MD Medical Group
MOTHER AND CHILD
GROUP OF COMPANIES

We Grow We Care

ANNUAL REPORT 2018

Contents

www.mcclinics.com

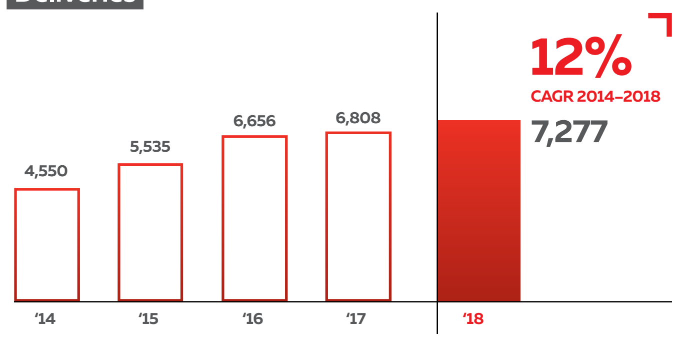
Multi-Disciplinary Leadership

Our operational and financial performance demonstrates the sustainable development of our business with high potential for further growth.

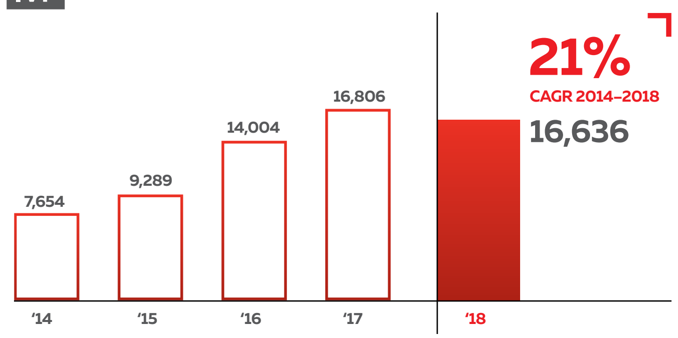
> We are continuing to ensure strong growth based on high operational performance for the benefit of our shareholders.
>
> **Dr Mark Kurtser**
> CEO

OPERATIONAL KPI's

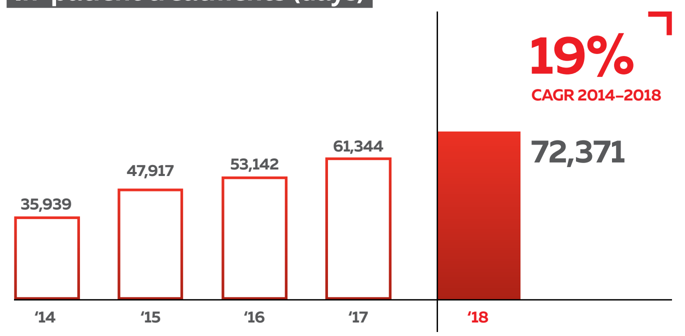
Deliveries



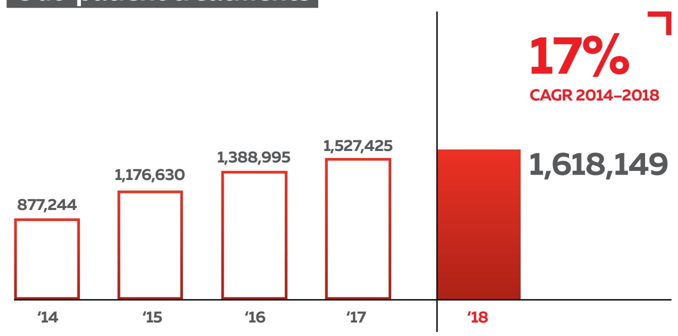
IVF



In-patient treatments (days)



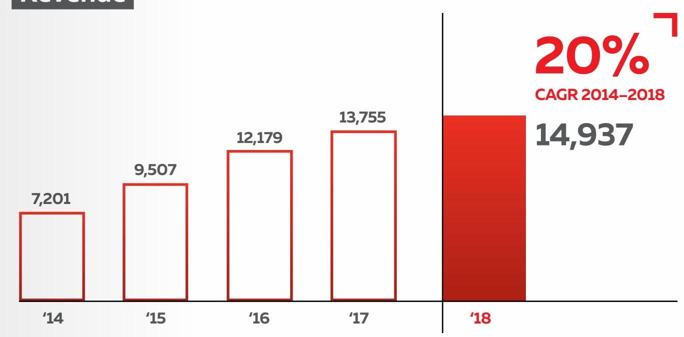
Out-patient treatments



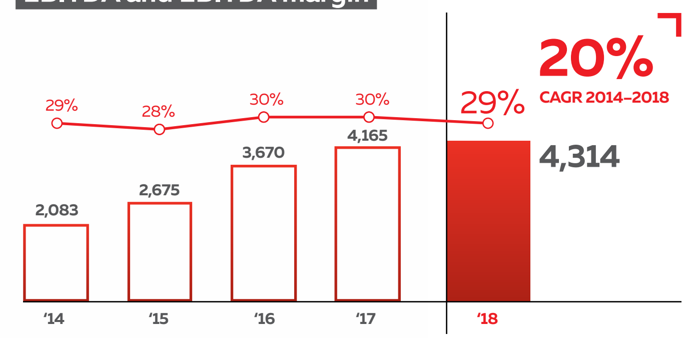
Key drivers of our growth included further capacity utilisation growth at our hospitals in Novosibirsk and Ufa, as well as the commissioning of the new hospital in Samara.

FINANCIAL KPI's (RUB MLN)

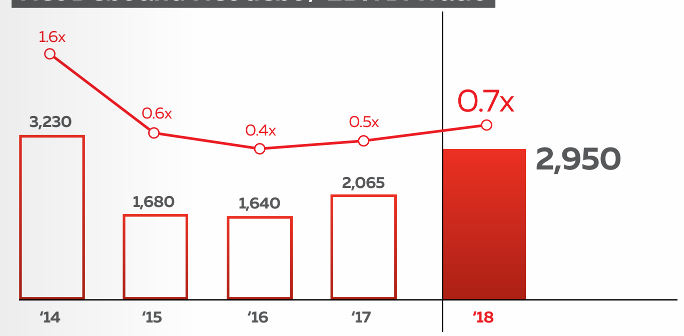
Revenue



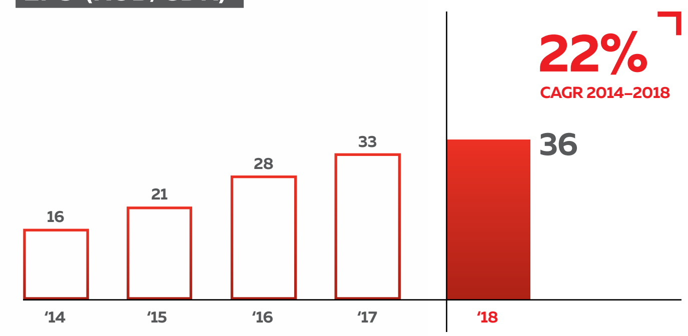
EBITDA and EBITDA margin



Net Debt and Net debt / EBITDA ratio



EPS[1] (RUB/GDR)[2]



The Company's financial position remains robust. Despite raising funds for our large-scale investment programme, our net debt to EBITDA ratio remained at a comfortable 0.7x at the end of 2018. The EBITDA margin also remained stable at 29%.

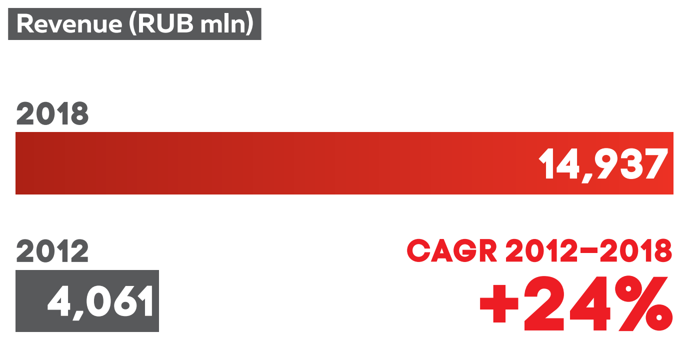
[1] EPS change rate calculated by dividing rounded amounts for years 2018 and 2017

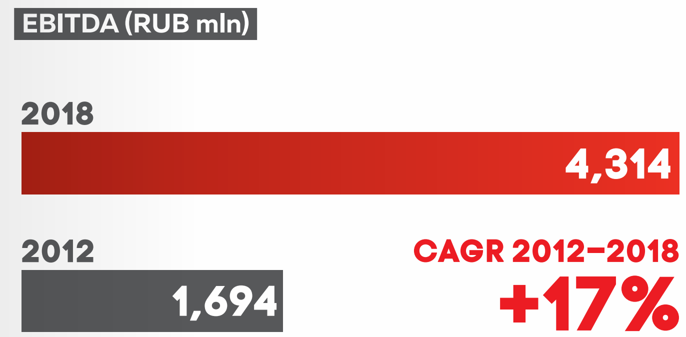
[2] Basic and fully diluted earnings per share calculated as profit for the year attributable to owners of the Company divided by weighted average number of ordinary shares in issue during the year

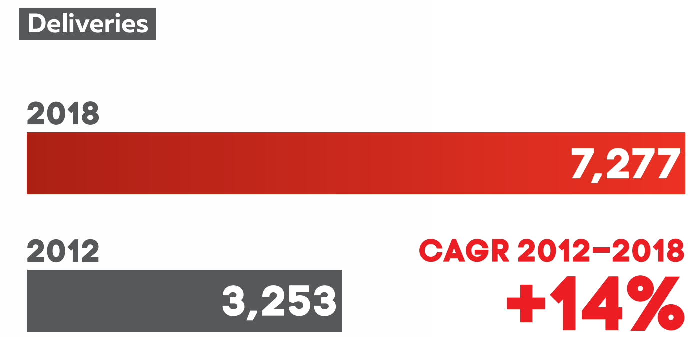
Compelling Investment Case

#1

healthcare company in Russia







First and only publicly listed healthcare company in Russia – gateway to an attractive market with solid growth potential

Consistently one of the highest revenues among Russian healthcare companies

+9% year-on-year increase in 2018

Solid sustainable growth of key financial and operational metrics since IPO

4,314 EBITDA in 2018

Leader in IVF segment in Russia

16,636 IVF cycles

7,277 deliveries in 2018

69% EV/EBITDA discount to EM peers

Best-in-class network across Russia

- Deep understanding of the Russian private healthcare market
- Widespread medical network in Russia with

41 medical centres[1] **23** regions[1]

5 highest number of private multi-functional hospitals in Russia

Attractive market fundamentals

- Low level of consolidation and saturation, specifically in the regions
- Still underdeveloped market with strong potential to grow
- Favourable regulatory environment – state support for private healthcare companies including 0% income tax rate (President Putin suggested to make this temporary benefit a perpetual regulation during his address in February 2019), perpetual medical licence, and participation in the Mandatory Health Insurance programme.
- High barriers to entry

Clear balanced growth strategy

- Proven regional expansion strategy with clear targets and track-record of successful investments
- Balanced and diversified service offering – OBGYN and IVF remain the core of our business with expanding other medical services demonstrating strong growth
- Combination of major greenfield hospital projects with a wide network of clinics providing core services benefiting from economy of scale
- Ready for use blueprint for further expansion based on competence and available resources

And yet the stock remains undervalued vs EM peers

- Currently MDMG's GDRs trade on 2018 EV/EBITDA and P/E of 6.2x and 8.4x, respectively
- This valuation represents discounts of 69% and 58% to EM peers[2]

[1] as of publication date

[2] Research of Renaissance Capital's dated 30 August 2018

Nationwide Footprint

With hospitals and clinics in 23 regions of Russia[1], we operate the most widespread private network of healthcare facilities in the country.

[1] As of publication date

We help our patients in 23 regions[1]

Dr Yulia Kutakova
PhD, Medical Director for Organisational and Scientific-Educational Work

As of the end of 2018, we were present in 12 out of 15 Russian cities with a population of more than a million as we continue to target attractive locations with strong demand for our high-quality medical services

CEO Statement

We have demonstrated strong sustainable growth since our IPO in 2012

Dr Mark Kurtser
CEO

In 2018, we continued to improve our financial performance, delivering the sixth consecutive year of growth since our IPO in 2012. We increased our revenue by 9% year-on-year to a record RUB 14,937 mln, while EBITDA grew 4% year-on-year to RUB 4,314 mln. Our net profit for the period totalled RUB 2,831 mln, up 5% year-on-year.

Our financial performance was backed by solid operating results. We had a record number of deliveries during the year, representing a 7% year-on-year increase, despite a challenging demographic situation in Russia as a whole. We also increased in-patient and out-patient treatments by 18% and 6% year-on-year, respectively.

Another important development of the year was the continued diversification of our medical services. Since our incorporation more than 15 years ago, we have focused on women's and children's healthcare. However, we have started to selectively add new medical services for all family members. In particular, our recently opened and built facilities have been multi-disciplinary from the very beginning. This has proven to be a successful strategy as we have seen strong demand for the expanded services range. In particular, in 2018 our revenue from Other Medical Services grew 22% year-on-year and accounted for 28% of the top line for the year, up 3 p.p. year-on-year. At the same time, OBGYN, in particular deliveries and IVF, remain our core focus as we have gained leadership and unique expertise in these areas, and I expect this to continue to be the case in the years to come.

Major contributors to the increased volume of other medical services were our regional hospitals and clinics in an ever-expanding network. Indeed, in 2018 we achieved significant progress in strengthening our leading footprint across Russia as part of our investment strategy particularly aimed at regional development. We opened a multi-disciplinary hospital in Samara, which saw high capacity utilisation rates across all key segments and had already reached breakeven within the first 10 months of operations. We also launched the construction of our Lapino-2 and St Petersburg hospitals which we expect to open in 2020 and in 2021, respectively, at which point these will become major drivers of future growth. We also opened six new clinics, including in four new regions – Nizhny Novgorod, Volgograd, Tula, and Tatarstan – and we modernised two existing clinics in Kostroma and Moscow. Already in 2019, we opened our first clinic in Vladivostok – in the Russian Far East. During the year, we continued the construction of our sixth multi-disciplinary hospital, which is scheduled to open in April 2019 in Tyumen, the oil capital of Russia.

> 2018 was yet another strong year for our business, as we delivered robust results, while also continuing to invest in expanding our leading network in Russia.
>
> **Dr Mark Kurtser**
> CEO

As of the end of 2018, we had 40 medical facilities – 5 hospitals and 35 clinics – across 22 regions in Russia. We continue to target the most attractive locations where we see the strongest demand for our services and are already present in 12 out of 15 Russian cities with a population of more than a million.

We achieved these impressive results in 2018 despite challenging external conditions and we have developed a solid foundation to ensure the future sustainable growth of our business.

Revenue in 2018

14,937 RUB mln

At the same time, I want to address our recent share performance as I believe our shares are significantly undervalued and do not reflect all the great achievements to-date, and strong prospects for further profitable growth. We have demonstrated strong sustainable growth since our IPO in 2012 and have continually delivered on our key plans and targets. We remain the only public company in the lucrative Russian healthcare market with robust growth potential, yet our shares trade at a considerable discount to other leading emerging market peers. While we cannot directly influence the share price and the external conditions affecting it, I can assure you that all of our employees, from the doctors to the management team, are committed to delivering the best performance for patients and shareholders alike.

In addition to this, the Group has continued to adhere to its sustainability principles. Given our understanding that sustainability requires a constructive dialogue with our stakeholders, our priority is to create shared value by offering the highest quality of services and continuous innovation. We do our best to create Human and Societal Values through our activities. The Group pays particular attention to the professional development of our people. We constantly interact with stakeholders in order to make timely changes to our activities and, consequently, to increase our effectiveness. We take into account all aspects of sustainable development, namely social, economic, and environmental, both in our day-to-day activities, and in the long-term development of our business.

I want to sincerely thank everyone who helped make 2018 another successful year for MDMG, including our shareholders for their continued trust in our business. Onwards and upwards!

Strategy

In 2018, we took a number of important steps towards implementing our strategy to support the future growth of the Company.

CONTENTS

Expansion in 2018

4 new regions

7 new medical centres

+13% area increase

Our Strategic Goals

PROVIDE THE HIGHEST QUALITY OF CARE TO PATIENTS AND ACHIEVE A HIGH LEVEL OF CUSTOMER SATISFACTION

We are strongly committed to maintaining the highest possible quality of our services and not only meeting but also exceeding our patients' expectations. We focus on ensuring that all of our facilities – both existing and new ones – adhere to MD Medical Group's customary high standards of medical care.

