

**MEDLIFE GROUP  
2022 THIRD QUARTER REPORT**

**MEDLIFE GROUP**  
**2022 THIRD QUARTER REPORT**

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

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**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 33,217,623

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

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

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

The following financial statements are unaudited.

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**I. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ENDED 30 SEPTEMBER 2022 ("CONSOLIDATED BS")

	<b>September 30, 2022</b>	<b>January 1, 2022</b>	<b>Variation 2022/2021</b>
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Goodwill	337,470,696	199,679,613	69.0%
Intangible assets	67,707,326	60,556,655	11.8%
Property, plant and equipment	691,502,893	552,206,613	25.2%
Right-of-use asset	211,386,224	190,715,602	10.8%
Other financial assets	104,364,404	31,610,586	230.2%
<b>Total Non-Current Assets</b>	<b>1,412,431,544</b>	<b>1,034,769,069</b>	<b>36.5%</b>
<b>Current Assets</b>			
Inventories	88,035,820	74,229,585	18.6%
Trade Receivables	194,929,235	140,356,238	38.9%
Other assets	62,842,337	24,357,735	158.0%
Cash and cash equivalents	112,429,614	135,858,888	-17.2%
Prepayments	11,518,918	8,030,713	43.4%
<b>Total Current Assets</b>	<b>469,755,924</b>	<b>382,833,159</b>	<b>22.7%</b>
<b>TOTAL ASSETS</b>	<b>1,882,187,468</b>	<b>1,417,602,228</b>	<b>32.8%</b>
<b>LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>			
<b>Non-Current Liabilities</b>			
Lease liability	177,124,141	149,685,246	18.3%
Other long term debt	6,131,160	7,546,394	-18.8%
Interest-bearing loans and borrowings	701,582,244	440,840,484	59.1%
Deferred tax liability	24,427,231	23,559,617	3.7%
<b>Total Non-Current Liabilities</b>	<b>909,264,776</b>	<b>621,631,741</b>	<b>46.3%</b>
<b>Current Liabilities</b>			
Trade and other payables	283,811,729	224,242,318	26.6%
Overdraft	38,097,040	25,493,223	49.4%
Current portion of lease liability	59,772,218	52,586,827	13.7%
Current portion of interest-bearing loans and borrowings	84,442,545	58,455,422	44.5%
Current tax liabilities	2,991,940	1,467,625	103.9%
Provisions	8,132,337	7,992,337	1.8%
Other non-financial liabilities	51,745,939	44,328,176	16.7%
<b>Total Current Liabilities</b>	<b>528,993,748</b>	<b>414,565,928</b>	<b>27.6%</b>
<b>TOTAL LIABILITIES</b>	<b>1,438,258,524</b>	<b>1,036,197,669</b>	<b>38.8%</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital and Share premium	83,812,556	82,395,091	1.7%
Treasury shares	(2,255,439)	(4,015,977)	-43.8%
Reserves	139,183,637	137,335,499	1.3%
Retained earnings	166,679,632	122,394,796	36.2%
<b>Equity attributable to owners of the Group</b>	<b>387,420,386</b>	<b>338,109,409</b>	<b>14.6%</b>
Non-controlling interests	56,508,556	43,295,149	30.5%
<b>TOTAL EQUITY</b>	<b>443,928,943</b>	<b>381,404,558</b>	<b>16.4%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,882,187,467</b>	<b>1,417,602,227</b>	<b>32.8%</b>

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UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2022 ("CONSOLIDATED PL")

	Period ended September 30,		Variation
	2022	2021	
REVENUE FROM CONTRACTS WITH CUSTOMERS	1,323,955,033	1,042,317,195	27.0%
Other operating revenues	9,901,201	3,835,230	158.2%
<b>Operating Income</b>	<b>1,333,856,234</b>	<b>1,046,152,425</b>	<b>27.5%</b>
Consumable materials and repair materials	(224,657,498)	(177,860,822)	26.3%
Third party expenses	(339,861,734)	(278,682,145)	22.0%
Salary and related expenses	(322,329,518)	(244,260,808)	32.0%
Social contributions	(11,395,943)	(8,598,605)	32.5%
Depreciation and amortization	(102,647,676)	(79,231,074)	29.6%
Impairment losses and gains (including reversals of impairment losses)	-	(2,644,465)	-100.0%
Commodities expenses	(153,548,065)	(55,718,350)	175.6%
Other operating expenses	(83,976,492)	(53,082,453)	58.2%
<b>Operating expenses</b>	<b>(1,238,416,926)</b>	<b>(900,078,722)</b>	<b>37.6%</b>
<b>Operating Profit</b>	<b>95,439,308</b>	<b>146,073,703</b>	<b>-34.7%</b>
Finance cost	(26,335,478)	(18,499,656)	42.4%
Other financial expenses	(1,531,772)	(9,511,217)	-83.9%
<b>Financial result</b>	<b>(27,867,251)</b>	<b>(28,010,873)</b>	<b>-0.5%</b>
<b>Result Before Taxes</b>	<b>67,572,057</b>	<b>118,062,830</b>	<b>-42.8%</b>
Income tax expense	(10,729,535)	(19,407,696)	-44.7%
<b>Net Result</b>	<b>56,842,522</b>	<b>98,655,134</b>	<b>-42.4%</b>
Owners of the Group	50,246,118	88,921,243	-43.5%
Non-controlling interests	6,596,405	9,733,891	-32.2%
<b>Other comprehensive income items that will not be reclassified to profit or loss</b>			
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Total other comprehensive income attributable to:</b>			
Owners of the Group	-	-	0.0%
Non-controlling interests	-	-	0.0%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>56,842,522</b>	<b>98,655,134</b>	<b>-42.4%</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Group	50,246,118	88,921,243	-43.5%
Non-controlling interests	6,596,405	9,733,891	-32.2%

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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 SEPTEMBER 2022  
("CONSOLIDATED CF")

	Period ended September 30, 2022	Period ended September 30, 2021
<b>Net profit before taxes</b>	<b>67,572,057</b>	<b>118,062,830</b>
<b>Adjustments for</b>		
Depreciation and amortization	102,647,676	79,231,074
Provisions for liabilities and charges	-	(480,162)
Interest revenue	(615,408)	(117,073)
Interest expense	26,335,478	18,499,656
Allowance for doubtful debts and receivables written-off	-	1,807,741
Financial Discounts	-	2,758
Other non-monetary gains	(4,649,851)	-
Unrealized exchange loss	2,184,184	6,245,399
<b>Operating cash flow before working capital changes</b>	<b>193,474,137</b>	<b>223,252,223</b>
Decrease / (increase) in accounts receivable	(67,975,523)	(40,148,485)
Decrease / (increase) in inventories	(1,596,882)	1,136,199
Decrease / (increase) in prepayments	(802,065)	(1,340,892)
Increase / (decrease) in accounts payable	(54,228,071)	9,419,125
<b>Cash generated from working capital changes</b>	<b>(124,602,541)</b>	<b>(30,934,053)</b>
<b>Cash generated from operations</b>	<b>68,871,596</b>	<b>192,318,170</b>
Income Tax Paid	(9,232,461)	(19,798,009)
Interest Paid	(19,065,031)	(16,298,297)
Interest received	615,408	117,073
<b>Net cash from operating activities</b>	<b>41,189,512</b>	<b>156,338,937</b>
Acquisition of subsidiaries, net of cash acquired	(196,440,330)	(33,488,923)
Additional participation interest acquired	(6,527,676)	(1,319,994)
Purchase of intangible assets	(9,411,121)	(4,278,679)
Purchase of property, plant and equipment	(62,806,242)	(62,983,902)
<b>Net cash used in investing activities</b>	<b>(275,185,369)</b>	<b>(102,071,498)</b>
Proceeds from loans	286,222,716	61,282,627
Payment of loans	(26,517,826)	(23,773,102)
Lease payments	(42,077,473)	(30,580,435)
Dividends paid to NCI	(136,861)	(70,000)
Payments for purchase of treasury shares	(6,923,973)	(59)
<b>Net cash from financing activities</b>	<b>210,566,584</b>	<b>6,859,031</b>
<b>Net change in cash and cash equivalents</b>	<b>(23,429,274)</b>	<b>61,126,470</b>
Cash and cash equivalents beginning of the period	135,858,888	81,970,397
<b>Cash and cash equivalents end of the period</b>	<b>112,429,614</b>	<b>143,096,867</b>

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## **II. FINANCIAL ANALYSIS**

### **Analysis of the Consolidated PL**

Sales for the 9-month period ended 30 September 2022, amounted to RON 1,323,955,033 higher by 27.0% compared to sales recorded in the 9 months period ended September 2021. This increase was mainly the result of growth in almost all of the Group's business lines, as well as the impact of the acquisitions completed by the Group in 2022.

Other operating revenues have increased by 158.2% in the 9-month period ended 30 September 2022 compared to the same period of the previous year, reaching RON 9,901,201 in 2022.

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 1,238,416,926 in Q3 2022, representing an increase of 37.6%, or RON 338,338,204 as compared to Q3 2021. The Group's operating expenses as a percentage of total operating income reached 93.5% in the 9-month period ended 30 September 2022 and 86.4% in the 9-month period ended 30 September 2021.

### **Operating expenses evolution**

	<b>9 months 2022</b>	<b>9 months 2021</b>	<b>Variation 2022/2021</b>
Consumable materials and repair materials	224,657,498	177,860,822	26.3%
Commodities expenses	153,548,065	55,718,350	175.6%
Utilities	18,262,152	10,324,075	76.9%
Repairs maintenance	14,843,122	10,554,756	40.6%
Rent	8,866,438	7,956,774	11.4%
Insurance premiums	3,363,516	2,631,010	27.8%
Promotion expense	19,338,991	8,632,945	124.0%
Communications	3,958,443	3,549,870	11.5%
Third party expenses (including doctor's agreements)	339,861,734	278,682,145	22.0%
Salary and related expenses	322,329,518	244,260,808	32.0%
Social contributions	11,395,943	8,598,605	32.5%
Depreciation	102,647,676	79,231,074	29.6%
Impairment losses and gains (including reversals of impairment losses)	-	2,644,465	-100.0%
Other administration and operating expenses	15,343,831	9,433,023	62.7%
<b>TOTAL</b>	<b>1,238,416,927</b>	<b>900,078,722</b>	<b>37.6%</b>

Commodities expenses has increased due to Pharmachem consolidation – the pharmaceutical distributor company. Operating profit recorded a decrease of 34.7% in Q3 2022 as compared to Q3 2021, from RON 146,073,703 in Q3 2021 to RON 95,439,308 in Q3 2022.

Financial loss decreased in Q3 2022 with RON 143,622 from a negative RON 28,010,873 in Q3 2021 to a negative RON 27,867,251 in Q3 2022.

The net result for the 9-month period ended 30 September 2022 decreased with RON 41,812,612 as compared to the corresponding period of 2021, from RON 98,655,134 in Q3 2021 to RON 56,842,522 in Q3 2022. The decrease represents the translation of the increase of the operating profit into the net result.

On a pro-forma basis, the sales for Q3 2022 amount to RON 1,322,214,790 and the adjusted EBITDA to RON 209,922,730. Please refer to chapter VII – 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 1,412,431,544 as of 30 September 2022, recording an increase of RON 377,662,475 or 36.5% as compared to 31 December 2021.

Current assets increased with RON 86,922,765 or by 22.7% from RON 382,833,159 as at 31 December 2021 to RON 469,755,924 as at 30 September 2022.

Current liabilities (excluding interest-bearing debt items) increased with RON 68,651,489 or by 24.7%, from RON 278,030,456 as at 31 December 2021, to RON 346,681,945 as at 30 September 2022.

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Interest bearing debt increased with RON 333,956,986 or by 45.9% from RON 727,061,202 as of 31 December 2021 to RON 1,061,018,188 as of 30 September 2022.

### **III. IMPORTANT EVENTS BETWEEN 1 JANUARY – 30 SEPTEMBER 2022**

#### **Mergers & Acquisitions**

##### **Completing the acquisition of 50% of Neolife shares**

On 23 February 2022, MedLife has completed the acquisition of a 50% stake in Neolife Romania's oncology centers, following its approval by the Competition Council. Thus, MedLife Group consolidates its integrated diagnostic and oncological treatment services through the 4 Neolife medical centers in Bucharest (2), Iasi and Brasov.

##### **Increasing the shareholding in Genesys Medical Clinic and Almina Trading**

On 21 March 2022, MedLife announces the increase of the shareholding by 10% of each of the two subsidiaries of the group, respectively Genesys and Almina.

The additional shares of Genesys and Almina subsidiaries were acquired by MedLife as a result of an exchange with MedLife treasury shares repurchased under the Company's share buy-back program in accordance with the decision of the extraordinary general meeting of shareholders no. 2 of 29 September 2021.

##### **Acquisition of Life Med**

On 4 April 2022, MedLife announces the acquisition of 100% share capital of Life Med. The company will be integrated under Sfanta Maria network, part of MedLife Group.

Life Med is one of the largest private providers of outpatient medical services under contract with NHIH, covering 24 specialties. Life Med offers comprehensive diagnostic and treatment services from consultations, clinical investigations to laboratory tests for over 130,000 patients annually.

##### **Acquisition of Pro Life**

On 6 April 2022, announces the acquisition of a 60% stake in Pro Life Clinics, the new company will be integrated under Sfanta Maria network.

Pro Life Clinics has been operating on the private medical services market in Iasi for over 13 years and offers outpatient medical services that integrate 19 medical specialties: from allergology and clinical immunology, dermatology and cardiology, to endocrinology, medical imaging, internal medicine, neurology.

##### **Completion of OncoCard Hospital Brasov acquisition**

On 5 May 2022, MedLife finalized the acquisition of OncoCard Brasov after the approval of the transaction by the Competition Council. This is one of the most important transactions of the first half of this year that comes to consolidate with Neolife - the area of oncology and radiotherapy, in accordance with the strategic objectives set by MedLife and announced to shareholders.

##### **Organic development - MedLife Targu Mures Hyperclinic**

On June 2022, MedLife inaugurates the first large medical clinic in Targu Mures. The new multidisciplinary unit provides patients in the center and north of the country with 16 medical and surgical specialties for consultations, investigations and minor surgeries, ensuring an integrated circuit of investigation, diagnosis and treatment.

##### **Expanding operations in the center of the Country**

On June 2022, MedLife signs the acquisition of the entire package of share of Tomorad Expert - Diagnostic and Imaging Medical Center from Sfantu Gheorghe and of the majority stake of 60% of the shares of the Gastroenterology Medical Center from Targu Mures, thus consolidating its position in the Center of the Country.

##### **Acquisition of 80% of Medici's Group**

On 21 June 2022, MedLife announces the signing of the acquisition for 80% of the shares of the most important local medical operator in the western region, Medici's. The transaction marks a strong consolidation in the western part of Romania and aims to transform Timisoara into one of the strongest regional health hubs in the next 2-3 years. Following the approval of the Competition Council, the purchase was completed on 24 October 2022.

##### **Acquisition of 100% of Medicris Group in Oradea(including Triamed)**

On 24 June 2022, MedLife acquires the full package of shares of Medicris Oradea Group, the largest center of occupational health and related services in Bihor County, which is present for over 20 years on the private medical

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services market in Oradea and offers outpatient medical services that integrate 9 medical specialties: occupational health, ophthalmology, internal medicine, ENT, psychology and others.

**Acquisition of the majority stake in Profilaxis Center in Timisoara**

On 29 June 2022, MedLife announces the signing of the acquisition for the majority stake of 80% of the shares of SC M-Profilaxis SRL, one of the top polyclinics in Timisoara. The company will be integrated under Sfanta Maria brand, through which the network expands its presence in the western part of the country.

Profilaxis Timisoara has an experience of almost 25 years on the local market and is one of the most well-known medical operators in Timisoara, which provides patients with complete prevention and prophylaxis services. The medical unit integrates occupational health, outpatient services, day hospitalization department and an important portfolio of subscribers.

**Signing of the acquisition for Sweat Concept gyms**

On 4 July 2022, MedLife informs the shareholders and the investors about the signing of the acquisition of the majority shareholding package representing 60% of the share capital in Sweat Concept, thus marking the entry into a new line of business - wellness, which complements the complex medical services offered nationwide. On 9 September 2022, the acquisition was completed.

**Signing of the acquisition for IT Repair**

In July 2022, MedLife signed the acquisition for the majority stake of 60% of the Gastroenterology Medical Center from Targu Mures (IT Repair). With over 25 years of activity on the market of private medical services in Romania, Centrul Medical de Gastroenterologie din Târgu Mureș is recognized locally for its excellent services in the field digestive pathology. The unit has an efficient department for diagnosis and treatment modern digestive diseases with increased risk of morbidity such as: esophagitis, ulcer disease, gastritis, liver cirrhosis, acute and chronic pancreatitis, but also a section dedicated to diagnosis and the treatment of liver diseases and preneoplastic and neoplastic lesions.

**Signing the acquisition contract for the shares in Muntenia Medical Competences**

On 14 July 2022, MedLife informs the shareholders and the investors about the signing of the the Sale-Purchase Agreement with respect to the transfer of 1,882,496 shares issued by Muntenia Medical Competences S.A., representing 99.76% of the share capital of Muntenia Medical Competences S.A.

The Sale-Purchase Agreement of shares issued by Muntenia Medical Competences S.A. was concluded between Societatea de Investitii Financiare Muntenia S.A., as Seller, through its administrator SAI Muntenia Invest SA, and Vita Care Flav S.R.L., as Buyer, part of MedLife group.

The transfer of ownership of the shares held by SIF Muntenia SA in Muntenia Medical Competences S.A. is to be made no later than 30.09.2022 (with the possibility of extension), after the fulfillment by both parties of some conditions precedent to Closing, including the approval by the Competition Council.

**Acquisition of the majority stake of Opticristal clinic in Brasov**

In August 2022, MedLife announces the acquisition of 60% of the shares of the ophthalmological diagnosis and surgery clinic Opticristal in Brasov. The transaction, carried out by Policlinica de Diagnostic Rapid (PDR), comes in addition to the medical services offered in the regional hub developed by MedLife in Brasov County, which thus reaches 16 medical units.

**Acquisition of the SanoPass digital platform**

On 12 September 2022, MedLife announces the acquisition of the majority stake in the SanoPass digital platform, one of the most active Romanian startups in the healthtech area, which offers subscription and individual medical, wellness and fitness services. The SanoPass digital platform unifies and facilitates access to health and fitness, offering access to over 1,200 private clinics, both local and large networks, and over 200 fitness rooms in Romania and the Republic of Moldova. Through this national partnership network, SanoPass provides medical and fitness services for 50,000 subscribers.

**Corporate events**

**Appointment of MedLife Group CFO**

Considering the termination, by mutual agreement, of the mandate contract as CFO of MedLife and respectively as a member of the Executive Committee of the Company of Mr. Adrian Paul Lungu, on 30 September 2022, the Board of Directors of MedLife decided on 19 September 2022 to appoint Ms. Alina Oana Irinoiu as CFO of MedLife and member of the Company's Executive Committee, the mandate starting on 1 October 2022 and ending on 31 October 2024.



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#### **IV. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

##### **Mergers & Acquisitions**

##### **Acquisition of 51% of Provita's share package**

On 5 October 2022, MedLife informs shareholders and investors about the signing of a new partnership by taking over 51% of the shares of the Provita Group. The transaction marks the consolidation of diagnostic and treatment services at the national level. In Bucharest, the Provita Group is present with a multidisciplinary hospital, two imaging centers equipped with the latest technology, a laboratory where a wide range of analyzes and medical tests can be processed, as well as a pain therapy training center, the only one in Central and Eastern Europe, approved by the European Society of Regional Anesthesia and Pain Therapy. In the immediate following period, Provita will also develop in other big cities in the country, the first targeted city being Suceava where the Group will inaugurate a specialized clinic, the key areas being interventional pain therapy and complete screening for breast pathology.

##### **Corporate events**

On 21 November 2022, the Extraordinary General Meeting of MedLife Shareholders was convened, in order to obtain the approval of a new increase in the credit limit based on the Syndicated Credit Facility Agreement concluded on 31 October 2018 (as it was later amended through the additional documents), with EUR 50.7 mn. and the extension of the repayment period of the existing facilities, the rearrangement of the related terms and conditions, as well as the modification of the guarantees.

