

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

MD MEDICAL GROUP INVESTMENTS PLC

C O N T E N T S

	<u>Page</u>
Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements	1
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Interim Statement of Financial Position	3
Condensed Consolidated Interim Statement of Changes in Equity	4 - 5
Condensed Consolidated Interim Statement of Cash Flows	6
Notes to the Condensed Consolidated Interim Financial Statements	7 - 16



KPMG Limited
Chartered Accountants
11, June 16th 1943 Street, 3022 Limassol, Cyprus
P.O.Box 50161, 3601 Limassol, Cyprus
T: +357 25 869000, F: +357 25 363842

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
TO THE MEMBERS OF
MD MEDICAL GROUP INVESTMENT PLC**

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of MD Medical Group Investments Plc and its subsidiaries ("the Group"), as at 30 June 2019, the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the six months ended 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".


George S. Prodromou, ACA
Certified Public Accountant and Register Auditor

For and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
11, June 16th 1943 Street,
3022 Limassol,
Cyprus

6 September 2019

Nicosia
P.O. Box 21121, 1502
T: +357 22 209000
F: +357 22 678200

Paphos
P.O. Box 60288, 8101
T: +357 26 943050
F: +357 26 943062

Polis Chrysochous
P.O. Box 66014, 8330
T: +357 26 322098
F: +357 26 322722

Larnaca
P.O. Box 40075, 6300
T: +357 24 200000
F: +357 24 200200

Paralimni / Ayia Napa
P.O. Box 33200, 5311
T: +357 23 820080
F: +357 23 820084

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six-month period from 1 January to 30 June

	Note	2019 RUB'000	2018 RUB'000
Revenue	4	7,824,522	7,130,431
Cost of sales	5	(5,155,758)	(4,608,203)
Gross profit		2,668,764	2,522,228
Other income		61,599	12,016
Selling, general and administrative expenses	6	(1,276,783)	(1,210,724)
Other expenses		(48,992)	(22,761)
Operating profit		1,404,588	1,300,759
Finance income	8	118,019	118,015
Finance costs	8	(253,945)	(209,805)
Net foreign exchange transactions (loss) / gain	8	(36,390)	75,458
<i>Net finance costs</i>	8	<i>(172,316)</i>	<i>(16,332)</i>
Profit before tax		1,232,272	1,284,427
Income tax benefit / (expense)	9	5,408	(54,223)
Profit for the period		1,237,680	1,230,204
Total comprehensive income for the period		1,237,680	1,230,204
Profit for the period attributable to:			
Owners of the Company		1,175,672	1,140,470
Non-controlling interests		62,008	89,734
		1,237,680	1,230,204
Total comprehensive income for the period attributable to:			
Owners of the Company		1,175,672	1,140,470
Non-controlling interests		62,008	89,734
		1,237,680	1,230,204
Earnings per share (RUB)	10	15.65	15.18


The Notes on pages 7 to 16 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

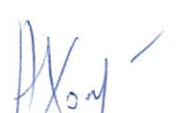
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2019 / 31 December 2018

	Note	30 June 2019 RUB'000	31 December 2018 RUB'000
ASSETS			
Property, plant and equipment		20,203,607	18,157,678
Intangible assets		2,233,574	2,258,513
Trade, other receivables and deferred expenses	13	472,293	592,416
Deferred tax assets		268,640	232,159
Total non-current assets		23,178,114	21,240,766
Inventories		590,037	666,122
Trade, other receivables and deferred expenses	13	529,043	455,768
Cash and cash equivalents	14	2,238,353	2,715,481
Total current assets		3,357,433	3,837,371
Total assets		26,535,547	25,078,137
EQUITY			
Share capital	15	180,585	180,585
Share premium		5,243,319	5,243,319
Reserves		(655,352)	(659,049)
Retained earnings		11,307,882	10,932,291
Total equity attributable to the owners of the Company		16,076,434	15,697,146
Non-controlling interests		308,955	301,802
Total equity		16,385,389	15,998,948
LIABILITIES			
Loans and borrowings	16	5,104,652	4,586,532
Trade and other payables	18	457,097	435,809
Deferred tax liabilities		302,973	272,565
Contract liabilities		151,261	143,773
Total non-current liabilities		6,015,983	5,438,679
Loans and borrowings	16	1,240,104	1,078,743
Trade and other payables	18	1,716,474	1,385,628
Contract liabilities		1,177,597	1,176,139
Total current liabilities		4,134,175	3,640,510
Total liabilities		10,150,158	9,079,189
Total equity and liabilities		26,535,547	25,078,137

On 6 September 2019 the Board of Directors of MD Medical Group Investments Plc approved and authorised these condensed consolidated interim financial statements for issue.


