,701,850	-25.8%
	83,121,594	83,637,054	-0.6%
Assets classified as held for sale	381,665	381,665	0.0%
Prepayments	10,000,712	6,736,028	48.5%
TOTAL CURRENT ASSETS	93,503,971	90,754,747	3.0%
TOTAL ASSETS	481,595,247	466,119,460	3.3%
LIABILITIES & SHAREHOLDER'S EQUITY			
Current Liabilities			
Trade accounts payable	94,094,885	98,432,380	-4.4%
Overdraft	1,139,346	1,267,442	-10.1%
Current portion of lease liability	6,311,626	7,031,122	-10.2%
Current portion of long term debt	20,964,145	19,127,593	9.6%
Current tax liabilities	1,668,345	1,099,391	51.8%
Other liabilities	19,720,713	17,713,204	11.3%
Liabilities directly associated with assets classified as held for sale	629,207	629,207	0.0%
TOTAL CURRENT LIABILITIES	144,528,267	145,300,339	-0.5%
Long Term Debt			
Lease liability	16,558,967	10,382,639	59.5%
Long term debt	208,821,874	202,761,616	3.0%
TOTAL LONG-TERM LIABILITIES	225,380,841	213,144,255	5.7%
Deferred tax liability	14,655,982	14,655,982	0.0%
TOTAL LIABILITIES	384,565,090	373,100,576	3.1%

MED LIFE GROUP
First Quarter Report 2017

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

	March 31, 2017	December 31, 2016	Variation 2017/2016
SHAREHOLDER'S EQUITY			
Issued capital	13,932,034	13,932,034	0.0%
Reserves	91,961,424	91,961,424	0.0%
Retained earnings	(22,214,117)	(24,346,985)	-8.8%
Equity attributable to owners of the Group	83,679,341	81,546,473	2.6%
Non-controlling interests	13,350,816	11,472,411	16.4%
TOTAL EQUITY	97,030,157	93,018,884	4.3%
TOTAL LIABILITIES AND EQUITY	481,595,247	466,119,460	3.3%

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

MED LIFE GROUP
First Quarter Report 2017

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

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME ("**CONSOLIDATED PL**")

	3 Month ended 31 March, 2017	31 March, 2016	Variation 2017/2016
Sales	146,920,533	116,196,891	26.4%
Other operating revenues	7,663,147	204,422	3648.7%
Operating Income	154,583,680	116,401,313	32.8%
Operating expenses	(144,611,105)	(109,360,096)	32.2%
Operating Profit	9,972,575	7,041,217	41.6%
Finance cost	(3,387,628)	(3,739,884)	-9.4%
Other financial expenses	(528,813)	1,484,005	-135.6%
Financial result	(3,916,441)	(2,255,879)	73.6%
Result Before Taxes	6,056,134	4,785,338	26.6%
Income tax expense	(1,819,858)	(1,118,503)	62.7%
Net Result	4,236,276	3,666,835	15.5%
Owners of the Group	2,357,871	2,903,882	-18.8%
Non-controlling interests	1,878,405	762,953	146.2%

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager

MED LIFE GROUP
First Quarter Report 2017

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

II. FINANCIAL ANALYSIS

ANALYSIS OF THE CONSOLIDATED PL

Sales for the 3 month period ended 31 March 2017 ("**Q1 2017**") amounted to RON 146,920,533, higher by 26.4% compared to sales recorded in the first quarter of 2016 ("**Q1 2016**"). This increase was mainly the result of significant growth in all of the Group's business lines, led on a percentage basis by Stomatology, Clinics and Hospitals as well as the impact of the acquisitions completed by the Group in 2016.

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

Business Line	Q1 2017 Sales	% of Total Sales	Q1 2016 Sales	% of Total Sales	Variation 2017/2016
Clinics	38,837,934	26.40%	31,260,694	26.90%	24.2%
Stomatology	8,773,435	6.00%	811,239	0.70%	981.5%
Hospitals	29,504,620	20.10%	24,508,016	21.10%	20.4%
Laboratories	26,884,535	18.30%	23,271,745	20%	15.5%
Corporate	33,437,690	22.80%	30,406,364	26.20%	10.0%
Pharmacies	6,810,048	4.60%	5,739,788	4.90%	18.6%
Others	2,672,270	1.80%	199,045	0.20%	1242.5%
SALES	146,920,533	100%	116,196,891	100%	

Other operating revenues recorded a significant increase in Q1 2017 as compared to Q1 2016, amounting to RON 7,663,147 as at 31 March 2017. The increase is linked to the sale and leaseback transaction recorded in relation to building located in Banu Manta street.

