



MD MEDICAL GROUP INVESTMENTS PLC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 June 2014

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 June 2014

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 Statement of Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	4 - 5
Condensed Consolidated Statement of Cash Flows	6 - 7
Notes to the Condensed Consolidated Interim Financial Statements	8 - 21



KPMG Limited
Chartered Accountants
11, June 16th 1943 Street
3022 Limassol, Cyprus
P.O.Box 50161
3601 Limassol, Cyprus

Telephone +357 25 869000
Fax +357 25 363842
E-mail limassol@kpmg.com.cy
Internet www.kpmg.com.cy

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TO THE MEMBERS OF

MD Medical Group Investments 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 2014, the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this 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 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Zakis E. Hadjizacharias, CA
Certified Public Accountant and Registered Auditor

for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

11, June 16th 1943 Street
3022 Limassol
Cyprus

5 September 2014

Board Members:

N.G. Syrimis, A.K. Christofides, E.Z. Hadjizacharias, P.G. Loizou
A.M. Gregoriades, A.A. Demetriou, D.S. Vakis, A.A. Apostolou
S.A. Lozides, M.A. Lozides, S.G. Sofocleous, M.M. Antoniadis
C.V. Vasiliou, P.E. Antoniadis, M.J. Halios, M.P. Michael, P.A. Peleties
G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shammoutis
G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos
M.G. Gregoriades, H.A. Kakoullis, G.P. Savva, C.A. Kalias, C.N. Kallis
M.H. Zavrou, P.S. Elia, M.G. Lazarou, Z.E. Hadjizacharias
P.S. Theophanous, M.A. Karantoni, C.A. Markides

Nicosia

P.O.Box 21121, 1502
Telephone +357 22 209000
Fax +357 22 678200

Larnaca

P.O.Box 40075, 6300
Telephone +357 24 200000
Fax +357 24 200200

Paphos

P.O.Box 60288, 8101
Telephone +357 26 943050
Fax +357 26 943062

Paralimni / Ayia Napa

P.O.Box 33200, 5311
Telephone +357 23 820080
Fax +357 23 820084

Polis Chrysochou

P.O.Box 66014, 8330
Telephone +357 26 322098
Fax +357 26 322722

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOMEFor the period from 1 January 2014 to 30 June 2014

	Note	2014 RUB'000	2013 RUB'000
Revenue	4	3,330,172	2,577,752
Cost of sales	5	<u>(1,956,106)</u>	<u>(1,605,479)</u>
Gross profit		1,374,066	972,273
Other income		2,536	2,222
Administrative expenses	6	(632,251)	(524,447)
Other expenses		<u>(3,162)</u>	<u>(1,703)</u>
Operating profit		<u>741,189</u>	<u>448,345</u>
Finance income		26,536	35,060
Finance expenses		(162,374)	(166,721)
Net foreign exchange transactions gain / (loss)		<u>64,360</u>	<u>(45,564)</u>
Net finance expenses	8	<u>(71,478)</u>	<u>(177,225)</u>
Profit before tax		669,711	271,120
Taxation	9	<u>(44,761)</u>	<u>(21,320)</u>
Profit for the period		<u>624,950</u>	<u>249,800</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations		<u>-</u>	<u>235,074</u>
Total comprehensive income for the period		<u>624,950</u>	<u>484,874</u>
Profit for the period attributable to:			
Owners of the Company		567,632	192,472
Non-controlling interests		<u>57,318</u>	<u>57,328</u>
		<u>624,950</u>	<u>249,800</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		567,632	427,546
Non-controlling interests		<u>57,318</u>	<u>57,328</u>
		<u>624,950</u>	<u>484,874</u>
Basic and fully diluted earnings per share (RUB)	10	<u>7.56</u>	<u>2.56</u>