#### **V. MAIN FINANCIAL RATIOS**

	Period ended at	
<b><i>Current ratio</i></b>	<b>30 Septembrie 2022</b>	
Current assets	469,755,924	= 0.89
Current liabilities	528,993,748	
<b><i>Debt to equity ratio</i></b>		
Long Term Debt	884,837,545	= 199%
Equity	443,928,943	
Long Term Debt	884,837,545	= 67%
Capital Assets	1,328,766,488	
<b><i>Trade receivables turnover (days)</i></b>		
Average receivables	167,642,737	= 34.19
Sales	1,323,955,033	
<b><i>Fixed assets turnover</i></b>		
Sales	1,323,955,033	= 0.94
Net Fixed Assets	1,412,431,544	

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**VI. OPERATIONAL KEY PERFORMANCE INDICATORS**

Business line	Info	9 months	
		2022	2021
Clinics	<b>Revenue</b>	<b>446,170,930</b>	<b>297,145,397</b>
Clinics	Visits	2,203,401	1,702,636
Clinics	Avg fee	202.5	174.5
Stomatology	<b>Revenue</b>	<b>87,420,487</b>	<b>70,473,158</b>
Stomatology	Visits	138,231	115,833
Stomatology	Avg fee	632.4	608.4
Hospitals	<b>Revenue</b>	<b>274,742,758</b>	<b>238,721,769</b>
Hospitals	Patients	86,882	76,419
Hospitals	Avg fee	3,162.3	3,123.9
Laboratories	<b>Revenue</b>	<b>153,193,881</b>	<b>200,793,164</b>
Laboratories	Analyses	4,904,181	6,420,320
Laboratories	Avg fee	31.2	31.3
Corporate	<b>Revenue</b>	<b>163,704,809</b>	<b>152,963,186</b>
Corporate	Subscriptions	784,910	740,517
Corporate	Avg fee	208.6	206.6
Pharmacies	<b>Revenue</b>	<b>60,278,085</b>	<b>41,900,018</b>
Pharmacies	Clients	465,470	251,191
Pharmacies	Sales per client	129.5	166.8
Others	<b>Revenue</b>	<b>138,444,083</b>	<b>40,320,503</b>

**VII. UNAUDITED CONSOLIDATED PRO-FORMA FINANCIAL ("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 9-month period ended 30 September 2022, adjusted with the historical financial results of the companies acquired by the Group during the period from 1 January 2022 up to 30 September 2022 (the "**Acquired Companies**").

Details of the Acquired Companies are set out below.

The Consolidated Pro Forma PL for the 9-month period ended 30 September 2022 transposes:

- (i) the acquisition of the Acquired Companies as if the acquisition had occurred on 1 January 2022 by combining the financial results for the period of the Acquired Companies with those of the Group and
- (ii) (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 by nature.

The Consolidated Pro Forma PL provides 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 9-month period ended 30 September 2022.

The Consolidated Pro Forma PL should be read in conjunction with the Consolidated FS for the 9-month period ended 30 September 2022.

**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 acquisitions completed in 2022 and
- (ii) (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 acquisitions completed as of 30 September 2022, the Consolidated PL includes no 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 the 9-month period ended 30 September 2022, the Company made the following acquisition in pursuit of a consolidation strategy aimed at complementing the Group's service offering, expanding its national and international footprint and consolidating its market position:

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

- Acquisition of 50% of the share package in MNT Healthcare Europe, in February 2022;
- Acquisition of 50% of the share package in MNT Asset Management, in February 2022;
- 10% subsequent acquisition of shares in Almina Trading in April 2022;
- 10% subsequent acquisition of shares in Genesys Medical Clinic in April 2022;
- Acquisition of 100% of holdings in the Clinica Life Med company, in March 2022;
- Acquisition of 60% of Pro Life Clinics shares, in April 2022;
- Acquisition of 100% of the share package of Oncocard, in May 2022;
- Acquisition of 100% of the share package of Oncocard Invest, in May 2022;
- Acquisition of 100% of holdings in Tomorad Expert, in May 2022;
- 4% subsequent acquisition of shares in Oncoteam Diagnostic in April 2022;
- 30.32% subsequent acquisition of shares in RMC Group in April and May 2022.
- Acquisition of the shares representing 80% of the share capital of Medici's and Micro-Medic, in June 2022 (approved on 24 October 2022 by the Competition Council);
- Acquisition of 100% of the shares of Medicris si Triamed, in June 2022.
- Acquisition of the majority stake representing 60% of the share capital in IT Repair, in July 2022;
- Acquisition of the majority stake representing 60% of the share capital in Sweat Concept network, in July 2022 (the closing was announced on 9 September 2022);
- Acquisition of the shares representing 99.67% of the share capital of Muntenia Medical Competences SRL, in July 2022 (submitted to approval by the Competition Council);
- Acquisition of 80% of the shares of SC M-Profilaxis SRL, in July 2022.
- Acquisition of 60% of the shares of Clinica Opticristal and Alinora Optimex, in August 2022.
- Acquisition of the majority stake of the digital platform SanoPass, on 12 September 2022.

The Consolidated Pro Forma PL has been prepared for illustrative purposes only and, because of its nature, to address a hypothetical situation and therefore, does not represent the Group's actual financial results.

The Consolidated Pro Forma PL does not necessarily reflect what the combined Group's financial condition or results of operations would have been, had the acquisitions occurred on the dates indicated in the pro-forma calculations. They also may not be useful in predicting the future financial condition and results of operations of the Group with the acquired companies.

The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

**Consolidated Pro-Forma PL**

<b>9 Months ended September 30, 2022</b>				
	<b>Consolidated PL</b>	<b>Normalisation</b>	<b>One off</b>	<b>Consolidated Pro forma PL</b>
<b>SALES</b>	<b>1,323,955,033</b>	<b>(1,740,243)</b>	-	<b>1,322,214,790</b>
Other operating revenues	9,901,201	824,687	-	<b>10,725,888</b>
<b>OPERATING INCOME</b>	<b>1,333,856,234</b>	<b>(915,556)</b>	-	<b>1,332,940,678</b>
<b>OPERATING EXPENSES</b>	<b>(1,238,416,927)</b>	<b>2,570,911</b>	<b>6,032,296</b>	<b>(1,229,813,720)</b>
<b>OPERATING PROFIT</b>	<b>95,439,307</b>	<b>1,655,355</b>	<b>6,032,296</b>	<b>103,126,958</b>
Finance cost	(26,335,478)	(1,335,239)	-	(27,670,717)
Other financial expenses	(1,531,772)	205,165	-	(1,326,607)
<b>FINANCIAL RESULT</b>	<b>(27,867,251)</b>	<b>(1,130,074)</b>	-	<b>(28,997,325)</b>
<b>RESULT BEFORE TAXES</b>	<b>67,572,056</b>	<b>525,281</b>	<b>6,032,296</b>	<b>74,129,633</b>
Income tax expense	(10,729,535)	(635,630)	(965,167)	(12,330,332)
<b>NET RESULT</b>	<b>56,842,521</b>	<b>(110,349)</b>	<b>5,067,129</b>	<b>61,799,301</b>

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

**Net Income to Adjusted EBITDA**

	9 Months ended September 30, 2022			
	Consolidated PL	Normalisation	One off	Consolidated Pro forma PL
<b>Net income/(loss) for the period</b>	<b>56,842,521</b>	<b>(110,349)</b>	<b>5,067,129</b>	<b>61,799,301</b>
Add back:				
<b>Taxes on income</b>	<b>10,729,535</b>	<b>635,630</b>	<b>965,167</b>	<b>12,330,332</b>
Out of which:				
Base tax expense	10,729,535	635,630	-	11,365,165
One off impact	-	-	965,167	965,167
<b>Net financial result</b>	<b>27,867,251</b>	<b>1,130,074</b>	<b>-</b>	<b>28,997,325</b>
<b>Depreciation, amortisation and impairment, including write-ups</b>	<b>102,647,676</b>	<b>4,148,096</b>	<b>-</b>	<b>106,795,772</b>
<b>Adjusted EBITDA</b>	<b>198,086,983</b>	<b>5,803,450</b>	<b>6,032,296</b>	<b>209,922,730</b>

**Sales split by Business Line**

	9 Months ended September 30, 2022			
	Consolidated PL	Normalisation	One off	Consolidated Pro forma PL
Clinics	446,170,930	26,130,798	-	472,301,728
Stomatology	87,420,487	-	-	87,420,487
Laboratories	153,193,881	20,149,870	-	173,343,751
Corporate	163,704,809	2,704,707	-	166,409,516
Hospitals	274,742,758	(60,897,726)	-	213,845,032
Pharmacies	60,278,085	-	-	60,278,085
Other	138,444,083	10,172,108	-	148,616,191
<b>Total Sales</b>	<b>1,323,955,033</b>	<b>(1,740,243)</b>	<b>-</b>	<b>1,322,214,790</b>

**Basis for the Consolidated Pro Forma PL**

The Consolidated Pro Forma PL for the 9-month period ended 30 September 2022 has been prepared starting from the Consolidated PL of the Group as of 30 September 2022.

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 30 September 2022.

The Consolidated Pro Forma PL for the 9 months ended 30 September 2022 gives effect to the acquisitions of the Acquired Companies as if the acquisitions had occurred on 1 January 2022.

Also, certain expense items incurred by the Group in the relevant period which are considered to be non-operational and non-recurring by 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 Companies.

**Consolidated Pro Forma PL adjustments**

**Normalization adjustments**

Normalization adjustments are made to include the financial results of the Acquired Companies in the Group results for the relevant period.

The adjustments represent the unaudited Income Statement items for the portion of the relevant period prior to and including the month of acquisition of the companies.

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

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

Entity	Date of obtaining control	Months included in Normalization (inclusive) 1 January – 30 September 2022
MNT Healthcare Europe SRL	March 2022	January – February 2022
MNT Asset Management SRL	March 2022	January – February 2022
Pro Life Clinics SRL	May 2022	January – April 2022
Clinica Life-Med	April 2022	January – March 2022
Onco Card SRL	June 2022	January – May 2022
Onco Card Invest SRL	June 2022	January – May 2022
Tomorad Expert SRL	June 2022	January – May 2022
Medicris SRL	June 2022	January-Mai 2022
Triamed SRL	June 2022	January-Mai 2022
Sweat Concept One SRL	September 2022	January-August 2022
OptiCristal Consult SRL	July 2022	January-June 2022
Alinora Optimex SRL	July 2022	January-June 2022
Medici's SRL	October 2022	January- September 2022
Micro-Medic SRL	October 2022	January- September 2022
SC M-Profilaxis SRL	June 2022	January-Mai 2022
Sano Pass SA	September 2022	January-August 2022

**One off adjustment**

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 by nature.

These expenses relate to 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 also 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 Q3 2022	Note
Cost of Acquisitions	2,076,086	Note A
Other costs	3,956,210	Note B
<b>Total</b>	<b>6,032,296</b>	

**Note A**

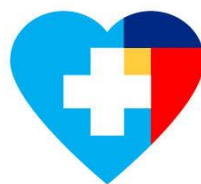
Cost of Acquisitions includes the expenses incurred in respect of external due diligence reports on target companies covering financial, taxation and legal due diligence. The external costs of aborted acquisitions are also included. These expenses are considered non-recurrent and non-operational, as they do not relate to the operational business of the Group.

**Note B**

Includes other expenses considered non-recurring and not linked to the operational activity of the Group.

**VIII. EBITDA EVOLUTION**

	Period ended September 30,		Variation
	2022	2021	2022/2021
	<i>Pro-Forma</i>	<i>IFRS</i>	
<b>Revenue from contracts with customers</b>	<b>1,322,214,790</b>	<b>1,042,317,195</b>	<b>26.9%</b>
Other operating revenues	10,725,888	3,835,230	179.7%
<b>Operating Income</b>	<b>1,332,940,678</b>	<b>1,046,152,425</b>	<b>27.4%</b>
<b>Operating expenses, excluding amortisation and depreciation</b>	<b>(1,123,017,949)</b>	<b>(820,847,648)</b>	<b>36.8%</b>
<b>EBITDA</b>	<b>209,922,730</b>	<b>225,304,777</b>	<b>-6.8%</b>
EBITDA margin	15.9%	21.6%	



SISTEMUL MEDICAL  
**MedLife**

## **MED LIFE GROUP**

CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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

**Name of the issuing company:** MED LIFE S.A.  
**Registered Office:** Bucharest, 365 Calea Grivitei, 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 33,217,623  
**Regulated market on which the issued securities are traded:** Bucharest Stock Exchange

<b>CONTENTS:</b>	<b>PAGE:</b>
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF CASH FLOWS	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5 – 6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7 – 29

	September 30, 2022	January 1, 2022	Variation 2022/2021
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Goodwill	337,470,696	199,679,613	69.0%
Intangible assets	67,707,326	60,556,655	11.8%
Property, plant and equipment	691,502,893	552,206,613	25.2%
Right-of-use asset	211,386,224	190,715,602	10.8%
Other financial assets	104,364,404	31,610,586	230.2%
<b>Total Non-Current Assets</b>	<b>1,412,431,544</b>	<b>1,034,769,069</b>	<b>36.5%</b>
<b>Current Assets</b>			
Inventories	88,035,820	74,229,585	18.6%
Trade Receivables	194,929,235	140,356,238	38.9%
Other assets	62,842,337	24,357,735	158.0%
Cash and cash equivalents	112,429,614	135,858,888	-17.2%
Prepayments	11,518,918	8,030,713	43.4%
<b>Total Current Assets</b>	<b>469,755,924</b>	<b>382,833,159</b>	<b>22.7%</b>
<b>TOTAL ASSETS</b>	<b>1,882,187,468</b>	<b>1,417,602,228</b>	<b>32.8%</b>
<b>LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>			
<b>Non-Current Liabilities</b>			
Lease liability	177,124,141	149,685,246	18.3%
Other long term debt	6,131,160	7,546,394	-18.8%
Interest-bearing loans and borrowings	701,582,244	440,840,484	59.1%
Deferred tax liability	24,427,231	23,559,617	3.7%
<b>Total Non-Current Liabilities</b>	<b>909,264,776</b>	<b>621,631,741</b>	<b>46.3%</b>
<b>Current Liabilities</b>			
Trade and other payables	283,811,729	224,242,318	26.6%
Overdraft	38,097,040	25,493,223	49.4%
Current portion of lease liability	59,772,218	52,586,827	13.7%
Current portion of interest-bearing loans and borrowings	84,442,545	58,455,422	44.5%
Current tax liabilities	2,991,940	1,467,625	103.9%
Provisions	8,132,337	7,992,337	1.8%
Other non-financial liabilities	51,745,939	44,328,176	16.7%
<b>Total Current Liabilities</b>	<b>528,993,748</b>	<b>414,565,928</b>	<b>27.6%</b>
<b>TOTAL LIABILITIES</b>	<b>1,438,258,524</b>	<b>1,036,197,669</b>	<b>38.8%</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital and Share premium	83,812,556	82,395,091	1.7%
Treasury shares	(2,255,439)	(4,015,977)	-43.8%
Reserves	139,183,637	137,335,499	1.3%
Retained earnings	166,679,632	122,394,796	36.2%
<b>Equity attributable to owners of the Group</b>	<b>387,420,386</b>	<b>338,109,409</b>	<b>14.6%</b>
Non-controlling interests	56,508,556	43,295,149	30.5%
<b>TOTAL EQUITY</b>	<b>443,928,943</b>	<b>381,404,558</b>	<b>16.4%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,882,187,467</b>	<b>1,417,602,227</b>	<b>32.8%</b>

Mihail Marcu,  
CEO

Alina Irinoiu,  
CFO



**MED LIFE GROUP**  
CONSOLIDATED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 September 2022  
(all amounts are expressed in RON, unless otherwise specified)



	Period ended September 30,		Variation
	2022	2021	
REVENUE FROM CONTRACTS WITH CUSTOMERS	1,323,955,033	1,042,317,195	27.0%
Other operating revenues	9,901,201	3,835,230	158.2%
<b>Operating Income</b>	<b>1,333,856,234</b>	<b>1,046,152,425</b>	<b>27.5%</b>
Consumable materials and repair materials	(224,657,498)	(177,860,822)	26.3%
Third party expenses	(339,861,734)	(278,682,145)	22.0%
Salary and related expenses	(322,329,518)	(244,260,808)	32.0%
Social contributions	(11,395,943)	(8,598,605)	32.5%
Depreciation and amortization	(102,647,676)	(79,231,074)	29.6%
Impairment losses and gains (including reversals of impairment losses)	-	(2,644,465)	-100.0%
Commodities expenses	(153,548,065)	(55,718,350)	175.6%
Other operating expenses	(83,976,492)	(53,082,453)	58.2%
<b>Operating expenses</b>	<b>(1,238,416,926)</b>	<b>(900,078,722)</b>	<b>37.6%</b>
<b>Operating Profit</b>	<b>95,439,308</b>	<b>146,073,703</b>	<b>-34.7%</b>
Finance cost	(26,335,478)	(18,499,656)	42.4%
Other financial expenses	(1,531,772)	(9,511,217)	-83.9%
<b>Financial result</b>	<b>(27,867,251)</b>	<b>(28,010,873)</b>	<b>-0.5%</b>
<b>Result Before Taxes</b>	<b>67,572,057</b>	<b>118,062,830</b>	<b>-42.8%</b>
Income tax expense	(10,729,535)	(19,407,696)	-44.7%
<b>Net Result</b>	<b>56,842,522</b>	<b>98,655,134</b>	<b>-42.4%</b>
Owners of the Group	50,246,118	88,921,243	-43.5%
Non-controlling interests	6,596,405	9,733,891	-32.2%
<b>Other comprehensive income items that will not be reclassified to profit or loss</b>			
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Total other comprehensive income attributable to:</b>			
Owners of the Group	-	-	0.0%
Non-controlling interests	-	-	0.0%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>56,842,522</b>	<b>98,655,134</b>	<b>-42.4%</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Group	50,246,118	88,921,243	-43.5%
Non-controlling interests	6,596,405	9,733,891	-32.2%

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO

	Period ended September 30, 2022	Period ended September 30, 2021
<b>Net profit before taxes</b>	<b>67,572,057</b>	<b>118,062,830</b>
<b>Adjustments for</b>		
Depreciation and amortization	102,647,676	79,231,074
Provisions for liabilities and charges	-	(480,162)
Interest revenue	(615,408)	(117,073)
Interest expense	26,335,478	18,499,656
Allowance for doubtful debts and receivables written-off	-	1,807,741
Financial Discounts	-	2,758
Other non-monetary gains	(4,649,851)	-
Unrealized exchange loss	2,184,184	6,245,399
<b>Operating cash flow before working capital changes</b>	<b>193,474,137</b>	<b>223,252,223</b>
Decrease / (increase) in accounts receivable	(67,975,523)	(40,148,485)
Decrease / (increase) in inventories	(1,596,882)	1,136,199
Decrease / (increase) in prepayments	(802,065)	(1,340,892)
Increase / (decrease) in accounts payable	(54,228,071)	9,419,125
<b>Cash generated from working capital changes</b>	<b>(124,602,541)</b>	<b>(30,934,053)</b>
<b>Cash generated from operations</b>	<b>68,871,596</b>	<b>192,318,170</b>
Income Tax Paid	(9,232,461)	(19,798,009)
Interest Paid	(19,065,031)	(16,298,297)
Interest received	615,408	117,073
<b>Net cash from operating activities</b>	<b>41,189,512</b>	<b>156,338,937</b>
Acquisition of subsidiaries, net of cash acquired	(196,440,330)	(33,488,923)
Additional participation interest acquired	(6,527,676)	(1,319,994)
Purchase of intangible assets	(9,411,121)	(4,278,679)
Purchase of property, plant and equipment	(62,806,242)	(62,983,902)
<b>Net cash used in investing activities</b>	<b>(275,185,369)</b>	<b>(102,071,498)</b>
Proceeds from loans	286,222,716	61,282,627
Payment of loans	(26,517,826)	(23,773,102)
Lease payments	(42,077,473)	(30,580,435)
Dividends paid to NCI	(136,861)	(70,000)
Payments for purchase of treasury shares	(6,923,973)	(59)
<b>Net cash from financing activities</b>	<b>210,566,584</b>	<b>6,859,031</b>
<b>Net change in cash and cash equivalents</b>	<b>(23,429,274)</b>	<b>61,126,470</b>
Cash and cash equivalents beginning of the period	135,858,888	81,970,397
<b>Cash and cash equivalents end of the period</b>	<b>112,429,614</b>	<b>143,096,867</b>