ROLL OUT OUR PROVEN BUSINESS MODEL

With our widespread medical network encompassing 41 facilities in 23 regions*, we have a deep understanding of the Russian market and a strong track-record. We have developed a proven regional hospital concept (based on our new Samara hospital) and three clinic concepts of various scale as we continue to implement our successful business model throughout the country.

PROVIDE BALANCED SERVICES STRUCTURE INCLUDING CORE AND OTHER MEDICAL SERVICES

While we initially focused solely on women's and children's healthcare, over the years once we were 100% sure we could maintain our customary high level of service, we have been adding other medical services for all family members. Today, MDMG is a diversified healthcare provider with OBGYN remaining our core focus.

RECRUIT AND RETAIN THE BEST AND MOST WELL-QUALIFIED PERSONNEL

As one of the largest employers in the sector, we pay specific attention to ensuring optimal working conditions and incentives for our personnel. We are constantly improving the professional skills of all our specialists. We will continue to employ the best professionals in the market by offering competitive salaries as well as exciting opportunities for career advancement.

DELIVER VALUE TO OUR SHAREHOLDERS

Ultimately, we want to ensure that all our actions and decisions will benefit our shareholders. As the first and only public healthcare company in Russia, we strive to produce the best performance and achieve strong results which translate into high long-term value for our investors.

Our Achievements in 2018

In 2018, we opened and modernised a number of medical institutions across Russia, offering a diverse range of high-quality medical services. In particular, our new Samara hospital brought some unique services to the Samara Region, in particular in oncology, obstetrics, urology, traumatology. To allow access to our high-tech services to an even wider clientele, we launched our "Protect Your Future" healthcare insurance programme together with VTB Insurance and also signed a strategic cooperation agreement with Sberbank to develop Russia's first nationwide healthcare marketplace shop.docdoc.ru.

In 2018, we significantly expanded our network in Russia. We opened a multi-disciplinary hospital in Samara and six new clinics, including in four new regions, as well as modernised two existing clinics. Also, we continued work on the construction of our Tyumen hospital and launched the construction of our Lapino-2 and St Petersburg hospitals scheduled for completion in 2020 and in 2021, respectively. While maintaining a sharp focus on our current projects, we will be further expanding our network to reach out to even more patients.

In the reporting year, we continued to expand our offering and added new services at both existing and new medical facilities. As a result of our continued efforts to expand the services offering, in 2018 our revenue from Other Medical Services grew 22% year-on-year and accounted for 28% of the Group's total revenue.

In 2018, we passed the 7,000 mark for staff headcount. In particular, our Samara hospital became a major employer of medical staff in the region and has hired both local professionals and current MDMG employees who were relocated from Moscow. Throughout the year, we continued providing training and other professional growth opportunities for our staff.

In 2018, we strengthened our leading medical network in Russia and improved our service offering to become even more appealing to the Russian population. Alongside the current solid performance, we continue to invest in our assets with the aim of ensuring long-term growth in shareholder value.

As well as posting strong results in key areas of our business in 2018, we also had a very productive year in terms of the further execution of our investment programme.

* as of publication date

INVESTMENT PROGRAMME IN ACTION

7 modern medical centres were opened in 2018

3 multi-disciplinary hospitals are under construction

15,000 sq m area of recently opened hospital in Samara

IN 2018, WE CONTINUED TO ACTIVELY IMPLEMENT OUR INVESTMENT PROGRAMME:

- Opened the hospital in Samara
- Opened six clinics in:
  - Vladimir
  - Nizhny Novgorod
  - Moscow
  - Volgograd
  - Tula
  - Kazan
- Modernised and expanded two clinics in:
  - Moscow
  - Kostroma
- Launched the construction of two hospitals in:
  - St Petersburg
  - Lapino-2
- Continued the construction of our hospital in:
  - Tyumen

Strategy

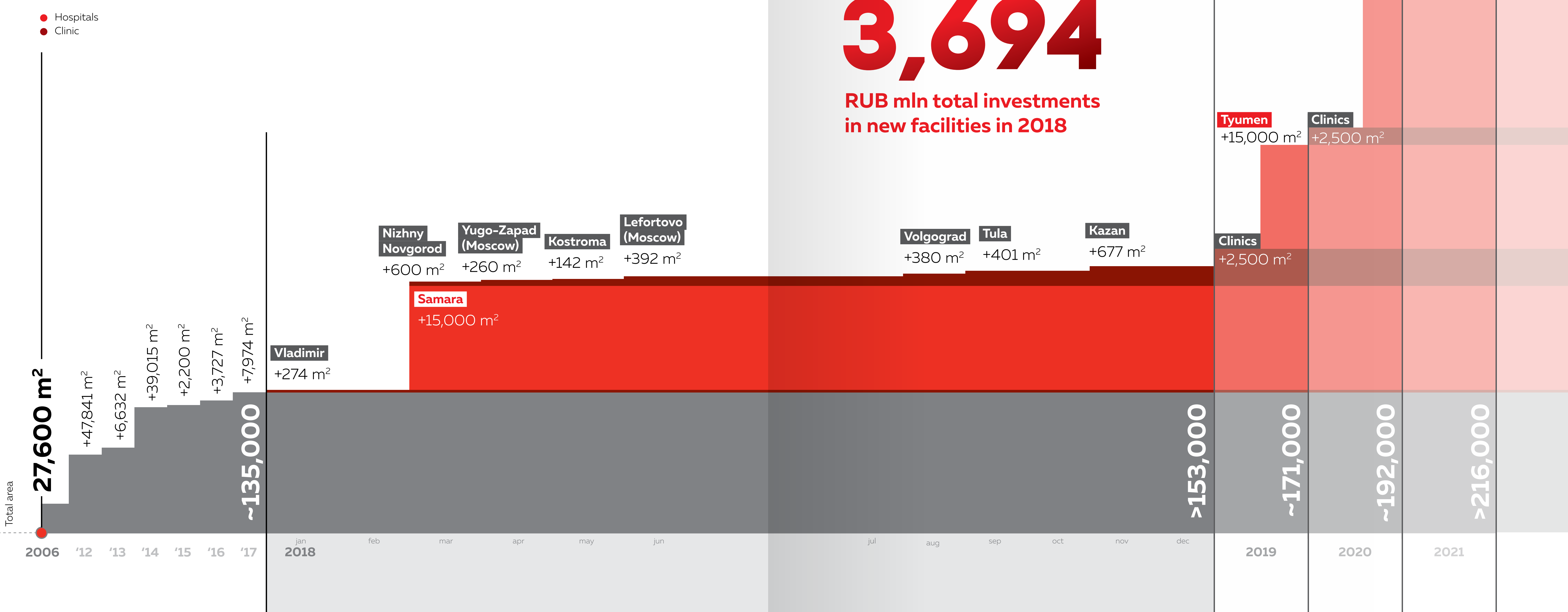
Unrivalled Growth

In 2018, we opened and expanded 8 clinics and 1 hospital. This unrivalled growth rate enables us to deliver high-quality medical services to an evergrowing client base.

PROJECTS PIPELINE

3,694

RUB mln total investments in new facilities in 2018



Wide Range of Technologically Advanced Medical Services

Paediatrics

- Treatment of paediatric diseases (in- and out-patient departments)
- Immunisation shots
- Home visits

12%

OBGYN (incl. Deliveries)

- Pregnancy care
- Maternity services
- Gynaecology
- Deliveries
- Miscarriage treatment

34%

IVF

- Surgery for fertility-related problems
- Reproductive technology
- Preimplantation genetic diagnosis

23%

Non-medical services 3%

Other medical services

- Laboratory services
- Stem cell storage
- Genetic diagnostics
- Trauma
- Rehabilitation
- Urology
- Endocrinology
- Surgery
- Plastic Surgery
- Oncology
- Therapy
- Cardiology
- Phlebology
- Haematology
- Neurology
- Dentistry
- MRI, CT
- Radiology
- Ultrasound diagnostics
- Other

28% was a share of Other Medical Services in total revenue for 2018

MDMG focuses on delivering medical assistance to a growing number of families across Russia and catering its services to the needs of diverse patient demographics. Our goal is to make sure every customer gets high-quality personalised care that is as technologically advanced as it is attentive.

Delivering high-quality medical services throughout Russia

MD Medical Group is a leading private healthcare company in Russia. We started as a specialised healthcare provider for women and children and have become the sector leader, particularly in terms of deliveries and IVF cycles.

In response to an increasing demand from our patients for additional medical services outside OBGYN and paediatrics, we started gradually introducing new services in areas where we believed we could deliver in line with our high standards.

Today, we have facilities all over Russia and offer the full range of healthcare services that any person may need. Moreover, we cover the full life cycle. We start with pregnancy care (preceded by fertility and IVF treatment if needed), and later provide various delivery options at one of our five hospitals. We can treat babies for various issues, including complex cardiology conditions, from the first minutes of their lives. Our paediatricians, working in dozens of hospitals and clinics, take care of children until they are 18 years old. For adult patients we offer a wide range of services from surgery to cancer treatment. Our key objective is to provide for the patients' comfort and offer a premium level of service.

A hospital and clinics we opened in 2018 focus on providing diverse medical services tailored for the specific demand patterns we see in the respective locations.

Investing in Strategic Expansion

With 41 state-of-the-art facilities across Russia, we are able to offer our high-technology medical services in close proximity to the homes of millions of patients across 26 cities.*

* As of publication date

CONTENTS

NATIONWIDE FOOTPRINT

41
clinics and hospitals

23
Russian regions

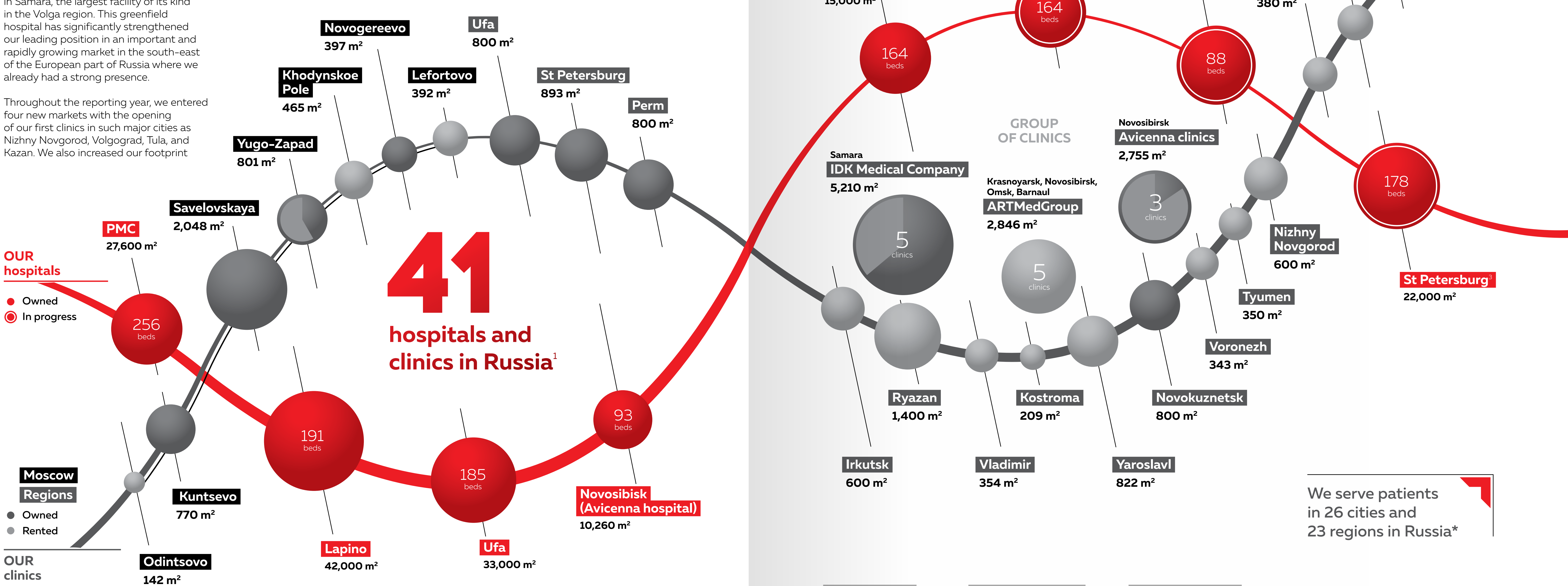
Building a Leading Nationwide Network

In 2018, we continued implementing our development strategy across Russia. Thanks to our efforts and investment, at the end of the year, we were operating 5 hospitals and 35 clinics and we continue to expand our nationwide network of best-in-class healthcare facilities in both new and existing regions.

The true highlight of 2018 was the opening of a new multi-disciplinary hospital in Samara, the largest facility of its kind in the Volga region. This greenfield hospital has significantly strengthened our leading position in an important and rapidly growing market in the south-east of the European part of Russia where we already had a strong presence.

Throughout the reporting year, we entered four new markets with the opening of our first clinics in such major cities as Nizhny Novgorod, Volgograd, Tula, and Kazan. We also increased our footprint in existing markets by opening new clinics in Vladimir and Moscow (Lefortovo), as well as expanding and modernising our clinics in Kostroma and Moscow (Yugo-Zapad), where we have seen increased demand for our services.

2018 also marked the launch of construction of two new hospitals – in Lapino and St Petersburg – which we plan to commission in 2020 and 2021, respectively. Our investment programme in action, which also includes the ongoing construction of our hospital in Tyumen that is due to open in April 2019 as well as the opening and expanding of new clinics, represents our continued commitment to offer a wide range of world-class medical services in key Russian regions where there is strong demand, high incomes and fundamental support for our business.



We serve patients in 26 cities and 23 regions in Russia*

[1] As of publication date

[2] Expected opening in 2020

[3] Expected opening in 2021

Hospitals in Focus

PERINATAL MEDICAL CENTRE (PMC)

Since its launch in 2006, PMC – the first private maternity hospital in Russia – has expanded its range of services, implemented innovative technologies, installed new equipment, and delivered over 32,000 babies.

In addition to a wide range of in-patient and out-patient services for mothers and children, PMC offers laboratory research, diagnostics and assistance, a stem cell bank and other services.

This 256-bed hospital has cutting-edge equipment including the latest MRI and CT technology.

In August 2018, MDMG launched reconstruction works at PMC. Following their completion, the hospital will offer expanded services through new surgery, urology, traumatology and orthopaedics, x-ray endovascular diagnostics and treatment, and cardiology departments.

CAPEX

2.5 RUB bln

ANNUAL CAPACITY OF PMC:

Beds
256

FTE[1]
904

Deliveries
3,500

IVF
2,000

In-patient days
32,120

Out-patient treatments
283,000

[1] FTE – actual full-time equivalent as of December 2018

LAPINO HOSPITAL

Lapino, our largest hospital, is located near Moscow. It provides patients with great comfort and high-quality services. Surrounded by green space, this 191-bed hospital is capable of providing 639,540 out-patient treatments and 3,000 deliveries per year.

We have invested RUB 5.2 billion in the Lapino hospital, which is one of the largest private investments in healthcare in the history of Russia.

The 42,000 square-metre hospital offers a wide range of services in the areas of obstetrics and gynaecology, IVF, paediatrics, as well as diagnostics, urology, surgery, trauma and rehabilitation not only for mothers and their children but for everyone.

In 2018, a new ophthalmic surgery department opened at Lapino.

CAPEX

5.2 RUB bln

ANNUAL CAPACITY OF LAPINO HOSPITAL:

Beds
191

FTE[1]
1,053

Deliveries
3,000

IVF
1,000

In-patient days
28,470

Out-patient treatments
639,540

[1] FTE – actual full-time equivalent as of December 2018

Hospitals in Focus

MOTHER&CHILD UFA

In 2018, our first regional hospital continued its growth in the capital of Bashkortostan, one of Russia's leading regions in terms of gross regional product.

This 33,000 square-metre hospital was funded mainly by the proceeds of our successful IPO in 2012, the project was completed on time in late 2014 and with an investment of RUB 4.4 billion.

Mother&Child Ufa offers services for the whole family, from deliveries, IVF, gynaecology and obstetrics, paediatrics and neonatology to surgery, urology, plastic surgery and diagnostic services. It includes Bashkortostan's first private maternity hospital and stem-cell bank.