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

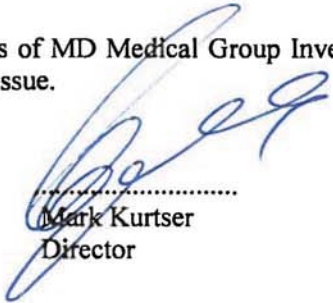
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2014 RUB'000	31 December 2013 RUB'000
Assets			
Property, plant and equipment	12	10,569,040	9,209,792
Intangible assets	13	447,095	451,911
Trade, other receivables and deferred expenses	15	506,429	437,719
Investments		2,000	2,000
Deferred tax assets		<u>3,373</u>	<u>1,241</u>
Total non-current assets		<u>11,527,937</u>	<u>10,102,663</u>
Inventories	14	116,198	110,931
Trade, other receivables and deferred expenses	15	177,584	151,802
Current income tax asset		6,024	8,160
Investments		-	1,750
Cash and cash equivalents	16	2,023,886	3,273,342
Assets held for sale		<u>45,767</u>	<u>-</u>
Total current assets		<u>2,369,459</u>	<u>3,545,985</u>
Total assets		<u>13,897,396</u>	<u>13,648,648</u>
Equity			
Share capital	17	180,585	180,585
Reserves	18	<u>9,013,150</u>	<u>8,629,629</u>
Total equity attributable to owners of the Company		<u>9,193,735</u>	<u>8,810,214</u>
Non-controlling interests		<u>369,825</u>	<u>398,944</u>
Total equity		<u>9,563,560</u>	<u>9,209,158</u>
Liabilities			
Loans and borrowings	19	2,257,189	2,379,389
Obligations under finance leases		238	1,093
Trade and other payables	20	-	4,349
Deferred tax liabilities		5,647	5,848
Deferred income	21	<u>79,701</u>	<u>72,025</u>
Total non-current liabilities		<u>2,342,775</u>	<u>2,462,704</u>
Loans and borrowings	19	475,077	617,865
Obligations under finance leases		401	1,797
Trade and other payables	20	859,281	748,001
Deferred income	21	645,619	607,963
Current income tax liability		<u>10,683</u>	<u>1,160</u>
Total current liabilities		<u>1,991,061</u>	<u>1,976,786</u>
Total liabilities		<u>4,333,836</u>	<u>4,439,490</u>
Total equity and liabilities		<u>13,897,396</u>	<u>13,648,648</u>


On 5 September 2014 the Board of Directors of MD Medical Group Investments Plc authorised these condensed consolidated interim financial statements for issue.



 Elena Mladova
 Director



 Mark Kurtser
 Director



 Vitaly Ustimenko
 Chief Financial Officer

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2014 to 30 June 2014

	Attributable to owners of the Company					Non-controlling interests RUB'000	Total equity RUB'000	
	Note	Share capital RUB'000	Share premium RUB'000	Other reserves RUB'000	Retained earnings RUB'000			Total RUB'000
Balance at 1 January 2013		<u>180,585</u>	<u>5,243,319</u>	<u>(759,082)</u>	<u>3,617,738</u>	<u>8,282,560</u>	<u>340,857</u>	<u>8,623,417</u>
Comprehensive income								
Profit for the period		-	-	-	192,472	192,472	57,328	249,800
Other comprehensive income								
Foreign currency translation differences		-	-	235,074	-	235,074	-	235,074
Total comprehensive income for the period		-	-	235,074	192,472	427,546	57,328	484,874
Contributions by and distributions to owners								
Dividends	11	-	-	-	(313,873)	(313,873)	(20,000)	(333,873)
Total transactions with owners		-	-	-	(313,873)	(313,873)	(20,000)	(333,873)
Changes in ownership interests								
Non-controlling interest in acquired subsidiaries		-	-	-	-	-	2,105	2,105
Non-controlling interest in newly incorporated entities		-	-	-	-	-	1,020	1,020
Total changes in ownership interests		-	-	-	-	-	3,125	3,125
Balance at 30 June 2013		<u>180,585</u>	<u>5,243,319</u>	<u>(524,008)</u>	<u>3,496,337</u>	<u>8,396,233</u>	<u>381,310</u>	<u>8,777,543</u>

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the period from 1 January 2014 to 30 June 2014

	Note	Attributable to owners of the Company					Total RUB'000	Non- controlling interests RUB'000	Total equity RUB'000
		Share capital RUB'000	Share premium RUB'000	Treasury shares RUB'000	Other reserves RUB'000	Retained earnings RUB'000			
Balance at 31 December 2013		180,585	5,243,319	-	(544,493)	3,930,803	8,810,214	398,944	9,209,158
Effect of change in functional currency		-	-	-	(110,859)	110,859	-	-	-
Balance at 1 January 2014		<u>180,585</u>	<u>5,243,319</u>	<u>-</u>	<u>(655,352)</u>	<u>4,041,662</u>	<u>8,810,214</u>	<u>398,944</u>	<u>9,209,158</u>
Comprehensive income									
Profit for the period and total comprehensive income		-	-	-	-	567,632	567,632	57,318	624,950
Contributions by and distributions to owners									
Dividends	11	-	-	-	-	(180,271)	(180,271)	(84,707)	(264,978)
Acquisition of treasury shares		-	-	(5,568)	-	-	(5,568)	-	(5,568)
Total transactions with owners		-	-	(5,568)	-	(180,271)	(185,839)	(84,707)	(270,546)
Changes in ownership interests									
Acquisition of additional share in subsidiary		-	-	-	-	1,728	1,728	(1,730)	(2)
Balance at 30 June 2014		<u>180,585</u>	<u>5,243,319</u>	<u>(5,568)</u>	<u>(655,352)</u>	<u>4,430,751</u>	<u>9,193,735</u>	<u>369,825</u>	<u>9,563,560</u>

Share premium is not available for distribution.