Vladimir Mekler
Chairman of the Board of Directors


Mark Kurtser
Managing Director


Andrey Khoperskiy
Chief Financial Officer

The Notes on pages 7 to 16 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2019

	Note	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
		Share capital	Treasury shares	Share premium	Other reserves	Retained earnings			
		RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	
Balance at 1 January 2019		180,585	(3,697)	5,243,319	(655,352)	10,932,291	15,697,146	301,802	15,998,948
Profit and total comprehensive income for the period		-	-	-	-	1,175,672	1,175,672	62,008	1,237,680
Contributions by and distributions to owners									
Own shares sold		-	3,697	-	-	-	3,697	-	3,697
Dividends declared	11	-	-	-	-	(800,081)	(800,081)	(54,855)	(854,936)
Total transactions with owners		-	3,697	-	-	(800,081)	(796,384)	(54,855)	(851,239)
Balance at 30 June 2019		180,585	-	5,243,319	(655,352)	11,307,882	16,076,434	308,955	16,385,389

Share premium is not available for distribution.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2018

Note	Attributable to owners of the Company					Total RUB'000	Non- controlling interests RUB'000	Total equity RUB'000
	Share capital RUB'000	Treasury shares RUB'000	Share premium RUB'000	Other reserves RUB'000	Retained earnings RUB'000			
Balance at 1 January 2018*	180,585	(4,544)	5,243,319	(655,352)	9,377,710	14,141,718	425,947	14,567,665
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	-	(30,935)	(30,935)	(2,956)	(33,891)
Adjusted balance at 1 January 2018	180,585	(4,544)	5,243,319	(655,352)	9,346,775	14,110,783	422,991	14,533,774
Income for the period								
Profit and total comprehensive income for the period	-	-	-	-	1,140,470	1,140,470	89,734	1,230,204
Contributions by and distributions to owners								
Acquisition of additional shares in subsidiaries	-	-	-	-	(619,539)	(619,539)	(170,692)	(790,231)
Other movements	-	-	-	-	(15,545)	(15,545)	-	(15,545)
Dividends declared	-	-	-	-	(450,750)	(450,750)	(57,879)	(508,629)
Total transactions with owners	-	-	-	-	(1,085,834)	(1,085,834)	(228,571)	(1,314,405)
Balance at 30 June 2018	180,585	(4,544)	5,243,319	(655,352)	9,401,411	14,165,419	284,154	14,449,573

Share premium is not available for distribution.

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

The Notes on pages 7 to 16 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the six-month period from 1 January to 30 June