Mihail Marcu,  
CEO

Alina Irinoiu,  
CFO

**MED LIFE GROUP**  
CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 September 2022  
*(all amounts are expressed in RON, unless otherwise specified)*



	Share Capital	Treasury shares	Share premium	Legal reserves and other reserves	Revaluation Reserve	Accumulated Results	Attributable to owners of the parent	Non-controlling interests	Total Equity
<b>Balance as at January 1, 2022</b>	<b>33,217,623</b>	<b>(4,015,977)</b>	<b>49,177,468</b>	<b>41,850,760</b>	<b>95,484,740</b>	<b>122,394,796</b>	<b>338,109,410</b>	<b>43,295,149</b>	<b>381,404,558</b>
Recognition of other reserves for fiscal purposes (legal reserves)	-	-	-	551,325	-	(551,325)	-	-	-
Recognition of other reserves	-	-	-	1,296,813	-	(1,296,813)	-	-	-
Additional NCI arising as of result of business combinations	-	-	-	-	-	-	-	12,569,995	12,569,995
Subsequent acquisition of NCI	-	-	-	-	-	(4,113,144)	(4,113,144)	(5,952,993)	(10,066,137)
Increase from own shares acquisition	-	(6,923,895)	-	-	-	-	(6,923,895)	-	(6,923,895)
Net release of own shares used for acquiring additional NCI	-	8,684,432	-	-	-	-	8,684,432	-	8,684,432
Increase in premiums due to difference between fair value and cost of own shares when the exchange was made	-	-	1,417,465	-	-	-	1,417,465	-	1,417,465
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,246,117</b>	<b>50,246,117</b>	<b>6,596,406</b>	<b>56,842,523</b>
Profit of the period	-	-	-	-	-	50,246,117	50,246,117	6,596,406	56,842,523
<b>Balance as at 30 September 2022</b>	<b>33,217,623</b>	<b>(2,255,439)</b>	<b>50,594,933</b>	<b>43,698,897</b>	<b>95,484,740</b>	<b>166,679,631</b>	<b>387,420,385</b>	<b>56,508,557</b>	<b>443,928,942</b>

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO

**MED LIFE GROUP**  
CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 September 2022  
*(all amounts are expressed in RON, unless otherwise specified)*



	Share Capital	Treasury shares	Share premium	Legal reserves and other reserves	Revaluation Reserve	Accumulated Results	Attributable to owners of the parent	Non-controlling interests	Total Equity
<b>Balance as at January 1, 2021</b>	<b>33,217,623</b>	<b>(666,624)</b>	<b>48,809,388</b>	<b>28,726,817</b>	<b>95,484,740</b>	<b>35,701,579</b>	<b>241,273,524</b>	<b>27,633,022</b>	<b>268,906,545</b>
Recognition of other reserves for fiscal purposes (legal reserves)	-	-	-	330,212	-	(330,212)	-	-	-
Additional NCI arising as of result of business combinations	-	-	-	-	-	-	-	4,820,122	4,820,122
Subsequent acquisition of NCI	-	-	-	-	-	(2,780,122)	(2,780,122)	(1,865,109)	(4,645,231)
Distribution of dividends	-	-	-	-	-	-	-	(217,748)	(217,748)
Net release of own shares used for acquiring additional NCI	-	320,158	-	-	-	-	320,158	-	320,158
Increase in premiums due to difference between fair value and cost of own shares when the exchange was made	-	-	368,079	-	-	-	368,079	-	368,079
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,921,244</b>	<b>88,921,244</b>	<b>9,733,891</b>	<b>98,655,135</b>
Deferred tax related to other elements of the overall result	-	-	-	-	-	-	-	-	-
Profit of the period	-	-	-	-	-	88,921,244	88,921,244	9,733,891	98,655,135
<b>Balance as at 30 September 2022</b>	<b>33,217,623</b>	<b>(346,466)</b>	<b>49,177,468</b>	<b>29,057,029</b>	<b>95,484,740</b>	<b>121,512,488</b>	<b>328,102,883</b>	<b>40,104,177</b>	<b>368,207,060</b>

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO

## 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, Cluj, Braila, Timisoara, Iasi, Galati, Constanta and Targu Mures.

Med Life and its subsidiaries is offering a large range of medical service having opened 38 Hyperclinics, 67 Clinics with national coverage, 11 hospitals – located in Bucharest, Sibiu, Arad, Brasov, Ploiesti and Cluj, 36 Laboratories, 23 Pharmacies and 18 Dental Clinics. The Group has also more than 170 private Clinic partners around Romania.

Medlife is the leader of the medical services market in Romania, located in Bucharest, Calea Grivitei, no. 365. The parent company is Med Life SA.

List of the entities part of Med Life Group as at 30 September 2022 and 1 January 2022 are as follows (ownership percentage):

No.	Entity	Main activity	Location	September, 2022	January, 1 2022
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	83.01%	83.01%
2	Medapt SRL (indirect)*	Medical Services	Brasov, Romania	83.01%	83.01%
3	Histo SRL (indirect)*	Medical Services	Brasov, Romania	49.81%	49.81%
4	Policlinica de Diagnostic Rapid Medis SRL (indirect)*	Medical Services	Sfantu Gheorghe, Romania	66.41%	66.41%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100.00%	100.00%
6	Med Life Ocupational SRL	Medical Services	Bucharest, Romania	100.00%	100.00%
7	Pharmalife-Med SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100.00%	100.00%
8	Med Life Broker de Asigurare si Reasigurare SRL	Insurance broker	Bucharest, Romania	100.00%	99.00%
9	Accipiens SA	Rental activities	Bucharest, Romania	83.00%	73.00%
10	Genesys Medical Clinic SRL (indirect)*	Medical Services	Bucharest, Romania	83.00%	73.00%
11	Bactro SRL (indirect)*	Medical Services	Deva, Romania	83.00%	73.00%
12	Transilvania Imagistica SA (indirect)*	Medical Services	Oradea, Romania	83.00%	73.00%
13	Biofarm Farmec SRL (indirect)*	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100.00%	100.00%
14	RUR Medical SA (indirect)*	Medical Services	Bucharest, Romania	83.01%	83.01%
15	Biotest Med SRL	Medical Services	Bucharest, Romania	100.00%	100.00%
16	Vital Test SRL	Medical Services	Bucharest, Romania	100.00%	100.00%
17	Centrul Medical Sama SA	Medical Services	Craiova, Romania	90.00%	90.00%
18	Ultratest SA (direct si indirect)*	Medical Services	Craiova, Romania	76.00%	76.00%
19	Diamed Center SRL	Medical Services	Bucharest, Romania	100.00%	100.00%
20	Prima Medical SRL	Medical Services	Craiova, Romania	100.00%	100.00%
21	Stem Cells Bank SA	Medical Services	Timisoara, Romania	100.00%	100.00%
22	Dent Estet Clinic SA	Dental healthcare	Bucharest, Romania	60.00%	60.00%
23	Green Dental Clinic SRL (indirect)*	Dental healthcare	Bucharest, Romania	31.00%	31.00%
24	Dentist 4 Kids SRL (indirect)*	Dental healthcare	Bucharest, Romania	60.00%	60.00%
25	Dent A Porter SRL (indirect)*	Dental healthcare	Bucharest, Romania	31.00%	31.00%
26	Dentestet Kids SRL (indirect)*	Dental healthcare	Bucharest, Romania	32.00%	32.00%
27	Aspen Laborator Dentar SRL (indirect)*	Dental healthcare	Bucharest, Romania	45.00%	45.00%
28	Centrul Medical Panduri SA	Medical Services	Bucharest, Romania	100.00%	100.00%
29	Almina Trading SA	Medical Services	Targoviste, Romania	90.00%	80.00%
30	Anima Specialty Medical Services SRL	Medical Services	Bucharest, Romania	100.00%	100.00%
31	Anima Promovare si Vanzari SRL (indirect)*	Medical Services	Bucharest, Romania	100.00%	100.00%
32	Valdi Medica SA	Medical Services	Cluj, Romania	55.00%	55.00%
33	Clinica Polisano SRL	Medical Services	Sibiu, Romania	100.00%	100.00%

No.	Entity	Main activity	Location	September, 30 2022	January, 1 2022
34	Solomed Clinic SA	Medical Services	Pitesti, Romania	80.00%	80.00%
35	Solomed Plus SRL (indirect)*	Medical Services	Pitesti, Romania	80.00%	80.00%
36	Ghencea Medical Center SA	Medical Services	Bucharest, Romania	100.00%	100.00%
37	Sfatul medicului SRL	Medical Platform	Bucharest, Romania	100.00%	100.00%
38	RMC Dentart (indirect)*	Dental healthcare	Budapesta, Ungaria	81.32%	51.00%
39	RMC Medical (indirect)*	Medical Services	Budapesta, Ungaria	81.32%	51.00%
40	RMC Medlife	Holding	Budapesta, Ungaria	81.32%	51.00%
41	Badea Medical SRL	Medical Services	Cluj, Romania	65.00%	65.00%
42	Oncoteam Diagnostic SA	Medical Services	Bucharest, Romania	79.00%	75.00%
43	Centrul medical Micromedica SRL	Medical Services	Piatra Neamt, Romania	100.00%	100.00%
44	Micromedica Targu Neamt SRL (indirect)*	Medical Services	Targu Neamt, Romania	100.00%	100.00%
45	Micromedica Bacau SRL (indirect)*	Medical Services	Bacau, Romania	100.00%	100.00%
46	Micromedica Roman SRL (indirect)*	Medical Services	Roman, Romania	100.00%	100.00%
47	Medrix Center SRL (indirect)*	Medical Services	Roznov, Romania	100.00%	100.00%
48	Spitalul Lotus SRL	Medical Services	Ploiesti, Romania	100.00%	100.00%
49	Labor Maricor SRL	Medical Services	Bacau, Romania	100.00%	100.00%
50	Centrul Medical Matei Basarab SRL (indirect)*	Medical Services	Bucharest, Romania	100.00%	100.00%
51	Pharmachem Distributie SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	75.00%	75.00%
52	CED Pharma SRL (indirect)*	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100.00%	100.00%
53	Leti Pharm 2000 SRL (indirect)*	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100.00%	100.00%
54	Monix Pharm SRL (indirect)*	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100.00%	100.00%
55	KronDent SRL (indirect)*	Dental healthcare	Brasov, Romania	36.00%	36.00%
56	Medica SA	Medical Services	Sibiu, Romania	60.00%	60.00%
57	Dent Estet Ploiesti SRL (indirect)*	Dental healthcare	Ploiesti, Romania	30.60%	30.60%
58	The Lab Stomestet SRL (indirect)*	Dental healthcare	Cluj, Romania	36.00%	36.00%
59	Stomestet SRL (indirect)*	Dental healthcare	Cluj, Romania	36.00%	36.00%
60	Stomestet Plus SRL (indirect)*	Dental healthcare	Cluj, Romania	36.00%	36.00%
61	Costea Digital Dental SRL (indirect)*	Dental healthcare	Oradea, Romania	36.00%	18.60%
62	Expert Med Centrul Medical Irina (indirect)*	Medical Services	Galati, Romania	76.00%	76.00%
63	MNT Healthcare Europe SRL	Medical Services	Ilfov, Romania	50.00%	50.00%
64	MNT Asset Management SRL (indirect)*	Holding	Bucharest, Romania	50.00%	50.00%
65	Clinica Life-Med SRL (indirect)*	Medical Services	Bucharest, Romania	100.00%	0.00%
66	Pro Life Clinics SRL (indirect)*	Medical Services	Iasi, Romania	60.00%	0.00%
67	Onco Card SRL (indirect)*	Medical Services	Brasov, Romania	83.01%	0.00%
68	Onco Card Invest SRL (indirect)*	Holding	Brasov, Romania	83.01%	0.00%
69	Tomorad Expert SRL (indirect)*	Medical Services	Sfantu Gheorghe, Romania	66.41%	0.00%
70	IT Repair SRL (indirect)*	Medical Services	Targu Mures, Romania	49.81%	0.00%
71	Medici's SRL *	Medical Services	Timisoara, Romania	80.00%	0.00%
72	Micro-Medic SRL *	Medical Services	Timisoara, Romania	80.00%	0.00%
73	Sweat Concept One SRL *	Wellness	Bucharest, Romania	60.00%	0.00%

No.	Entity	Main activity	Location	September, 30 2022	January, 1 2022
74	OptiCristal Consult SRL (indirect)*	Medical Services	Brasov, Romania	49.81%	0.00%
75	Alinora Optimex SRL (indirect)*	Medical Services	Brasov, Romania	49.81%	0.00%
76	Medicris SRL (indirect)*	Medical Services	Oradea, Romania	83.00%	0.00%
77	Triamed SRL (indirect)*	Medical Services	Oradea, Romania	83.00%	0.00%
78	SC M-Profilaxis SRL (indirect)*	Medical Services	Timisoara, Romania	80.00%	0.00%
79	VitaCare Flav SRL (indirect)*	Medical Services	Pitesti, Romania	80.00%	0.00%
80	Dent Estet Genesys SRL (indirect)*	Medical Services	Arad, Romania	71.50%	0.00%
81	Aspire Dental SRL (indirect)*	Dental healthcare	Bucharest, Romania	60.00%	0.00%
82	Sanopass SA	Medical Platform	Targoviste, Romania	51.00%	0.00%

\*These companies are subsidiaries of other subsidiaries in the Group and are included in the consolidation, as they are controlled by the entities which are subsidiaries of the ultimate parent.

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

### New standards and amendments to the existing standards issued but not yet effective and not early adopted

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 30 September 2022:

#### - **Amendment in 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**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

#### - **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.

#### - **IFRS 3 Business Combinations; IAS 16 Tangible assets; IAS 37 Provisions, contingent liabilities and contingent assets, as well as annual improvements 2018-2020 (amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The IASB has issued narrow-scope amendments to IFRS Standards as follows:

- **IFRS 3 Business Combinations** (Amendments) updates a reference from IFRS 3 to the Financial Reporting Framework without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment** (Amendments) prohibits a company from deducting from the cost of property, plant and equipment amounts received from the sale of items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales revenue and related costs in profit or loss.



- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets** (Amendments) specifies what costs a company includes in determining the cost of performing a contract for the purpose of assessing whether a contract is onerous.
- **The 2018-2020 Annual Improvements** make minor changes to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the illustrative examples accompanying IFRS 16 Leases
- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**  
The Amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.
- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**  
The amendments become effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU.
- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**  
The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU.

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 the Group in the period of initial application.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Statement of compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The accounting policies applied in these financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2021.

#### 3.2 Basis of preparation

The consolidated financial statements of Medlife Group, hereinafter referred to also as "the Group", are presented in RON ("Romanian Leu"), using going concern principles. All values are rounded to the nearest two decimals. The consolidated financial statements have been prepared on the historical cost basis, except for certain items that have been measured at fair value, such as certain non-current assets and financial instruments, as presented in the notes to the financial statements.

The Group maintains the accounting books in accordance with the Regulations on Accounting and Reporting issued by the Ministry of Finance in Romania.

#### 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.

For the purposes of assessing liquidity and going concern, the Group has modelled scenarios reflecting suitable assumptions over the next 12-month period that serve to inform the decisions the Group takes regarding future cost savings, cash generation, debt covenants and levels of investment.

In addition, due to the proactive response taken by the Group to improve its liquidity position, since the beginning of the pandemic crisis, the cashflows of the Group have remained stable, demonstrating the financial discipline across the Group and the conservative approach taken when modelling scenarios.

All measures taken have been decided upon having in mind the Group's strategy to better position itself to all the new market changes, on the long term. As a consequence, the management focused on increasing efficiency of its operations



in order to obtain better flexibility over capitalizing market opportunities.

For the covenant testing periods ending December 2022, the Board of Directors is confident that the Group has sufficient headroom to stay within the covenants levels, with the mitigations available (which would include management of working capital and constrained levels of capital investment), even in its severe but plausible downside scenarios.

Based on the Group's current financial position and the modelled scenarios, the directors have concluded that the Group has sufficient liquidity to meet all its obligations for at least the twelve months from the date of this report and the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

### **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 when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns. Generally, there is a presumption that a majority of voting rights results in control.

To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 assets and liabilities, equity, income, expenses and cashflows related to transactions between members of the Group 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 cost of acquisition is measured at the aggregate of the consideration transferred which is measured at the acquisition date fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being 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 the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of 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.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

After initial recognition, goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

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.

### **3.6 Significant judgements, estimates and assumptions**

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.

#### **3.6.1. Judgements**

In the process of applying the Group's accounting policies, the following judgments were made, particularly with respect to the following:

##### ***Determining the lease term of contracts with renewal and termination options – Group as a lessee***

Medlife Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has lease contracts which include extension and termination options.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. When determining the lease term to be used for the measurement of the lease, the Group takes into account all the relevant facts and circumstances that create an economic incentive for exercising either the extension or termination option of the lease term.

For leases of buildings, cars and equipment, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.
- If the Group considers that some of the lease agreement shall be terminated earlier, then the assumption of the tenor shall be reassessed accordingly in order to fairly represent the management's view of the leased asset's impact to the financial statements.
- In case of lease term in relation to indefinite lease contracts the assumption applied was that the lease term will be similar to other contracts signed with the same provider or based on the relevant period beyond which the exercise of any option becomes uncertain.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

### **Intangible assets with indefinite useful life**

The Group's management normally uses judgement to assess whether its intangible assets have a definite or indefinite life and should revise periodically this estimate.

### **Cash generating units**

Management exercises judgement in determining the appropriate level of grouping assets into CGUs, based on the fact that they share significant common infrastructure.

### **Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

### **Control over subsidiaries**

The Group assesses whether or not it has control over the acquired companies based on whether it has the practical ability to direct the relevant activities of the targets, immediately after acquisition.

### **3.6.2. Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### **Impairment of non-financial assets**

The Group accounts for land and building using the fair value approach based on market comparative valuations performed by certified ANEVAR professional as per revaluation reports concluded as at 31 December 2019. The valuations conform to International Valuation Standards. As at 30 September 2022, the management has not identified any indication that would conclude the need of revaluating its land and buildings for any impairment.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five or six years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Notes.

### **Allowance for expected credit losses of trade receivables and contract assets**

The Group always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

In determining adjustments for impairment of receivables, management incorporates forward-looking information, exercises professional judgement and uses estimates and assumptions. Estimation of expected credit risk losses involved forecasting future macroeconomic conditions for the next 2 years.

The incorporation of forward-looking elements reflects the expectations of the Group and involves the creation of scenarios, including an assessment of the probabilities of materialization of each scenario.

### **Leases - Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rates to measure lease liabilities. These incremental borrowing rates were determined taking into consideration factors such as the credit risk, currency in which the lease was denominated and economic environment.

### **Provision for untaken holidays**

The Group recognizes a provision for untaken holidays equal to the number of unused leave multiplied by the relevant employee's gross salary at the reporting date.

## **3.7 Foreign currency and 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 almost all of the companies of the Group operate (their "functional currency"). The functional currency of the foreign operations is generally their local currency.

The exchange rates, as published by the National Bank of Romania, on 30 September 2022 were RON 4.9490 for EUR 1 (31 December 2021: RON 4.9481 for EUR 1), respectively RON 1.1728 for 100 HUF (31 December 2021: RON 1.3391 for 100 HUF).

The average exchange rates for the period of 9 months 2022 were RON 4.9352 for EUR 1 (9 months 2021: RON 4.9111 for EUR 1), respectively RON 1.2869 for 100 HUF (9 months 2021: RON 1.3782 for HUF 100).

#### **Translation of foreign currencies**

Transactions in foreign currencies are translated to the respective functional currency of the Group at the exchange rate ruling at the time of the transaction. Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the reporting date. The foreign exchange differences arising on these translations are recognised as other financial income/expense in the income statement.