CAPEX

4.4 RUB bln

ANNUAL CAPACITY OF MOTHER&CHILD UFA:

Beds

185

FTE[1]

772

Deliveries

2,000

IVF

1,100

In-patient days

30,295

Out-patient treatments

290,800

[1] FTE – actual full-time equivalent as of December 2018

MOTHER&CHILD NOVOSIBIRSK

Since the acquisition of Avicenna, the largest private healthcare chain in Russia outside Moscow and St Petersburg, in Q4 2014, the Novosibirsk hospital has seen strong demand for its high-quality services from the residents of Novosibirsk and nearby regions.

As the existing facility reached maximum capacity, MDMG commissioned a new state-of-the-art wing in February 2017, creating the largest private healthcare facility in Siberia.

Core services offered at Mother&Child Novosibirsk are obstetrics and gynaecology, surgery, urology and ophthalmology. The hospital also offers out-patient and diagnostics services in nearly all therapeutic areas. As a result of the expansion, the hospital offers a range of new services, including those not currently available in the city or the region.

CAPEX[2]

1.2 RUB bln

ANNUAL CAPACITY OF MOTHER&CHILD NOVOSIBIRSK HOSPITAL:

Beds

93

FTE[1]

837

Deliveries

1,000

IVF

1,800

In-patient days

22,630

Out-patient treatments

228,900

[1] FTE – actual full-time equivalent as of December 2018

[2] CAPEX of new wing opened in February 2017

Interview with Chief Doctor of Samara Hospital

Sergey Arabadzhyan
Chief Doctor of Samara hospital

Could you share the 2018 results for the new hospital?

2018 was a very busy year for us. In March, in line with the announced schedule, we opened a hospital in Samara and immediately began ramping up activity here. We are very pleased with the results of 2018, operational performance exceeded our expectations and we demonstrated the strongest operational results over the first 10 months of operations compared with any other hospital of the Group.

In 2018, we already managed to carry out five unique operations in the Samara Region, which simply have no analogues here, in such areas as obstetrics, surgery, orthopaedics, urology, and X-ray endovascular surgery. In addition, we conducted a complex operation at the junction of endovascular surgery and orthopaedics which became the 14th such operation in the world!

Why was Samara chosen as the location for the new hospital?

The Group's regional development strategy involves the construction of hospitals in regions where we already gained experience through our clinics. And thanks to the acquisition of the IDK Medical Company in 2013, we had a good understanding of the market in the Samara Region. We already had 5 clinics under our management here, which represented the most large-scale presence of the Group across the regions.

In addition, Samara is one of the largest cities in Russia and also among the ten most populated, therefore there is a high demand for medical services. This made it an obvious choice as a location for our fifth hospital.

It is another greenfield project for the Group. What are the advantages of this approach?

Indeed, the Samara hospital was built 'from scratch', and owing to the Group's unique experience in the construction of large hospitals in regions of Russia, we were able to take into account various factors and ensure effective implementation from the design stage through to commissioning. The hospital was originally created as a multi-disciplinary centre, which is reflected in the well-thought logistics, for example, patient flows do not intersect here. All departments and all kinds of state-of-the-art equipment are concentrated in one building, which is optimal for logistics and efficient use of time. I would also like to stress the importance of the round-the-clock work of diagnostic departments.

As a result, the Samara hospital became the first model of the regional Mother&Child hospital. This valuable experience is already being used for a "twin" hospital in Tyumen. We have been constantly in touch with colleagues who are implementing the Tyumen project and have been providing our recommendations on the optimisation of the project on the basis of our experience in Samara.

50%
share of Other Medical Services

Who are your patients at the Samara hospital?

We treat all family members, because our hospital is multi-disciplinary and provides a wide range of medical services.

In geographical terms our patients include, not only residents of Samara, Tolyatti and the rest of the region, but also residents of the neighbouring regions and even Kazakhstan. This is because we are relatively close to the state border, we are located closer to those in the Northern part of Kazakhstan than the capital of the country. At the same time, patients appreciate the high standards adopted within the Group – we provide the level of quality found in Mother&Child hospitals in Moscow. We are highly customer-focused and apply our personalised approach to each patient.

There is also a wide range in the level of income of our patients. In addition to patients who pay for services themselves, many come to us as part of Mandatory Health Insurance (MHI) and Voluntary Health Insurance (VHI) programmes. The availability of our services is also enhanced as in 2018 we engaged a bank aggregator, through which patients can get interest-free instalments on our medical services, which also contributed to the growth of patient flow.

What role does MHI play in the way the hospital operates?

We have received extensive quotas for MHI on a wide range of medical services, in particular, in the areas of IVF, oncology, urology, and cardiovascular surgery. I believe that at the moment our range of MHI services is the largest in the Group.

This is an extremely important point. For the patients, the MHI programme increases the availability of high-tech medical care. For the hospital, the programme makes it possible to increase occupancy and revenue.

As a multi-disciplinary hospital, what combination of the Group's core services and other medical services for the whole family do you offer?

Indeed, we have specifically created a multi-disciplinary hospital, while also paying attention to the MDMG's core services. Today, OBGYN and IVF account for about 50% of our services and a wide range of other services account for the other 50%.

But more importantly, we are able to respond effectively to changes in patients' needs. The hospital was created in such a way that we are able to quickly shift the balance to react to the population's changing needs. The ability to balance the structure of services is an important factor of our success.

How do you cooperate with the public sector?

It is fair to say that our cooperation with the state is mutually beneficial.

Our hospital fulfils an important social function in the region. Some of our services are unique to the Samara Region, in particular in oncology, obstetrics, urology, traumatology. From time to time, state medical institutions refer patients with complex medical conditions to us. The hospital is a clinical base for several departments of Samara State Medical University. We hold scientific conferences and master classes for the medical staff of other institutions. Generally, the activities of the hospital are recognised at both local and federal levels on a regular basis.

In turn, we benefit from state support. Participation in the MHI programme is particularly important. Moreover, during the construction of the hospital, local authorities built the utilities infrastructure, along with roads to the hospital and helped in every possible way to implement the project.

How do you interact with other institutions of the Group?

We are constantly in contact with our colleagues on a wide range of issues.

Let me start with the fact that we have a unique personnel policy in our hospital, in a number of areas we hired local specialists from Samara, in other areas, we invited employees of the Group from Moscow to move to Samara.

We regularly consult on complex medical issues, within the Group we have opinion leaders and unique specialists in different areas. Mark Kurtser regularly gives his advice on OBGYN, our experts in urology are from Novosibirsk, we ourselves in the Samara hospital are a centre with unique competencies in the field of orthopaedics and oncology.

> We are very selective in our investment targets which means we choose regions for our business according to strict criteria.

BIOGRAPHY

2018 – Present – Chief Doctor of Mother&Child Samara hospital
2017 – 2018 – Deputy CEO for Business Development at MDMG's IDK Medical Company
2012 – 2018 – Head of Obstetrics Department of Lapino hospital
2012 – 2014 – Commercial Director of Lapino hospital
2010 – 2012 – Obstetrician Gynaecologist at PMC's Pathologic Pregnancy Department
2006 – 2012 – Paramedic at a first-aid station in Moscow

EDUCATION

2008 – Received a degree in General Medicine from Pirogov Medical University
2016 – Received an MBA degree from Stockholm School of Economics

Mother&Child

Samara Hospital

Opened in March 2018, Samara hospital is the largest facility of its kind in the Volga region – an important and growing market. The new hospital provides both our core services for women and children and diverse medical services for all family members.

> The launch of the major Mother&Child Samara hospital demonstrates our ability to execute strategically important projects on time and on budget.
>
> **Dr Mark Kurtser**
> CEO

2Q 2016
Start of construction

April 2017
Construction works completed

February 2018
Equipment installed

March 2018
OPENING

INVESTMENTS

3.2
RUB bln

KEY FIGURES AND ANNUAL CAPACITY

15,000 sq m of space	**164** beds	**2,500** deliveries	**1,200** IVF cycles	**8,000** surgical operations	**220,000** out-patient treatments

Floor plan

Floor 1
- Admissions department
- Adult's out-patient department
- Children's out-patient department
- Radiology department
- Functional diagnostics department
- Ultrasound diagnostics department
- Small operating theatre (urology/traumatology)
- Small operating theatre (ENT)
- Treatment room

Floor 2
- IVF department
- Children's in-patient department
- Women's centre
- Adult's intensive care unit
- Surgery department
- Mother's school

Floor 3
- Deliveries department
- Surgery department
- Pregnancy pathology department
- Postnatal department

Floor 4
- Neonatal intensive care unit
- Second stage developmental care department
- Postnatal department

Floor 5
- Surgery department
- Gynaecology department
- Internal medicine department
- Small operating theatre (gynaecology)
- Cardiology intensive care unit

Floor 6
- Diagnostics laboratory
- Administration

Mother&Child

Tyumen Hospital

By opening our sixth hospital In Tyumen, we are expanding out footprint in one of Russia's most developed regions, where our clinic has operated since 2017.

> Our approach to entering a new region – first opening a clinic to build solid experience, strong brand awareness among locals and a wide client base, and then opening a hospital – has proven its efficiency in practice, and we are pleased that Tyumen has become the next location of MDMG's presence in Russia.
>
> **Dr Mark Kurtser**
> CEO

June 2017
Start of construction

February 2019
Construction works completed

March 2019
Equipment installed

April 2019
OPENING

INVESTMENTS
3.2
RUB bln

KEY FIGURES AND ANNUAL CAPACITY

15,000	**164**	**2,500**	**1,200**	**8,500**	**220,000**
sq m of space	beds	deliveries	IVF cycles	surgical operations	out-patient treatments

Floor plan

Floor 1
- Admissions department
- Adult's out-patient department
- Children's out-patient department
- Radiology department
- Functional diagnostics department
- Ultrasound diagnostics department
- Small operating theatre (urology/traumatology)
- Small operating theatre ENT
- Treatment room
- 24/7 emergency room

Floor 2
- IVF department
- Children's in-patient department
- Women's centre
- Physiotherapy department
- Operating and intensive care unit (incl. cardiology intensive care unit)

Floor 3
- Deliveries department
- Surgery department
- Intensive care unit
- Pregnancy pathology department
- Postnatal department

Floor 4
- Neonatal Intensive care unit
- Postnatal department
- Second stage developmental care department

Floor 5
- Surgery department
- Gynaecology department
- Internal medicine department
- Traumatology department
- Endovascular surgery department
- Small operating theatre (gynaecology)

Floor 6
- Diagnostics laboratory
- Administration
- Mother's school

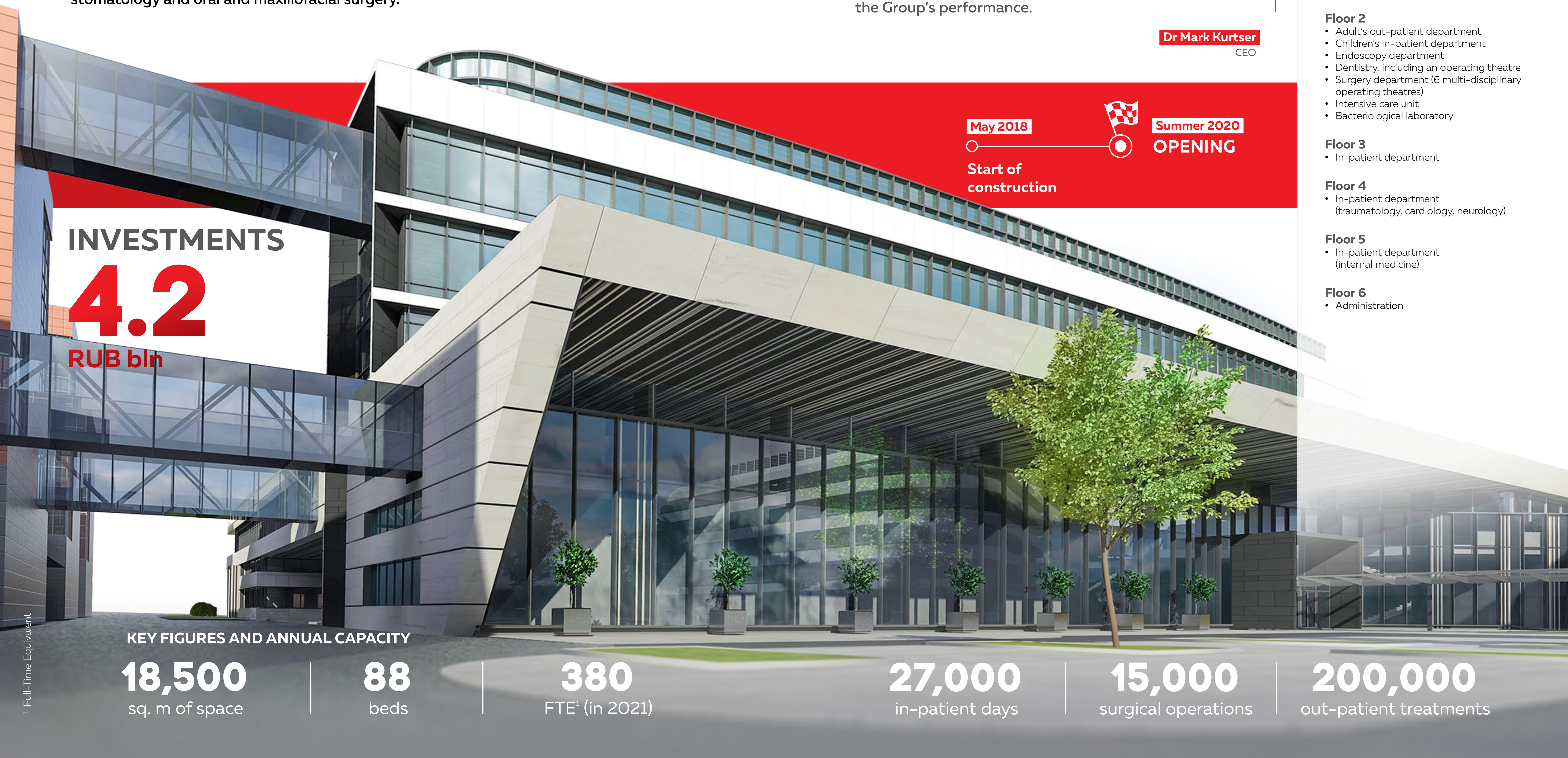
Mother&Child

Lapino-2 Hospital

Upon opening, Lapino-2 will offer the following services which are new for the Group – neurosurgery, cardiovascular surgery, chemotherapy, stomatology and oral and maxillofacial surgery.

> We are bringing our Lapino hospital to an entirely new level by expanding its capabilities to offer high-tech medical services in different healthcare areas. We expect that the expanded healthcare facility created in line with the latest technologies and our track-record of launching new hospitals from scratch will significantly contribute to the Group's performance.