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWSFor the period from 1 January 2014 to 30 June 2014

	Note	2014 RUB'000	2013 RUB'000
Cash flows from operating activities			
Profit for the period		624,950	249,800
Adjustments for:			
Depreciation of property, plant and equipment	12	218,837	192,004
Loss from the sale of property, plant and equipment		251	3,945
Amortisation of intangible assets	13	8,726	4,385
Interest income	8	(26,536)	(35,060)
Finance expense	8	162,374	166,721
Net foreign exchange transactions (gain) / loss	8	(64,360)	45,564
Taxation	9	44,761	21,320
Cash flows from operations before working capital changes		969,003	648,679
(Increase) / decrease in inventories		(5,267)	1,520
Increase in trade and other receivables		(29,460)	(17,461)
Increase in trade and other payables		43,874	64,880
Increase in deferred income		45,332	44,292
Cash flows from operations		1,023,482	741,910
Tax paid		(35,435)	(8,397)
Net cash flows from operating activities		988,047	733,513
Cash flows from investing activities			
Payment for acquisition/construction of property, plant and equipment		(1,639,492)	(752,147)
Proceeds from disposal of property, plant and equipment		61	381
Payment for acquisition of intangible assets		(4,468)	(1,074)
Deposit of short term investments		-	(1,573,555)
Repayment of loans granted		-	87
Acquisition of subsidiaries, net cash outflow on acquisition		-	(647,603)
Withdrawal of investments		-	2,483,464
Interest received		26,536	33,488
Net cash flow used in investing activities		(1,617,363)	(456,959)

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)For the period from 1 January 2014 to 30 June 2014

	Note	2014 RUB'000	2013 RUB'000
Cash flows from financing activities			
GDR contributions received from underwriters		-	150,216
Proceeds from borrowings		5,806	96,467
Acquisition of treasury shares		(3,130)	-
Repayment of borrowings		(270,677)	(38,877)
Repayment of obligations under finance leases		(2,338)	(1,622)
Finance expense paid		(157,748)	(165,780)
Increase in ownership in subsidiary		(2)	-
Dividends paid to the owners of the Company		(180,271)	(313,873)
Dividends paid to non-controlling interests		(79,778)	(34,700)
Net cash flows used in financing activities		<u>(688,138)</u>	<u>(308,169)</u>
Net decrease in cash and cash equivalents		(1,317,454)	(31,615)
Cash and cash equivalents at the beginning of the period		3,273,342	2,582,933
Effect of exchange rate changes on cash and cash equivalents		<u>67,998</u>	<u>119,531</u>
Cash and cash equivalents at the end of the period	16	<u>2,023,886</u>	<u>2,670,849</u>

The notes on pages 8 to 21 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 period from 1 January 2014 to 30 June 2014

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 84, Spyrou Kyprianou Avenue, 2nd floor, office #7, 4004 Limassol, Cyprus.

The condensed consolidated interim financial statements for the six months ended 30 June 2014 consist of the condensed consolidated statement of financial position as at the aforementioned date and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows and other explanatory notes of the Company and its subsidiaries (which together are referred to as "the Group") for the reporting period.

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.

The Group's medical centers typically offer a range of services in the following fields:

- Obstetrics and gynaecology;
- Paediatrics;
- Fertility and in-vitro fertilisation ("IVF") treatment;
- Other medical services.

Other medical services include but are not limited to dental care, laboratory examinations, surgery, traumatology and rehabilitation.

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

<u>Name</u>	<u>Country of incorporation</u>	<u>Activities</u>	<u>Notes</u>	30 June 2014 Effective Holding %	31 December 2013 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		54	54
LLC Capital Group	Russian Federation	Renting of property, retail		80	80
LLC FimedLab	Russian Federation	Medical services		60	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	1	100	100
LLC Clinica Zdorovia	Russian Federation	Medical services		60	60
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 Ecodeure	Russian Federation	Medical services		85	85
LLC Mother and Child Perm	Russian Federation	Medical services		80	80
LLC Mother and Child Ufa	Russian Federation	Medical services	2	80	80
LLC Mother and Child Saint-Petersburg	Russian Federation	Medical services	2	60	60
LLC MD PROJECT 2010	Russian Federation	Medical services	3	100	80
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	2	60	60
LLC MD Service	Russian Federation	Pharmaceutics retail	4	98	98
LLC Mother and Child Nizhny Novgorod	Russian Federation	Medical services		100	100