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide the Group's services. The Group recorded operating expenses of RON 144,611,105 in Q1 2017, representing an increase of 32.2%, or RON 35,251,009 as compared to Q1 2016. The increase is mainly linked to overall business increase and to Banu Manta sales and leaseback transaction. The Group's operating expenses as a percentage of total operating income reached 94.0% in Q1 2017 compared to 93.5% in Q1 2016.

Operating profit recorded a 41.6% increase in Q1 2017 as compared to Q1 2016, from RON 7,041,217 in Q1 2016 to RON 9,972,575 in Q1 2017.

Financial result decreased in Q1 2017 by RON 1,660,562 from a negative RON 2,255,879 in Q1 2016 to a negative RON 3,916,441 in Q1 2017, mainly due to net foreign exchange losses recorded in Q1 2017 in amount of RON 528,813 compared to net foreign exchange gains of RON 1,484,005 recorded in Q1 2016.

The net result for the 3 month period ended 31 March 2017 increased by RON 569,441, or 15.5%, as compared to the corresponding period of 2016, from RON 3,666,835 in Q1 2016 to RON 4,236,276 in Q1 2017. The increase was mainly due to the translation of the Operating Profit increase in the net result.

MED LIFE GROUP
First Quarter Report 2017

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

On a pro-forma basis, sales for Q1 2017 amount to RON 149,201,642 and Adjusted EBITDA to RON 19,817,299. Please refer to *chapter VI – UNAUDITED CONSOLIDATED PRO-FORMA FINANCIAL INFORMATION* for more information regarding pro-forma financial information.

ANALYSIS OF THE CONSOLIDATED BS

Non-current assets amount to RON 388,091,276 as of 31 March 2017, recording an increase of 3.4% as compared to 31 December 2016. The increase is mainly linked to financial assets recorded as at 31 March 2017 in relation to Almina Trading acquisition.

Current assets decreased by RON 515,460 or 0.6% from RON 83,637,054 in Q1 2016 to RON 83,121,594 in Q1 2017.

Prepayments recorded as at 31 March 2017 amount to RON 10,000,712. As compared to 31 December 2016, an increase of RON 3,264,684 was recorded. The increase is linked to accrued expenses and prepaid local tax liabilities.

Current liabilities (excluding interest bearing debt items) decreased by RON 1,761,032, or 1.5%, from RON 117,874,182 as at 31 December 2016, to RON 116,113,150 as at 31 March 2017.

Interest bearing debt increased by RON 13,225,546, from RON 240,570,412 as of 31 December 2016 to RON 253,795,958 as of 31 March 2017. The increase is mainly due to financing of the Banu Manta building and Almina Trading acquisitions.

III. IMPORTANT EVENTS Q1 2017

Banu Manta building acquisition

The Group purchased a building located in Banu Manta street from Telekom and performed a sale and leaseback transaction through a financial leasing.

Companies' Acquisitions

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

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

Almina Trading ("Almina") has an activity of 20 years on the local market and it is the largest healthcare operator in Dambovită County. The company has eight medical centers – 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.

Almina Trading transaction concluded on the 29th of March 2017.

Anima Specialty Medical Services ("Anima") consists of 6 clinics and a laboratory, has over 200 employees, medical specialists and support staff and is the first private healthcare provider with its own family medicine network in Romania. At the same time, Anima is one of the largest

MED LIFE GROUP
First Quarter Report 2017

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

private outpatient healthcare services provider which has agreements with the Bucharest Health Insurance Fund (CASMB), covering over 15 medical specialties, including family medicine, ob-gyn, ENT, endocrinology, ophthalmology, dermatovenerology, cardiology, psychiatry, rheumatology, gastroenterology, allergology and clinical immunology. According to the company's representatives, Anima currently has some 75,000 corporate subscribers, mostly focusing on subscriptions covering occupational health services.

Anima transaction has not been concluded by the reference date of this report.