Dr Mark Kurtser
CEO



May 2018
Start of construction

Summer 2020
OPENING

INVESTMENTS

4.2 RUB bln

KEY FIGURES AND ANNUAL CAPACITY

18,500 sq. m of space

88 beds

380 FTE[1] (in 2021)

27,000 in-patient days

15,000 surgical operations

200,000 out-patient treatments

Floor plan

Floor 1
- Admissions department
- Radiology department
- Functional diagnostics department
- Ultrasound diagnostics department
- Adult's out-patient department
- Clinical diagnostics laboratory

Floor 2
- Adult's out-patient department
- Children's in-patient department
- Endoscopy department
- Dentistry, including an operating theatre
- Surgery department (6 multi-disciplinary operating theatres)
- Intensive care unit
- Bacteriological laboratory

Floor 3
- In-patient department

Floor 4
- In-patient department (traumatology, cardiology, neurology)

Floor 5
- In-patient department (internal medicine)

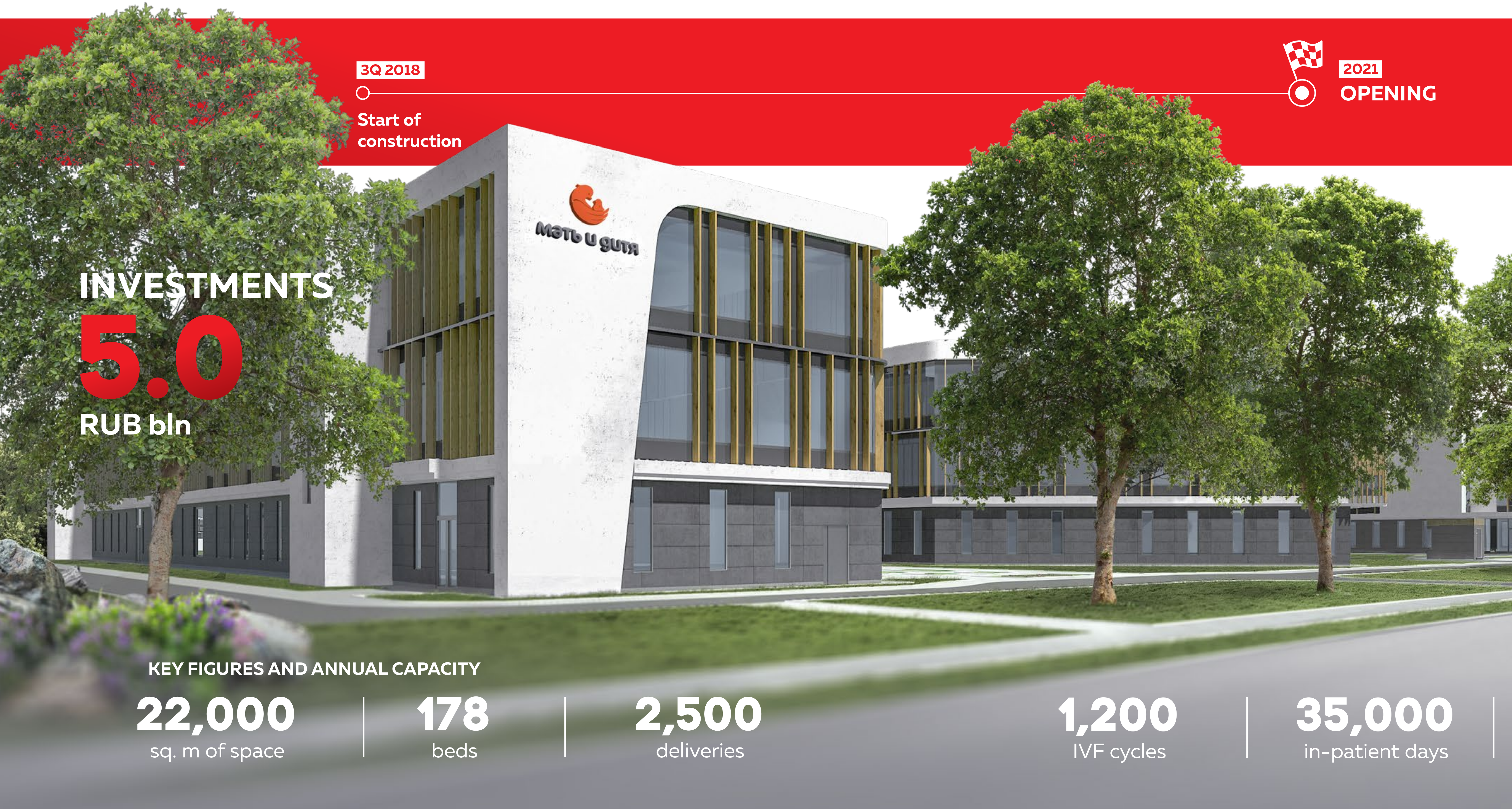
Floor 6
- Administration

[1] Full-Time Equivalent

Mother&Child
St Petersburg Hospital

We opened our first clinic in St Petersburg in 2011 and significantly expanded it in 2017. Based on our local experience and analysis of our clinic's performance in St Petersburg we believe there is significant potential demand for high-tech medical services in an expanded format.

> We see the construction of a multi-disciplinary hospital in St Petersburg – a city with strong medical traditions and the second largest healthcare market in Russia – as both a great responsibility and an honour.
>
> **Dr Mark Kurtser**
> CEO



3Q 2018
Start of construction

2021
OPENING

INVESTMENTS
5.0
RUB bln

KEY FIGURES AND ANNUAL CAPACITY

22,000	**178**	**2,500**	**1,200**	**35,000**	**350,000**
sq. m of space	beds	deliveries	IVF cycles	in-patient days	out-patient treatments

Floor plan

Building 1
Multi-disciplinary in-patient facility

- Admissions department
- Radiology and endovascular diagnostics and treatment department
- Cardiology department
- CT and MRI
- Paediatrics department
- Diagnostics and treatment centre
- Ultrasound diagnostics department
- IVF department
- Children's surgery department
- Surgery department
- Surgery department
- Gynaecology department
- Intensive care unit
- Deliveries department
- Pregnancy pathology department
- Postnatal department
- Children's intensive care unit
- Second stage developmental care department
- Administration

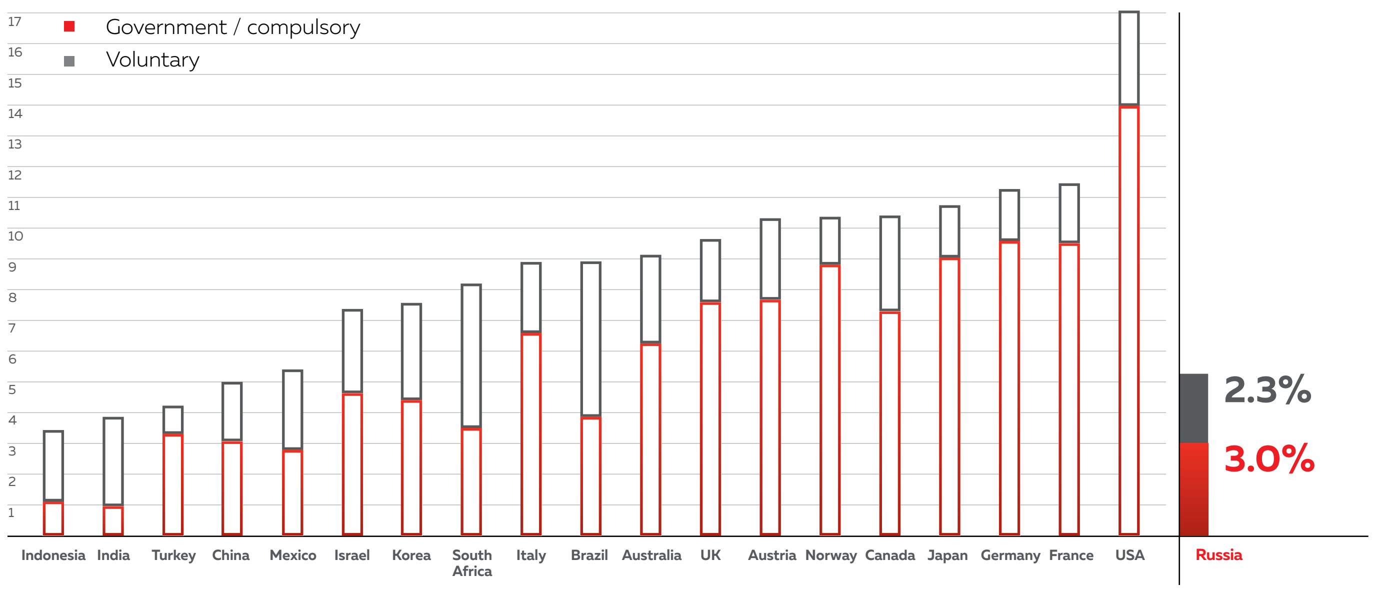
Building 2
Out-patient facility

- Children's centre
- Women's centre
- Radiology department
- Clinical diagnostics laboratory
- Administration

Market Trends in Russia

State economy overview

Health spending, % of GDP, 2017 or latest available



- In 2018, the Russian economy expanded at a rate of 1.6%[1] in line with the previous year's positive trend.
- Last year, with inflation and interest rates remaining low, wages and pensions continued to grow in real terms, supporting household consumption[1].
- Meanwhile, the overall business climate in Russia improved in 2018, resulting in the country's four-position climb[2] in the Doing Business rating, annually published by the World Bank. Ranked as #31, Russia received a better score than some other developed economies, such as France, the Netherlands, Switzerland and Japan.
- In May 2018, President Putin announced his Decrees that highlighted a roughly RUB 1 trillion ($20.4 billion) increase[3] in spending on healthcare, education and infrastructure, as a way to further advance the economy and trigger GDP growth rates in the next year.
- The national healthcare project that is based on May Decrees prioritises:
  – Increasing birth rate from 1.62 births per woman in 2017 to 1.7 by 2024;
  – Increasing life expectancy from 73 years in 2018 to 78 years by 2024 and to 80 years by 2030;
  – Lowering the rate of deaths from cardiovascular diseases and oncological conditions.

MD Medical Group's services widely target medical issues associated with the key goals of the project.

- Russia's relatively low level of healthcare expenditure as a share of GDP in comparison to other countries signals that additional investment has a significant potential to advance the country's healthcare system in the years to come.

[1] "Global Economic Prospects – Darkening Skies" report by World Bank, January 2019

[2] "Doing Business 2019: Training for Reform" report by World Bank, November 2018

[3] "Putin expands on Russia's economic structure", TASS, 20 December 2018

Organisation for Economic Cooperation and Development

Private healthcare sector

- The Russian private healthcare market is developing in the environment of growing popularity of fee-for-service medicine. In 2018, in 56.6% of state healthcare facilities the volume of paid-for medical services increased[4]. This trend normalises paying for healthcare services, making patients more likely to seek treatment at private clinics.

With MDMG's wide network across key Russian regions, the Group is well-positioned to satisfy the additional demand from patients.

- According to the survey conducted by VTsIOM[5] in 2016-2017:
  – 42% of Russians paid for medical services in state clinics;
  – 32% sought medical assistance in private healthcare centres.
- Among the reasons why patients prefer private clinics were:
  – #1 – Quality of medical assistance
  – #2 – Overall experience
  – #3 – Service speed
  – #4 – Lack of alternative
- The fee-for-service medical sector is expected to grow by 9.3% in 2018, amounting to RUB 684.6 billion[6]. However, only 4% of Russians are fully dependent on private clinics[7] – a sign of unrealised market potential, favouring MDMG's further private service expansion.
- Factors that can contribute to the development of the private healthcare sector:
  – MHI tariff increase: 40% of patients are willing to receive medical assistance at private clinics under MHI[5]
  – Expansion of private clinics around the country: Today, every 5th private clinic chain is located in Moscow
  – Transition to evidence-based medicine: An increase in quality of services will attract sceptical customers who lack trust in the private sector's integrity
  – Technological development: Expanding high-tech medical service offering by employing state-of-the-art equipment and qualified professionals to make care more effective as well as providing such services under the mandatory health insurance (MHI) to make them more accessible
  – Medical tourism: Export volume of medical services is expected to grow to $1 billion by 2024, attracting 0.5 million foreign patients by 2025.

In February 2019, Russia's Ministry of Health extended the list of high-tech medical services that private providers can be compensated for under the mandatory health insurance (MHI). MDMG has been an active participant of the programme bringing advanced and more affordable care to patients within MHI. MDMG has already seen the share of IVF cycles under state insurance grow. The new list is expected to facilitate an increase in procedures that focus on cardiovascular and internal organs – the segments that the company sees as drivers of its future growth.

In March 2019, Russian Government announced the initiative to subsidize high-tech medical services that are not compensated under the mandatory health insurance (MHI). The subsidies will be allocated to medical centres in 2019-2021 with RUB 3.8 billion reserved for 2019 alone.

Medical tourism is a part of a revised state "Healthcare Development" programme that aims to uncover Russia's potential as a major destination for medical treatment for patients from all over the world. According to the World Tourism Organisation, Russia ranks as the 5th most attractive medical and wellness tourism destination in the world, and only the 59th in terms of its ability to utilise such potential. With additional investment and regulatory changes, such as simplifying the process of obtaining a Russian visa for foreign patients, medical tourism can efficiently advance the private healthcare industry.

[4] All-Russia People's Front Survey, 2018

[5] Health Index Survey, Russian Public Opinion Research Center (VTsIOM), 2017

[6] "Russian medical services market analysis in 2014-2018, the forecast for 2019-2023", BusinesStat, 2018

[7] Survey "RBC Market Research", 2017

Continued Strong Performance

2018 – was our best year so far in terms of key financial and operational metrics

CONTENTS

Medical services for all family members

Leader of women's and children's healthcare in Russia

#1 In IVF in Russia

Operational Review

DELIVERIES

In 2018, the number of deliveries grew 7% year-on-year to 7,277 despite challenging demographics in Russia and 5.4% year-on-year decline in deliveries across the country.

WEATHERING THE DEMOGRAPHICS STORM

MD Medical Group is well-known for setting a uniquely high standard in Russia for the level of quality, comfort and care in deliveries. This has enabled us to grow the number of deliveries we perform year by year even amid some challenges in the deliveries rate in Russia as a whole. Deliveries volumes at MDMG are also supported by the continued leadership in Russia's IVF segment – many patients who become pregnant at our numerous IVF facilities in Russia later deliver at one of our hospitals.

BRINGING HIGH-QUALITY SERVICES TO THE REGIONS

We have continued expanding our best-in-class hospital network, bringing a wide range of our high-quality services, including deliveries, to the Russian regions.

- As ramping up continued at the existing regional hospitals in Ufa and Novosibirsk, the number of deliveries at the facilities in 2018 grew 25% and 39% year-on-year, respectively.
- In March 2018, we opened our first hospital in Samara, which during the first 10 months of operations already took 411 deliveries.
- In September 2018, we launched the construction of our first hospital in St Petersburg. Upon the commissioning in 2021, it will have an annual capacity of approximately 2,500 deliveries.

SETTING A STANDARD IN THE MARKET

We offer a range of unmatched services that set us apart from the market:

- We are expanding our regional network of hospitals, bringing a wide range of high-level services, which patients can expect in our Moscow facilities, to the locations across the country.
- We were the first in Russia to offer women the opportunity to have the same doctor who supervised their pregnancy go on to conduct the delivery.
- We offer unique anaesthesiology resources and optimal pain relief for each period of labour.
- We provide a combination of classical obstetrics and advanced medical technologies.
- Our patients benefit from individually tailored birthing programmes.
- And we offer a unique "home birth in hospital" in our luxury in-hospital apartments.

The number of deliveries in 2018 was

7,277

We grew our deliveries by 7% year-on-year in 2018 in part thanks to the further improvements in the performance of our expanding regional hospital chain.

WIDE CHOICE OF DELIVERY OPTIONS

We do everything possible to ensure that our clients can give birth naturally, even following surgery or caesarean section.

We offer a wide range of different birth options for future mothers to choose from:

- Natural physiological childbirth.
- Traditional or horizontal natural child birth.
- Vertical birth.
- Water birth.
- "Home birth" in hospital in one of our luxury apartment rooms, furnished in the style of a home bedroom with an on-hand medical team and equipment.
- Partnership birth, allowing for loved ones to be present.
- Natural birth after caesarean or previous gynaecological surgery.
- Surgical birth via planned or emergency caesarean section.

POST-DELIVERY SERVICES

- Neonatal intensive care unit.
- Neonatal pathology unit.
- Premature babies unit.
- ER unit with fleet of ambulances.
- 24/7 emergency labour service.
- Breastfeeding support and assistance for patients suffering from lactostatis or hypogalactia.
- Stem cell bank, with international standards in collection, testing, processing and storage of cord blood including transportation services even if the birth is at another centre.
- New parents school providing assistance and birth guidance for future parents-to-be.

IVF

In 2018, the total number of IVF cycles slightly decreased by 1% year-on-year, or by just 170 cycles, to 16,636, amid growing competition as IVF becomes more accessible. Nevertheless, MDMG remains Number 1 IVF player in Russia and covers more regions than any other private healthcare player in the country.

Despite the decline in IVF volumes and an increase in the share of cycles carried out under the Mandatory Health Insurance (MHI) programme in 2018, the average check in this segment grew 8% year-on-year, mainly due to the expansion of the range of IVF services on a commercial basis. This contributed to a revenue increase of 7% year-on-year to RUB 3,488 mln.

The number of IVF cycles carried out in 2018 was

16,636

HIGH-TECH SERVICES ACROSS RUSSIA

We provide our customers with high-quality fertility services including:

- Diagnosis of possible causes of infertility within a family.
- Preimplantation genetic diagnosis.
- Effective treatment for one or both spouses.
- Individually tailored programmes.
- Achievement and maintenance of pregnancy.
- Childbirth assistance.
- Post-natal healthcare assistance for the child up to 16 years.
- A team of highly qualified experts in areas of reproduction, gynaecology, immunology etc., providing medical expertise for every situation.
- A range of alternative fertility services including auxiliary hatching, donor sperm insemination, ovulation stimulation etc.

Our facilities use cutting-edge specialised equipment in the provision of IVF services.

Our individual approach to each patient ensures a high standard of service, as well as a high probability of success.