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 June 2014

1. INCORPORATION AND PRINCIPAL ACTIVITIES *(continued)*

<u>Name</u>	<u>Country of incorporation</u>	<u>Activities</u>	<u>Notes</u>	30 June 2014 Effective Holding %	31 December 2013 Effective Holding %
LLC Mother and Child Yekaterinburg	Russian Federation	Medical services		100	100
LLC TechMedCom	Russian Federation	Service company	5	-	-
LLC Service Hospital Company	Russian Federation	Service company	5	-	-
Vitanostra Ltd	Cyprus	Holding of investments	6	100	100
LLC NPC MIR	Russian Federation	Holding of investments	7	100	100
LLC MK IDK	Russian Federation	Medical services	7	100	100
LLC Apteka IDK	Russian Federation	Pharmaceutics retail	7	100	100
LLC CSR	Russian Federation	Medical services	7	100	100
LLC Centre of Reproductive Medicine	Russian Federation	Medical services	8	85	85
LLC MD Assistance	Russian Federation	Assistance services	9	100	100
LLC Mother and Child Yaroslavl	Russian Federation	Medical services	9	80	80
LLC MD Management	Russian Federation	Management company	9	100	100
LLC Mother and Child Ryazan	Russian Federation	Medical services	10	100	-
Shelly Management ltd	BVI	Holding of investments	7, 10	100	-

Notes:

- 1% of the share capital of this entity is directly owned by the Company and 99% of the share capital of this entity is indirectly owned through LLC Khaven. Thus effective holding percentage for the entity is 100%.
- These entities are indirectly owned through LLC Khaven.
- In March 2014 the Company acquired additional 20% share in LLC MD PROJECT 2010.
- 95% of the share capital of the entity is directly owned by the Company and 5% of the share capital is owned by LLC Clinica Zdorovia. Thus effective holding percentage for the entity is 98%.
- These entities were incorporated in 2013 and, although not directly owned by the Group, are controlled by the Group since most of their activities are carried out on behalf of the Group.
- This entity was acquired in March 2013. The transaction was completed during April 2013 following the regulatory approval.
- These entities are indirectly owned through Vitanostra Ltd.
- The 80% share in this entity was acquired in May 2013. In July 2013 the Company has acquired the additional 5% share.
- These entities were incorporated in 2013.
- These entities were incorporated in 2014.

As of 30 June 2014, 67.90% of the Company's share capital is owned by MD Medical Holding Limited (registered in Cyprus), a company beneficially owned by Dr. Mark Kurtser. The remaining 32.10% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders.

MD MEDICAL GROUP INVESTMENTS PLC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the period from 1 January 2014 to 30 June 2014

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 2013 and for the year then ended.

The condensed consolidated interim financial statements were approved by the Board of Directors and were authorised for issue on 5 September 2014.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except in the case of finance leases which are shown at their fair value.

(c) Use of estimates and judgements

Preparing these condensed consolidated interim financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013.

(d) Functional and presentation currency

For the reporting periods before the year 2014, the functional currency of the Company was the US dollar (US\$). The Management of the Company decided that the Russian Ruble (RUB) is the functional currency of the Company, with effect from 2014. This change is made in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", since primary cash income and expenditure of the Company since 2014 are nominated in RUB.

All of the operational Group entities are located in the Russian Federation and have RUB as their functional currency.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 2013 and for the year then ended, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The Group has adopted for the first time the following new standards and amendments to standards, including any consequent amendments to other standards, with the date of initial application of 1 January 2014 in the preparation of the full consolidated financial statements:

- IFRS 10 "Consolidated Financial Statements";
- IFRS 12 "Disclosure of Interest in Other Entities".

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Several other new standards and amendments apply for the first time in 2014. However, they do not impact these condensed consolidated interim financial statements of the Group.

The nature and the effect of the changes or amendments of the standards are further explained below.

(a) IFRS 10 “Consolidated Financial Statements”

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use this power to affect those returns. In particular, IFRS 10 requires the Group to consolidate investees that it controls on the basis of de facto circumstances. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group’s investees held as at 31 December 2013.

(b) IFRS 12 “Disclosure of Interest in Other Entities”

IFRS 12 applies to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structure entities. IFRS 12 requires an entity to disclose information that enables users of financial statements to understand and evaluate nature and extent of its interests in other entities, the risks associated with those interests and their impact on its financial position, financial performance and cash flows. The amendment had no impact on the Group’s financial position or performance.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. REVENUE

	30 June 2014 RUB'000	30 June 2013 RUB'000
Deliveries	660,524	596,565
Obstetrics and Gynaecology out-patient treatments	615,504	505,224
IVF	533,678	342,122
Paediatrics out-patient treatments	416,127	353,627
Obstetrics and Gynaecology in-patient treatments	335,122	294,748
Other medical services	530,866	287,881
Sales of goods	94,061	56,950
Paediatrics in-patient treatments	88,214	87,083
Other income	<u>56,076</u>	<u>53,552</u>
	<u>3,330,172</u>	<u>2,577,752</u>