	Note	2019 RUB'000	2018 RUB'000
Cash flows from operating activities			
Profit for the period		1,237,680	1,230,204
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		701,193	513,446
Amortisation of intangible assets		51,407	50,715
Gain from the sale of property, plant and equipment		(909)	(4,021)
Write-off of property, plant and equipment		1,492	1,792
Finance income	8	(118,019)	(118,015)
Finance costs (excluding impairment)	8	253,945	193,295
Impairment of construction in progress		34,189	-
Other impairment provision	8	-	16,510
Net foreign exchange transactions loss / (gain)	8	36,390	(75,458)
Income tax (benefit) / expense	9	(5,408)	54,223
		2,191,960	1,862,691
Decrease / (increase) in inventories		76,085	(8,757)
Increase in trade and other receivables		(62,885)	(33,540)
Increase in trade and other payables		231,271	28,235
Increase in contract liabilities		4,796	18,321
Cash flows from operations		2,441,227	1,866,950
Tax paid		(1,457)	(2,254)
Net cash flows from operating activities		2,439,770	1,864,696
Cash flows from investing activities			
Payment for acquisition/construction of property, plant and equipment		(2,185,535)	(1,660,167)
Proceeds from disposal of property, plant and equipment		2,508	26,763
Payment for acquisition of intangible assets		(26,466)	(15,522)
Interest received		60,781	28,890
Net cash flows used in investing activities		(2,148,712)	(1,620,036)
Cash flows from financing activities			
Proceeds from loans and borrowings		816,010	1,050,947
Repayment of loans and borrowings		(493,996)	(653,970)
Proceeds from the reimbursed VAT		159,990	307,043
Finance costs paid for the obligations under finance leases		(86,413)	-
Finance costs paid		(194,106)	(199,518)
Payments on settlement of derivative financial instruments		(11,426)	-
Own shares sold		11,862	-
Increase in ownership in subsidiary		-	(768,234)
Repayment of reimbursed VAT		(94,302)	(64,338)
Dividends paid to the owners of the Company		(788,976)	(494,339)
Dividends paid to non-controlling interests		(38,702)	(57,879)
Net cash flows used in financing activities		(720,059)	(880,288)
Net decrease in cash and cash equivalents		(429,001)	(635,628)
Cash and cash equivalents as at the beginning of the period	14	2,715,481	2,504,602
Effect of exchange rate changes on cash and cash equivalents		(48,127)	97,062
Cash and cash equivalents as at the end of the period	14	2,238,353	1,966,036

The Notes on pages 7 to 16 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period from 1 January 2019 to 30 June 2019

1. INCORPORATION AND PRINCIPAL ACTIVITIES

MD Medical Group Investments Plc (the "Company") was incorporated in Cyprus on 5 August 2010 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. In August 2012, following the special resolution passed by the shareholder, the Company was converted into a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its Registered Office is at Dimitriou Karatasou 15, Anastasio Building, 6th floor, office 601, Strovolos, 2024, Nicosia, Cyprus.

The principal activity of the Company is that of an investment holding company and, for that purpose, to acquire and hold controlling and other interests in the share or loan capital of any company or companies of any nature, but primarily in the healthcare industry. Please refer to note 4 for more detailed information about the services provided by the Group's medical centres.

The details of the directly and indirectly owned subsidiaries are as follows:

Name	Country of incorporation	Activities	30 June	31 December
			2019	2018
			Effective holding %	Effective holding %
CJSC MD PROJECT 2000	Russian Federation	Medical services	95	95
LLC Khaven	Russian Federation	Medical services	100	100
LLC Velum	Russian Federation	Medical services	90	90
LLC Capital Group	Russian Federation	Pharmaceutics retail	95	95
LLC FimedLab	Russian Federation	Medical services	90	90
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	100	100
LLC Clinica Zdorovia	Russian Federation	Medical services	80	80
LLC Ivamed	Russian Federation	Medical services	100	100
LLC Dilamed	Russian Federation	Medical services	100	100
CJSC Listom	Russian Federation	Service company	100	100
LLC Ustic-ECO	Russian Federation	Medical services	70	70
LLC Mother and Child Perm	Russian Federation	Medical services	95	95
LLC Mother and Child Ufa	Russian Federation	Medical services	95	95
LLC Mother and Child Saint-Petersburg	Russian Federation	Medical services	85	85
LLC MD PROJECT 2010	Russian Federation	Medical services	100	100
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	90	90
LLC MD Service	Russian Federation	Pharmaceutics retail	95	95
LLC Mother and Child Nizhny Novgorod	Russian Federation	Medical services	100	100
LLC Mother and Child Yekaterinburg	Russian Federation	Medical services	100	100
LLC Mother and Child Tyumen	Russian Federation	Medical services	100	100
CJSC MK IDK	Russian Federation	Medical services	100	100
LLC Apteka IDK	Russian Federation	Pharmaceutics retail	100	100
LLC CSR	Russian Federation	Medical services	100	100
LLC MD Assistance	Russian Federation	Assistance services	100	100
LLC Mother and Child Yaroslavl	Russian Federation	Medical services	80	80
LLC Mother and Child Kostroma	Russian Federation	Medical services	80	80
LLC Mother and Child Vladimir	Russian Federation	Medical services	80	80
LLC MD Management	Russian Federation	Management company	100	100
LLC Mother and Child Ryazan	Russian Federation	Medical services	100	100
LLC Mother and Child Kazan	Russian Federation	Medical services	100	100
Ivicend Holding Ltd	Cyprus	Holding of investments	100	100
JSC MC Avicenna	Russian Federation	Medical services	100	100
LLC H&C Medical Group	Russian Federation	Medical services	100	100
LLC Centre of Reproductive Medicine	Russian Federation	Medical services	100	100