Operational Review

IN-PATIENT TREATMENTS

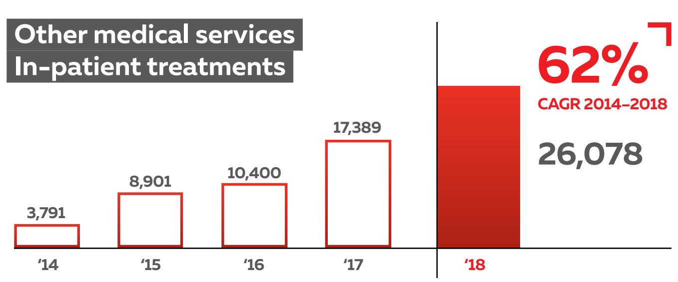
In 2018, the total number of in-patient treatments increased by 18% year-on-year to 72,371 which made up 17% of the Group's revenue for the year.

OBGYN

- Total number of OBGYN in-patient treatments slightly decreased by 3% year-on-year to 24,536.
- However, revenue for the division increased by 6% year-on-year.
- Division accounted for 7% of the total revenue for 2018.
- Drivers of growth were hospitals in Ufa and Samara.

PAEDIATRICS

- Total number of paediatrics in-patient treatments increased by 17% year-on-year to 21,757.
- Revenue for the division increased by 12% year-on-year.
- Division accounted for 3% of the total revenue.
- Drivers of growth were region hospitals.



OTHER MEDICAL SERVICES

- The total number of other medical in-patient treatments grew significantly by 50% year-on-year to 26,078.
- Revenue from other in-patient medical treatments increased by 28% year-on-year.
- Division accounted for 7% of the total revenue.
- Lapino continued ramping up departments of interventional cardiology and cardiovascular surgery, neurology and therapy.
- Further advances in reaching design capacity at our Ufa hospital were driven by improvements in surgery, therapy and oncology.
- Novosibirsk hospital saw improvements in cardiology, therapy, urology and oncology.
- Samara demonstrated strong performance in oncology, traumatology and cardiology.

OUT-PATIENT TREATMENTS

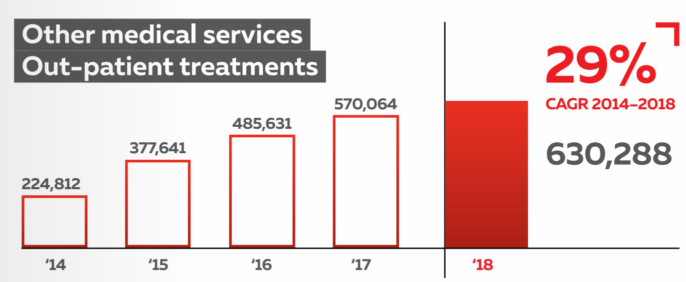
In 2018, the total number of out-patient treatments increased by 6% year-on-year to 1,618,149 which made up 31% of the Group's revenue for the year.

OBGYN

- Total number of OBGYN out-patient treatments increased by 6% year-on-year to 557,775.
- Revenue for the division increased by 3% year-on-year.
- Division accounted for 12% of the total revenue .
- Drivers of growth were region hospitals.

PAEDIATRICS

- Total number of paediatrics out-patient treatments remained roughly the same – 430,086 treatments.
- Revenue for the division increased by 1% year-on-year.
- Division accounted for 9% of the total revenue.
- Key growth triggers were performance of our region hospitals in Ufa, Samara and Novosibirsk.



OTHER MEDICAL SERVICES

- The total number of other out-patient treatments increased by 11% year-on-year to 630,288.
- Revenue for the division increased by 30% year-on-year.
- Division accounted for 10% of the total revenue.
- The largest share in other medical out-patient growth was related to diagnostic centre as well as a number of trauma treatments.
- The increase in the volume of services was supported by the diagnostics departments at our regional hospitals and Lapino.

Financial Review

In 2018, we continued to improve our financial performance and achieved another set of record-breaking results. This was made possible due to our strong operating performance and continued efficient implementation of our development strategy across Russia.

REVENUE

Revenue grew by 9% year-on-year to RUB 14,937 mln compared to RUB 13,755 mln in 2017 due to the following factors:
- Continued capacity utilisation growth at the hospitals in Lapino, Ufa and Novosibirsk.
- Opening of a hospital in Samara.
- Improved performance of the Siberian clinics acquired in 2016.

In 2018, the contribution of regional clinics and hospitals to overall revenue continued to grow and amounted to 41%, mainly due to increased revenue from the hospitals in Ufa, Novosibirsk and Samara, as well as from the Siberian clinics.

EBITDA

EBITDA for the year amounted to RUB 4,314 mln, up 4% year-on-year due to:
- Continued capacity utilisation growth at the hospitals in Lapino, Ufa, Novosibirsk.
- Opening of a hospital in Samara.
- Improved performance of the Siberian clinics acquired in 2016.
- Strict cost management.

EBITDA MARGIN

EBITDA margin for the year amounted to 29%

CAPEX

Key major investments in 2018 included:
- Construction of a new hospital in Tyumen (RUB 1,733 mln).
- Construction of a hospital in Samara (RUB 676 mln).
- Start of construction of a new hospital Lapino-2.
- Start of construction of a new hospital in St Petersburg.
- Reconstruction work in PMC.
- Repairs and small projects.

DEBT

Debt as of the end of 2018 amounted to RUB 5,665 mln.

Net debt was RUB 2,950 mln, up 43% compared to 31 December 2017.

This increase was mainly due to the construction of new hospitals in Samara, Tyumen and start of construction new hospital Lapino-2 and hospital in St Petersburg.

Despite higher net debt, net debt-to-EBITDA ratio for 2018 was at comfortable level of 0.7x, slightly up from 0.5x a year before.

REVENUE, RUB mln

+9%

14,937

EBITDA, RUB mln

+4%

4,314

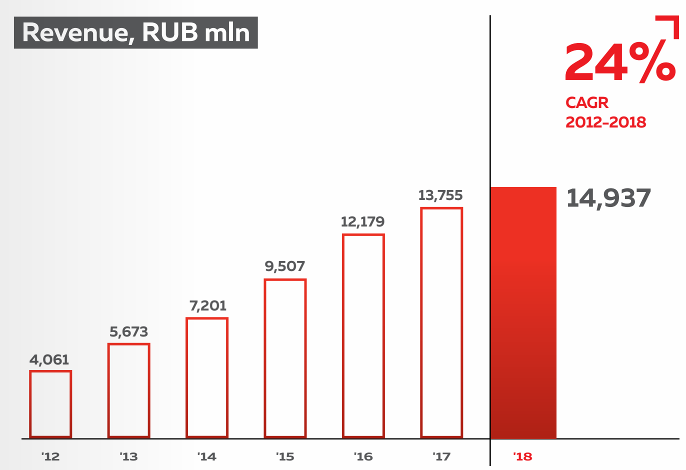
EBITDA margin

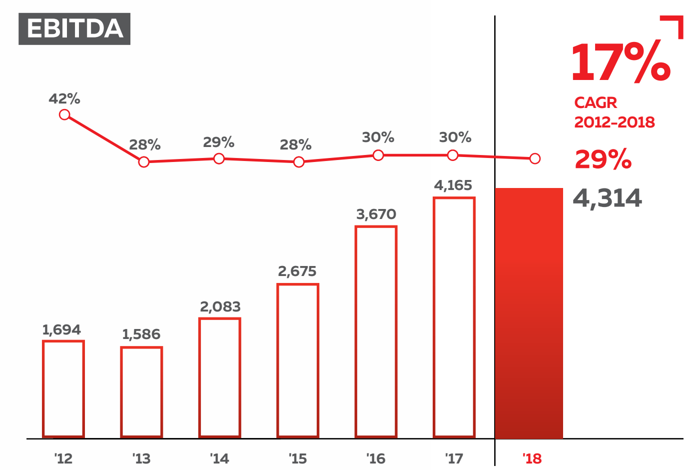
29%

EPS, RUB

36

Recently opened and acquired medical facilities play a significant role in our overall performance. This demonstrates that we are carefully taking the right steps as part of our strategic development.





Corporate Social Responsibility

Our contribution to our people and our local communities stretches far beyond health

CONTENTS

Doctors
2,746

Other medical staff
2,448

Other staff
2,155

7,349
total number of our employees

Our People

At the centre of our continued growth and strengthening of our market leadership are people. 24/7, our highly qualified and talented personnel, from doctors to the management team, work hard to ensure the long-term success of our business. In return, we provide our staff with a comfortable and supporting working environment, competitive wages and social packages, as well as broad possibilities for further professional growth.

PERSONNEL

We never stop raising the already high level of expertise that our doctors and other employees have. We primarily accomplish this thanks to our personnel training and development structure. Our HR policy is aimed at the following:

- Retention of existing staff and continuous search for highly skilled employees.
- Development of the personnel management system.
- Selection of the most talented students for education in residence at our facilities. For this purpose, since 2015 we have implemented a special project. In 2018, 8 people completed their studies in residency within the framework of the project; 17 current participants will finish their studies in 2019.
- Opportunities for personal and career growth.
- Constant monitoring and adoption of the best available technologies.
- Provision of the state-of-the-art equipment via regular upgrades.
- Placing the best staff in leading positions at the right time to maximise potential and encourage internal growth.
- Provision of better working conditions to maintain low staff turnover.
- Incentive programmes for employees.
- Training programmes across various fields as part of our corporate education system.

AMONG OUR TRAINING PROGRAMMES WE HAVE PROVIDED STAFF WITH:

- Webinars, featuring online training – in 2018, MDMG doctors carried out 25 webinars for their colleagues focusing on relevant topics within OBGYN and prenatal diagnosis, urology and IVF.
- Career enhancement courses.
- Short-term thematic advanced training.
- Business trips for specialists from Moscow to help specialists in the regions take over the leadership of regional hospitals.
- Participation in international exhibitions, conferences, and symposiums.
- Training centre, a system of improving soft skills and knowledge acquisition across different areas.

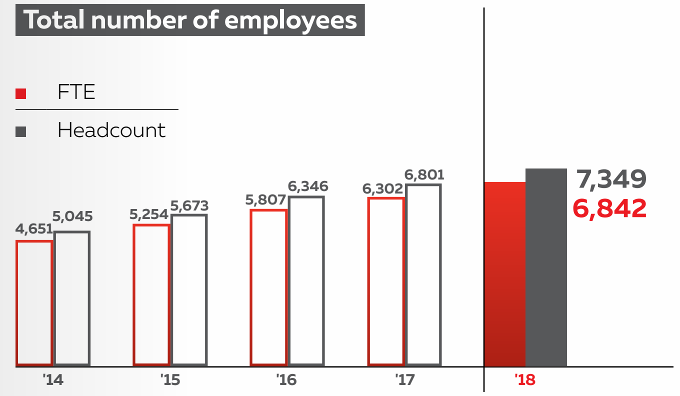
COMPLETION OF LONG-TERM MANAGEMENT INCENTIVE PROGRAMME

In 2018, we successfully completed our long-term share incentive programme aimed at senior management and key personnel on achieving all KPIs set out in it. The programme was aimed at achieving closer alignment of interests between management and shareholders and increasing management's motivation to build sustainable shareholder value over the long term. In total, the programme had 40 participants.

PERSONNEL FIGURES (AS OF DECEMBER 2018)

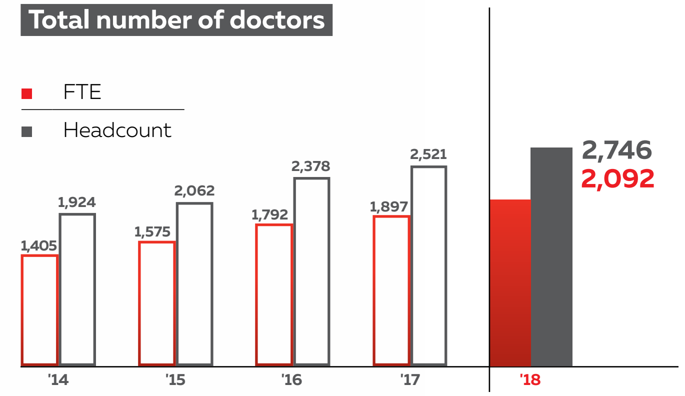
Total number of employees

- FTE
- Headcount



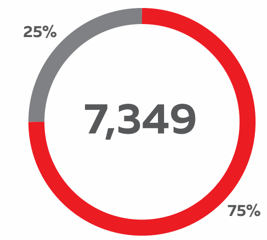
Total number of doctors

- FTE
- Headcount



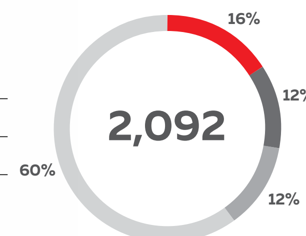
Employees

Full-timer	5,543
Part-timer	1,806



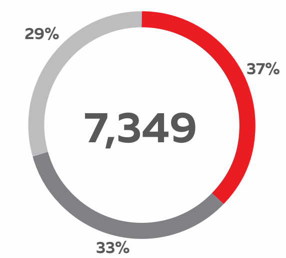
Doctors by speciality

Obstetricians	340
Reproductologists	253
Pediatricians	241
Other doctors	1,258



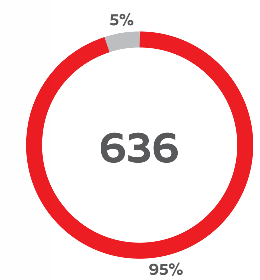
Personnel structure

Doctors	2,746
Other medical staff	2,448
Other staff	2,155



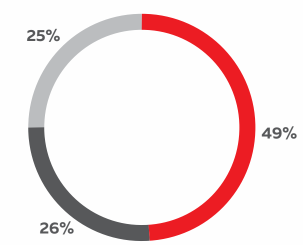
Doctors qualifications

PhD	607
Professors	29



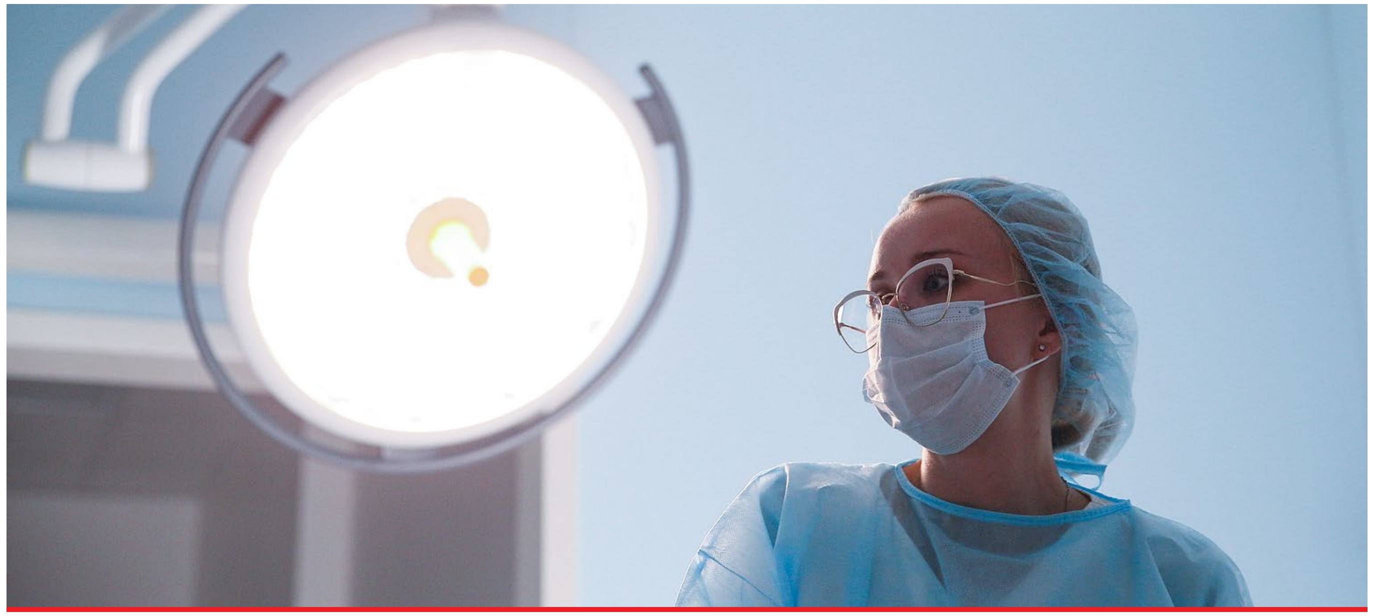
Payroll structure

- Doctors
- Other medical staff
- Other staff



MDMG's success in the market is the result of a high level of professionalism of our employees. By continuously improving their expertise, MDMG employees are driving the company forward day after day.