#### **Translation of foreign operations**

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Foreign exchange differences arising on translation are recognised in equity through the statement of comprehensive income.

### **3.8 Property, plant and equipment**

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

The value of land and buildings owned presented in these consolidated financial statements is based on the valuation reports which were prepared as of December 31, 2019 by independent valuers certified by ANEVAR. The revaluation is performed with sufficient frequency as to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Expenses for repairs and maintenance are recognized in the profit or loss account when incurred. Costs with capital repairs are included in the carrying amount of the asset when it is probable that future economic benefits above the initially evaluated standard of performance of the existing asset will be transferred to the Group. Capital repairs are depreciated over the remaining useful period of the respective asset. The land is not depreciated.

Installations and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Assets under construction are recorded at cost, less accumulated impairment losses and depreciated once they become available for use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives, residual values and depreciation method are reviewed at the end of each year, and the effects of changes in estimates are recorded prospectively.

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

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

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

The Group transfers the revaluation surplus included in equity in respect of an item of property, plant and equipment directly to retained earnings when the asset is derecognised (i.e. retired or disposed of).

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

### **3.9 Intangible assets**

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are stated 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.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The Group's intangible assets are represented by software licenses, concessions, patents and other intangibles which are amortized straight-line over a period of 3 years. Additionally, the group has trademarks with indefinite useful lives and customer lists and customers advantages with finite useful lives acquired as part of business combinations.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

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

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

#### **Impairment of non-financial assets**

At the end of each reporting period, the Group reviews whether there is an indication that an asset may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets that are 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. The Group bases its impairment calculation on most recent budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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 asset is previously revalued with the revaluation taken to OCI, in which case the impairment loss is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. 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.

### **3.10 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. 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.

### **3.11 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 maturities of three months or less.

### **3.12 Government grants**

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.



The Group has chosen to present grants related to income to be deducted in reporting the related expense.

The Group has elected to present government grants relating to the purchase of property, plant and equipment in the consolidated statement of financial position as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset.

### **3.13 Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **3.13.1 Financial assets**

##### **Initial recognition and classification**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

This classification on initial recognition depends on the Group's business model with regard to the management of financial assets and on the financial asset's contractual cash flows characteristics.

With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

A financial asset is measured at amortized cost if both of the following conditions are met:

- the financial asset is held using a business model that aims to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely repayments of principal and interest on the principal outstanding.

The Group has only recognised and subsequently measured financial assets at amortised cost.

##### **Subsequent measurement**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial sets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in profit or loss.

The Group's financial assets at amortised cost includes mainly the following: trade receivables and other receivables. These assets are short-term in nature, which is why they are recognised at nominal amounts without discounting.

##### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The contractual rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment**

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are over 95 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows, when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The Group recognises an impairment gain or loss in profit or loss for all trade receivables with a corresponding adjustment to their carrying amount through a loss allowance account.

### **3.13.2 Equity instruments and financial liabilities**

#### **Classification as equity or debt**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### **a) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### **b) Financial liabilities**

##### **Initial recognition and classification**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, other long term debt.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. A contingent consideration classified as a financial liability is subsequently remeasured to fair value with the changes in fair value recognised in profit or loss.

### **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified as financial liabilities at amortised cost. The Group has not designated any financial liability as at fair value through profit or loss.

This is the category most relevant to the Group and it includes loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### **3.14 Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### **3.15 Taxation**

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

#### **Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 temporary 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

#### **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.

#### **3.16 Share capital**

Ordinary shares are classified as equity. The Group presents the amount of dividends recognised as distributions to owners during the period in the statement of changes in equity, and the related amount of dividends per share in the notes to the financial statements.

#### **3.17 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.

#### **3.18 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. The revaluation reserve is transferred to retained earnings upon disposal of assets.

#### **3.19 Provisions for risks and charges**

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Liabilities provided for legal matters** require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ from those estimated at the reporting date.

**Liabilities for compensated absences** refer to the entitlement for employees to accumulate vested leave benefits. The Group recognises a liability for compensated absences as it has an obligation to compensate employees for future absences attributable to employees' services already rendered, the obligation relates to rights that accumulate from period to period, it is probable that the amount will be paid and a reliable estimate can be made of the amount of the obligation.

A vesting obligation is where employees are entitled to a cash payment for unused leave entitled upon leaving the entity. The amount of the obligation will therefore be equal to the number of unused leave multiplied by the relevant employee's gross salary at the reporting date.

The obligation is initially recognised during the vesting period based on the best available estimate of the accumulated leave expected to vest. The estimate is revised each period end if subsequent information indicates that the accumulated leave expected to vest differs from previous estimates. On vesting date, the Group revises its estimate to equal the accumulated leave that ultimately vested.

#### **3.20 Revenue from contracts with customers recognition**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue is recognised over time where (i) there is a continuous transfer of control to the customer in the case of goods provided or the consumption of the benefits for the services provided takes place over time; or (ii) there is no alternative use for any asset created and there is an enforceable right to payment for performance completed to date. Other revenue contracts are recognised at a point in time when control of the goods transfers to the customer, or in the case of services provided, when the customer receives and consumes the benefits provided.

The Group provides health care medical services to corporate and retail customers, in which one performance obligation is a promise to transfer distinct services to the beneficiary. Another business line that is continuously being developed in the Group in close relationship with the medical act is the delivery of goods (mainly generic medicines) under contractual

conditions. The moment the client acquires control over the goods is considered to be substantially the same for most of the Group's contracts under IFRS 15.

### **Group's core activities**

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. Disaggregation of revenue from contracts with customers by business line comprises the following major categories: clinics, stomatology, hospitals, laboratories, pharmacies and corporate.

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 National Health Insurance House ("NHIH") represents a complement, not the core revenue of Group's activities. However, the National Health Insurance House is considered to be one major customer that goes across multiple sectors such as: clinics, hospitals and laboratories, and from which the Group receives the consideration based on reaching pre-established ceilings, for the medical services provided to the State's insured patients, which are the end users of the healthcare medical services. The revenue in relation with NHIH is recognised at the end of the month, when the Group has an enforceable right to receive payment for performance completed up to date, as the end user receives and consumes the benefits provided by the entity's performance as the entity performs.

### **Clinics**

The core of the Group's operations is the network of ambulatory clinics. The business line comprises a network of 105 facilities, which offer a wide range of outpatient services covering a broad range of medical specialties. The Group's diagnostic imaging services provided to clients other than hospital inpatients also form part of this business line. The Group's clinics provide a wide range of services delivered mainly in two formats:

- **Hyper clinics**, a format pioneered by the Group 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. Hyper clinics would usually include a broad range of imaging services on site including radiology, bone density – DEXA, CT, MRI, 2D-4D ultrasounds and Mammography; in the case of new openings, such services may be included in the hyper clinics' offering gradually. Hyper clinic locations also host the services of other business lines, such as sampling points for laboratories.
- **Clinics**, offering a range of treatments from general practitioner services to specialists, are aimed at servicing the core needs of the Group's HPP patients and FFS clients. The Group's clinics typically have between 5 and 12 medical offices, although smaller satellite clinics are in operation to address specific market situations. Clinics are designed for smaller cities or to serve specific concentrations of patients. Clinics, with limited capacity and generally limited imaging services, act as feeder networks for the more specialized services located in the hyper clinics.

The revenues are recognised at a point in time when the customer receives and consumes the benefits provided.

### **Stomatology**

The Group's Dentistry business line offers a full range of services, ranging from medical examinations to surgery, implants or orthodontic services.

Stomatology business line is not subject to NHIH allocations. All of the sales are fee for service ("FFS") based, and the revenue is recognised at a point in time, when the performance obligation is satisfied.

### **Laboratories**

The Laboratories business line provides the following range of services: biochemistry, pathological anatomy (cytology and histology), molecular biology and genetics, haematology, immunology, microbiology and toxicology. Sampling points are locations where the Group collects blood and other samples from patients. The Laboratories business line sources the bulk of its revenue from FFS clients, and the revenue is recognised at a point in time, when the performance obligation is satisfied.

One exception is when the Group provides laboratory tests to other companies' employees and the revenue is recognised at the end of the month, not immediately after the laboratory tests are performed, when the Group has an enforceable right to payment for performance completed up to date. From IFRS 15 perspective, the revenue is recognised at a point in time (at the end of the month).

### **Hospitals**

Hospital services provided to patients are regarded as a bundle of services which comprise medical services, accommodation, meals, use of equipment, pharmacy stock and nursing services. This is considered to be a single performance obligation as the medical procedures cannot be performed without one of the above elements.

Revenue is recorded during the period in which the hospital service is provided and is based on the amounts due from patients. Fees are calculated and billed based on various tariff agreements.

The Hospitals business line derives its revenue predominantly from FFS patients. Treatment of State insured patients for the NHIH, generally relates to maternity, gynecology, cardiology and oncology. The revenues are recognised at a point in time, when the consumption of the benefits for the services provided is accomplished.

The Group does not expect to have any contracts where the period between the transfer of the promised service to the patient and the payment by the patient exceeds one year. Consequently, the Group does not adjust any of the transaction prices for time value of money.

### **Pharmacies**

This business line is continuously being developed in the Group in close relationship with the medical act, and refers to the delivery of goods (mainly generic medicines) to customers.

In 2010, the Group launched its Pharmalife brand of pharmacies in order to capture additional revenue from the existing patient traffic in the Group's clinics. Pharmalife operates pharmacies only in the Group's own units, where the space, authorization and sales option allow, but also in the proximity of the units.

As of 30 September 2022, there were 23 functional pharmacies, offering patients both prescription and over-the-counter products, including Doctor Life's own branded products.

### **Corporate**

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

The Group has a portfolio of over 700,000 HPPs patients from over 8,000 different companies.

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.

The revenue in relation with corporate customers is recognized over time. Under the output method, the entity would measure completion of the total performance obligation either in relation to the total obligation that has been satisfied or in relation to what remains to be satisfied, based on health prevention packages delivered.

### **Principal versus agent considerations**

The Group has concluded that they are the principal in all of their revenue arrangements since they are the primary obligor in all the revenue arrangements, have pricing latitude and are also exposed to inventory, in the case of medicines sold.

### **Contract assets and liabilities**

A contract asset (accrued income) is the right to consideration in exchange for services transferred to the customer. Where the Group transfers services to a customer over time before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration to date under the contract. Contract assets are presented within trade and other receivables on the Group Consolidated Statement of Financial Position and are expected to be realized in less than one year.

A contract liability (deferred income) is the obligation to transfer services to a customer for which the Group has received consideration from the customer. Where the customer pays consideration before the Group transfers services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. Contract liabilities are presented within trade and other payables on the Consolidated Statement of Financial Position.

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised service to the customer and when the customer pays for that service will be one year or less. All the contracts are under one year.

Contracts are for periods of less than one year or are billed based on services incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## **3.21 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 statement of comprehensive income 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.

### **Bonus schemes**

The Group recognizes a liability and an expense where a contractual obligation exists for short-term incentives. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

## **3.22 Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 3.23 Segment information

The core business activity of the Group refers to the provision of healthcare services, as a result of completion of the medical act. This process usually involves multiple stages, starting from physical examinations, laboratory tests, set-up of a diagnosis, offering treatment, supply of medical equipment, surgeries and other medical interventions, nursing care, follow-up in the recovery process.

In close relationship with the provision of healthcare services, the Group has also developed two channels for the sale of goods: (i) sale of pharmaceutical products to a pool of patients majority of which are the same consumers who benefit from the healthcare services provided, considering that most of the group's pharmacies are located in the hyperclinics; (ii) starting with August 2021, as a result of the acquisition of the subsidiary named Pharmachem Distributie, distribution of generic medicine from large drugs producers to a list of pharmacies, including the ones owned by the Group; however, this channel of revenue stream is not considered to be material in terms of results obtained, therefore it was included in the seventh business line as "Other".

An operating segment is a component of an entity:

- (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (c) for which discrete financial information is available.

The Group has identified six core business lines, which comprise the following major categories: clinics, stomatology, hospitals, laboratories, pharmacies and corporate. For further details on disaggregation of revenue streams.

The core purpose of the Group is to enhance the quality of life for individuals, the ultimate end users of healthcare services, therefore setting the patient as first priority in all activities performed.

According to IFRS 8, segment information on operating segments is to be presented in accordance with the internal reporting to the chief operating decision maker (management approach).

In determining the Group's operating segments, management has primarily considered the financial information in internal reports that are reviewed and used by the Board of Directors (who together are the chief operating decision maker of Medlife Group) in assessing performance and in determining the allocation of resources.

The Board of Directors represents the chief decision-making body, in which the strategic decisions are made for the entire Group and to which the key parameters of performance are reported.

Each reporting made to the Board of Directors includes the six business lines. Group managements costs are fully distributed to the operative business lines. The monthly target-to-actual and actual-to-actual comparison in the report to the Board of Directors serves to control the targets published in the Group's annual forecast, in particular the total revenue figure and EBITDA margin.

Given our understanding of an integrated healthcare services offering, we do not make any distinction in control by whether the services as defined in Romanian social insurance legislation are attributed to the inpatient or the outpatient sector, for example in the hospitals business line. All expenses and income which are directly or indirectly related to patients are included under the operating segments.

The characteristics of healthcare services are around physical facilities staffed by professionals in direct contact with patients, diagnosing, monitoring and treating patients. The payment for these services are either direct payment by the patient or indirect via an employer paid benefit/insurance and in much smaller degree by public health funds. In all these cases the beneficiary of the service is always the individual patient. Because of the specific nature of the source of funds that finance the provision of medical services to the end users (i.e. patients) the correct allocation of profitability for each business line is limited considering that they are complementary in servicing the patient: one would originate whereas

the other might render the medical services. In this respect, the business lines could not operate on their own, proving, once again, their high interdependent nature.

The following operating segments are aggregated into one reporting segment, being the provision of healthcare services, since they exhibit similar economic characteristics: clinics, stomatology, hospitals, laboratories and corporate. As a result of the same structural framework conditions, the operations of the Group with the healthcare services provided are characterised by a similar risk and rewards profile whose economic environment is largely regulated by legislation. It is thus possible for the operations to achieve similar EBITDA margins on the long term. We thus continue to have only one reportable segment that aggregates the above mentioned operating segments.

The Group generates most of all revenues for all areas of activity in Romania, with only a small share of revenues (below 3%) being generated from operations held in Hungary. Although there are locations in different countries, the executive management assumes that the resulting differences in the billing logic do not entail any material different opportunities and risks and these therefore do not conflict with aggregating the healthcare services into a single segment.

The other business line (i.e. sale of goods such as sale of pharmaceutical products and distribution of generic medicine), which is further included in the business line named "other", does not meet the definition of an operating segment or do not exceed, individually and in total, the quantitative thresholds set in IFRS 8 in order to qualify as a reportable segment.

In order to enable users of the financial statements to evaluate the nature and financial effects of the business, the Group decided to present the revenues split on the main business lines.

### **3.24 Leases**

Given its large and complex operations, the Group leases a significant number of assets including buildings and land for operational activities, medical equipment and vehicles. Contractual periods differ, depending on the lease type and the leased asset, the driver being the strategic point of view the Group has into further managing its asset portfolio.

As a result of the pandemic crisis, the Group commenced the process of securing its strategic facilities under lease agreements, for longer periods of time. Accordingly, several major lease agreements have been renegotiated with focus on better commercial conditions for the Group, in terms of both pricing and better security over extension options for the lease agreements.

In this respect, the management has evaluated its options for early termination as well as the existence of the Group's single triggered decision to extend the lease term, on a case-by-case basis. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or to exercise a termination option, are considered.

The Group leases various buildings, equipment, vehicles and other assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The Group's assesses whether a contract is or contains a lease, at inception of the contract. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group - except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments to be made over the lease term:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option;
- Amounts expected to be paid under residual value guarantees;
- Lease payments to be made over the contractual lease term, if there are extension options included.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received by the lessee as a starting point and adjusts the rate to reflect changes in financing conditions since the third-party financing was received.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.



- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives;
- Any initial direct costs; and
- Restoration costs.

After initial recognition, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

The following useful lives on average are used in the calculation of depreciation for right-of-use assets, determined based on the lease term of the contractual agreements:

	<u>Years</u>
Buildings	6 – 10 years
Medical equipment	3 – 4 years
Vehicles	3 – 5 years

### 3.25 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

## 4. GOODWILL

The Group records goodwill resulting from business combinations.

For the purpose of impairment testing, goodwill is allocated to the cash generating unit (CGU) which is expected to benefit from the synergies of the business combination. 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, at each individual level. No impaired goodwill was identified in this context.

The recoverable amount is based on fair value less cost of disposal (FVLCD) of the underlying assets. There are 28 CGUs included in the valuation process, as the remaining ones have a carrying amount that is not considered to be significant in comparison with the Group's total carrying amount of goodwill.

The discounted future Cash flows of the CGUs, using the DCF method, are determined on the basis of the approved business plans for 2022 that forecast financial position and results of operations and take into account historical values and estimated performance. Cash flows are estimated in RON, having a nominal value. The results are then extrapolated for six additional years using bottom-up, six-year planning that reflects the future development of the CGUs under current conditions.

After the six-year time period, a perpetuity value is calculated using a conservative Group-wide growth rate. To determine the present value of future Cash flows, a discount rate based on the weighted average cost of capital (WACC) is applied.

The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

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

- Revenue growth considered for the next years and also the perpetual growth rate
- Operating margins and
- The discount rates applied to the projected future cash flows.

The following data provides information on key assumptions used to compile corporate planning:

- Expected development of sales revenue (new customers, market development in general); Group's own estimates referring to past experiences and expected market trends, market potential analysis. External market studies are also used, if available.
- Application of current and historical organic growth rates for business units or business areas.
- Consideration of regulatory changes affecting the development of business units.
- Development of purchased services based on current circumstances (e.g., contractual basis, strategic business model) and the anticipated development of sales activities (expected revenue situation).
- Expected development of personnel expenses and other operating expenses, based on demand analyses, contractual framework and statistical procedures (e.g., inflation).

The management hired external specialists to assist in the analysis of the impairment, the entire evaluation process being performed by ANEVAR certified evaluators. There were no changes in the evaluation techniques compared to the previous year.

The estimated future Cash flows are derived from the business plans approved by the responsible bodies. The assumptions underlying the main planning parameters take into account the past experience and aspects arising from the operating business.

The operating margin results from the application of the assumed planning assumptions. For the subsequent years, an average of the operating margins are assumed (continuation planning period), adding a slight increase.

Cash flows beyond the six-year period are extrapolated using an estimated growth rate, which is consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the CGU. WACC (weighted average cost of capital) is used to estimate the rate. The discount rate is independent of the Group's capital structure and how the Group financed the purchase of the asset, because future cash flows expected to arise from an asset do not depend on how the Group financed the purchase of that asset.

In the case of CGUs subject to the impairment test, the discount rates considered are higher than the average industry-level data in emerging European countries to take into account country risk, currency risk, and CGU's size. On average, depending on the particularities of each CGU, the discount rate varies, for the most significant entities in the Group, between 8.6% and 12%, depending on the specific risks associated with each CGU.

Estimates of future cash flow management are based on the most recent 6-year forecasts (2022-2027).

The estimation of the terminal value was made based on the hypothesis of continuing the activity. The final value is given by the capitalization of the available cash flow with the capitalization rate which has in view a perpetual increase in close relation with the GDP growth and inflation forecast for Romania.

The analysis of the results shows that for the CGUs subject to the impairment test, the related recoverable amount is higher than their net book value, with sufficient headroom and, therefore, there will be no impairment of goodwill recorded on the reporting date.

Management has engaged external specialists to assist with the impairment analysis, the entire valuation process being performed by certified ANEVAR valuers. There were no changes in the valuation techniques compared to prior year.