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period from 1 January 2019 to 30 June 2019

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Name	Country of incorporation	Activities	30 June 2019 Effective holding %	31 December 2018 Effective holding %
LLC Medica-2	Russian Federation	Medical services	100	100
LLC Mother and Child Siberia	Russian Federation	Medical services	100	100
LLC Mother and Child Krasnodar	Russian Federation	Medical services	100	-
LLC Mother and Child Rostov	Russian Federation	Medical services	100	-
LLC Krasnoyarskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Novosibirskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Omskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Barnaulskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Nika	Russian Federation	Holding of land	100	100
LLC Stroy Vector Pluss	Russian Federation	Rental services	100	100
LLC Mother and Child Vladivostok	Russian Federation	Medical services	100	100
LLC Irkutsk Clinical Hospital	Russian Federation	Medical services	100	100
LLC Mother and Child Volga	Russian Federation	Management company	100	100
LLC Siberia service company	Russian Federation	Service company	-	-
LLC TechMedCom	Russian Federation	Service company	-	-
LLC Service Hospital Company	Russian Federation	Service company	-	-
LLC Elleprof	Russian Federation	Service company	-	-
LLC Medtechnoservice	Russian Federation	Service company	-	-

As at 30 June 2019, 67.9% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr. Mark Kurtser. The 32.1% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at 31 December 2018 and for the year then ended.

This is the first set of the Group's financial statements in which IFRS 16 Leases has been applied. Changes to significant accounting policies are described in Note 3.

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost convention.

(c) Functional and presentation currency

All of the operational Group entities are located in the Russian Federation. The Company and all its operating subsidiaries have RUB as their functional currency.

These condensed consolidated interim financial statements of the Group are presented in RUB, rounded to the nearest thousand.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period from 1 January 2019 to 30 June 2019

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements

Preparing these condensed consolidated interim financial statements in accordance with IFRSs requires management to exercise their judgement to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed and where necessary revised on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements made by the management in applying the Group accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are consistent with those followed in the Group's consolidated financial statements as at 31 December 2018 and for the year then ended.

The changes in accounting policies described in Note 2 will be reflected in the Group's consolidated financial statements as at 31 December 2019 and for the year then ended.

The Group voluntarily changed its accounting policy on presentation of acquiring and encashment operations from 1 January 2019. Previously the fees charged for acquiring and encashment operations were presented as finance costs in Statement of profit or loss and other comprehensive income and Statement of cash flows. Since 1 January 2019 these operations are presented as operating expenses within "Selling, general and administrative expenses" in the Statement of profit or loss, a presentations that is more aligned to the nature of those expenses improving the transparency of these condensed consolidated interim financial statements. The comparative information for the interim period of the immediately preceding financial year was adjusted to reflect the aforementioned change. As a result of the adjustment "Selling, general and administrative expenses" for the six months ended 30 June 2018 increased by RUB56,555 thousand while "Finance costs" were decreased by the same amount. The "Net cash flows from operating activities" and "Net cash flows used in the financing activities" in the Statements of cash flows for the six months ended 30 June 2018 were also adjusted to reflect the aforementioned reclassification in the Statement of profit or loss and other comprehensive income.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's condensed consolidated interim financial statements.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

IFRS 16 replaced existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Leases in which the Group is a lessee

The Group recognises new assets and liabilities for its operating leases of clinics and land plots. The nature of expenses related to those leases has changed because the Group has recognised a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period from 1 January 2019 to 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

In addition, the Group no longer recognises provisions for operating leases that it assesses to be onerous. Instead, the Group includes the payments due under the lease in its lease liability.

There was no significant impact on the Group's finance leases.