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2014 to 30 June 2014**5. COST OF SALES**

	30 June 2014 RUB'000	30 June 2013 RUB'000
Payroll and related social taxes	1,192,518	952,548
Materials and supplies used	388,580	296,775
Depreciation	188,276	167,254
Medical services	64,761	37,338
Energy and utilities	42,444	35,656
Repair and maintenance	15,126	18,025
Property tax	8,218	75,301
Other expenses	<u>56,183</u>	<u>22,582</u>
	<u>1,956,106</u>	<u>1,605,479</u>

The property tax expense has significantly declined due to agreed tax exemption for Lapino hospital. This exemption has reduced the property tax expense for the 6 months ended 30 June 2014 for RUB66,386 thousand, including RUB44,611 thousand attributable to the year 2013 and RUB21,775 thousand attributable to the 6 months ended 30 June 2014.

6. ADMINISTRATIVE EXPENSES

	30 June 2014 RUB'000	30 June 2013 RUB'000
Payroll and related social taxes	324,042	270,530
Utilities and materials	118,945	102,070
Other professional services	78,014	53,393
Advertising	34,626	32,426
Depreciation	30,561	24,750
Communication costs	10,078	5,515
Amortisation	8,726	4,385
Independent auditors' remuneration	7,279	10,303
Other expenses	<u>19,980</u>	<u>21,075</u>
	<u>632,251</u>	<u>524,447</u>

7. STAFF COSTS

	30 June 2014 RUB'000	30 June 2013 RUB'000
Wages and salaries	1,190,448	969,669
Social insurance contributions and other taxes	<u>326,112</u>	<u>253,409</u>
	<u>1,516,560</u>	<u>1,223,078</u>

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 June 2014

8. NET FINANCE EXPENSES

	30 June 2014 RUB'000	30 June 2013 RUB'000
Finance income		
Bank interest received	26,425	34,996
Interest from loans to third parties	<u>111</u>	<u>64</u>
	<u>26,536</u>	<u>35,060</u>
Finance expenses		
Interest expense		
Interest on bank loans	(128,568)	(140,003)
Interest on loans from third parties	-	(261)
Finance leases interest	(87)	(303)
Other finance expense		
Bank charges	(29,063)	(24,581)
Impairment of trade and other receivables	(2,663)	(1,573)
Other impairment provision	<u>(1,993)</u>	<u>-</u>
	<u>(162,374)</u>	<u>(166,721)</u>
Net foreign exchange transaction gain / (loss)	<u>64,360</u>	<u>(45,564)</u>
Net finance expense	<u>(71,478)</u>	<u>(177,225)</u>

9. TAX EXPENSE

Majority of the Group companies, that are offering medical services, apply 0% corporate income tax rate. Other companies, that are operating in the Russian Federation, apply standard income tax rate of 20%. The major amount of tax expense of the Group is caused by distribution of dividends from Russian subsidiaries to the Company, which is subject to 5% income tax rate in the Russian Federation.

The Group's consolidated effective income tax rate for the six months ended 30 June 2014 was 7% (year ended 31 December 2013: 9%).

10. PROFIT PER SHARE

	30 June 2014	30 June 2013
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	<u>567,632</u>	<u>192,472</u>
Weighted average number of ordinary shares in issue during the year	<u>75,124,462</u>	<u>75,125,010</u>
Basic and fully diluted earnings per share (RUB)	<u>7.56</u>	<u>2.56</u>

11. DIVIDENDS

On 5 April 2013 the Board of Directors declared a final dividend out of 2012 profits amounting to US\$9,766 thousand (RUB313,873 thousand), which corresponds to US\$0.13 (RUB4.17801) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 7 June 2013. The dividend was paid on 11 June 2013.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 June 2014

11. DIVIDENDS *(continued)*

On 14 March 2014 the Board of Directors declared a final dividend out of 2013 profits amounting to US\$5,259 thousand (RUB180,271 thousand), which corresponds to US\$0.07 (RUB2.39961) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 23 May 2014. The dividend was paid on 23 May 2014.