## 5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES ASSETS

	September 30, 2022	January 1, 2022
Gross book value	1,378,611,420	1,116,997,676
Accumulated depreciation	(619,401,201)	(504,234,408)
<b>Net book value</b>	<b>759,210,219</b>	<b>612,763,268</b>

## 6. INVENTORIES

	September 30, 2022	January 1, 2022
Consumables	39,410,118	30,688,305
Materials in the form of inventory items	885,438	658,855
Merchandise	47,738,759	42,879,249
Inventory in transit	1,505	3,176
<b>TOTAL</b>	<b>88,035,820</b>	<b>74,229,585</b>

## 7. TRADE RECEIVABLES

	September 30, 2022	January 1, 2022
Customers	193,358,754	158,827,294
Assets related to the contracts	35,269,804	14,817,862
Advances to suppliers	-	-
Allowance for bad debt	(33,699,323)	(33,288,919)
<b>TOTAL</b>	<b>194,929,235</b>	<b>140,356,238</b>

Credit risk for MedLife Group primarily relates to trade receivables in the ordinary course of business. Customers' compliance with agreed credit terms is monitored regularly and closely. Where payments are delayed by customers, steps are taken to restrict access to services or contracts are terminated.

Certain customers, which are public or quasi-public institutions, or subsidiaries of MedLife, may have longer payment terms and services may continue to be delivered when amounts are overdue, based on management's assessment of a lower credit risk.

The average receivable period for the services offered is 95 days. There is no interest on commercial receivables within the first 95 days from the date of issue of the invoice, which also represents the average contractual term.

The carrying amount of financial assets, measured at amortised cost, represents the maximum credit exposure. There are no credit enhancements or collateral held that would offset such amounts. As the customer base of the Group is very diverse, there are generally no large concentrations of credit risk.

## 8. CASH AND BANKS

	September 30, 2022	January 1, 2022
Cash in bank	107,404,770	130,733,309
Cash in hand	3,536,154	2,367,682
Cash equivalents	1,488,689	2,757,898
<b>TOTAL</b>	<b>112,429,614</b>	<b>135,858,888</b>

## 9. PREPAYMENTS

As of 30 September 2022, the Group has prepayments in amount of RON 11,518,918 (RON 8,030,713 as of 1 January 2022). The prepayments balance as of 30 September 2022 consists mainly of deferred commissions for financing related to the Club loan for undrawn facilities and other amounts such as insurance policies for professionals and tangible assets.

## 10. TRADE AND OTHER PAYABLES

	September 30, 2022	January 1, 2022
Suppliers	244,434,717	197,070,870
Fixed assets suppliers	33,191,618	22,723,765
Advances paid by customers (contract liabilities)	6,185,394	4,447,683
<b>TOTAL</b>	<b>283,811,729</b>	<b>224,242,318</b>

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

## 11. OTHER NON-FINANCIAL LIABILITIES

	September 30, 2022	January 1, 2022
Salary and related liabilities (incl. contributions)	24,345,955	17,305,119
Other liabilities	27,399,984	27,023,056
<b>TOTAL</b>	<b>51,745,939</b>	<b>44,328,176</b>

## 12. LEASES

Leasing facilities cover buildings, medical equipment and vehicles.

	September 30, 2022	January 1, 2022
Non-current portion of lease liability	177,124,141	149,685,246
Current portion lease liability	59,772,218	52,586,827
<b>TOTAL</b>	<b>236,896,359</b>	<b>202,272,073</b>



### 13. NET FINANCIAL DEBT

	<b>September 30, 2022</b>	<b>January 1, 2022</b>
Current portion of interest-bearing loans and borrowings	122,539,585	83,948,645
Non-current portion of interest-bearing loans and borrowings	701,582,244	440,840,484
<b>TOTAL</b>	<b>824,121,829</b>	<b>524,789,129</b>

On 21 November 2022, the MedLife Extraordinary General Meeting of Shareholders was convened, in order to obtain the approval of a new increase in the credit limit, with EUR 50.7 mn. and the extension of the repayment period of the existing facilities, the rearrangement of the related terms and conditions, such as and modification of guarantees.

As at 30 September 2022, the Group's drawn and undrawn financing facilities included the following:

- a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn on September 30, 2022, is of RON 9,898,000;
- an overdraft facility between Unicredit Tiriatic Bank and Prima Medical S.R.L., with a maximum credit limit of RON 800,000, drawn in full on September 30, 2022;
- a loan agreement concluded between Banc Post and Medlife Ocupational, the balance outstanding at September 30, 2022 is RON 15,357;
- a guaranteed loan contract concluded between Banca Transilvania S.A. and Ghencea Medical Center, the balance outstanding at September 30, 2022 is RON 515,100;
- a loan agreement and a guaranteed overdraft facility between CEC Bank S.A. and Clinic Polisano S.R.L., the balance outstanding at September 30, 2022 is RON 26,077,964;
- an overdraft facility between Banca Transilvania S.A. and Onco Team Diagnostic S.A., the balance outstanding at September 30, 2022 is RON 278,377;
- a loan agreement concluded between Banca Transilvania S.A. and Micromedica Roman S.R.L., the balance outstanding at September 30, 2022 is RON 1,146,596;
- two loan agreements concluded between Banca Transilvania S.A. and Centrul Medical Micromedica S.R.L., the balance outstanding at September 30, 2022 is RON 1,191,102;
- a loan agreement concluded between Raiffeisen Bank and Krondent SA, the balance outstanding at September 30, 2022 is RON 89,922;
- a loan agreement concluded between Banca Transilvania and Dent Estet Ploiesti SRL, the balance outstanding at September 30, 2022 is RON 2,401,862;
- a loan agreement concluded between Banca Transilvania and Stomestet SRL, the balance outstanding at September 30, 2022 is RON 269,029 and an overdraft of RON 74,073;
- a loan agreement and an overdraft facility concluded between Banca Transilvania and Neolife Medical Center Romania SRL, the balance outstanding at September 30, 2022 is RON 18,625,478, respectively 4,949,000 RON
- a loan agreement concluded between Banca Comerciala Romana and Life Med SRL, the balance outstanding at September 30, 2022 is RON 611,333;
- a loan agreement concluded between ING Bank and Pro Life Clinics SRL, the balance outstanding at September 30, 2022 is RON 612,919;
- an overdraft facility concluded between Banca Transilvania and Pharmachem Distributie SRL, the balance outstanding at September 30, 2022 is RON 5,085,158.
- an overdraft facility concluded between Exim Bank and Medicris SRL, the balance outstanding at September 30, 2022 is RON 537,056;
- a loan agreement concluded between ING Bank and Medicris SRL, the balance outstanding at September 30, 2022 is RON 394,794;
- a loan agreement concluded between Unicredit and SC-M Profilaxis SRL, the balance outstanding at September 30, 2022 is RON 8,653.

The interest rate for each loan for each interest period is the rate per year that is the sum of the applicable margin and depending on the currency of each loan, EURIBOR 6M for the amounts in EUR or ROBOR 6M for the amounts in RON.

As at 30 September 2022 none of the Group members was in breach of any applicable term of the financing facilities.

### 14. SHARE CAPITAL AND SHARE PREMIUM

The issued share capital in nominal terms consists of 132,870,492 ordinary shares as at 30 September 2022 (1 January 2022: 132,870,492) with a nominal value of RON 0.25 per share. The holders of ordinary shares are entitled to one vote per share in the shareholders' meetings of the Company, except for the treasury shares bought back by the Company as part of the share buy-back program. All shares rank equally and confer equal rights to the net assets of the Company, except for treasury shares.

	<b>September 30, 2022</b>	<b>January 1, 2022</b>
Share capital	33,217,623	33,217,623
Share premium	50,594,933	49,177,468
<b>TOTAL</b>	<b>83,812,556</b>	<b>82,395,091</b>

	Number of shares	%	Value
Legal entities	72,209,184	54.35%	18,052,296
Marcu Mihail	19,932,307	15.00%	4,983,077
Cristescu Mihaela Gabriela	18,660,690	14.04%	4,665,173
Marcu Nicolae	13,835,400	10.41%	3,458,850
Others	8,232,911	6.20%	2,058,228
<b>TOTAL</b>	<b>132,870,492</b>	<b>100.00%</b>	<b>33,217,623</b>

#### 15. RESERVES

	September 30, 2022	January 1, 2022
General reserves	23,991,830	23,440,505
Other reserves	19,707,067	18,410,254
Revaluation reserves	95,484,740	95,484,740
<b>TOTAL</b>	<b>139,183,637</b>	<b>137,335,499</b>

#### 16. NON-CONTROLLING INTEREST

	September 30, 2022	January 1, 2022
<b>Balance at beginning of year</b>	<b>43,295,149</b>	<b>27,633,022</b>
Share of profit for the period	4,028,691	10,299,277
Non-controlling interests arising on the acquisition of subsidiaries	11,402,662	7,445,708
Subsequent acquisition of NCI	(5,952,993)	(1,865,109)
Distribution of dividends	-	(217,749)
<b>TOTAL</b>	<b>52,773,509</b>	<b>43,295,149</b>

#### 17. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from customers consist of medical services, including revenues from prevention packages of corporate customers and fees for services rendered within all the medical units. Please see breakdown below.

Business Line	9 months 2022	% of Total	9 months 2021	% of Total	Variation 2022/2021
Clinics	446,170,930	33.7%	297,145,397	28.5%	50.2%
Stomatology	87,420,487	6.6%	70,473,158	6.8%	24.0%
Hospitals	274,742,758	20.8%	238,721,769	22.9%	15.1%
Laboratories	153,193,881	11.6%	200,793,164	19.3%	-23.7%
Corporate	163,704,809	12.4%	152,963,186	14.7%	7.0%
Pharmacies	60,278,085	4.6%	41,900,018	4.0%	43.9%
Others	138,444,083	10.5%	40,320,503	3.9%	243.4%
<b>TOTAL SALES</b>	<b>1,323,955,033</b>	<b>100.0%</b>	<b>1,042,317,195</b>	<b>100%</b>	<b>27.0%</b>

#### 18. OTHER OPERATING REVENUES

	9 months 2022	9 months 2021
Other operating revenues	3,461,087	1,377,169
Income from operating grants	1,790,263	2,458,061
Capitalized cost of intangible assets	4,649,851	-
<b>TOTAL</b>	<b>9,901,202</b>	<b>3,835,230</b>

#### 19. OTHER OPERATING EXPENSES

	9 months 2022	9 months 2021
Utilities	18,262,152	10,324,075
Repairs maintenance	14,843,122	10,554,756
Rent	8,866,438	7,956,774
Insurance premiums	3,363,516	2,631,010
Promotion expense	19,338,991	8,632,945
Communications	3,958,443	3,549,870
Other administration and operating expenses	15,343,831	9,433,023
<b>TOTAL</b>	<b>83,976,493</b>	<b>53,082,453</b>

## 20. NET FINANCIAL RESULT

	9 months 2022	9 months 2021
Other financial expenses	-	(2,758)
(Loss)/Gain from foreign exchange rate impact	(2,609,750)	(9,658,203)
Finance cost	(26,335,478)	(18,499,656)
Other income	462,569	32,672
Interest income	615,408	117,073
<b>FINANCIAL NET PROFIT/(LOSS)</b>	<b>(27,867,251)</b>	<b>(28,010,873)</b>

## 21. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

### 21.1. Subsidiaries acquired between 1 January – 30 September 2022

In the 9-month period of 2022, Med Life, directly or through its subsidiaries, signed the acquisition of share capital of the following companies:

- Acquisition of 50% of the share package in MNT Healthcare Europe, in February 2022;
- Acquisition of 50% of the share package in MNT Asset Management, in February 2022;
- 10% subsequent acquisition of shares in Almina Trading in April 2022;
- 10% subsequent acquisition of shares in Genesys Medical Clinic in April 2022;
- Acquisition of 100% of holdings in the Clinica Life Med company, in March 2022;
- Acquisition of 60% of Pro Life Clinics shares, in April 2022;
- Acquisition of 100% of the share package of Oncocard, in May 2022;
- Acquisition of 100% of the share package of Oncocard Invest, in May 2022;
- Acquisition of 100% of holdings in Tomorad Expert, in May 2022;
- 4% subsequent acquisition of shares in Oncoteam Diagnostic in April 2022;
- 30.32% subsequent acquisition of shares in RMC Group in April and May 2022.
- Acquisition of the shares representing 80% of the share capital of Medici's and Micro-Medic, in June 2022 (approved on 24 October 2022 by the Competition Council);
- Acquisition of 100% of the shares of Medicris si Triamed, in June 2022.
- Acquisition of the majority stake representing 60% of the share capital in IT Repair, in July 2022;
- Acquisition of the majority stake representing 60% of the share capital in Sweat Concept network, in July 2022 (the closing was announced on 9 September 2022);
- Acquisition of the shares representing 99.67% of the share capital of Muntenia Medical Competences SRL, in July 2022 (submitted to approval by the Competition Council);
- Acquisition of 80% of the shares of SC M-Profilaxis SRL, in July 2022.
- Acquisition of 60% of the shares of Clinica Opticristal and Alinora Optimex, in August 2022.
- Acquisition of the majority stake of the digital platform SanoPass, on 12 September 2022.

## 22. EVENTS AFTER THE BALANCE SHEET DATE

In the period following the reporting period, MedLife, directly or through the subsidiaries it controls, signed contracts to purchase holdings in the following companies:

- Acquisition of 51% of the share package of Provita Group, 5<sup>th</sup> of October 2022 (submitted to approval by the Competition Council).

There were no other significant events subsequent to the 9-month period ending on 30 September 2022.

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO

## **Declaration of management of MedLife Group**

We confirm to the best of our knowledge that the Interim Consolidated Financial Statements of MedLife Group for the 9-month period ended September 30, 2022, which were prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union, give a true and fair view of the consolidated financial position of the Group as at September 30, 2022, and of its consolidated financial performance and its consolidated cash flows for the period then ended.

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**Mihail Marcu,**  
CEO

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**Alina Irinoiu,**  
CFO

**MED LIFE S.A.**  
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*(all the amounts are expressed in RON, unless otherwise specified)*

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**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 33.217.623

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

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

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

The following financial statements are unaudited.

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**I. UNAUDITED STANDALONE FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2022 ("STANDALONE FS")**

UNAUDITED STANDALONE STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED 30 SEPTEMBER 2022 ("STANDALONE BS")

	September 30, 2022	January 1, 2022	Variation 2022/2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12,743,390	9,895,358	28.8%
Property, plant and equipment	277,102,707	244,673,659	13.3%
Right-of-use asset	54,073,241	68,420,689	-21.0%
Other financial assets	367,092,777	257,432,358	42.6%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>711,012,115</b>	<b>580,422,064</b>	<b>22.5%</b>
<b>Current Assets</b>			
Inventories	12,284,799	10,038,916	22.4%
Trade receivables	65,001,040	56,744,097	14.6%
Receivables with related parties	144,978,988	106,337,549	36.3%
Other assets	20,392,106	25,421,897	-19.8%
Cash and cash equivalents	22,427,282	38,629,900	-41.9%
Prepayments	2,680,103	2,608,350	2.8%
<b>TOTAL CURRENT ASSETS</b>	<b>267,764,318</b>	<b>239,780,709</b>	<b>11.7%</b>
<b>TOTAL ASSETS</b>	<b>978,776,433</b>	<b>820,202,773</b>	<b>19.3%</b>
<b>LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>			
<b>Non-current liabilities</b>			
Lease liability	38,932,293	50,129,780	-22.3%
Interest-bearing loans and borrowings	434,410,730	322,115,156	34.9%
Deferred tax liability	11,457,413	11,457,413	0.0%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>484,800,436</b>	<b>383,702,349</b>	<b>26.3%</b>
<b>Current Liabilities</b>			
Trade and other payables	107,734,476	80,151,836	34.4%
Overdraft	9,898,000	9,896,200	0.0%
Current portion of lease liability	21,353,230	23,791,932	-10.3%
Current portion of interest-bearing loans and borrowings	59,398,435	43,215,074	37.4%
Payables with related parties	3,350,485	441,238	659.3%
Current tax liabilities	378,233	122,115	209.7%
Provisions	3,145,135	3,145,135	0.0%
Other liabilities	15,493,595	16,156,461	-4.1%
<b>TOTAL CURRENT LIABILITIES</b>	<b>220,751,589</b>	<b>176,919,991</b>	<b>24.8%</b>
<b>TOTAL LIABILITIES</b>	<b>705,552,026</b>	<b>560,622,340</b>	<b>25.9%</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital and Share premium	83,812,556	82,395,091	1.7%
Treasury shares	(2,255,441)	(4,015,977)	-43.8%
Reserves	101,127,471	101,127,471	0.0%
Retained earnings	90,539,822	80,073,849	13.1%
<b>TOTAL EQUITY</b>	<b>273,224,408</b>	<b>259,580,434</b>	<b>5.3%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>978,776,433</b>	<b>820,202,773</b>	<b>19.3%</b>

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO

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

UNAUDITED STANDALONE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2022 ("STANDALONE PL")

	Period ended September 30, <b>2022</b>	Period ended September 30, <b>2021</b>	Variation 2022/2021
Revenue from contracts with customers	439,284,877	456,479,521	-3.8%
Other operating revenues	3,094,371	1,132,425	173.3%
<b>Operating Income</b>	<b>442,379,248</b>	<b>457,611,946</b>	<b>-3.3%</b>
Consumable materials and repair materials	(61,743,956)	(75,241,039)	-17.9%
Third party expenses	(150,729,718)	(134,264,516)	12.3%
Salary and related expenses	(128,783,916)	(109,792,473)	17.3%
Social contributions	(4,503,230)	(3,776,683)	19.2%
Depreciation	(39,545,364)	(36,137,289)	9.4%
Impairment losses and gains (including reversals of impairment losses)	-	(1,769,038)	100.0%
Other operating expenses	(34,362,808)	(23,722,566)	44.9%
<b>Operating expenses</b>	<b>(419,668,992)</b>	<b>(384,703,604)</b>	<b>9.1%</b>
<b>Operating Profit</b>	<b>22,710,256</b>	<b>72,908,342</b>	<b>-68.9%</b>
Finance income	3,476,069	2,546,160	36.5%
Finance cost	(12,845,771)	(11,465,734)	12.0%
Other financial expenses	(1,580,835)	(5,666,312)	-72.1%
<b>Financial result</b>	<b>(10,950,537)</b>	<b>(14,585,886)</b>	<b>-24.9%</b>
<b>Result Before Taxes</b>	<b>11,759,719</b>	<b>58,322,456</b>	<b>-79.8%</b>
Income tax expense	(1,293,747)	(9,297,796)	-86.1%
<b>Net Result</b>	<b>10,465,972</b>	<b>49,024,660</b>	<b>-78.7%</b>
<b>Other comprehensive income items that will not be reclassified to profit or loss</b>			
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>10,465,972</b>	<b>49,024,660</b>	<b>-78.7%</b>

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO



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

UNAUDITED STANDALONE STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 SEPTEMBER 2022 ("**STANDALONE CASHFLOW**")

	Period ended September 30, <b>2022</b>	Period ended September 30, <b>2021</b>
<b>Net profit before taxes</b>	<b>11,759,719</b>	<b>58,322,456</b>
<b>Adjustments for</b>		
Depreciation	39,545,364	36,137,289
Interest expense	12,845,771	11,465,734
Allowance for doubtful debts and receivables written-off	-	1,769,038
Other non-monetary gains	(2,336,609)	-
Unrealised exchange loss	1,580,835	4,580,079
Interest revenue	(3,476,069)	(2,546,160)
<b>Operating cash flow before working capital changes</b>	<b>59,919,011</b>	<b>109,728,436</b>
Decrease / (increase) in accounts receivable	(3,227,152)	(12,069,594)
Decrease / (increase) in inventories	(2,245,883)	2,058,649
Decrease / (increase) in prepayments	(71,753)	(604,018)
Increase / (decrease) in accounts payable	30,675,767	(10,059,318)
<b>Cash generated from working capital changes</b>	<b>25,130,979</b>	<b>(20,674,281)</b>
<b>Cash generated from operations</b>	<b>85,049,990</b>	<b>89,054,155</b>
Income tax paid	(1,037,629)	(10,941,055)
Interest received	-	2,546,160
Interest paid	(8,471,840)	(9,978,737)
<b>Net cash from operating activities</b>	<b>75,540,520</b>	<b>70,680,523</b>
Purchase of investments	(102,477,015)	(23,528,674)
Purchase of intangible assets	(4,280,253)	(2,057,980)
Purchase of property, plant and equipment	(50,474,662)	(27,582,672)
Loans granted to Group companies	(35,722,868)	(10,807,716)
<b>Net cash used in investing activities</b>	<b>(192,954,798)</b>	<b>(63,977,042)</b>
Payment of loans	(16,394,903)	(10,707,965)
Lease payments	(17,272,219)	(15,970,785)
Proceeds from loans	138,893,508	29,408,381
Payments for purchase of treasury shares	(6,923,973)	(59)
Increase in loans obtained from Group Companies	2,909,247	903,118
<b>Net cash from financing activities</b>	<b>101,211,660</b>	<b>3,632,690</b>
<b>Net change in cash and cash equivalents</b>	<b>(16,202,618)</b>	<b>10,336,171</b>
Cash and cash equivalents beginning of the year	38,629,900	33,735,446
<b>Cash and cash equivalents end of the year</b>	<b>22,427,282</b>	<b>44,071,617</b>

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO

## **II. FINANCIAL ANALYSIS**

### **ANALYSIS OF THE STANDALONE PL**

Sales for the 9-month period ended 30 September 2022 ("9 months 2022") amounted to RON 439,284,877, lower by 3.8% compared to sales recorded in the 9 months of 2021 ("9 months 2021").