The Group recognised additional lease liabilities RUB329,591 thousand as at 1 January 2019. The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the revised maximum leverage threshold loan covenant.

The assets and liabilities for agreements concluded for 11-month period were recognised for 11 months.

The Group used a recognition exemption for leases for which the underlying asset is of low value and didn't account assets and liabilities for such lease contracts.

Leases in which the Group is a lessor

There was no significant impact on other leases in which the Group is a lessor.

Transition

The Group applied IFRS 16 initially on 1 January 2019, using the modified retrospective approach with the cumulative effect of initially applying the Standard without any effects on retained earnings in accordance with paragraph C5 (b). The Group recognised a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Group measured that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Therefore, the cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening balance of assets and liabilities at 1 January 2019, with no restatement of comparative information.

4. REVENUE

	30 June 2019	30 June 2018
	<i>RUB'000</i>	<i>RUB'000</i>
In vitro fertilisation (IVF)	1,788,528	1,592,431
Deliveries	1,128,884	1,070,534
Obstetrics and gynaecology out-patient treatments	964,811	892,139
Other out-patient medical services	817,385	741,834
Paediatrics out-patient treatments	699,229	653,666
Other in-patient medical services	682,905	498,484
Other medical services	643,209	634,678
Obstetrics and gynaecology in-patient treatments	557,858	502,163
Paediatrics in-patient treatments	252,960	253,502
Sales of goods	127,833	144,719
Storage of stem cells	69,839	67,148
Other income	91,081	79,133
	<u>7,824,522</u>	<u>7,130,431</u>

Disaggregation of revenue

The Group renders the services on the territory of the Russian Federation. The Group's operations and main revenue streams are those described in the table above.

The majority of the Group's customers are physical persons (85% of total revenue); some services are rendered to the governmental and non-governmental insurance companies and legal entities. All the contracts are fixed-price and short-term except for the contracts for the storage of stem cells.

All the Group's revenue except for the revenue from the storage of stem cells is recognised at the point in time when the services are provided; the revenue from the storage of stem cells is recognised over the time of the contract.

Other medical services include but are not limited to laboratory examinations, diagnostics, surgery, cardiology and oncology.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period from 1 January 2019 to 30 June 2019

5. COST OF SALES

	30 June 2019	30 June 2018
	<i>RUB'000</i>	<i>RUB'000</i>
Payroll and related social taxes	2,851,597	2,573,808
Materials and supplies used	1,324,209	1,183,214
Depreciation	603,334	445,632
Medical services	150,325	122,861
Energy and utilities	102,403	91,705
Property tax	60,046	65,879
Repair and maintenance	55,633	60,042
Other expenses	8,211	65,062
	<u>5,155,758</u>	<u>4,608,203</u>

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	30 June 2019	30 June 2018
	<i>RUB'000</i>	<i>RUB'000</i>
Payroll and related social taxes	699,289	657,465
Utilities and materials	128,805	126,033
Other professional services	98,644	105,770
Depreciation	97,859	67,814
Acquiring and encashment	65,765	58,951
Amortisation	51,407	50,715
Advertising	43,117	48,596
Communication costs	18,375	16,278
Learning and development	16,546	15,086
Independent auditors' remuneration	5,623	3,537
Other expenses	51,353	60,479
	<u>1,276,783</u>	<u>1,210,724</u>

7. STAFF COSTS

	30 June 2019	30 June 2018
	<i>RUB'000</i>	<i>RUB'000</i>
Wages and salaries	2,770,334	2,518,044
Social insurance contributions and other taxes	780,552	713,229
Total staff costs	<u>3,550,886</u>	<u>3,231,273</u>

8. NET FINANCE COSTS

	30 June 2019	30 June 2018
	<i>RUB'000</i>	<i>RUB'000</i>
<i>Finance income</i>		
Initial recognition of other payables to tax authorities at market rate	48,311	89,125
Bank interest received	60,781	28,741
Other finance income	8,927	149
Finance income	<u>118,019</u>	<u>118,015</u>
<i>Finance costs</i>		
Interest on bank loans	(177,315)	(161,197)
Unwinding of discount on other payables to tax authorities	(24,023)	(17,427)
Interest on leases	(14,833)	-
Other interest expenses	(8,776)	(3,691)
<i>Other finance costs</i>		
Bank charges	(9,715)	(10,980)
Other finance costs	(11,426)	(11,008)
Impairment of trade and other receivables	(7,857)	(5,502)
Finance costs	<u>(253,945)</u>	<u>(209,805)</u>
Net foreign exchange transactions (loss) / gain	<u>(36,390)</u>	<u>75,458</u>
Net finance costs	<u>(172,316)</u>	<u>(16,332)</u>