Corporate Social Responsibility



Our role as a responsible corporate citizen is important to us and is something we discuss regularly at Board and management meetings. Our contribution to our people and our local communities stretches far beyond health.

OUR MISSION

Our deep commitment to CSR is not just a requirement for a major listed company and employer. Rather, it reflects our strong belief that creating value for our stakeholders is critical for the long-term sustainable growth of MDMG.

OUR PEOPLE

We invest heavily in training and educating our staff, creating opportunities for them to learn from the best medical practitioners in the world. Many of them have worked with the Group since its foundation, and we recognise and reward this dedication by creating an environment that encourages professional and personal growth.

OUR TECHNOLOGY

We aim to maximise efficiency and minimise patient stress by constantly updating our technology and using the most innovative procedures. Examples include foetal surgeries to correct spina bifida during pregnancy while the baby is inside the womb. We also use endovascular methods to correct congenital heart defects of newborns.

OUR COMMUNITIES

As we continuously expand our network throughout Russia and bring often unique services to new regions, we not only provide people with high-quality services near their homes but also encourage every employee to be helpful in their own communities.

OUR PROFESSION

Above all, we recognise that one of the most important roles we can play as a leading healthcare company in Russia is to contribute our resources, time, expertise and know-how to raise the overall standard of the healthcare profession in Russia. We regularly hold open-access webinars for doctors and patients across the country where we address key issues in women's and children's health, thereby helping to raise the quality of medical services provided to patients all over the country.

KEY CSR ACTIVITIES IN 2018

PMC DONOR'S DAY

- MD Medical Group's PMC hosted two Donor Days in 2018. 40 people participated in the donor event on 30 May by each donating 400 grams of blood. On 17 December, 31 donors contributed 12.4 litres.

LAPINO DONOR'S DAY

- In 2018, Lapino hospital hosted two donor events attended by over 100 donors. On 22 May, 56 people donated 22.4 litres of blood. Additional 57 participants each donated 400 grams of blood on 30 November.

"WISH TREE" CHARITY EVENT

- In December 2018, employees of IDK Samara, PMC and Lapino hospital participated in a charity event "Wish tree" by purchasing gifts for orphaned children.
- Children of Zaprudnenskaya boarding school, Municipal Budget Institution "Leisure centre "Mir" and Dmitrov technical school wrote their wishes on cards used to decorate Christmas trees at MDMG's facilities. Every hospital employee could choose a card with a wish and buy a gift for a child in need.
- MDMG employees collected 200 gifts that were delivered by employee volunteers who travelled to the Moscow Region to present the gifts right on time for New Year.

OTHER SOCIAL PROJECTS

- MDMG organised educational events for children, helping them develop health-conscious habits and learn about future employment opportunities in the healthcare sector.
- MDMG held a series of lectures and workshops for students of Samara State Medical University. In the course of these lectures our employees shared their knowledge and expertise with students specialising in paediatrics, obstetrics and gynaecology, as well as neonatology and therapy.
- As part of our partnership with Irkutsk State Medical University, MDMG has been hosting a series of workshops for Irkutsk students and students from the University of Grenoble (France) led by senior lecturer Mikhail Chertovskikh, an expert in IVF and endoscopy in gynaecology.
- MDMG supports a number of charity funds – beneficiaries of "HESED-LEYA", "Izgelk", "Markhamat", "Save Me", and "Our Children" receive free services at our Ufa hospital.

Shareholder Equity

Since October 2012, MD Medical Group's shares have been listed on the London Stock Exchange under the ticker MDMG in the form of Global Depositary Receipts (GDRs). Each GDR represents an interest in one ordinary share.

MD Medical Group has a free float of approximately 32.1%, with the remaining 67.9% owned by MD Medical Holding Limited, which is beneficially owned by Dr Mark Kurtser.

The investor portfolio is represented by a number of global institutional investors.

75,125,010

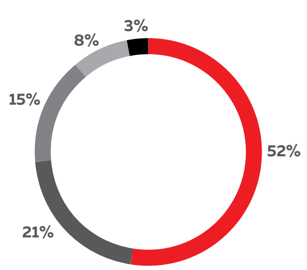
The total number of shares outstanding

KEY SHAREHOLDER

SHAREHOLDER NAME	NUMBER OF SHARES AS OF 31.12.2017	SHARE OF SHARES OUTSTANDING	NUMBER OF SHARES AS OF 31.12.2018	SHARE OF SHARES OUTSTANDING
Russian Direct Investment Fund[1]	4,166,667	5.5%	4,166,667	5.5%
Russia Partners	3,235,000	4.3%	3,235,000	4.3%
J.P. Morgan Asset Management (UK), LTD	3,094,536	4.1%	2,585,693	3.4%
Prosperity	1,105,659	1.5%	1,917,175	2.6%
Massachusetts Mutual	948,211	1.3%	948,211	1.3%
M&G Investment Management, LTD	903,724	1.2%	849,622	1.1%
Comgest S.A.	764,600	1.0%	764,600	1.0%
Standard Life Aberdeen	689,243	0.9%	724,855	1.0%

OUR INVESTORS REPRESENT VARIOUS GEOGRAPHIES[2]

- UK
- Russia
- Scandinavia
- Continental Europe
- Other countries



32.1%

free float

[1] Shares managed by RDIF Managing company Llc., including co-investors' shares managed by RDIF Managing company Llc
[2] Source: Bloomberg as of January 2019

ANALYST COVERAGE

As of 31 December 2018, MDMG was covered by equity research analysts representing leading banks such as Bank of America Merrill Lynch, Goldman Sachs, HSBC, JP Morgan, Renaissance Capital, and VTB Capital.

DIVIDENDS

MD Medical Group has been adhering to its unofficial dividend policy to pay out at least 25% of a year's net profit as dividends.

DIVIDEND TAXATION

Since 1 January 2015, MD Medical Group has been a Russian tax resident and pays dividends in line with the Russian Tax Code, according to which dividends paid by Russian companies are generally subject to a tax rate of 15%. A reduced rate may be applied in the case of Russian tax residents and residents of foreign jurisdictions whose Governments have signed a double tax-ation treaty ("DTT") with the Government of Russia. MD Medical Group acts as a tax agent and withholds tax in order to transfer it to the Russian tax authorities when paying dividends. For a list of countries that have signed a DTT with Russia and terms for applying a reduced tax rate, please see the Company's corporate website at http://www. mcclinics.com/media/news/112.html

28.3%

of net profit declared as dividends for 2018

MD MEDICAL GROUP'S DIVIDEND HISTORY

	2014	2015	H1 2016	2016	H1 2017	2017	2018
Dividend approval	05.06.2015	15.04.2016	02.09.2016	21.04.2017	08.09.2017	17.04.2018	**23.04.2019**
Record date	05.06.2015	22.04.2016	09.09.2016	28.04.2017	19.09.2017	25.04.2018	**24.05.2019**
Payout date	03.07.2015	20.05.2016	18.10.2016	23.05.2017	24.10.2017	22.05.2018	**25.06.2019**
Total dividends paid (net of tax), ths USD	5,455	7,310	4,325	5,060	5,311	6,838	**10,858**
Dividends per share, USD[3]	0.07	0.10	0.06	0.08	0.08	0.09	**0.14**

INVESTOR RELATIONS

We see our investor relations as an important priority and have focused on maintaining a continued active dialogue with the investment community since our successful listing on the London Stock Exchange in 2012. Our goal is to rigorously adhere to the best practices in terms of transparency and information disclosure to our investors and analysts. We regularly provide updates on operational (every quarter) and financial performance (every six months), new openings and acquisitions, key Board of Directors and shareholder meetings decisions, as well as other important corporate developments.

Through our investor relations function we are committed to ensuring that the investment community has a good understanding of our story and promptly receives all relevant information. We do that by making ourselves, including senior management, available for productive dialogue.

During 2018, we held more than 110 meetings with investors, attended 5 investor conferences in Russia and the UK.

In our dialogue with the investment community, we aim to provide objective, trasnparent, and reliable information about our business in line with high disclosure standards.

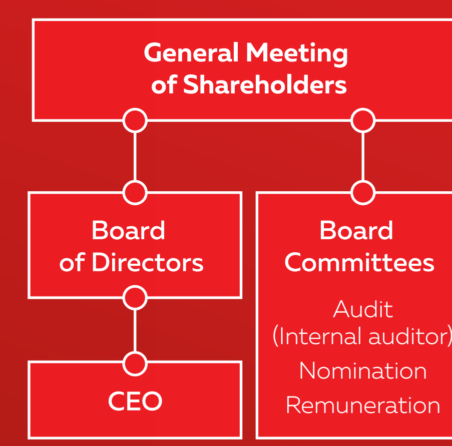
[3] at the exchange rate as of the date of the Annual General Meeting of Shareholders or Board meeting

Corporate Governance and Risk Management

Our contribution to our people and our local communities stretches far beyond health

CONTENTS

CORPORATE GOVERNANCE AND CONTROL STRUCTURE



Corporate Governance Report

At MD Medical Group, we appreciate that good corporate governance and effective management are essential to our overall success. The Board of Directors aims to uphold the highest standards in its interaction with all stakeholders.

> We are firmly committed to maintaining the highest corporate governance standards
>
> **Mr Vladimir Mekler**
> Chairman of the Board of Directors

CORPORATE GOVERNANCE AND CONTROL STRUCTURE

General Meeting of Shareholders	
Board of Directors	**Board Committees**
CEO	Audit (Internal auditor) Nomination Remuneration

Since its London IPO, the Company has maintained full compliance with the UK Corporate Governance Code. It has established a remuneration committee, an audit committee and a nomination committee with formally delegated duties and responsibilities and written terms of reference.

All of the committees perform their duties on behalf of the Board of Directors, which is responsible for constituting, assigning, co-opting and fixing the terms of service for the committee members.

AUDIT COMMITTEE

The Audit Committee comprises three non-executive directors, two of whom are independent. The Audit Committee is chaired by independent non-executive director Liubov Malyarevskaya since 19 February 2015, Mr Kirill Dmitriev and Mr Simon Rowlands are the other members.

The Audit Committee meets at least four times each year and is responsible for considering:

- The reliability and appropriateness of disclosures in the financial statements and external financial communication.
- The maintenance of an effective system of internal controls including financial, operational and compliance controls and risk management system.
- Preparation of recommendations to the shareholders for approval in General Meetings in relation to the appointment, reappointment and removal of the external auditors.
- Approval of the remuneration and terms of engagement of the external auditors in respect of audit services provided.
- The audit process, including monitoring and review of the external auditors' performance, independence and objectivity.
- Development and implementation of the policy on non-audit services provided by the external auditors. And
- Monitoring compliance with laws and regulations and standard of corporate governance.

The Audit Committee assists the Board of Directors in its oversight of the performance and leadership of the internal audit activity.

Where the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendation to the Board of Directors on actions needed to address the issues or to make improvements.

NOMINATION COMMITTEE

The Nomination Committee one executive and two non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive director Mr Vladimir Mekler (since June 2016); non-executive director Mr Simon Rowlands and executive director Dr Mark Kurtser are other members since September 2015.

The Nomination Committee meets at least once a year and is responsible for assisting the Board of Directors in discharging its corporate governance responsibilities in relation to appointment of all executive and non-executive directors, as well as the CEO and CFO of the Company.

The main objective of the Nomination Committee is to lead the process for the Board of Directors' appointments and make respective recommendation to the Board of Directors, ensuring proper balance of the Board of Directors and qualification of its members.

The Nomination Committee also considers the composition of the Audit and Remuneration Committees.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two non-executive directors and one executive director. The Remuneration Committee is chaired by an independent non-executive director Mr Simon Rowlands. The two other members are Dr Mark Kurtser and Mr Vladimir Mekler.

The Remuneration Committee meets at least once a year and is responsible for assisting the Board of Directors in discharging its corporate governance responsibilities in relation to remuneration of all executive directors and the Chairman of the Board of Directors. The main objective of the Remuneration Committee is to determine the framework and policy for the remuneration of the executive directors, the Chairman of the Board of Directors and senior executives, and the specific remuneration of each executive director and the Chairman of the Board of Directors and any compensation payments.

INTERNAL AUDITOR

The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Company's internal audit service. In this respect, the Audit Committee may require investigations by, or under the authority of, the head of Internal Audit Service into any activities of the Group which may be of interest or concern to the Audit Committee.

The Company's internal auditor is responsible for recommending an audit plan to the Audit Committee. The internal auditor carries out auditing assignments in accordance with such plan and oversees the Company's compliance with the plan recommendations. The internal auditor files a quarterly report with his findings to the Audit Committee.

Risk Management

RISK	POTENTIAL IMPACT	MITIGATION
Reputation risk	The main danger of this risk is that it can be caused by a number of different factors. In this way it is closely related to other risks mentioned below. We endeavour to maintain a low level of reputation risk by updating information sources and launching new system controls. In 2019, we will provide a range of measures to reduce the level of reputational risk, all based on the Company's development strategy.	In 2018, we strengthened our work on risks, which we did not manage to significantly reduce in 2017. We have a significant effect in terms of control and effectiveness risks, compliance risk and reputation risk. Work was also carried out to further reduce the recruitment risk and the risk to Medical Services. The work with the media was optimised in terms of the correctness of information and its sources, and new measures to protect information were introduced. As a result, this led to a decrease in reputational risk.
Medical Service Risk	Medical risk is one of the main risks affecting the Company's reputation, as well as the achievement of our goals. Our reputation is based on our work, patient satisfaction with our services, and the safety of our customers. Given the development of business and the opening of new activities, this risk requires constant monitoring and the ability to respond as quickly as possible to any event.	To reduce this risk, we need the newest and most advanced equipment, medicines and medical supplies that will allow us to minimise the likelihood of errors. We continue to place high demands on our medical staff in terms of qualifications and continue to provide them with the opportunity to develop and specialise. The Company's management personally conducts seminars and scientific conferences for doctors, as well as evaluating the effectiveness of key medical staff within the Company. In 2018, patient complaints led to improvements in work. In medium and complex medical cases, recommendations are carefully analysed, and agreed with all key members of the Company.
Compliance Risk	The political and regulatory environment with respect to the development of private medicine in Russia is currently relatively favourable. However, there is always a risk that governmental attitudes and policies with respect to private medicine could change. That could create difficulties for us in terms of realising our strategic objectives, including the implementation of our investment programme.	We have strong relations with the government at both the federal and regional level, and we work continually to make them even stronger. We participate in a variety of public committees on relevant health issues, including the development of the Russian healthcare sector as a whole. We also actively support the authorities and provide expert advice on relevant laws. At times, we actively advocate for laws aimed at supporting the continued development of the medical sector. We also cooperate with the regulatory bodies of Great Britain for the requirements of the London Stock Exchange. We constantly review the updates in the UK and EU legislation and update our internal standards to match.
Macroeconomic Risk	Macroeconomic risk reflects the possibility of external impact on the business and requires constant monitoring. Regular assessment of this risk allows us to predict the further development of business.	Given the unstable foreign policy situation in 2018, our team paid special attention to monitoring trends in the Russian economy with an assessment of the potential impact on the business. Our strategy has been designed so that we can adapt, as necessary, to changes in the overall economic environment.
Control & Efficiency Risk	The risk is closely related to the size of the business and the coverage area, which was significantly increased in 2018. Dealing with this risk requires significant resources, as well as the competence of the Company's management. Quality control gives us the opportunity to avoid adverse events and additional costs, and quality management gives us the opportunity to continuously develop.	In 2018, we achieved significant success in reducing this risk by introducing new control measures and improving existing ones. Constant business growth requires us to take new decisions and use new control technologies that allow us to control the activities of Company employees at all sites, so we use international practice, constantly developing mechanisms to increase the effectiveness of control over all processes (budgeting, financial control, treasury, accounting, procurement, legal support, personnel management, security and IT). In 2018, to achieve maximum management efficiency, additional managerial positions were introduced with control functions. We carefully interact and listen to the recommendations of world-renowned consultants.
Investment Project Execution Risk	Our growth depends on acquisitions of existing healthcare facilities as well as the construction of new hospitals and clinics. Our strategy is based on expanding our network throughout the regions of Russia. We are pioneers in the field of regional expansion, particularly where the effectiveness has not been fully measured and proven. It can be challenging to forecast with precision the likely return on investment and the probable payback periods due to a certain lack of reliable information on the potential number of private patients in a given region. If expansion projects are not implemented effectively, projects can either have an extremely long pay-back period or even fail to deliver a profit entirely.	We have a number of small clinics in regions across Russia. These operations give us an opportunity to understand the local market dynamics, including average ticket size and overall level of demand, before undertaking a major project such as the construction of a new hospital or a sizeable acquisition. We prioritise those regions where we already have out-patient clinics and/or Russia's largest regions where we can have a higher degree of certainty about the local market. We also benefit from a relative lack of competition in the regions, as currently we are practically the only sizeable provider of high quality private medical services.
Recruitment Risk	The risk arises in the presence of factors leading to the inability to attract or retain highly qualified personnel in the Company. In the regions, this risk is particularly relevant due to the shortage of doctors and medical staff with the necessary qualifications, as well as the presence of competing employers, such as government agencies or other commercial organisations. The risk is also associated with the possible rotation of qualified medical and managerial personnel between employers. This risk is aggravated by the general standard of medical education in Russia, which often does not meet the standards set by private clinics, whose reputation largely depends on the quality of the services they provide. The risk requires constant activity from the HR service and Company Management.	In 2018, the work of the HR team was aimed at improving the quality of the recruitment process, as well as working conditions and communication within the Company. We continue to actively cooperate with heads of departments of leading universities in search of talented personnel, and also provide serious on-the-job training and continuous medical education, including training programmes for specialists that we conduct in Moscow for new employees in the regions. In 2018, management announced a program for horizontal rotation of personnel within the Company in order to cover the shortage of personnel in the regions.
Financial Risk	Financial risk includes significant risks such as: • Credit risk – the risk arising from the likelihood that the debtors will not make the promised payments either on time or in full. • Operational risk – conditional losses of the Company due to technical failures, intentional and accidental human errors. • Liquidity risk – the likelihood of loss arising in a situation where (1) there is not enough cash and/or cash equivalents to meet the needs of savers and borrowers, (2) the sale of illiquid assets is lower than their fair value, or (3) illiquid assets will not be sold at the desired time due to the lack of buyers.	The Company's Management personally controls the cash flow within the Company, as well as the quality of execution of its instructions in relation to any issues related to the Company's finances and assets. In 2018, the number of personnel in the Financial Department increased, which allowed to reduce the Operational risk. Continuous professional development of employees of the Financial Department is one of the priority requirements of Management.