IV. MAIN FINANCIAL RATIOS

<i>Current ratio</i>	Period ended at March 31, 2017
Current assets	93,503,971
Current liabilities	144,528,267
	= 0.65

<i>Debt to equity ratio</i>	Period ended at March 31, 2017
Long Term Debt	225,380,841
Equity	97,030,157
	= 232%
Long Term Debt	225,380,841
Capital Assets	322,410,998
	= 70%

<i>Trade receivables turnover (days)</i>	Period ended at March 31, 2017
Average receivables	46,277,618
Sales	146,920,533
	= 28.35

<i>Fixed assets turnover</i>	Period ended at March 31, 2017
Sales	146,920,533
Net Fixed Assets	388,091,276
	= 0.38

MED LIFE GROUP
First Quarter Report 2017

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

V. OPERATIONAL KEY PERFORMANCE INDICATORS

Business line	Info	12 Month ended 31 December, 2016	3 Month ended 31 March, 2017
Clinics	Revenue	130,109,363	38,837,934
Clinics	Visits	909,132	277,325
Clinics	Avg fee	143.1	140.0
Stomatology	Revenue	18,504,217	8,773,435
Stomatology	Visits	69,111	26,624
Stomatology	Avg fee	267.7	329.5
Hospitals	Revenue	104,977,229	29,504,620
Hospitals	Patients	56,283	15,291
Hospitals	Avg fee	1,865.2	1,929.6
Laboratories	Revenue*	93,161,917	26,884,535
Laboratories	Analyses	4,223,840	1,197,003
Laboratories	Avg fee	22.1	22.5
Corporate	Revenue	127,988,835	33,437,690
Corporate	Subscriptions	420,933	480,289
Corporate	Avg fee	304.1	69.6
Pharmacies	Revenue	23,597,580	6,810,048
Pharmacies	Clients	264,604	70,116
Pharmacies	Sales per client	89.2	97.1
Others	Revenue*	4,647,649	2,672,270

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

MED LIFE GROUP
First Quarter Report 2017

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

VI. UNAUDITED CONSOLIDATED PRO-FORMA FINANCIAL INFORMATION FOR THE 3 MONTH PERIOD ENDED MARCH 31, 2017 ("CONSOLIDATED PRO FORMA PL")

Introduction

The following Consolidated Pro Forma PL of the Consolidated PL is based on the Group's Consolidated FS for the 3 month period ended on 31 March 2017, adjusted with the historical financial results of the company acquired by the Group during the period from 1 January 2017 up to 31 March 2017 (the "**Acquired Company**"). Details of the Acquired Company are set out below.

The Consolidated Pro Forma PL for the 3 month ended 31 March 2017 transpose (i) the acquisition of the Acquired Company as if the acquisition had occurred on 1 January 2017 by combining the financial results for the period of the Acquired Company with those of the Group and (ii) the elimination of certain expenses included in the Consolidated PL of the Group which the Group considers to be non-operational and/or non-recurring in nature.

The Consolidated Pro Forma PL provide a hypothetical illustration of the impact of the transactions on the Company's earnings. The Consolidated Pro Forma PL has been prepared for the Group as at and for the 3 month period ended 31 March 2017. The Consolidated Pro Forma PL should be read in conjunction with the Consolidated FS for the 3 month period ended 31 March 2017.

Purpose of the Consolidated Pro Forma PL

The Consolidated Pro Forma PL set out below has been prepared to (i) illustrate the effect on the Group of the acquisition completed in Q1 2017 and (ii) provide an estimate of the Group's recurring EBITDA.

The Group's unaudited consolidated pro forma Adjusted EBITDA is also useful when analyzing the Group's current debt compared to its earnings capacity. Although the Consolidated BS in the Consolidated FS include the full amount of debt incurred to finance the acquisition completed as of 31 March 2017, the Consolidated PL includes no portion of the annual earnings of the Acquired Company. Using the unaudited consolidated pro forma Adjusted EBITDA for such comparison allows inclusion of a measure of the full period earnings that will contribute to the servicing of the debt incurred in relation to the acquisition.

In Q1 2017, the Company made the following acquisition in pursuit of a consolidation strategy aimed at complementing the Group's service offering, expanding its national footprint and consolidating its market position:

- 80% of the shares in Almina Trading SA, completed in March 2017.