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period from 1 January 2019 to 30 June 2019

9. INCOME TAX

Majority of the Group companies, that are offering medical services and are operating in the Russian Federation, apply 0% corporate income tax rate. Other companies apply standard income tax rate of 20% or 15%.

The Group recognised tax benefit of RUB5,408 thousand in the reporting period mostly due to the increase in the deferred tax assets for LLC MD Project 2010 and M&C Tyumen whose profits are taxable at 20% and tax losses were incurred during six months ended 30 June 2019.

10. EARNINGS PER SHARE

	30 June 2019	30 June 2018
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	1,175,672	1,140,470
Weighted average number of ordinary shares in issue during the period	75,115,411	75,110,710
Basic and fully diluted earnings per share (RUB)	<u>15.65</u>	<u>15.18</u>

11. DIVIDENDS

On 22 March 2019 the Board of Directors declared final dividends for the year 2018 attributable to the owners of the Company amounting to RUB800,081 thousand (USD12,552 thousand), which corresponds to RUB10.65 (USD0.17) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 23 April 2019. The dividends were paid on 25 June 2019.

On 16 March 2018 the Board of Directors declared final dividends for the year 2017 attributable to the owners of the Company amounting to RUB450,750 thousand (USD7,905 thousand), which corresponds to RUB6.0 (USD0.11) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 17 April 2018. The dividends were paid on 22 May 2018.

12. PROPERTY, PLANT AND EQUIPMENT

The cumulative effect of adopting IFRS 16 recognised by the Group as an adjustment to the opening balance of assets was RUB329,591 thousand as at 1 January 2019 and resulted to additional depreciation amounted RUB71,304 thousand.

Additions to property, plant and equipment during the six months ended 30 June 2019 amounted to RUB2,454,811 thousand including the amount of borrowing costs capitalised amounted to RUB84,548 thousand (RUB75,661 thousand for the six months ended 30 June 2018). Capitalisation rate for loans varied from 8.25% to 10.15% for the six months ended 30 June 2019 (from 9.45% to 10.15% for the six months ended 30 June 2018).

As at 30 June 2019 construction in progress mainly includes construction costs of Lapino hospital amounted to RUB764,478 thousand.

The total net book value of property, plant and equipment which is held as collateral for the loans and borrowings is RUB10,202,006 thousand as at 30 June 2019 (as at 31 December 2018: RUB8,756,360 thousand).

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period from 1 January 2019 to 30 June 2019

13. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES

	30 June 2019 <i>RUB'000</i>	31 December 2018 <i>RUB'000</i>
CAPEX prepayments	472,266	592,416
Trade receivables	343,856	279,644
Advances paid to suppliers	110,556	99,818
Deferred expenses	5,589	10,777
Other receivables	69,069	65,529
	<u>1,001,336</u>	<u>1,048,184</u>
Non-current portion	472,293	592,416
Current portion	529,043	455,768
	<u>1,001,336</u>	<u>1,048,184</u>

CAPEX prepayments represent capital expenditure prepayments under contracts for construction works and acquisition of plant and equipment.

Ageing analysis of trade receivables:

	Gross amount 30 June 2019 <i>RUB'000</i>	Loss allowance 30 June 2019 <i>RUB'000</i>	Gross amount 31 December 2018 <i>RUB'000</i>	Loss allowance 31 December 2018 <i>RUB'000</i>
Not past due	290,633	(355)	259,657	-
Past due	151,610	(98,032)	115,366	(95,379)
	<u>442,243</u>	<u>(98,387)</u>	<u>375,023</u>	<u>(95,379)</u>

In addition to the bad debt provision accrued as at 30 June 2019 the accounts receivable in the amount of RUB4,849 thousand were written-off during the period ended 30 June 2019 (for the period ended 30 June 2018: RUB26,291 thousand).