Board of Directors

Mr Vladimir Mekler

Chairman of the Board of Directors

Mr Vladimir Mekler became Chairman of the Board of Directors in June 2016. Mr Mekler was appointed as Non-Executive Director in February 2015.

He is a senior and managing partner of Mekler & Partners. Mr Mekler specialises in corporate law, including supporting and structuring complex and cross-border contracts; creating systems of corporate governance; legal structuring development; optimisation of criminal and antitrust legislation; legal support of mergers and acquisitions; settling corporate disputes; and organising and coordinating legal representation and defence in complex economic and property crimes. Mr Mekler has been a member of the Moscow City Bar since 1980 and is listed in the Moscow Bar's Book of Honours. He also acted as Vice Chairman of the Presidium of the Moscow City Bar Association from 2003 to 2010. He graduated from Lomonosov Moscow State University.

Dr Mark Kurtser

Member of Russian Academy of Sciences, CEO and Member of the Board of Directors

Dr Mark Kurtser is the founder of MD Medical Group, CEO and Member of the Board of Directors.

Dr Kurtser began his career as a graduate assistant to the associate professor at the Obstetrics and Gynaecology Department of Pirogov Medical University. From 1994 to 2012, he was Head of the Centre for Family Planning and Reproduction, the largest public obstetrics hospital in Moscow. From 2003 to 2013, Dr Kurtser was the Chief Obstetrician and Gynaecologist of the City of Moscow. He holds a degree in medicine from Pirogov Medical University in addition to a postdoctoral degree in medicine. Dr Kurtser remains actively involved in the Group's healthcare practice and day-to-day operations.

Mr Simon Rowlands

Independent Member of the Board of Directors

Mr Simon Rowlands was appointed as an independent non-executive director in September 2012.

Mr Rowlands was a Co-Founding Partner of the private equity firm Cinven until 2013, establishing and leading its healthcare team, and then served as a Senior Adviser until 2017. Simon founded a new private equity firm in 2016 focused on healthcare and consumer sectors of Sub-Saharan Africa. His other current appointments include non-executive directorship at Spire Healthcare Plc and is Chairman of the Advisory Board of Cranfield School of Management. Prior to Cinven, Mr Rowlands worked with an international consulting firm on multi-disciplinary engineering projects in the UK and Southern Africa. He has an MBA in Business, a BSc in Engineering and is a chartered engineer.

Mr Kirill Dmitriev

Member of the Board of Directors

Mr Kirill Dmitriev was elected to the Board of Directors in October 2012.

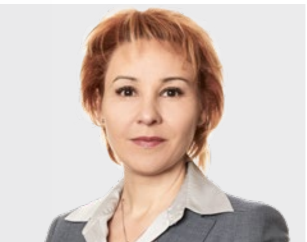
He is CEO of the Russian Direct Investment Fund – one of the world's leading sovereign funds with a reserved capital of $10 billion under management. In all transactions, RDIF acts as a co-investor alongside major international investors, playing the role of a catalyst in attracting direct investment into Russia. RDIF has successfully invested with foreign partners in more than 70 projects totalling more than 1.4 trillion roubles and covering 95% of the regions of the Russian Federation. RDIF has established joint strategic partnerships with leading international co-investors from more than 15 countries totalling more than $40 billion. Prior to becoming CEO of RDIF in 2011, Kirill Dmitriev headed a number of large private equity funds and completed a series of landmark transactions for Russia, including the sale of Delta Bank to General Electric, Delta Credit Bank to Société Générale, STS Media to Fidelity Investments, among others. Mr Dmitriev began his career at Goldman Sachs and McKinsey & Company. He holds a BA in Economics with Honours and Distinction from Stanford University and an MBA with High Distinction (Baker Scholar) from the Harvard Business School.

Mr Vitaly Ustimenko

PhD, Member of the Board of Directors

Mr Vitaly Ustimenko was the Group's Chief Financial Officer from 2012–2016. He was elected to the Board of Directors in February 2015.

Mr Ustimenko has more than 17 years of experience in finance. He was CFO of Solnechnye Produkty Holding Company from 2017–2018. Prior to joining the Group, he was the Head of Strategic and Business Planning at Russian Helicopters, and before that held the position of Senior Manager at Deloitte Touche Tomatsu Ltd. Mr Ustimenko holds a bachelor's degree from the Finance University under the Government of the Russian Federation and a PhD in Finance from the State University of Management.



Dr Alsou Nazyrova

PhD, Member of the Board of Directors

Dr Alsou Nazyrova joined the Group in 2009 and became a member of the Board in June 2016.

In 2016 she was appointed Director of Mother&Child Urals and Head of Regional Projects Department. Dr Nazyrova has held the CEO position at Mother&Child hospital in Ufa since 2014 and the CEO position at Mother&Child clinic in Ufa since 2009.Alsou Nazyrova has more than 15 years of experience in medicine and pharmaceutical business and is the Head of the Reproductive Health Faculty at Bashkir State Medical University. Dr Nazyrova graduated from Bashkir State Medical University and had specialty training in Paediatrics, she also holds a PhD degree.

Mrs Liubov Malyarevskaya

Independent Member of the Board of Directors

Mrs Liubov Malyarevskaya was appointed as Independent Non-Executive Director in February 2015.

She has been Deputy CEO for Economics and Finance at the Russia Media Group since 2016. Before that, from 2014 to 2016 she worked as Project Director in Sberbank Russia's Finance Department. Earlier, from 2011 to 2014, Mrs Malyarevskaya was a partner and head of the Corporate Finance Department of BDO. From 2001 through 2010 she worked at PricewaterhouseCoopers and Deloitte, including as senior manager at Deloitte Touche Tomatsu Ltd. Mrs Malyarevskaya holds a Russian Statutory Accountant Certificate as well as a certificate from the Association of Chartered Certified Accountants (ACCA). Mrs Malyarevskaya graduated from the Plekhanov Russian Academy of Economics (diploma cum laude).

Board of Directors Activity in 2018

PARTICIPATION OF THE DIRECTORS IN THE BOARD MEETINGS DURING 2018

REMUNERATION PAID TO MEMBERS OF THE BOARD IN 2018

		NUMBER OF BOARD MEETINGS ATTENDED IN PERSON OR VIA PHONE	NUMBER OF MEETINGS HELD FOR THE PERIOD AS A BOARD MEMBER	BOARD MEMBER TOTAL AMOUNT PAID (BEFORE TAXES)
	Mr Vladimir Mekler	5	5	
	Dr Mark Kurtser	5	5	
	Mr Simon Rowlands	5	5	RUB 4.5 mln
	Mr Kirill Dmitriev	4	5	
	Mr Vitaly Ustimenko	5	5	RUB 1.2 mln
	Dr Alsou Nazyrova	5	5	
	Mrs Liubov Malyarevskaya	5	5	RUB 782 ths
	Mr Nikolay Ishmetov alternate director for Kirill Dmitriev	5	5	

5

Board meetings held in 2018

39

Agenda items were discussed in 2018

Our Board comprises directors who both know the Company extremely well and have an excellent track record in areas relevant to our business.

Senior Management

Dr Mark Kurtser

Member of Russian Academy of Sciences, CEO and Member of the Board of Directors

Dr Mark Kurtser is the founder of MD Medical Group, CEO and Member of the Board of Directors.

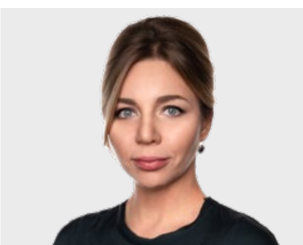
Dr Kurtser began his career as a graduate assistant to the associate professor at the Obstetrics and Gynaecology Department of Pirogov Medical University. From 1994 to 2012, he was Head of the Centre for Family Planning and Reproduction, the largest public obstetrics hospital in Moscow. From 2003 to 2013, Dr Kurtser was the Chief Obstetrician and Gynaecologist of the City of Moscow. He holds a degree in Medicine from Pirogov Medical University in addition to a postdoctoral degree in Medicine. Dr Kurtser remains actively involved in the Group's healthcare practice and day-to-day operations.

Mr Andrey Khoperskiy

Deputy CEO for Economics and Finance

Mr Andrey Khoperskiy joined the Group as Head of Finance Controlling and Treasury in 2013, he was appointed to the position of Director for Finance of the Group in 2016.

Previously, Andrey worked for Rusagro Group and Sukhoi Aviation Holding Company as a Finance manager and earlier he was an Auditor in BDO Russia. Mr Khoperskiy graduated from the Moscow State University of Economics, Statistics and Informatics with a degree in Taxes. Holds ACCA Advanced Diploma in Accounting and Business and ACCA Diploma in International Financial Reporting.



Mrs Maria Nechaeva

Deputy CEO for Operations

Mrs Maria Nechaeva joined the Group in 2018.

Prior to joining the Group, Maria was Head of Sales at Medipal Onco in 2012–2018. Before that, she held various positions at pharmaceutical companies such as Abbott Laboratories and Pfizer in 2003–2012. Mrs Nechaeva graduated from Pirogov Medical University with a degree in General Medicine and completed residency training in OBGYN at the Centre of Family Planning and Reproduction.

Dr Boris Konoplev

Medical Director of Mother&Child, Head of Hospital Group

Dr Boris Konoplev joined the Group in 2010. In 2017, he was appointed Medical Director and Head of Hospital Group of Mother&Child.

Prior to that, in 2014–2017, Dr Konoplev was Chief Doctor of Mother&Child Ufa Hospital. Earlier, from 2012 to 2014, he was Head of Obstetrics Department at Lapino Hospital. In 2010–2012, Dr Konoplev was Obstetric gynaecologist of Maternity Department at the Perinatal Medical Centre.

Dr Konoplev graduated from the Paediatric Faculty of Pirogov Medical University. In 2015, he became an assistant at the Department of Reproductive Health, with speciality training in Immunology at Bashkir State Medical University. Dr Konoplev is a practicing obstetrician-gynaecologist and has undertaken a number of trainings in leading European clinics.

Dr Yulia Kutakova

PhD, Medical Director for Organisational and Scientific-Educational Work

Dr Yulia Kutakova joined the Group in 2012. She has over 11 years of practical experience in obstetrics and gynaecology.

Prior to joining the Group, Dr Kutakova was Chief of Maternity in the Organisational and Tutorial Department of Public Healthcare of the City of Moscow.

She holds a degree in Medicine from Pirogov Medical University, a degree in Management from the Moscow Institute of Management and a PhD in Medical Science.

Dr Natalia Yakunina

PhD, Deputy CEO, Director of Mother&Child Centre

Dr Natalia Yakunina joined the Group in 2011. In 2019, she was appointed Deputy CEO and Director of Mother&Child Centre.

From 2016-2018, Dr Yakunina was Deputy CEO for Patient Care and from 2014–2016 she worked as Chief Doctor and CEO of Mother&Child Savelovskaya clinic in Moscow. Before that, from 2012–2014 she was Head of the OBGYN out-patient department at PMC. Natalia joined the Group in 2011 as Chief Doctor at Mother&Child Yugo-Zapad clinic in Moscow. Before joining the Group, Dr Yakunina was Chief Obstetrician and Gynaecologist of the Central District of Moscow. Dr Yakunina has more than 22 years of experience in obstetrics-gynaecology. She graduated from Turkmen State Medical University with a degree in General Medicine and also holds a PhD degree.

Regional Directors

Dr Alsou Nazyrova

PhD, Director of Mother & Child Urals

Dr Alsou Nazyrova joined the Group in 2009 and became a member of the Board in June 2016.

In 2016 she was appointed Director of Mother&Child Urals and Head of Regional Projects Department. Dr Nazyrova has held the CEO position at Mother&Child hospital in Ufa since 2014 and the CEO position at Mother&Child clinic in Ufa since 2009. Alsou Nazyrova has more than 15 years of experience in medicine and pharmaceutical business and is the Head of the Reproductive Health faculty at Bashkir State Medical University. Dr Nazyrova graduated from Bashkir State Medical University and had specialty training in Paediatrics, she also holds a PhD degree.

Dr Marat Tugushev

PhD, Director of Mother&Child Volga

Dr Marat Tugushev has been Chief Doctor at five Mother&Child clinics in the Samara Region since 1992. In 2017, he was also appointed as Director of Mother&Child Volga.

With more than 27 years of experience in healthcare, he is currently a practicing obstetrician and gynaecologist as well as a surgeon of the highest qualification category. Dr Marat Tugushev is actively engaged in medical research. He is also Head of Reproductive Medicine, Clinical Embryology and Genetics Department at Samara State Medical University. Dr Tugushev graduated from Samara State Medical University with a degree in General Medicine. He holds a PhD in Medical Science.

Dr Andrey Sudarev

Director of Mother&Child Siberia

Mr Andrey Sudarev joined the Group as Director of Mother&Child Siberia in 2018, bringing more than 29 years of experience in the healthcare and medical sector.

Prior to joining the Group, Andrey was CEO at Service Pharm from 2016–2017. Earlier he worked at Intermedservice Company, including as the Head of its Western Siberian branch for more than 11 years. Before that, Mr Sudarev was engaged in the medical sector supplying pharmaceuticals, medical equipment and consumables to healthcare facilities. He started his career in 1989 and has a wide range of experience, having worked as a surgeon, oncologist, the head of a surgery department and as a teaching assistant in surgical pathology. Mr Sudarev graduated from Novosibirsk State Medical Institute with a degree in General Medicine.

Dr Natalia Yakunina

PhD, Deputy CEO, Director of Mother&Child Centre

Dr Natalia Yakunina joined the Group in 2011. In 2019, she was appointed Deputy CEO and Director of Mother&Child Centre.

From 2016–2018, Dr Yakunina was Deputy CEO for Patient Care and from 2014–2016 she worked as Chief Doctor and CEO of Mother&Child Savelovskaya clinic in Moscow. Before that, from 2012–2014 she was Head of the OBGYN out-patient department at PMC. Natalia joined the Group in 2011 as Chief Doctor at Mother&Child Yugo-Zapad clinic in Moscow. Before joining the Group, Dr Yakunina was Chief Obstetrician and Gynaecologist of the Central District of Moscow. Dr Yakunina has more than 22 years of experience in obstetrics-gynaecology. She graduated from Turkmen State Medical University with a degree in General Medicine and also holds a PhD degree.