Other operating revenues recorded an increase of 173.3% during 9 months 2022 as compared to 9 months 2021, amounting to RON 3,094,371 as at 30 September 2022.

Operating expenses include variable and fixed costs, as well as the cost of goods and materials used to provide medical services. Med Life SA recorded operating expenses of RON 419,668,992 during 9 months 2022, representing an increase of 9.1%, or RON 34,965,388, as compared to 9 months 2021.

Operating profit recorded a 68.9% decrease in 9 months 2022 as compared to 9 months 2021, from RON 72,908,342 in 9 months 2021 to RON 22,710,256 in 9 months 2022.

Financial loss decreased in 9 months 2022 by RON 3,635,349 from a loss of RON 14,585,886 in 9 months 2021 to a loss of RON 10,950,537 in 9 months 2022.

Net result decreased in 9 months 2022 by RON 38,558,688 from a profit of RON 49,024,660 in 9 months 2021 to a profit of RON 10,465,972 in 9 months 2022.

### **ANALYSIS OF THE STANDALONE BS**

Non-current assets amount to RON 711,012,115 as of 30 September 2022, recording an increase of 22.5% as compared to 1 January 2022. The increase is mainly due by the increase in Property, plant and equipment and in Other financial assets.

Current assets increased by RON 27,983,609 or 11.7% from RON 239,780,709 as at 1 January 2022 to RON 267,764,318 as at 30 September 2022.

Current liabilities (excluding interest-bearing debt items), increased by RON 30,085,139, or 30.1%, from RON 100,016,785 as at 1 January 2022 to RON 130,101,924 as at 30 September 2022.

Interest bearing debt increased by RON 114,844,547, from RON 449,148,142 as at 1 January 2022 to RON 563,992,689 as at 30 September 2022.

## **III. IMPORTANT EVENTS BETWEEN 1 JANUARY – 30 SEPTEMBER 2022**

### **Mergers & Acquisitions and organic development projects**

#### **Completing the acquisition of 50% of Neolife shares**

On 23 February 2022 MedLife has completed the acquisition of a 50% stake in Neolife Romania's oncology centers, following its approval by the Competition Council. Thus, MedLife Group consolidates its integrated diagnostic and oncological treatment services through the 4 Neolife medical centers in Bucharest (2), Iasi and Brasov.

#### **Increasing the shareholding in Genesys Medical Clinic and Almina Trading**

On 21 March 2022 MedLife announced the increase of the shareholding by 10% of each of the two subsidiaries of the group, respectively Genesys and Almina.

The additional shares of Genesys and Almina subsidiaries were acquired by MedLife as a result of an exchange with MedLife treasury shares repurchased under the Company's share buy-back program in accordance with the decision of the extraordinary general meeting of shareholders no. 2 of September 29, 2021.

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**Organic development - MedLife Targu Mures Hyperclinic**

In June 2022 MedLife inaugurated the first large medical clinic in Targu Mures. The new multidisciplinary unit provides patients in the center and north of the country with 16 medical and surgical specialties for consultations, investigations and minor surgeries, ensuring an integrated circuit of investigation, diagnosis and treatment.

**Acquisition of 80% of Medici's Group**

On 21 June 2022, MedLife announces the signing of the acquisition for 80% of the shares of the most important local medical operator in the western region, Medici's. The transaction marks a strong consolidation in the western part of Romania and aims to transform Timisoara into one of the strongest regional health hubs in the next 2-3 years. Following the approval of the Competition Council, the acquisition was completed on 24 October 2022.

**Signing of the acquisition for Sweat Concept gyms**

On 4 July 2022, MedLife informs the shareholders and the investors about the signing of the acquisition of the majority shareholding package representing 60% of the share capital in Sweat Concept, thus marking the entry into a new line of business - wellness, which complements the complex medical services offered nationwide. On 9 September 2022, the acquisition was completed.

**Acquisition of the SanoPass digital platform**

On 12 September 2022, MedLife announces the acquisition of the majority stake in the SanoPass digital platform, one of the most active Romanian startups in the healthtech area, which offers subscription and individual medical, wellness and fitness services. The SanoPass digital platform unifies and facilitates access to health and fitness, offering access to over 1,200 private clinics, both local and large networks, and over 200 fitness rooms in Romania and the Republic of Moldova. Through this national partnership network, SanoPass provides medical and fitness services for 50,000 subscribers.

**Corporate events**

**Appointment of MedLife Group CFO**

Considering the termination, by mutual agreement, of the mandate contract as CFO of MedLife and respectively as a member of the Executive Committee of the Company of Mr. Adrian Paul Lungu, on 30 September 2022, the Board of Directors of MedLife decided on 19 September 2022 to appoint Ms. Alina Oana Irinoiu as CFO of MedLife and member of the Company's Executive Committee, the mandate starting on 1 October 2022 and ending on 21 October 2024.

**IV. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

**Acquisition of 51% of Provita's share package**

On 5 October 2022, MedLife informs shareholders and investors about the signing of a new partnership by taking over 51% of the shares of the Provita Group. The transaction marks the consolidation of diagnostic and treatment services at the national level. In Bucharest, the Provita Group is present with a multidisciplinary hospital, two imaging centers equipped with the latest technology, a laboratory where a wide range of analyzes and medical tests can be processed, as well as a pain therapy training center, the only one in Central and Eastern Europe, approved by the European Society of Regional Anesthesia and Pain Therapy. In the immediate following period, Provita will also develop in other big cities in the country, the first targeted city being Suceava where the Group will inaugurate a specialized clinic, the key areas being interventional pain therapy and complete screening for breast pathology.

**Corporate events**

On 21 November 2022, the Extraordinary General Meeting of MedLife Shareholders was convened, in order to obtain the approval of a new increase in the credit limit based on the Syndicated Credit Facility Agreement concluded on 31 October 2018 (as it was later amended through the additional documents), with EUR 50.7 mn. and the extension of the repayment period of the existing facilities, the rearrangement of the related terms and conditions, as well as the modification of the guarantees.

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**V. MAIN FINANCIAL RATIOS PERIOD ENDED AT 30 SEPTEMBER 2022**

**Current ratio** Period ended at  
September 30, 2022

Current assets	267,764,318	=	1.21
Current liabilities	220,751,589		

**Debt to equity ratio** Period ended at  
September 30, 2022

Long Term Debt	473,343,023	=	173%
Equity	273,224,408		
Long Term Debt	473,343,023	=	63%
Capital Assets	746,567,431		

**Trade receivables turnover (days)** Period ended at  
September 30, 2022

Average receivables	60,872,569	=	37.41
Sales	439,284,877		

**Fixed assets turnover** Period ended at  
September 30, 2022

Sales	439,284,877	=	0.62
Net Fixed Assets	711,012,115		

**VI. EBITDA EVOLUTION**

	Period ended September 30, 2022	Period ended September 30, 2021	Variation 2022/2021
Revenue from contracts with customers	439,284,877	456,479,521	-3.8%
Other operating revenues	3,094,371	1,132,425	173.3%
<b>Operating Income</b>	<b>442,379,248</b>	<b>457,611,946</b>	<b>-3.3%</b>
<b>Operating expenses</b>	<b>(419,668,992)</b>	<b>(384,703,604)</b>	<b>9.1%</b>
<b>Operating Profit</b>	<b>22,710,256</b>	<b>72,908,342</b>	<b>-68.9%</b>
<b>EBITDA</b>	<b>62,255,620</b>	<b>109,045,631</b>	<b>-42.9%</b>
Finance cost	(12,845,771)	(11,465,734)	12.0%
Other financial expenses	(1,580,835)	(5,666,312)	-72.1%
Finance income	3,476,069	2,546,160	36.5%
<b>Financial result</b>	<b>(10,950,537)</b>	<b>(14,585,886)</b>	<b>-24.9%</b>
<b>Result Before Taxes</b>	<b>11,759,719</b>	<b>58,322,456</b>	<b>-79.8%</b>
Income tax expense	(1,293,747)	(9,297,796)	-86.1%
<b>Net Result</b>	<b>10,465,972</b>	<b>49,024,660</b>	<b>-78.7%</b>

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO



SISTEMUL MEDICAL  
**MedLife**

**MED LIFE S.A.**

INDIVIDUAL UNAUDITED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2022

PREPARED IN ACCORDANCE WITH ORDER OF THE MINISTRY OF PUBLIC FINANCE NO.  
2844/2016 APPROVING THE ACCOUNTING REGULATIONS COMPLIANT WITH THE  
INTERNATIONAL FINANCIAL REPORTING STANDARDS

**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 33,217,623

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

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	September 30, 2022	January 1, 2022	Variation 2022/2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12,743,390	9,895,358	28.8%
Property, plant and equipment	277,102,707	244,673,659	13.3%
Right-of-use asset	54,073,241	68,420,689	-21.0%
Other financial assets	367,092,777	257,432,358	42.6%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>711,012,115</b>	<b>580,422,064</b>	<b>22.5%</b>
<b>Current Assets</b>			
Inventories	12,284,799	10,038,916	22.4%
Trade receivables	65,001,040	56,744,097	14.6%
Receivables with related parties	144,978,988	106,337,549	36.3%
Other assets	20,392,106	25,421,897	-19.8%
Cash and cash equivalents	22,427,282	38,629,900	-41.9%
Prepayments	2,680,103	2,608,350	2.8%
<b>TOTAL CURRENT ASSETS</b>	<b>267,764,318</b>	<b>239,780,709</b>	<b>11.7%</b>
<b>TOTAL ASSETS</b>	<b>978,776,433</b>	<b>820,202,773</b>	<b>19.3%</b>
<b>LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>			
<b>Non-current liabilities</b>			
Lease liability	38,932,293	50,129,780	-22.3%
Interest-bearing loans and borrowings	434,410,730	322,115,156	34.9%
Deferred tax liability	11,457,413	11,457,413	0.0%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>484,800,436</b>	<b>383,702,349</b>	<b>26.3%</b>
<b>Current Liabilities</b>			
Trade and other payables	107,734,476	80,151,836	34.4%
Overdraft	9,898,000	9,896,200	0.0%
Current portion of lease liability	21,353,230	23,791,932	-10.3%
Current portion of interest-bearing loans and borrowings	59,398,435	43,215,074	37.4%
Payables with related parties	3,350,485	441,238	659.3%
Current tax liabilities	378,233	122,115	209.7%
Provisions	3,145,135	3,145,135	0.0%
Other liabilities	15,493,595	16,156,461	-4.1%
<b>TOTAL CURRENT LIABILITIES</b>	<b>220,751,589</b>	<b>176,919,991</b>	<b>24.8%</b>
<b>TOTAL LIABILITIES</b>	<b>705,552,026</b>	<b>560,622,340</b>	<b>25.9%</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital and Share premium	83,812,556	82,395,091	1.7%
Treasury shares	(2,255,441)	(4,015,977)	-43.8%
Reserves	101,127,471	101,127,471	0.0%
Retained earnings	90,539,822	80,073,849	13.1%
<b>TOTAL EQUITY</b>	<b>273,224,408</b>	<b>259,580,434</b>	<b>5.3%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>978,776,433</b>	<b>820,202,773</b>	<b>19.3%</b>

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO

	Period ended September 30, <b>2022</b>	Period ended September 30, <b>2021</b>	Variation 2022/2021
Revenue from contracts with customers	439,284,877	456,479,521	-3.8%
Other operating revenues	3,094,371	1,132,425	173.3%
<b>Operating Income</b>	<b>442,379,248</b>	<b>457,611,946</b>	<b>-3.3%</b>
Consumable materials and repair materials	(61,743,956)	(75,241,039)	-17.9%
Third party expenses	(150,729,718)	(134,264,516)	12.3%
Salary and related expenses	(128,783,916)	(109,792,473)	17.3%
Social contributions	(4,503,230)	(3,776,683)	19.2%
Depreciation	(39,545,364)	(36,137,289)	9.4%
Impairment losses and gains (including reversals of impairment losses)	-	(1,769,038)	100.0%
Other operating expenses	(34,362,808)	(23,722,566)	44.9%
<b>Operating expenses</b>	<b>(419,668,992)</b>	<b>(384,703,604)</b>	<b>9.1%</b>
<b>Operating Profit</b>	<b>22,710,256</b>	<b>72,908,342</b>	<b>-68.9%</b>
Finance income	3,476,069	2,546,160	36.5%
Finance cost	(12,845,771)	(11,465,734)	12.0%
Other financial expenses	(1,580,835)	(5,666,312)	-72.1%
<b>Financial result</b>	<b>(10,950,537)</b>	<b>(14,585,886)</b>	<b>-24.9%</b>
<b>Result Before Taxes</b>	<b>11,759,719</b>	<b>58,322,456</b>	<b>-79.8%</b>
Income tax expense	(1,293,747)	(9,297,796)	-86.1%
<b>Net Result</b>	<b>10,465,972</b>	<b>49,024,660</b>	<b>-78.7%</b>
<b>Other comprehensive income items that will not be reclassified to profit or loss</b>			
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>10,465,972</b>	<b>49,024,660</b>	<b>-78.7%</b>

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO



	Period ended September 30, <b>2022</b>	Period ended September 30, <b>2021</b>
<b>Net profit before taxes</b>	<b>11,759,719</b>	<b>58,322,456</b>
<b>Adjustments for</b>		
Depreciation	39,545,364	36,137,289
Interest expense	12,845,771	11,465,734
Allowance for doubtful debts and receivables written-off	-	1,769,038
Other non-monetary gains	(2,336,609)	-
Unrealised exchange loss	1,580,835	4,580,079
Interest revenue	(3,476,069)	(2,546,160)
<b>Operating cash flow before working capital changes</b>	<b>59,919,011</b>	<b>109,728,436</b>
Decrease / (increase) in accounts receivable	(3,227,152)	(12,069,594)
Decrease / (increase) in inventories	(2,245,883)	2,058,649
Decrease / (increase) in prepayments	(71,753)	(604,018)
Increase / (decrease) in accounts payable	30,675,767	(10,059,318)
<b>Cash generated from working capital changes</b>	<b>25,130,979</b>	<b>(20,674,281)</b>
<b>Cash generated from operations</b>	<b>85,049,990</b>	<b>89,054,155</b>
Income tax paid	(1,037,629)	(10,941,055)
Interest received	-	2,546,160
Interest paid	(8,471,840)	(9,978,737)
<b>Net cash from operating activities</b>	<b>75,540,520</b>	<b>70,680,523</b>
Purchase of investments	(102,477,015)	(23,528,674)
Purchase of intangible assets	(4,280,253)	(2,057,980)
Purchase of property, plant and equipment	(50,474,662)	(27,582,672)
Loans granted to Group companies	(35,722,868)	(10,807,716)
<b>Net cash used in investing activities</b>	<b>(192,954,798)</b>	<b>(63,977,042)</b>
Payment of loans	(16,394,903)	(10,707,965)
Lease payments	(17,272,219)	(15,970,785)
Proceeds from loans	138,893,508	29,408,381
Payments for purchase of treasury shares	(6,923,973)	(59)
Increase in loans obtained from Group Companies	2,909,247	903,118
<b>Net cash from financing activities</b>	<b>101,211,660</b>	<b>3,632,690</b>
<b>Net change in cash and cash equivalents</b>	<b>(16,202,618)</b>	<b>10,336,171</b>
Cash and cash equivalents beginning of the year	38,629,900	33,735,446
<b>Cash and cash equivalents end of the year</b>	<b>22,427,282</b>	<b>44,071,617</b>

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO

	Share Capital	Treasury shares	Share premium	General reserves and other reserves	Revaluation Reserve	Accumulated Results	Total Equity
<b>Balance at 1 January 2022</b>	<b>33,217,623</b>	<b>(4,015,977)</b>	<b>49,177,468</b>	<b>34,538,597</b>	<b>66,588,874</b>	<b>80,073,849</b>	<b>259,580,434</b>
Increase from own shares acquisition	-	(6,923,896)	-	-	-	-	(6,923,896)
Net release of own shares used for purchase of additional shares in other entities	-	8,684,431	-	-	-	-	8,684,431
Increase in premiums due to difference between fair value and cost of own shares when the exchange was made	-	-	1,417,465	-	-	-	1,417,465
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,465,972</b>	<b>10,465,972</b>
Profit of the period	-	-	-	-	-	10,465,972	10,465,972
<b>Balance as at September 30, 2022</b>	<b>33,217,623</b>	<b>(2,255,441)</b>	<b>50,594,933</b>	<b>34,538,597</b>	<b>66,588,874</b>	<b>90,539,821</b>	<b>273,224,407</b>

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO

	Share capital	Treasury shares	Share premium	General reserves and other reserves	Revaluation Reserve	Accumulated Results	Total Equity
<b>Balance as at January 1, 2021</b>	<b>33,217,623</b>	<b>(666,624)</b>	<b>48,809,389</b>	<b>24,010,989</b>	<b>66,588,874</b>	<b>35,117,028</b>	<b>207,077,279</b>
Net release of own shares used for purchase of additional shares in other entities	-	320,158	-	-	-	-	320,158
Increase in premiums due to difference between fair value and cost of own shares when the exchange was made	-	-	368,079	-	-	-	368,079
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,024,660</b>	<b>49,024,660</b>
Profit of the period	-	-	-	-	-	49,024,660	49,024,660
<b>Balance as at September 30, 2021</b>	<b>33,217,623</b>	<b>(346,466)</b>	<b>49,177,468</b>	<b>24,010,989</b>	<b>66,588,874</b>	<b>84,141,688</b>	<b>256,790,176</b>

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO

## 1. DESCRIPTION OF THE BUSINESS

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

Med Life is the leader of the healthcare services market 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. The parent company of the Med Life Group is Med Life SA.

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

### **New standards and amendments to the existing standards issued but not yet effective and not early adopted**

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 30 September 2022:

- **Amendment in 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**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments were initially effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e., 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need to be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments become effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only

applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU.

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

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Statement of compliance**

The individual financial statements ("financial statements") of the Company have been prepared in accordance with the provisions of Ministry of Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

The Company also prepares consolidated financial statements in accordance with IFRS as endorsed by the EU, which are available on the Company's website.

The accounting policies applied in these financial statements are the same as those applied in the Company's annual individual financial statements as at and for the period ended 31 December 2021.

#### **3.2 Basis of preparation**

The financial statements of the Company are presented in RON ("Romanian Leu"), using going concern principles. All values are rounded to the nearest two decimals. The financial statements have been prepared on the historical cost basis, except for certain items that have been measured at fair value, such as certain non-current assets and financial instruments, as presented in the notes to the financial statements.

The Company maintains the accounting books in accordance with the Regulations on Accounting and Reporting issued by the Ministry of Finance in Romania.

#### **3.3 Going concern**

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

For the purposes of assessing liquidity and going concern, the Company has modelled scenarios reflecting suitable assumptions over the next 12-month period that serve to inform the decisions the Company takes regarding future cost savings, cash generation, debt covenants and levels of investment.

In addition, due to the proactive response taken by the Company to improve its liquidity position, since the beginning of the pandemic crisis, the cashflows of the Company have remained stable, demonstrating the financial discipline across the Company and the conservative approach taken when modelling scenarios.