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

MED LIFE GROUP
First Quarter Report 2017

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

Consolidated Pro Forma PL

	3 Month ended 31 March 2017			
	Consolidated PL	Normalisation	One off	Consolidated Pro forma PL
SALES	146,920,533	2,281,109	-	149,201,642
Other operating revenues	7,663,147	129,183	-	7,792,330
OPERATING INCOME	154,583,680	2,410,292	-	156,993,972
OPERATING EXPENSES	(144,611,105)	(1,944,321)	196,997	(146,358,429)
OPERATING PROFIT	9,972,575	465,971	196,997	10,635,543
Net finance cost	(3,387,628)	(16,627)	-	(3,404,255)
Other financial expenses	(528,813)	80	-	(528,733)
FINANCIAL RESULT	(3,916,441)	(16,547)	-	(3,932,988)
RESULT BEFORE TAXES	6,056,134	449,424	196,997	6,702,555
Income tax expense	(1,819,858)	(59,583)	(31,520)	(1,910,961)
NET RESULT	4,236,276	389,841	165,477	4,791,594

Net Income to Adjusted EBITDA

	3 Month ended 31 March 2017			
	Consolidated PL	Normalisation	One off	Consolidated Pro forma PL
Net income/(loss) for the period	4,236,276	389,841	165,477	4,791,594
Add back:				
Taxes on income	1,819,858	59,583	31,520	1,910,961
<i>Out of which:</i>				
Base tax expense	1,819,858	59,583	-	1,879,441
One off impact	-	-	31,520	31,520
Net financial result	3,916,441	16,547	-	3,932,988
Depreciation, amortisation and impairment, including write-ups	9,120,536	61,220	-	9,181,756
Adjusted EBITDA	19,093,111	527,191	196,997	19,817,299

Sales split by Business Line

	3 Month ended 31 March 2017			
	Consolidated PL	Normalisation	One off	Consolidated Pro forma PL
Clinics	38,837,934	2,281,109	-	41,119,043
Stomatology	8,773,435	-	-	8,773,435
Laboratories	26,884,535	-	-	26,884,535
Corporate	33,437,690	-	-	33,437,690
Hospitals	29,504,620	-	-	29,504,620
Pharmacies	6,810,049	-	-	6,810,049
Other	2,672,270	-	-	2,672,270
Sales	146,920,533	2,281,109	-	149,201,642

MED LIFE GROUP
First Quarter Report 2017

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

Basis for the Consolidated Pro Forma PL

The Consolidated Pro Forma PL for the 3 month period ended 31 March 2017 have been prepared starting from the Consolidated PL of the Group as of 31 March 2017. The Consolidated Pro Forma PL was prepared in a manner consistent with the accounting policies adopted by the Group in the Consolidated FS as of 31 March 2017.

The Consolidated Pro Forma PL for the 3 months ended 31 March 2017 give effect to the acquisition of the Acquired Company as if the acquisition had occurred on 1 January 2017. Also, certain expense items incurred by the Group in the relevant period but considered to be non-operational and non-recurring in nature, as detailed in the notes to the tables, are reflected in the Consolidated Pro Forma PL as one off adjustments, based on management judgment for the Group, without taking into account the Acquired Company.

Consolidated Pro Forma PL adjustments

Normalization adjustment

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

The company that was normalized and the months included in the normalization are presented below:

Entity	Date of obtaining control	Months included in Normalization (inclusive) 1 January - 31 March 2017
Almina Trading SA	March 2017	January – March 2017

One off adjustments

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

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

Type of Expense	Amount for Q1 2017	Note
Cost of Acquisitions	196,997	Note A
Total	196,997	

Note A

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

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

MED LIFE GROUP
First Quarter Report 2017

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

VII. EBITDA EVOLUTION

	3 Month ended 31 March,		Variation
	2017	2016	2017/2016
	Pro Forma	IFRS	
Sales	149,201,642	116,196,891	28.4%
Other operating revenues	7,792,330	204,422	3711.9%
Operating Income	156,993,972	116,401,313	34.9%
Operating expenses	(146,358,429)	(109,360,096)	33.8%
Operating Profit	10,635,543	7,041,217	51.0%
EBITDA	19,817,299	14,089,548	40.7%
Finance cost	(3,404,255)	(3,739,884)	-9.0%
Other financial expenses	(528,733)	1,484,005	-135.6%
Financial result	(3,932,988)	(2,255,879)	74.3%
Result Before Taxes	6,702,555	4,785,338	40.1%
Income tax expense	(1,910,961)	(1,118,503)	70.8%
Net Result	4,791,594	3,666,835	30.7%

Mihail Marcu,
CEO

Vera Firu,
Accounting and Tax Manager