The Group performed the calculation of ECL rates separately for patients, legal entities and insurance companies, meanwhile ECL rates for the insurance companies were calculated based on their ratings.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for patients as at 30 June 2019.

	Weighted-average loss rate	Gross amount <i>RUB'000</i>	Loss allowance <i>RUB'000</i>	Credit-impaired
0-30 days past due	26%	46,047	(11,867)	partly
31-60 days past due	49%	5,462	(2,656)	partly
61-90 days past due	59%	4,210	(2,490)	partly
more than 91 days past due	90%	65,111	(58,454)	partly
		<u>120,830</u>	<u>(75,467)</u>	

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables for legal entities except insurance companies as at 30 June 2019.

	Weighted-average loss rate	Gross amount <i>RUB'000</i>	Loss allowance <i>RUB'000</i>	Credit-impaired
0-30 days not past due	2%	14,914	(355)	partly
31-60 days past due	8%	8,184	(631)	partly
61-90 days past due	19%	778	(149)	partly
more than 91 days past due	100%	21,818	(21,785)	partly
		<u>45,694</u>	<u>(22,920)</u>	

Based on the analysis of the historical data for accounts receivable from insurance companies amounted to RUB267,457 and accounts receivable from related parties amounted to RUB8,262 no provision is accrued as at 30 June 2019.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period from 1 January 2019 to 30 June 2019

14. CASH AND CASH EQUIVALENTS

	30 June 2019 <i>RUB'000</i>	31 December 2018 <i>RUB'000</i>
Cash at bank and in hand	791,370	476,530
Bank deposits with maturity less than 3 months	1,446,983	2,238,951
	<u>2,238,353</u>	<u>2,715,481</u>

Currency:

	30 June 2019 <i>RUB'000</i>	31 December 2018 <i>RUB'000</i>
RUB	2,165,137	2,307,350
USD	72,206	406,983
EUR	1,010	1,148
	<u>2,238,353</u>	<u>2,715,481</u>

15. SHARE CAPITAL

	Number of shares	Nominal value <i>USD</i>	Share capital <i>RUB'000</i>	Share capital <i>USD'000</i>
Authorised	125,250,000	0.08	-	10,020
Issued and fully paid ordinary shares	75,125,010	0.08	180,585	6,010

16. LOANS AND BORROWINGS

	30 June 2019 <i>RUB'000</i>	31 December 2018 <i>RUB'000</i>
Non-current liabilities		
Bank loans	4,873,364	4,586,532
Lease liabilities	231,288	-
Current liabilities		
Bank loans	1,114,510	1,078,743
Lease liabilities	125,594	-
Total loans and borrowings	<u>6,344,756</u>	<u>5,665,275</u>

Maturity of loans and borrowings:

	30 June 2019 <i>RUB'000</i>	31 December 2018 <i>RUB'000</i>
Within one year	1,240,104	1,078,743
Between one and five years	4,695,868	4,306,546
More than 5 years	408,784	279,986
	<u>6,344,756</u>	<u>5,665,275</u>

The total net book value of property, plant and equipment which is held as collateral for the bank loans is disclosed in Note 12.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period from 1 January 2019 to 30 June 2019

16. LOANS AND BORROWINGS (continued)

The terms and debt repayment schedule of loans are as follows:

	Currency	Effective interest rate	Maturity	30 June 2019		31 December 2018	
				Face value RUB'000	Carrying amount RUB'000	Face value RUB'000	Carrying amount RUB'000
Secured bank loan	RUB	8.45%	2023	2,293,271	2,293,271	2,482,210	2,482,210
Secured bank loan	RUB	9.15%	2024	2,002,668	2,002,668	1,940,094	1,940,094
Secured bank loan	RUB	8.25%	2022	810,510	810,510	989,831	989,831
Secured bank loan	RUB	8.25%	2026	796,101	796,101	38,954	38,954
Unsecured bank loan	RUB	8.45%	2019	70,915	70,915	189,150	189,150
Unsecured bank loan	RUB	9.15%	2020	11,409	11,409	16,084	16,084
Unsecured bank loan	RUB	14.20%	2019	3,000	3,000	8,952	8,952
Current lease liabilities	RUB	8.64-9.09%	2020	125,594	125,594	-	-
Non-current lease liabilities	RUB	8.64-9.03%	2028	231,288	231,288	-	-
				6,344,756	6,344,756	5,665,275	5,665,275