All measures taken have been decided upon having in mind the Company's strategy to better position itself to all the new market changes, on the long term. As a consequence, the management focused on increasing efficiency of its operations in order to obtain better flexibility over capitalizing market opportunities.

For the covenant testing period ending December 2022, the Board of Directors are confident that Med Life has sufficient headroom to stay within the covenant's levels, with the mitigations available (which would include management of working capital and constrained levels of capital investment), even in its severe but plausible downside scenarios.

Based on the Company's current financial position and the modelled scenarios, the directors have concluded that the Company has sufficient liquidity to meet all its obligations for at least the twelve months from the date of this report and the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

#### **3.4 Significant judgements, estimates and assumptions**

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

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

##### **3.4.1. Judgements**

In the process of applying the Company's accounting policies, the following judgments were made, particularly with

respect to the following:

**Determining the lease term of contracts with renewal and termination options – Med Life as a lessee**

Med Life determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has lease contracts which include extension and termination options.

The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. When determining the lease term to be used for the measurement of the lease, the Company takes into account all the relevant facts and circumstances that create an economic incentive for exercising either the extension or termination option of the lease term.

For leases of buildings, cars and equipment, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.
- If the Company considers that some of the lease agreement shall be terminated earlier, then the assumption of the tenor shall be reassessed accordingly in order to fairly represent the management's view of the leased asset's impact to the financial statements.
- In case of lease term in relation to indefinite lease contracts the assumption applied was that the lease term will be similar to other contracts signed with the same provider or based on the relevant period beyond which the exercise of any option becomes uncertain.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

**Cash generating units**

Management exercises judgement in determining the appropriate level of grouping assets into CGUs, based on the fact that they share significant common infrastructure.

**Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

**3.4.2. Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Impairment of non-financial assets**

The Company accounts for land and building using the fair value approach based on market comparative valuations performed by certified ANEVAR professional as per revaluation reports concluded as at 31 December 2019. The valuations conform to International Valuation Standards. As at 30 September 2022, the management has not identified any indication that would conclude the need of revaluating its land and buildings for any impairment.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five or six years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Company.

**Allowance for expected credit losses of trade receivables and contract assets**

The Company always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current

as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

In determining adjustments for impairment of receivables, management incorporates forward-looking information, exercises professional judgement and uses estimates and assumptions. Estimation of expected credit risk losses involved forecasting future macroeconomic conditions for the next 2 years.

The incorporation of forward-looking elements reflects the expectations of the Company and involves the creation of scenarios, including an assessment of the probabilities of materialization of each scenario.

#### **Leases - Estimating the incremental borrowing rate**

The Company cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rates to measure lease liabilities. These incremental borrowing rates were determined taking into consideration factors such as the credit risk, currency in which the lease was denominated and economic environment.

#### **Provision for untaken holidays**

The Company recognizes a provision for untaken holidays equal to the number of unused leave multiplied by the relevant employee's gross salary at the reporting date.

### **3.5 Foreign currency and translation**

#### **Presentation currency**

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

The exchange rates, as published by the National Bank of Romania, on 30 September 2022 were RON 4.9490 for EUR 1 (31 December 2021: RON 4.9481 for EUR 1), respectively RON 1.1728 for 100 HUF (31 December 2021: RON 1.3391 for 100 HUF).

The average exchange rates for the period of 9 months 2022 were RON 4.9352 for EUR 1 (9 months 2021: RON 4.9111 for EUR 1), respectively RON 1.2869 for 100 HUF (9 months 2021: RON 1.3782 for HUF 100).

#### **Translation of foreign currencies**

Transactions in foreign currencies are translated to the respective functional currency of the Company at the exchange rate ruling at the time of the transaction. Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the reporting date. The foreign exchange differences arising on these translations are recognised as other financial income/expense in the income statement.

### **3.6 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 fair value, being the revalued amount at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The value of land and buildings owned presented in these financial statements is based on the valuation reports which were prepared as of 31 December 2019 by independent valuers certified by ANEVAR. The revaluation is performed with sufficient frequency as to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Expenses for repairs and maintenance are recognized in the profit or loss account when incurred. Costs with capital repairs are included in the carrying amount of the asset when it is probable that future economic benefits above the initially evaluated standard of performance of the existing asset will be transferred to the Company. Capital repairs are depreciated over the remaining useful period of the respective asset. The land is not depreciated.

Installations and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Assets under construction are recorded at cost, less accumulated impairment losses and depreciated once they become available for use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives, residual values and depreciation method are reviewed at the end of each year, and the effects of changes in estimates are recorded prospectively.

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

	<b>Years</b>
Buildings	10 – 50 years
Plant and equipment	3 – 15 years
Fixtures and fittings	3 – 15 years

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

The Company transfers the revaluation surplus included in equity in respect of an item of property, plant and equipment directly to retained earnings when the asset is derecognised (i.e., retired or disposed of).



An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

### **3.7 Intangible assets**

Intangible assets acquired separately are measured at initial recognition at cost. Following initial recognition, intangible assets are stated 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.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Company's intangible assets are represented by software licenses, concessions, patents and other intangible assets that are amortized on a straight-line basis over a period of 3 years.

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.

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

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

#### **Impairment of non-financial assets**

At the end of each reporting period, the Company reviews whether there is an indication that an asset may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets that are 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. The Company bases its impairment calculation on most recent budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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 asset is previously revalued with the revaluation taken to OCI, in which case the impairment loss is recognized in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the assets or CGU's recoverable amount. 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.

### **3.8 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. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The Company applies FIFO as a costing method.

### **3.9 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 maturities of three months or less.



### **3.10 Government grants**

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

The Company has chosen to present grants related to income to be deducted in reporting the related expense.

The Company has elected to present government grants relating to the purchase of property, plant and equipment in the statement of financial position as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset.

### **3.11 Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **3.11.1 Financial assets**

##### **Investments in subsidiaries**

In the individual unconsolidated financial statements investments in subsidiaries are stated at historical cost less accumulated impairment losses.

##### **Dividends from subsidiaries**

Dividends on equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established

##### **Initial recognition and classification**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

This classification on initial recognition depends on the Company's business model with regard to the management of financial assets and on the financial asset's contractual cash flows characteristics.

With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

A financial asset is measured at amortized cost if both of the following conditions are met:

- the financial asset is held using a business model that aims to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely repayments of principal and interest on the principal outstanding.

The Company has only recognised and subsequently measured financial assets at amortised cost.

##### **Subsequent measurement**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income

is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial sets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in profit or loss.

The Company's financial assets at amortized cost include the following: trade receivables, other receivables, other financial assets, cash and cash equivalents.

#### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The contractual rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### **Impairment**

The Company recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are over 95 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows, when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The Company recognises an impairment gain or loss in profit or loss for all trade receivables with a corresponding adjustment to their carrying amount through a loss allowance account.

During the pandemic, the Company observed that the medical crisis has determined a slowdown in collection of its receivables as a result of the working capital challenges encountered by its clients. In order to counter this risk, the management decided to apply a prudent approach to future cashflows and recognized an additional allowance for bad and doubtful debts.

### **3.11.2 Equity instruments and financial liabilities**

#### **Classification as equity or debt**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### **a) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

## **b) Financial liabilities**

### **Initial recognition and classification**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, other long-term debt.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. A contingent consideration classified as a financial liability is subsequently remeasured to fair value with the changes in fair value recognised in profit or loss.

### **Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified as financial liabilities at amortised cost. The Company has not designated any financial liability as at fair value through profit or loss.

This is the category most relevant to the Company and it includes loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### **3.12 Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### **3.13 Taxation**

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

### **Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

#### **Deferred tax**

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

#### **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.

#### **3.14 Share capital**

Ordinary shares are classified as equity. Med Life presents the amount of dividends recognised as distributions to owners during the period in the statement of changes in equity, and the related amount of dividends per share in the notes to the financial statements.

#### **Treasury Shares**

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium.

#### **3.15 Share premiums**

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

#### **3.16 Revaluation reserve**

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

#### **3.17 Provisions for risks and charges**

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Liabilities provided for legal matters** require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ from those estimated at the reporting date.

**Liabilities for compensated absences** refer to the entitlement for employees to accumulate vested leave benefits. The Company recognises a liability for compensated absences as it has an obligation to compensate employees for future absences attributable to employees' services already rendered, the obligation relates to rights that accumulate from period to period, it is probable that the amount will be paid and a reliable estimate can be made of the amount of the obligation.

A vesting obligation is where employees are entitled to a cash payment for unused leave entitled upon leaving the entity. The amount of the obligation will therefore be equal to the number of unused leave multiplied by the relevant employee's gross salary at the reporting date.

The obligation is initially recognised during the vesting period based on the best available estimate of the accumulated leave expected to vest. The estimate is revised each period end if subsequent information indicates that the accumulated leave expected to vest differs from previous estimates. On vesting date, the Company revises its estimate to equal the accumulated leave that ultimately vested.

### **3.18 Revenue from contracts with customers recognition**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue is recognised over time where (i) there is a continuous transfer of control to the customer in the case of goods provided or the consumption of the benefits for the services provided takes place over time; or (ii) there is no alternative use for any asset created and there is an enforceable right to payment for performance completed to date. Other revenue contracts are recognised at a point in time when control of the goods transfers to the customer, or in the case of services provided, when the customer receives and consumes the benefits provided.

The Company provides health care medical services to corporate and retail customers, in which one performance obligation is a promise to transfer distinct services to the beneficiary.

#### **Med Life's core activities**

The Company's core activities are conducted through five business lines, providing a well-balanced business portfolio that covers all key segments of the private medical services market. Disaggregation of revenue from contracts with customers by business line comprises the following major categories: clinics, stomatology, hospitals, laboratories and corporate.

The Company'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 National Health Insurance House ("NHIH") represents a complement, not the core revenue of Med Life's activities. However, the National Health Insurance House is considered to be one major customer that goes across multiple sectors such as: clinics, hospitals and laboratories, and from which the Company receives the consideration based on reaching pre-established ceilings, for the medical services provided to the State's insured patients, which are the end users of the healthcare medical services. The revenue in relation with NHIH is recognised at the end of the month, when the Company has an enforceable right to receive payment for performance completed up to date, as the end user receives and consumes the benefits provided by the entity's performance as the entity performs.

#### **Clinics**

The core of the Company's operations is the network of ambulatory clinics. The business line comprises a network of 8 facilities, which offer a wide range of outpatient services covering a broad range of medical specialties. The Company's diagnostic imaging services provided to clients also form part of this business line. The Company's clinics provide a wide range of services delivered mainly in two formats:

- **Hyper clinics**, a format pioneered by Med Life 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. Hyper clinics would usually include a broad range of imaging services on site including radiology, bone density – DEXA, CT, MRI, 2D-4D ultrasounds and Mammography; in the case of new openings, such services may be included in the hyper clinics' offering gradually. Hyper clinic locations also host the services of other business lines, such as sampling points for laboratories.
- **Clinics**, offering a range of treatments from general practitioner services to specialists, are aimed at servicing the core needs of the Company's HPP patients and FFS clients. The Med Life's clinics typically have between 5 and 12 medical offices, although smaller satellite clinics are in operation to address specific market situations. Clinics are designed for smaller cities or to serve specific concentrations of patients. Clinics, with limited capacity and generally limited imaging services, act as feeder networks for the more specialized services located in the hyper clinics.

The revenues are recognised at a point in time when the customer receives and consumes the benefits provided.

#### **Stomatology**

The Company's Dentistry business line offers a full range of services, ranging from medical examinations to surgery, implants or orthodontic services. Stomatology business line is not subject to NHIH allocations. All of the sales are fee for service ("FFS") based, and the revenue is recognised at a point in time, when the performance obligation is satisfied.



### **Laboratories**

The Laboratories business line provides the following range of services: biochemistry, pathological anatomy (cytology and histology), molecular biology and genetics, haematology, immunology, microbiology and toxicology. Sampling points are locations where the Company collects blood and other samples from patients. The Laboratories business line sources the bulk of its revenue from FFS clients, and the revenue is recognised at a point in time, when the performance obligation is satisfied.

One exception is when the Company provides laboratory tests to other companies' employees and the revenue is recognised at the end of the month, not immediately after the laboratory tests are performed, when the Company has an enforceable right to payment for performance completed up to date. From IFRS 15 perspective, the revenue is recognised at a point in time (at the end of the month).

### **Hospitals**

Hospital services provided to patients are regarded as a bundle of services which comprise medical care, accommodation, meals, use of equipment, pharmacy stock and nursing services. This is considered to be a single performance obligation as the medical procedures cannot be performed without one of the above elements.

Revenue is recorded during the period in which the hospital service is provided and is based on the amounts due from patients. Fees are calculated and billed based on various tariff agreements.

The Hospitals business line derives its revenue predominantly from FFS patients. Treatment of State insured patients for the NHIH, generally relates to maternity, gynaecology, cardiology and oncology. The revenues are recognised at a point in time, when the consumption of the benefits for the services provided is accomplished.

The Company does not expect to have any contracts where the period between the transfer of the promised service to the patient and the payment by the patient exceeds one year. Consequently, the Company does not adjust any of the transaction prices for time value of money.

### **Corporate**

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

The HPPs offered by the Company 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 Company'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.

The revenue in relation with corporate customers is recognized over time. Under the output method, the entity would measure completion of the total performance obligation either in relation to the total obligation that has been satisfied or in relation to what remains to be satisfied, based on health prevention packages delivered.

### **Contract assets and liabilities**

A contract asset (accrued income) is the right to consideration in exchange for services transferred to the customer. Where the Company transfers services to a customer over time before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration to date under the contract. Contract assets are presented within trade and other receivables on the Company's Balance Sheet and are expected to be realized in less than one year.

A contract liability (deferred income) is the obligation to transfer services to a customer for which the Company has received consideration from the customer. Where the customer pays consideration before the Company transfers services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. Contract liabilities are presented within trade and other payables on the Statement of Financial position.

Using the practical means of IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant component of financing if it expects, at the beginning of the contract, that the period between the transfer of the promised service to the client and when the client pays for that service will be one year. less. All contracts are under one year.

Contracts are for periods of less than one year or are billed based on the services performed. As permitted by IFRS 15, the transaction price allocated to these unfulfilled contracts is not disclosed.

### **3.19 Employee benefits**

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

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

#### **Bonus schemes**

The Company recognizes a liability and an expense where a contractual obligation exists for short-term incentives. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

#### **3.20 Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### **3.21 Segment information**

The core business activity of Med Life refers to the provision of healthcare services, as a result of completion of the medical act. This process usually involves multiple stages, starting from physical examinations, laboratory tests, set-up of a diagnosis, offering treatment, supply of medical equipment, surgeries and other medical interventions, nursing care, follow-up in the recovery process.

An operating segment is a component of an entity:

- (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (c) for which discrete financial information is available.

The Company has identified five core business lines, which comprise the following major categories: clinics, stomatology, hospitals, laboratories and corporate.

The core purpose of Med Life is to enhance the quality of life for individuals, the ultimate end users of healthcare services, therefore setting the patient as first priority in all activities performed.

According to IFRS 8, segment information on operating segments is to be presented in accordance with the internal reporting to the chief operating decision maker (management approach).

In determining Med Life's operating segments, management has primarily considered the financial information in internal reports that are reviewed and used by the Board of Directors (who together are the chief operating decision maker of the Company) in assessing performance and in determining the allocation of resources.

The Board of Directors represents the chief decision-making body, in which the strategic decisions are made for the entire Company and to which the key parameters of performance are reported.

Each reporting made to the Board of Directors includes the five business lines. Managements costs are fully distributed to the operative business lines. The monthly target-to-actual and actual-to-actual comparison in the report to the Board of Directors serves to control the targets published in the Med Life's annual forecast, in particular the total revenue figure and EBITDA margin.

Given our understanding of an integrated healthcare services offering, we do not make any distinction in control by whether the services as defined in Romanian social insurance legislation are attributed to the inpatient or the outpatient sector, for example in the hospitals business line. All expenses and income which are directly or indirectly related to patients are included under the operating segments.

The characteristics of healthcare services are around physical facilities staffed by professionals in direct contact with patients, diagnosing, monitoring and treating patients. The payment for these services is either direct payment by the

patient or indirect via an employer paid benefit/insurance and in much smaller degree by public health funds. In all these cases the beneficiary of the service is always the individual patient. Because of the specific nature of the source of funds that finance the provision of medical services to the end users (i.e., patients) the correct allocation of profitability for each business line is limited considering that they are complementary in servicing the patient: one would originate whereas the other might render the medical services. In this respect, the business lines could not operate on their own, proving, once again, their high interdependent nature.

The following operating segments are aggregated into one reporting segment, being the provision of healthcare services, since they exhibit similar economic characteristics: clinics, stomatology, hospitals, laboratories and corporate. As a result of the same structural framework conditions, the operations of the Company with the healthcare services provided are characterised by a similar risk and rewards profile whose economic environment is largely regulated by legislation. It is thus possible for the operations to achieve similar EBITDA margins on the long term. We thus continue to have only one reportable segment that aggregates the above-mentioned operating segments.

### **3.22 Leases**

Given its large and complex operations, the Company leases a significant number of assets including buildings and land for operational activities, medical equipment and vehicles. Contractual periods differ, depending on the lease type and the leased asset, the driver being the strategic point of view the Company has into further managing its asset portfolio.

As a result of the pandemic crisis, the Company commenced the process of securing its strategic facilities under lease agreements, for longer periods of time. Accordingly, several major lease agreements have been renegotiated with focus on better commercial conditions for the Company, in terms of both pricing and better security over extension options for the lease agreements.

In this respect, the management has evaluated its options for early termination as well as the existence of the Company's single triggered decision to extend the lease term, on a case-by-case basis. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or to exercise a termination option, are considered.

The Company leases various buildings, equipment, vehicles and other assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The Company assesses whether a contract is or contains a lease, at inception of the contract. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company - except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments to be made over the lease term:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option;
- Amounts expected to be paid under residual value guarantees;
- Lease payments to be made over the contractual lease term, if there are extension options included.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Company uses recent third-party financing received by the lessee as a starting point and adjusts the rate to reflect changes in financing conditions since the third-party financing was received.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.



Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives;
- Any initial direct costs; and
- Restoration costs.

After initial recognition, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

The following useful lives on average are used in the calculation of depreciation for right-of-use assets, determined based on the lease term of the contractual agreements:

	<u>Years</u>
Buildings	6 – 10 years
Medical equipment	3 – 4 years
Vehicles	3 – 5 years

#### 4. FINANCIAL ASSETS

The Company holds significant investments in other companies.

<b>Carrying amount</b>	<b>September 30 2022</b>	<b>December 31, 2021</b>
Cost of investments in other companies	352,250,715	242,878,520
Long-term loans granted to group companies	13,129,180	12,921,654
Other financial assets	1,712,882	1,632,184
<b>TOTAL</b>	<b>367,092,777</b>	<b>257,432,358</b>

In the 9-month period of 2022, Med Life, directly or through its subsidiaries, signed the sale contract for the purchase of shares in the capital of the following companies:

- Acquisition of 50% of the share package in MNT Healthcare Europe, in February 2022;
- Acquisition of 50% of the share package in MNT Asset Management, in February 2022;
- 10% subsequent acquisition of shares in Almira Trading in April 2022;
- 10% subsequent acquisition of shares in Genesys Medical Clinic in April 2022;
- Acquisition of 100% of holdings in the Clinica Life Med company, in March 2022;
- Acquisition of 60% of Pro Life Clinics shares, in April 2022;
- Acquisition of 100% of the share package of Oncocard, in May 2022;
- Acquisition of 100% of the share package of Oncocard Invest, in May 2022;
- Acquisition of 100% of holdings in Tomorad Expert, in May 2022;
- 4% subsequent acquisition of shares in Oncoteam Diagnostic in April 2022;
- 30.32% subsequent acquisition of shares in RMC Group in April and May 2022.
- Acquisition of the shares representing 80% of the share capital of Medici's and Micro-Medic, in June 2022 (approved on 24 October 2022 by the Competition Council);
- Acquisition of 100% of the shares of Medicis si Triamed, in June 2022.
- Acquisition of the majority stake representing 60% of the share capital in IT Repair, in July 2022;
- Acquisition of the majority stake representing 60% of the share capital in Sweat Concept network, in July 2022 (the closing was announced on 9 September 2022);
- Acquisition of the shares representing 99.67% of the share capital of Muntenia Medical Competences SRL, in July 2022 (submitted to approval by the Competition Council);
- Acquisition of 80% of the shares of SC M-Profilaxis SRL, in July 2022.
- Acquisition of 60% of the shares of Clinica Opticristal and Alinora Optimex, in August 2022.
- Acquisition of the majority stake of the digital platform SanoPass, on 12 September 2022.