Dividends are subject to a deduction of special contribution to the defence fund at the rate of 20% for the tax year 2013 and 17% for 2014 and thereafter for individual shareholders that are resident in Cyprus for taxation purposes. Dividends payable to non-residents of Cyprus for taxation purposes are not subject to such a deduction.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RUB'000	Property under construction RUB'000	Plant and equipment RUB'000	Total RUB'000
2014				
Cost				
Balance at 1 January	6,616,802	1,410,570	2,416,232	10,443,604
Additions	46,108	1,506,324	71,649	1,624,081
Disposals	-	(167)	(1,897)	(2,064)
Transfer from construction in progress	-	(31,944)	31,944	-
Transfer to assets held for sale	(5,688)	(40,079)	-	(45,767)
Balance at 30 June	<u>6,657,222</u>	<u>2,844,704</u>	<u>2,517,928</u>	<u>12,019,854</u>
Depreciation				
Balance at 1 January	361,865	-	871,947	1,233,812
Depreciation during the period	67,048	-	151,789	218,837
On disposals	-	-	(1,835)	(1,835)
Balance at 30 June	<u>428,913</u>	<u>-</u>	<u>1,021,901</u>	<u>1,450,814</u>
Carrying amounts				
Balance at 30 June	<u>6,228,309</u>	<u>2,844,704</u>	<u>1,496,027</u>	<u>10,569,040</u>
2013				
Cost				
Balance at 1 January	6,111,051	195,659	1,939,924	8,246,634
Acquisitions through business combinations	149,772	38,325	150,589	338,686
Additions	220,700	1,347,690	304,201	1,872,591
Disposals	(192)	-	(14,115)	(14,307)
Transfer from construction in progress	135,471	(171,104)	35,633	-
Balance at 31 December	<u>6,616,802</u>	<u>1,410,570</u>	<u>2,416,232</u>	<u>10,443,604</u>
Depreciation				
Balance at 1 January	231,175	-	592,584	823,759
Depreciation during the year	130,690	-	284,261	414,951
On disposals	-	-	(4,898)	(4,898)
Balance at 31 December	<u>361,865</u>	<u>-</u>	<u>871,947</u>	<u>1,233,812</u>
Carrying amounts				
Balance at 31 December	<u>6,254,937</u>	<u>1,410,570</u>	<u>1,544,285</u>	<u>9,209,792</u>

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 June 2014

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Additions to property under construction are mostly related to the continuing construction of hospital in Russian city of Ufa.

The reason for reclassification of land and construction in progress to assets held for sale is management decision to sell non-core property located in Samara.

The total net book value of property, plant and equipment which is held as collateral for the borrowings, loans and leased assets are RUB5,802,619 thousand (31 December 2013: RUB6,064,050 thousand).

13. INTANGIBLE ASSETS

	Goodwill RUB'000	Patents and trademarks RUB'000	Software and web site RUB'000	Total RUB'000
2014				
Cost				
Balance at 1 January	383,547	68,975	12,971	465,493
Additions	-	-	4,406	4,406
Disposals	-	(951)	-	(951)
Balance at 30 June	<u>383,547</u>	<u>68,024</u>	<u>17,377</u>	<u>468,948</u>
Amortisation				
Balance at 1 January	-	10,768	2,814	13,582
Amortisation during the period	-	6,789	1,937	8,726
Disposals	-	(455)	-	(455)
Balance at 30 June	-	<u>17,102</u>	<u>4,751</u>	<u>21,853</u>
Carrying amounts				
Balance at 30 June	<u>383,547</u>	<u>50,922</u>	<u>12,626</u>	<u>447,095</u>
2013				
Cost				
Balance at 1 January	30,051	949	280	31,280
Acquisitions through business combinations	353,496	67,603	10,666	431,765
Additions	-	423	2,025	2,448
Balance at 31 December	<u>383,547</u>	<u>68,975</u>	<u>12,971</u>	<u>465,493</u>
Amortisation				
Balance at 1 January	-	425	187	612
Amortisation during the year	-	10,343	2,627	12,970
Balance at 31 December	-	<u>10,768</u>	<u>2,814</u>	<u>13,582</u>
Carrying amounts				
Balance at 31 December	<u>383,547</u>	<u>58,207</u>	<u>10,157</u>	<u>451,911</u>

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 June 2014

14. INVENTORIES

	30 June 2014 RUB'000	31 December 2013 RUB'000
Consumables	<u>116,198</u>	<u>110,931</u>

15. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES

	30 June 2014 RUB'000	31 December 2013 RUB'000
CAPEX prepayments	506,429	437,719
Trade receivables	72,434	76,981
Advances paid to suppliers	39,859	45,306
Deferred expenses	13,523	13,884
Other receivables	<u>51,768</u>	<u>15,631</u>
	<u>684,013</u>	<u>589,521</u>
Non-current portion	506,429	437,719
Current portion	<u>177,584</u>	<u>151,802</u>
	<u>684,013</u>	<u>589,521</u>

CAPEX prepayments represent capital expenditure prepayments made under contract by the Group for construction works and acquisition of plant and equipment.

The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collections losses is inherent in the Group's trade receivables.