17. CONTRACT LIABILITIES (DEFERRED INCOME)

Contract liabilities that relate to long term client advances represent money received from patients on stem cells storage contracts lasting from 1 to 30 years. Contract liabilities that relate to short term client advances represent money received from patients on stem cells storage contracts, childbirth management contracts lasting from 1 to 9 months, and children care contracts valid up to 1 year.

18. TRADE AND OTHER PAYABLES

	30 June 2019 RUB'000	31 December 2018 RUB'000
Other payables to tax authorities	567,316	526,548
Accruals	475,117	390,810
Trade payables	497,928	285,042
Payables to employees	268,608	320,940
Taxes payable	178,966	159,591
CAPEX payables	152,628	101,933
Income tax liability	2,344	2,191
Other payables	30,664	34,382
	2,173,571	1,821,437
Non-current portion	457,097	435,809
Current portion	1,716,474	1,385,628
	2,173,571	1,821,437

19. RELATED PARTY TRANSACTIONS

19.1. Operations with key management personnel

The remuneration of the members of the key management personnel and non-executive directors for the six months ended 30 June 2019 was RUB39,060 thousand (for the six months ended 30 June 2018: RUB25,514 thousand).

The remuneration of the members of the key management personnel which remained unpaid as at 30 June 2019 was RUB6,257 thousand (as at 31 December 2018: RUB16,475 thousand).

The Group provided medical informational services to related parties amounted to RUB10,252 thousand for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period from 1 January 2019 to 30 June 2019

19. RELATED PARTY TRANSACTIONS (continued)

19.1. Operations with key management personnel (continued)

The receivables from medical informational services which remained unpaid as at 30 June 2019 was RUB5,872 thousand (the payables as at 31 December 2018: RUB939 thousand).

The Group received medical services from related parties amounted to RUB6,029 thousand for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

The payables from medical services which remained unpaid as at 30 June 2019 was RUB1,961 thousand (the payables as at 31 December 2018: nil).

The Group provided advertising services to the key management personnel for the six months ended 30 June 2019 amounted to RUB627 thousand (for the six months ended 30 June 2018: RUB611 thousand).

The receivables for advertising services which remained unpaid as at 30 June 2019 was RUB279 thousand (as at 31 December 2018: RUB336 thousand).

The Group purchased intangible assets from related parties amounted to RUB3,080 thousand for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

19.2. Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 30 June 2019, 31 December 2018 and as at the date of signing these condensed consolidated interim financial statements are as follows, except for Vitaly Ustimenko:

<u>Name</u>	<u>Type of interest</u>	<u>Effective interest %</u>
Mark Kurtser	Indirect ownership of shares	67.90
Kirill Dmitriev	Indirect interest in shares	5.55
Simon Rowlands	Direct ownership of shares	0.33

Indirect interest in shares by Kirill Dmitriev arises through his capacity as key management personnel of indirect shareholder.

The calculation of effective interest is based on the total amount of issued and fully paid shares, including treasury shares acquired by the Company.

Member of the Board of Directors Vitaly Ustimenko acquired GDRs on 17 July 2019, as a result the share of ownership increased to 0.002% of the Company's share capital.

20. CAPITAL COMMITMENTS

Capital commitments mostly comprise of the obligations under construction contracts in the amount of RUB2,362,711 thousand as at 30 June 2019 (as at 31 December 2018: RUB3,808,490 thousand).

21. EVENTS AFTER THE REPORTING PERIOD

On 26 July 2019 changes in Tax Code of Russian Federation came into force through changes in Federal law 395-N. According to these changes medical companies are perpetual subject to 0% income tax rate (previously 0% income tax rate was an exemption for the period up to 5 years until 1 January 2020). These changes will have a material effect on the deferred taxes balances and net profit of the Group and also will effect the assessment of goodwill impairment. The management is in process of the evaluation of the effect.