The following table includes the list of Med Life subsidiaries as well as entities that are indirectly controlled, as follows:

No.	Entity	Main activity	Location	September, 30 2022	January 1, 2022
1	Policlinica de Diagnostic Rapid SA	Medical Services	Brasov, Romania	83.01%	83.01%
2	Medapt SRL (indirect)*	Medical Services	Brasov, Romania	83.01%	83.01%
3	Histo SRL (indirect)*	Medical Services	Brasov, Romania	49.81%	49.81%
4	Policlinica de Diagnostic Rapid Medis SRL (indirect)*	Medical Services	Sfantu Gheorghe, Romania	66.41%	66.41%
5	Bahtco Invest SA	Development of building projects	Bucharest, Romania	100%	100%
6	Med Life Occupational SRL	Medical Services	Bucharest, Romania	100%	100%
7	Pharmalife-Med SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
8	Med Life Broker de Asigurare si Reasigurare SRL	Insurance broker	Bucharest, Romania	100%	99%
9	Accipiens SA	Rental activities	Bucharest, Romania	83%	73%
10	Genesys Medical Clinic SRL (indirect)*	Medical Services	Bucharest, Romania	83%	73%
11	Bactro SRL (indirect)*	Medical Services	Deva, Romania	83%	73%
12	Transilvania Imagistica SA (indirect)*	Medical Services	Oradea, Romania	83%	73%
13	Biofarm Farmec SRL (indirect)*	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
14	RUR Medical SA (indirect)*	Medical Services	Bucharest, Romania	83.01%	83.01%
15	Biotest Med SRL	Medical Services	Bucharest, Romania	100%	100%
16	Vital Test SRL	Medical Services	Bucharest, Romania	100%	100%
17	Centrul Medical Sama SA	Medical Services	Craiova, Romania	90%	90%
18	Ultratest SA (direct si indirect)*	Medical Services	Craiova, Romania	76%	76%
19	Diamed Center SRL	Medical Services	Bucharest, Romania	100%	100%
20	Prima Medical SRL	Medical Services	Craiova, Romania	100%	100%
21	Stem Cells Bank SA	Medical Services	Timisoara, Romania	100%	100%
22	Dent Estet Clinic SA	Dental healthcare	Bucharest, Romania	60%	60%
23	Green Dental Clinic SRL (indirect)*	Dental healthcare	Bucharest, Romania	31%	31%
24	Dentist 4 Kids SRL (indirect)*	Dental healthcare	Bucharest, Romania	60%	60%
25	Dent A Porter SRL (indirect)*	Dental healthcare	Bucharest, Romania	31%	31%
26	Dentestet Kids SRL (indirect)*	Dental healthcare	Bucharest, Romania	32%	32%
27	Aspen Laborator Dentar SRL (indirect)*	Dental healthcare	Bucharest, Romania	45%	45%
28	Centrul Medical Panduri SA	Medical Services	Bucharest, Romania	100%	100%
29	Almina Trading SA	Medical Services	Targoviste, Romania	90%	80%
30	Anima Specialty Medical Services SRL	Medical Services	Bucharest, Romania	100%	100%
31	Anima Promovare si Vanzari SRL (indirect)*	Medical Services	Bucharest, Romania	100%	100%
32	Valdi Medica SA	Medical Services	Cluj, Romania	55%	55%
33	Clinica Polisano SRL	Medical Services	Sibiu, Romania	100%	100%
34	Solomed Clinic SA	Medical Services	Pitesti, Romania	80%	80%
35	Solomed Plus SRL (indirect)*	Medical Services	Pitesti, Romania	80%	80%
36	Ghencea Medical Center SA	Medical Services	Bucharest, Romania	100%	100%
37	Sfatul medicului SRL	Medical Platform	Bucharest, Romania	100%	100%

No.	Entity	Main activity	Location	September, 30 2022	January 1, 2022
38	RMC Dentart (indirect)*	Dental healthcare	Budapest, Hungary	81.32%	51%
39	RMC Medical (indirect)*	Medical Services	Budapest, Hungary	81.32%	51%
40	RMC Medlife	Holding	Budapest, Hungary	81%	51%
41	Badea Medical SRL	Medical Services	Cluj, Romania	65%	65%
42	Oncoteam Diagnostic SA	Medical Services	Bucharest, Romania	79%	75%
43	Centrul medical Micromedica SRL	Medical Services	Piatra Neamt, Romania	100%	100%
44	Micromedica Targu Neamt SRL (indirect)*	Medical Services	Targu Neamt, Romania	100%	100%
45	Micromedica Bacau SRL (indirect)*	Medical Services	Bacau, Romania	100%	100%
46	Micromedica Roman SRL (indirect)*	Medical Services	Roman, Romania	100%	100%
47	Medrix Center SRL (indirect)*	Medical Services	Roznov, Romania	100%	100%
48	Spitalul Lotus SRL	Medical Services	Ploiesti, Romania	100%	100%
49	Labor Maricor SRL	Medical Services	Bacau, Romania	100%	100%
50	Centrul Medical Matei Basarab SRL (indirect)*	Medical Services	Bucharest, Romania	100%	100%
51	Pharmachem Distributie SRL	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	75%	75%
52	CED Pharma SRL (indirect)*	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
53	Leti Pharm 2000 SRL (indirect)*	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
54	Monix Pharm SRL (indirect)*	Distribution of Pharmaceutical Products in specialised stores	Bucharest, Romania	100%	100%
55	KronDent SRL (indirect)*	Dental healthcare	Brasov, Romania	36%	36%
56	Medica SA	Medical Services	Sibiu, Romania	60%	60%
57	Dent Estet Ploiesti SRL (indirect)*	Dental healthcare	Ploiesti, Romania	30.60%	31%
58	The Lab Stomestet SRL (indirect)*	Dental healthcare	Cluj, Romania	36%	36%
59	Stomestet SRL (indirect)*	Dental healthcare	Cluj, Romania	36%	36%
60	Stomestet Plus SRL (indirect)*	Dental healthcare	Cluj, Romania	36%	36%
61	Costea Digital Dental SRL (indirect)*	Dental healthcare	Oradea, Romania	36%	19%
62	Expert Med Centrul Medical Irina (indirect)*	Medical Services	Galati, Romania	76%	76%
63	MNT Healthcare Europe SRL	Medical Services	Ilfov, Romania	50%	50%
64	MNT Asset Management SRL (indirect)*	Holding	Bucharest, Romania	50%	50%
65	Clinica Life-Med SRL (indirect)*	Medical Services	Bucharest, Romania	100%	0%
66	Pro Life Clinics SRL (indirect)*	Medical Services	Iasi, Romania	60%	0%
67	Onco Card SRL (indirect)*	Medical Services	Brasov, Romania	83.01%	0%
68	Onco Card Invest SRL (indirect)*	Holding	Brasov, Romania	83.01%	0%
69	Tomorad Expert SRL (indirect)*	Medical Services	Sfantu Gheorghe, Romania	66.41%	0%
70	IT Repair SRL (indirect)*	Medical Services	Targu Mures, Romania	49.81%	0%
71	Medici's SRL *	Medical Services	Timisoara, Romania	80%	0%
72	Micro-Medic SRL *	Medical Services	Timisoara, Romania	80%	0%
73	Sweat Concept One SRL *	Wellness	Bucharest, Romania	60%	0%

No.	Entity	Main activity	Location	September, 30 2022	January 1, 2022
74	OptiCristal Consult SRL (indirect)*	Medical Services	Brasov, Romania	49.81%	0%
75	Alinora Optimex SRL (indirect)*	Medical Services	Brasov, Romania	49.81%	0%
76	Medicris SRL (indirect)*	Medical Services	Oradea, Romania	83%	0%
77	Triamed SRL (indirect)*	Medical Services	Oradea, Romania	83%	0%
78	SC M-Profilaxis SRL (indirect)*	Medical Services	Timisoara, Romania	80%	0%
79	VitaCare Flav SRL (indirect)*	Medical Services	Pitesti, Romania	80.00%	0%
80	Dent Estet Genesys SRL (indirect)*	Medical Services	Pitesti, Romania	71.50%	0%
81	Aspire Dental SRL (indirect)*	Medical Services	Arad, Romania	60.00%	0%
82	Sanopass SA	Medical Platform	Bucharest, Romania	51%	0%

Management conducts impairment tests on an annual basis or whenever there is an indication of impairment to assess the recoverability of the carrying value of investments at individual level. This is performed using discounted cash flow models. The impairment test is performed at the level of each company with significant cost of investment, that represents a CGU from the perspective of the Med Life Group.

The recoverable amount is based on fair value less cost of disposal (FVLCD) of the underlying assets. There are 28 CGUs included in the valuation process, as the remaining ones have a carrying amount that is not considered to be significant in comparison with the Company's total carrying amount of cost of investment in other companies.

The discounted future Cash flows of the CGUs, using the DCF method, are determined on the basis of the approved business plans that forecast financial position and results of operations take into account historical values and estimated performance. Cash flows are estimated in RON, having a nominal value. The results are then extrapolated for six additional years using bottom-up, six-year planning that reflects the future development of the CGUs under current conditions.

After the six-year time period, a perpetuity value is calculated using a conservative Group-wide growth rate. To determine the present value of future Cash flows, a discount rate based on the weighted average cost of capital (WACC) is applied.

The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. There are a number of key sensitive judgements made in determining the inputs into these models which include:

- Revenue growth considered for the next years and also the perpetual growth rate
- Operating margins and
- The discount rates applied to the projected future cash flows.

The following data provides information on key assumptions used to compile corporate planning:

- Expected development of sales revenue (new customers, market development in general); Group's own estimates referring to past experiences and expected market trends, market potential analysis. External market studies are also used, if available.
- Application of current and historical organic growth rates for business units or business areas.
- Consideration of regulatory changes affecting the development of business units.
- Development of purchased services based on current circumstances (e.g., contractual basis, strategic business model) and the anticipated development of sales activities (expected revenue situation).
- Expected development of personnel expenses and other operating expenses, based on demand analyses, contractual framework and statistical procedures (e.g., inflation).

The estimated future Cash flows are derived from the business plans approved by the responsible bodies. The assumptions underlying the main planning parameters take into account not only past experience and aspects arising from the operating business, but also the particular circumstances of the COVID-19- pandemic.

The operating margin results from the application of the assumed planning assumptions. For the subsequent years, an average of the operating margins are assumed (continuation planning period), adding a slight increase.

Cash flows beyond the six-year period are extrapolated using an estimated growth rate, which is consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the CGU. WACC (weighted average cost of capital) is used to estimate the rate. The discount rate is independent of the companies' capital structure and how the companies financed the purchase of the asset, because future cash flows expected to arise from an asset do not depend on how the companies financed the purchase of that asset.

### Long-term loans granted to other Group companies

As of 30 September 2022, the Company presents long-term loans granted to Bahtco Invest SA and Medlife Ocupational SRL of RON 11,839,378 (January 1, 2022: RON 11,837,259).

### Other assets

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

### 5. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	September 30 2022	December 31, 2021
Gross book value	548,644,624	488,956,544
Accumulated depreciation	(258,798,528)	(234,387,528)
<b>Net book value</b>	<b>289,846,097</b>	<b>254,569,017</b>

### 6. INVENTORIES

	September 30 2022	December 31, 2021
Consumables	12,172,042	9,966,821
Materials in the form of inventory items	111,252	68,919
Inventory in transit	1,505	3,176
<b>TOTAL</b>	<b>12,284,799</b>	<b>10,038,916</b>

### 7. TRADE RECEIVABLES

	September 30 2022	December 31, 2021
Customers	91,424,309	83,167,366
Advances to suppliers	-	-
Allowance for bad debt	(26,423,269)	(26,423,269)
<b>TOTAL</b>	<b>65,001,040</b>	<b>56,744,097</b>

Credit risk for MedLife primarily relates to trade receivables in the ordinary course of business. Customers' compliance with agreed credit terms is monitored regularly and closely. Where payments are delayed by customers, steps are taken to restrict access to services or contracts are terminated.

Certain customers, which are public or quasi-public institutions, or subsidiaries of MedLife, may have longer payment terms and services may continue to be delivered when amounts are overdue, based on management's assessment of a lower credit risk.

The average receivable period for the services offered is 95 days. There is no interest on commercial receivables within the first 95 days from the date of issue of the invoice, which also represents the average contractual term.

The carrying amount of financial assets, measured at amortised cost, represents the maximum credit exposure. There are no credit enhancements or collateral held that would offset such amounts. As the customer base of the Company is very diverse, there are generally no large concentrations of credit risk.

### 8. CASH AND CASH EQUIVALENTS

	September 30 2022	December 31, 2021
Cash in bank	20,753,764	37,564,319
Cash in hand	1,015,855	744,789
Cash equivalents	657,663	320,792
<b>TOTAL</b>	<b>22,427,282</b>	<b>38,629,900</b>

### 9. PREPAYMENTS

As of 30 September 2022, the Company has prepayments in amount of RON 2,680,103 (RON 2,608,350 as of 1 January 2022). The prepayments balance as of 30 September 2022 consists mainly of deferred commissions for financing related to the Club loan for undrawn facilities and amounts such as insurance policies for professionals and tangible assets.

### 10. TRADE AND OTHER PAYABLE

	<b>September 30 2022</b>	<b>December 31, 2021</b>
Suppliers	87,734,675	68,532,718
Fixed assets suppliers	16,473,014	8,899,480
Contract liability	3,526,787	2,719,638
<b>TOTAL</b>	<b>107,734,476</b>	<b>80,151,836</b>

#### 11. OTHER LIABILITIES

	<b>September 30 2022</b>	<b>December 31, 2021</b>
Salary and related liabilities (incl. contributions)	11,307,199	9,204,927
Other liabilities	4,186,396	6,951,534
<b>TOTAL</b>	<b>15,493,595</b>	<b>16,156,461</b>

#### 12. LEASES

	<b>September 30 2022</b>	<b>December 31, 2021</b>
Non-current portion of lease liability	38,932,293	50,129,780
Current portion of lease liability	21,353,230	23,791,932
<b>TOTAL</b>	<b>60,285,524</b>	<b>73,921,712</b>

#### 13. FINANCIAL DEBT

	<b>September 30 2022</b>	<b>December 31, 2021</b>
Current portion of interest-bearing loans and borrowings	59,398,435	43,215,074
Non-current portion of interest-bearing loans and borrowings	434,410,730	322,115,156
<b>TOTAL</b>	<b>493,809,165</b>	<b>365,330,230</b>

#### Increases in credit facility

On 29 April 2021, the Group increased the existing facilities by 40 million euros by signing a syndicated loan in the total amount of approximately 143 million euros. The syndicate of banks which signed the new syndicated loan consists of Banca Comercială Română, as coordinator, mandated lead arranger, documentation agent, facility & security agent and lender, Raiffeisen Bank, BRD Groupe Société Générale and Banca Transilvania, as lead arrangers and lenders.

Also, on 6 December 2021, the Group signed a new increase for the syndicated loan for an additional 50 million euros in order to consolidate its position on the market.

On 21 November 2022, the MedLife Extraordinary General Meeting of Shareholders was convened, in order to obtain the approval of a new increase in the credit limit, with EUR 50.7 mln. and the extension of the repayment period of the existing facilities, the rearrangement of the related terms and conditions and modification of guarantees.

As at 30 September 2022, the Company's drawn and undrawn financing facilities also included the following:

- a guaranteed overdraft facility between Garanti Bank S.A. and Med Life S.A., the amount drawn on 30 September 2022, is of RON 9,898,000;

The interest rate for each loan for each interest period is the rate per year that is the sum of the applicable margin and depending on the currency of each loan, EURIBOR 6M for the amounts in EUR or ROBOR 6M for the amounts in RON.

As at 30 September 2022 the Company was not in breach of any applicable term of the financing facilities.

#### 14. SHARE CAPITAL AND SHARE PREMIUM

The issued share capital in nominal terms consists of 132,870,492 ordinary shares as at 30 September 2022 (1 January 2022: 132,870,492) with a nominal value of RON 0.25 per share. The holders of ordinary shares are entitled to one vote per share in the shareholders' meetings of the Company, except for the treasury shares bought back by the Company as part of the share buy-back program. All shares rank equally and confer equal rights to the net assets of the Company, except for treasury shares.

	<b>September 30, 2022</b>	<b>January 1, 2022</b>
Share capital	33,217,623	33,217,623
Share premium	50,594,933	49,177,468
<b>TOTAL</b>	<b>83,812,556</b>	<b>82,395,091</b>



	Number of shares	%	Value
Legal entities	72,209,184	54.35%	18,052,296
Marcu Mihail	19,932,307	15.00%	4,983,077
Cristescu Mihaela Gabriela	18,660,690	14.04%	4,665,173
Marcu Nicolae	13,835,400	10.41%	3,458,850
Others	8,232,911	6.20%	2,058,228
<b>TOTAL</b>	<b>132,870,492</b>	<b>100.00%</b>	<b>33,217,623</b>

#### 15. RESERVES

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

	September 30 2022	December 31, 2021
General reserves	6,643,525	6,643,525
Other reserves	27,895,072	27,895,072
Revaluation reserves	66,588,874	66,588,874
<b>TOTAL</b>	<b>101,127,471</b>	<b>101,127,471</b>

#### 16. REVENUE FROM CONTRACTS WITH CUSTOMERS

Turnover for the 9-month period ended 30 September 2022 was 439,284,877 RON (9 months ended 30 September 2021: 456,479,521 RON) and consists of medical services, including revenues from prevention packages of corporate customers and fees for services rendered within Med Life's medical facilities. The Company's revenues are generated in Romania.

#### 17. OTHER OPERATING REVENUES

	9 months 2022	9 months 2021
Other operating revenues	757,762	1,132,425
Capitalized cost of intangible assets	2,336,609	-
<b>TOTAL</b>	<b>3,094,371</b>	<b>1,132,425</b>

#### 18. OTHER OPERATING EXPENSES

	9 months 2022	9 months 2021
Utilities	5,973,247	3,456,869
Repairs maintenance	4,322,210	4,386,194
Rent	5,122,225	3,306,368
Insurance premiums	1,952,648	1,739,624
Promotion expense	10,193,845	5,274,127
Communications	1,716,633	1,604,572
Other administration and operating expenses	5,082,000	3,954,812
<b>TOTAL</b>	<b>34,362,808</b>	<b>23,722,566</b>

#### 19. FINANCIAL NET RESULT

	9 months 2022	9 months 2021
Loss from foreign exchange rate impact	(1,580,835)	(5,666,312)
Finance cost	(12,845,771)	(11,465,734)
Interest income	3,476,069	2,546,160
<b>FINANCIAL NET LOSS</b>	<b>(10,950,537)</b>	<b>(14,585,886)</b>

#### 20. EVENTS AFTER THE BALANCE SHEET DATE

In the period following the reporting period, MedLife, directly or through the subsidiaries it controls, signed contracts to purchase holdings in the following companies:

- Acquisition of 51% of the share package of Provita Group of companies, 5<sup>th</sup> of October 2022 (submitted to approval by the Competition Council).

*There have been no other significant events subsequent to September, 30<sup>th</sup> 2022.*

**Mihail Marcu,**  
CEO

**Alina Irinoiu,**  
CFO

## **Declaration of management of Med Life SA**

We confirm to the best of our knowledge that the Interim Separate Financial Statements of Med Life SA (the Company) for the 9-month period ended September 30, 2022, which were prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, give a true and fair view of the financial position of the Company as at September 30, 2022, and of its financial performance and its cash flows for the period then ended.

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**Mihail Marcu,**  
CEO

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**Alina Irinoiu,**  
CFO