Ageing analysis of trade and other receivables:

Trade receivables:	Gross amount		Impairment	
	30 June 2014 RUB'000	30 June 2014 RUB'000	31 December 2013 RUB'000	31 December 2013 RUB'000
Not past due	72,434	-	76,981	-
Past due	<u>3,516</u>	<u>(3,516)</u>	<u>2,392</u>	<u>(2,392)</u>
	<u>75,950</u>	<u>(3,516)</u>	<u>79,373</u>	<u>(2,392)</u>
Capex prepayments:	Gross amount		Impairment	
	30 June 2014 RUB'000	30 June 2014 RUB'000	31 December 2013 RUB'000	31 December 2013 RUB'000
Recoverable	506,429	-	437,719	-
Non-recoverable	<u>3,234</u>	<u>(3,234)</u>	<u>1,695</u>	<u>(1,695)</u>
	<u>509,663</u>	<u>(3,234)</u>	<u>439,414</u>	<u>(1,695)</u>

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2014 to 30 June 2014**15. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES** *(continued)*

Currency:	30 June 2014 RUB'000	31 December 2013 RUB'000
Russian Ruble	285,829	205,775
United States Dollar	152,514	240,135
Euro	<u>245,670</u>	<u>143,611</u>
	<u>684,013</u>	<u>589,521</u>

16. CASH AND CASH EQUIVALENTS

Cash balances are analysed as follows:

	30 June 2014 RUB'000	31 December 2013 RUB'000
Cash at bank and in hand	890,891	2,741,492
Bank deposits with maturity less than 3 months	<u>1,132,995</u>	<u>531,850</u>
	<u>2,023,886</u>	<u>3,273,342</u>

Currency:	30 June 2014 RUB'000	31 December 2013 RUB'000
Russian Ruble	870,895	1,487,020
Euro	421	416
United States Dollar	<u>1,152,570</u>	<u>1,785,906</u>
	<u>2,023,886</u>	<u>3,273,342</u>

17. SHARE CAPITAL

	Number of shares	Nominal value US\$	Share capital RUB'000	Share capital US\$'000
Authorised	<u>125,250,000</u>	<u>0.08</u>	<u>-</u>	<u>10.020</u>
Issued and fully paid	<u>75,125,010</u>	<u>0.08</u>	<u>180,585</u>	<u>6.010</u>

18. RESERVES**Share premium**

Share premium reserves include the total amounts received in excess of the total nominal value of the new share capital issued. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity (share premium) net of any tax effect.

Retained earnings

Retained earnings include accumulated profits and losses incurred by the Group.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 June 2014

18. RESERVES *(continued)***Other reserves**

Other reserves include common control transactions reserve, translation reserve and capital contribution reserve.

Common control transactions reserve includes differences between the carrying amount of net assets acquired through purchases of subsidiaries from parties under common control and the consideration paid for their acquisition. Common control transactions reserve amounted to RUB(682,873) thousand on 30 June 2014 (31 December 2013: RUB(682,873) thousand).

Capital contribution reserve includes contributions made by the shareholders directly in the reserves. The shareholders do not have any rights on these contributions which are distributable at the discretion of the Board of Directors, subject to the shareholders' approval. Capital contribution reserve amounted to RUB27,521 thousand on 30 June 2014 (31 December 2013: RUB27,521 thousand).

Exchange differences relating to the translation of the net assets of the Company from its functional currency to the Group's presentation currency before changing the functional currency of the Company from US Dollars to Russian Rubles were recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Foreign currency translation reserve amounted to nil on 30 June 2014 (31 December 2013: RUB110,859 thousand), as a result of transferring the translation reserve to retained earnings as at 1 January 2014 in connection with the change in functional currency of the Company (please refer to note 2(d)).

19. LOANS AND BORROWINGS

	30 June 2014 RUB'000	31 December 2013 RUB'000
Long term liabilities		
Bank loans	<u>2,257,189</u>	<u>2,379,389</u>
Short term liabilities		
Bank loans	<u>475,077</u>	<u>617,865</u>
Maturity of loans and borrowings:		
Within one year	475,077	617,865
Between one and five years	2,257,189	2,379,389
More than five years	<u>-</u>	<u>-</u>
	<u>2,732,266</u>	<u>2,997,254</u>

For description of collaterals regarding loans and borrowings please refer to note 12.

As at 30 June 2014, the terms and debt repayment schedule of loans is as follows:

	Currency	Nominal interest rate	Year of maturity	30 June 2014		31 December 2013	
				Face value RUB'000	Carrying amount RUB'000	Face value RUB'000	Carrying amount RUB'000
Secured bank loan	RUB	9%	2013 - 2018	2,289,733	2,289,733	2,534,712	2,534,712
Secured bank loan	RUB	9%	2014 - 2019	392,446	392,446	392,446	392,446
Unsecured bank loan	RUB	9%	2013 - 2015	50,087	50,087	44,398	44,398
Secured bank loans	RUB	9%-12%	2013 - 2014	<u>-</u>	<u>-</u>	<u>25,698</u>	<u>25,698</u>
				<u>2,732,266</u>	<u>2,732,266</u>	<u>2,997,254</u>	<u>2,997,254</u>

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 June 2014

20. TRADE AND OTHER PAYABLES

	30 June 2014 RUB'000	31 December 2013 RUB'000
CAPEX payables	311,851	255,371
Accruals	189,855	154,017
Payables to employees	134,321	119,126
Trade payables	120,813	108,244
Taxes payable	91,618	102,167
Other payables	<u>10,823</u>	<u>13,425</u>
	<u>859,281</u>	<u>752,350</u>
Non-current portion	-	4,349
Current portion	<u>859,281</u>	<u>748,001</u>
	<u>859,281</u>	<u>752,350</u>
Currency:		
Russian Ruble	580,258	532,832
United States Dollar	168,835	142,325
Euro	101,292	70,922
UK pound sterling	<u>8,896</u>	<u>6,271</u>
	<u>859,281</u>	<u>752,350</u>

CAPEX payables represent capital expenditure payable made under contract by the Group for construction works and acquisition of plant and equipment.

21. DEFERRED INCOME

	30 June 2014 RUB'000	31 December 2013 RUB'000
Patient advances	<u>725,320</u>	<u>679,988</u>
Deferred income after more than one year	79,701	72,025
Deferred income within one year	<u>645,619</u>	<u>607,963</u>
	<u>725,320</u>	<u>679,988</u>

Deferred income that relates to long term client advances represents money received from patients on stem cells storage contracts lasting from 1 to 20 years.

Deferred income that relates to short term client advances represents money received from patients on stem cells storage contracts, childbirth management contracts lasting from 1 to 9 months, and children care contracts valid for a specified period of time.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2014 to 30 June 2014

22. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

22.1 Key management personnel

The remuneration of the members of the key management personnel for the six months ended 30 June 2014 was RUB 17,432 thousand (for the six months ended 30 June 2013: RUB 26,871 thousand).

During the year ended 31 December 2013 the Company acquired 30% share capital of subsidiary from a member of the key management personnel. The total consideration paid for the acquisition of the share in subsidiary amounted to RUB 56,480 thousand.

The Company has concluded an agreement for rental of an office in Cyprus with a member of the key management personnel. The rent expense under this agreement for the 6-month period ended 30 June 2014 amounted to RUB428 thousand (for the six months ended 30 June 2013: none). The prepaid advance under this agreement at 30 June 2014 amounted to RUB454 thousand (31 December 2013: none).

22.2 Transactions with other related parties

	30 June 2014 RUB'000	30 June 2013 RUB'000
Revenue received from other related parties	-	1,462

Revenue relates to income from laboratory examinations and a royalty fee from a party related through a member of the key management personnel of the Group.

22.3 Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 30 June 2014 and as at the date of signing these consolidated financial statements are as follows:

<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 (please refer to note 17), including treasury shares acquired by the Company.

23. CAPITAL COMMITMENTS

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	30 June 2014 RUB'000	31 December 2013 RUB'000
Property, plant and equipment	5,918	5,666
Construction contracts	887,030	1,581,578
	<u>892,948</u>	<u>1,587,244</u>

MD MEDICAL GROUP INVESTMENTS PLC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the period from 1 January 2014 to 30 June 2014

24. EVENTS AFTER THE REPORTING PERIOD

On 13 August 2014 the Company announced the intention to open a new outpatient clinic in Russian city Ryazan. The new clinic is expected to open in the first quarter of 2015. The Company has already concluded the preliminary rent agreement.

On 18 August 2014 the Company announced signing a Memorandum of Understanding with the Samara Regional Government to evaluate the potential to build a new multi-disciplinary hospital in the region.

On 20 August 2014 the Company announced the proposed acquisition of Ivicend Holding limited from unrelated third parties. Ivicend Holding limited, registered under the laws of Cyprus, is an operator of the Medical Center Avicenna located in the Russian region of Novosibirsk. The acquisition is for a cash consideration of US\$45,500 thousand, for 100% of the outstanding share capital of Ivicend Holding limited, which owns 100% of Medical Center Avicenna. The transaction is expected to be completed in the second half of 2014 after regulatory approvals.

During July and August the Company has continued to purchase global depositary receipts from open market, in accordance with the long-term management incentive plan announced on 24 April 2014. As at 5 September 2014, the Company has acquired a total of 159,455 global depositary receipts, and the total costs amounted to RUB51,158 thousand. The Company expects to purchase up to 230,000 global depositary receipts, representing under 1% of the Company's issued share capital.