Report and Consolidated Financial Statements

For the year ended 31 December 2018

Contents

Officers, Professional Advisors And Registered Office

Board of Directors	– Vladimir Mekler – Chairman – Mark Kurtser – Vitaly Ustimenko – Kirill Dmitriev – Nikolay Ishmetov (alternate director to Kirill Dmitriev) – Simon Rowlands – Alsu Nazyrova – Liubov Malyarevskaya
Secretary	Menustrust Limited
Secretary assistant	Darya Alekseeva
Independent Auditors	KPMG Limited
Registered Office	15 Dimitriou Karatasou street, Anastasio Building, 6th floor, office 601, Strovolos, 2024, Nicosia, Cyprus

Management Report

The Board of Directors of MD Medical Group Investments Plc (the "Company") presents to the members its Annual Report together with the audited consolidated financial statements of the Company and its subsidiary companies (the Company and its subsidiaries together referred to as the "Group") for the year ended 31 December 2018.

INCORPORATION

MD Medical Group Investments Plc was incorporated in Cyprus on 5 August 2010 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. On 22 August 2012 following special resolution passed by the shareholder, the name of the Company was changed from "MD Medical Group Investments Ltd" to "MD Medical Group Investments Plc" and the Company was converted into a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113.

PRINCIPAL ACTIVITY

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. Note 4 to these consolidated financial statements gives more detailed information about the service provided by the Group`s medical centres.

FINANCIAL RESULTS

The Group's results of operations are affected by a number of factors, including acquisitions, regulatory conditions, demand for private healthcare services, patient capacity and utilisation rate, pricing and volume, staff costs, capital expenditure programmes and currency exchange fluctuations.

The Group's financial results for the year ended 31 December 2018 and its financial position at that date are set out in the consolidated statement of profit or loss and other comprehensive income on page 81 and in the consolidated statement of financial position on page 82 of these consolidated financial statements.

Profit for the year ended 31 December 2018 amounted to RUB2,831,043 thousand (2017: RUB2,704,250 thousand). The total assets of the Group as at 31 December 2018 were RUB25,078,137 thousand (31 December 2017: RUB22,271,953 thousand) and the net assets were RUB15,998,948 thousand (31 December 2017: RUB14,567,665 thousand).

The main reason for the increased profit was the continuing ramp-up of Lapino, Novosibirsk and Ufa hospitals and expansion of services provided by existing facilities, as clinics in Moscow (M&C Khodynskoe pole and LLC Clinica Zdorovia).

The main reason for increase in total assets was the equipment purchased for the new opened hospital in Samara and the construction of multifunctional hospital in Tyumen, realisation of the project Lapino-2 and renovation of PMC.

DIVIDENDS

In accordance with the Company's Articles of Association dividends may be paid out of its profits. To the extent that the Company declares and pays dividends, owners of GDRs on the relevant record date will be entitled to receive dividends in respect of ordinary shares underlying the GDRs.

The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company in accordance with relevant legislation in the country of their incorporation and any contractual restrictions. The payment of such dividends by its subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves.

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.

On 17 March 2017 the Board of Directors declared final dividends for the year 2016 attributable to the owners of the Company amounting to RUB338,063 thousand (USD5,804 thousand), which corresponds to RUB4.5 (USD0.08) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 21 April 2017. The dividends were paid on 23 May 2017.

On 8 September 2017 the Board of Directors declared interim dividends for the six months ended 30 June 2017 attributable to the owners of the Company amounting to RUB350,833 thousand (USD6,140 thousand), which corresponds to RUB4.67 (USD0.08) per share. The dividends were paid on 24 October 2017.

On 22 March 2019 the Board of Directors recommended the payment of RUB800,081 thousand as final dividends for the year 2018 which corresponds to RUB10.65 per share.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The current financial position and performance of the Group as presented in these consolidated financial statements is considered satisfactory.

The Group has developed its growth strategy to meet the increasing demand for high-quality private healthcare services in Russia. The Group has grown significantly through strategic acquisitions and expansion through the construction of new facilities.

During 2018 the Group has acquired additional 30% share in LLC Mother and Child Ugo-Zapad and LLC FimedLab, 26% share in LLC Velum, 20% share in LLC Clinica Zdorovia and 15% share in LLC Capital Group, LLC Mother and Child Perm, LLC Mother and Child Ufa, LLC Mother and Child Saint-Petersburg for RUB790,231 thousand (USD12,335 thousand).

The Group has one of the largest nationwide private healthcare regional networks for its core services and is expanding into new services. It has significant experience in the provision of full-service private maternity healthcare services. The Group has secured leading positions in the Russian private healthcare market across a range of services including obstetrics and gynaecology, fertility and IVF treatments, and paediatrics. It has also been diversifying its offering by adding other medical services for all family members, such as surgery, urology, traumatology, cardiology, and oncology, etc. The recently opened facilities have been multi-disciplinary from the very beginning.

The Group's principal objective is to use its strong existing platform and experience in the regions to create a scalable concept of establishing new regional hospitals and other medical facilities, utilising rigorous investment decision-making process and targeting the most attractive regions and ensuring seamless execution.

The Group believes the experience, depth and diversity of its management team to be a distinct competitive advantage in the complex and rapidly growing healthcare industry in which it operates.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates in a highly regulated industry and is subject to supervision by federal and local authorities. As a result, the Group would be significantly affected by material changes to the existing, or implementation of additional, government regulations in Russia.

The Board of Directors has the overall responsibility for the establishment and supervision of the Company's risk management framework.

Details in relation to principal risks and uncertainties and steps taken to manage these risks and uncertainties are presented in Notes 23 and 25 of these consolidated financial statements.

The reputation, expertise and professionalism of the Group's medical personnel are instrumental to the Group's ability to attract new and repeat patients. The Group's operating success depends on its medical personnel providing high-quality healthcare services throughout the Group's medical network.

DIRECTORS' INTEREST

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2018, 31 December 2017 and as at the date of signing these consolidated financial statements are as follows:

NAME	TYPE OF INTEREST	EFFECTIVE INTEREST %
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.

FUTURE DEVELOPMENTS

The Group's goal is to continually diversify its medical services by expanding its range of services, maintaining its leading position in the field of high-quality women's health and paediatrics, as well as addressing the increasing demand for private healthcare services in Russia and beyond.

As the Group will be growing it intends to expand its portfolio of hospital and outpatient facilities, broaden its service offerings by providing patients with the most up-to-date treatment procedures and medical technology available on the market, expand its services in Moscow and other regions, exploit the value of its integrated healthcare network by making effective use of services across its facilities, optimising the benefits for patients and the Group as a whole.

SHARE CAPITAL

There were no changes in the share capital of the Company during the year.

BOARD OF DIRECTORS

The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Appointment Policy for the Board of Directors and Committees, all directors are subject to appointment or approval of appointment by shareholders at the first Annual General Meeting after their appointment, and to re-appointment at intervals of no more than three years. Any term beyond six years (e.g. two three-year terms) for a non-executive director is subject to particularly rigorous review, and takes into account the need for progressive refreshing of the Board of Directors.

The members of the Board of Directors who served as at the date of signing of these consolidated financial statements, are presented on page 70.

Refer to Note 22 of these consolidated financial statements for the remuneration of the directors and other key management personnel.

THE BOARD COMMITTEES

Since September 2012, the Board of Directors established the operation of the following three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee comprises of three non-executive directors, two of whom are independent. The Audit Committee is chaired by independent non-executive director Liubov Malyarevskaya since 19 February 2015, Mr. Kirill Dmitriev and Mr. Simon Rowlands are the other members.

The Audit Committee meets at least four times each year and is responsible for considering:

- the reliability and appropriateness of disclosures in the financial statements and external financial communication;
- the maintenance of an effective system of internal controls including financial, operational and compliance controls and risk management system;
- preparation of recommendations to the shareholders for approval in General Meetings in relation to the appointment, reappointment and removal of the external auditors;
- approval of the remuneration and terms of engagement of the external auditors in respect of audit services provided;
- the audit process, including monitoring and review of the external auditors' performance, independence and objectivity;
- development and implementation of the policy on non-audit services provided by the external auditors; and
- monitoring compliance with laws and regulations and standard of corporate governance.

The Audit Committee assists the Board of Directors in its oversight of the performance and leadership of the internal audit activity.

Where the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendation to the Board of Directors on actions needed to address the issues or to make improvements.

INTERNAL AUDIT

The Audit Committee is responsible for monitoring and review the effectiveness of the Company's internal audit function. In this respect, the Audit Committee may require investigations by, or under the authority of, the head of Internal Audit into any activities of the Group which may be of interest or concern to the Audit Committee.

The Company`s internal auditor is responsible for the recommendation of an audit plan to the Audit Committee. The internal auditor carries out auditing assignments in accordance with such plan and oversees the Company`s compliance with the plan`s recommendations. The internal auditor files a quarterly report with his findings to the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee comprises of one executive and two non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive director Mr. Vladimir Mekler (since June 2016); non-executive director Mr. Simon Rowlands and executive director Dr. Mark Kurtser are other members since September 2015.

The Nomination Committee meets at least once a year and is responsible for assisting the Board of Directors in discharging its corporate governance responsibilities in relation to appointment of all executive and non-executive directors, as well as the CEO and CFO of the Company. The main objective of the Nomination Committee is to lead the process for the Board of Directors' appointments and make respective recommendation to the Board of Directors, ensuring proper balance of the Board of Directors and qualification of its members. The Nomination Committee also considers the composition of the Audit and Remuneration Committees.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of two non-executive directors and one executive director. The Remuneration Committee is chaired by an independent non-executive director Mr. Simon Rowlands. The two other members are Dr. Mark Kurtser and Mr. Vladimir Mekler.

The Remuneration Committee meets at least once a year and is responsible for assisting the Board of Directors in discharging its corporate governance responsibilities in relation to remuneration of all executive directors and the chairman of the Board of Directors. The main objective of the Remuneration Committee is to determine the framework and policy for the remuneration of the executive directors, the chairman of the Board of Directors and senior executives, and the specific remuneration of each executive director and the chairman of the Board of Directors and any compensation payments.

CORPORATE GOVERNANCE

Since 2012, the Company has maintained full compliance with the UK Corporate Governance Code. The Company is committed to the highest standards of corporate governance and transparency. The Board of Directors recognises that good governance is a strategic asset that helps it to deliver consistent long term value to its shareholders. By running the Company in an open way, the Board of Directors enables shareholders to understand how it has been able to deliver consistently strong results. The Board of Directors believes that corporate responsibility is an essential part of good governance and makes sound business sense, as well as being crucial to the appropriate management of risk within the Company.

Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted important policies and procedures.

The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. The Company's corporate governance policies and practices include, inter alia:

- Appointment policy for the Board of Directors and Committees;
- Terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee;
- Code of Ethics and Conduct;
- Business Continuity Policy;
- Disclosure Policy;
- Regulations on Insider Information;
- Risk Management Policy; and
- Anti-Fraud Policy.

INTERNAL CONTROL IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Group has set formal policies and written term of reference in relation to the financial reporting process that include:

- Corporate Accounting policy Guidelines;
- Methodology for the Transformation of Financial Statements from RAS to IFRS;
- Methodology for the Consolidation of IFRS Financial Statements;
- Financial Reporting Preparation Procedure; and
- The Group's structure.

The objective of this policy is to establish uniform procedures and to implement requirements for the preparation of the consolidated financial statements of the Group. The procedure should be reviewed for compliance with International Financial Reporting Standards as well as current conditions and planned changes in the Group's business activities at least once a year. When necessary, amendments and additions to this Procedure should be adopted.

MEETINGS OF SHAREHOLDERS

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. An annual general meeting and any other shareholders' meeting called to pass a special resolution can be convened by the Board of Directors by a notice, specifying the matters to be discussed, issued at least 21 days before the meeting. Any other meetings shall be convened by the Board of Directors by a notice, specifying the matters to be discussed, issued at least 14 days before the meeting. If the notice period is less than 21 days or 14 days as applicable, the meeting will be deemed to have been duly called if it is so agreed:

- in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote; and
- in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

A notice convening a general meeting must be sent to each of the shareholders.

All shareholders are entitled to attend the general meeting or be represented by a proxy authorised in writing. In the general meeting, on a poll, every share gives the holder the right to cast one vote, whereas, on a show of hands, each member has one vote. A corporate member may, by resolution of its directors or other governing body, authorise a person to act as its representative at any meeting of the Company.

BRANCHES

MD Medical Group Investments Plc has a branch in Moscow.

TREASURY SHARES

During the year ended 31 December 2018, the Company distributed the GDRs earlier acquired by the Company to the participants of Long-term Management Incentive Plan (LTIP) signed in 2014.

No additional treasury shares were acquired.

EVENTS AFTER THE REPORTING PERIOD

In March 2019 the Group opened a new clinic in Vladivostok.

INDEPENDENT AUDITORS

The independent auditors of the Company Messrs. KPMG Limited have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted to the Annual General Meeting.

By order of the Board of Directors,

Mark Kurtser
Managing Director,
member of the Board of Directors
Moscow, 22 March 2019

Directors' Responsibility Statement

Each of the directors, whose names are listed below, confirms that, to the best of their knowledge:

- these consolidated financial statements, prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the adoption of the going concern basis for the preparation of the financial statements continues to be appropriate based on the foregoing and having reviewed the forecast financial position of the Group; and
- the Management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors of the Company responsible for reporting as at the date of this announcement are set out below:	
Vladimir Mekler	Chairman, non-executive director
Mark Kurtser	Executive director
Vitaly Ustimenko	Non-executive director
Alsu Nazyrova	Executive director
Kirill Dmitriev	Non-executive director
Simon Rowlands	Non-executive independent director
Liubov Malyarevskaya	Non-executive independent director

Independent Auditors' Report to the Members of MD Medical Group Investments plc

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of MD Medical Group Investments Plc (the "Company") and its subsidiaries (together with the Company, referred to as "the Group") which are presented on pages 81 to 116 and comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We remained independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

GOODWILL

Please refer to Note 14 of the consolidated financial statements (RUB2,032,320 thousand).

The key audit matter	How the matter was addressed in our audit
As a result of the Group's expansion, a significant amount of goodwill arising from business combinations has been recognised over the years. The management of the Group reviews goodwill for impairment purposes on an annual basis. Inherent uncertainty and subjectivity is involved in forecasting and discounting future cash flows, which are the basis of the assessment of the recoverability of the goodwill and hence its carrying value recorded in the consolidated financial statements. It is for this reason that this is one of the key judgmental areas that our audit is concentrated on.	Our audit procedures included among others the following: Assessing the reasonableness of the assumptions and appropriateness of the methodologies used by the management of the Group based on which the forecasted cash flows were prepared. Particular attention was given to the assumptions relating to terminal growth, after-tax profitability and discount rates. Our own valuation specialists were also utilised within this process. Comparing the Group's assumptions on revenue growth and after-tax profitability margins with equivalent medical centers of the Group in nearby regions, externally derived data as well as our own assessment in relation to key inputs into the models. Preparing our own sensitivity analysis around the key assumptions. Assessing whether the disclosures in Note 14 of the consolidated financial statements relating to key inputs in the impairment assessment model are consistent with those employed in the model.

REVENUE RECOGNITION

Please refer to Note 4 of the consolidated financial statements (RUB14,937,366 thousand).

The key audit matter	How the matter was addressed in our audit
The Group has a number of revenue streams with different revenue recognition policies. The majority of the revenue is generated from individual patients who receive medical care either based on concluded contracts or based on daily tickets for one-off visits. Contracts may last for longer periods. Generally, patients prepay for the whole amount of the contracts and visit doctors within the period of the contract. The number of visits in all medical centers of the Group is significant. Therefore, the Group relies on automation within the medical IT system for complete and accurate revenue recognition through interface with the accounting system. Given the number of different revenue streams, the volume of transactions and related reliance on the medical IT system, we consider that a risk exists in relation to revenue being recorded in the correct period at the correct amount, including related deferred income in the consolidated statement of financial position. As such, revenue recognition is an area that our audit is focused on.	Our audit procedures included among others the following: Testing of general IT controls and IT application controls relevant to revenue recognition, including segregation of duties for inputs and modification of data in the medical IT system, allocation of cash receipts and visits of patients for each individual contract, accuracy of data transfers from cash registers to the medical IT system through to the accounting system. Assessing the design and implementation, and testing of the operating effectiveness of controls over daily cash movements and the completeness of the daily encashment to the bank accounts of the Group. Evaluating controls over approval and authorisation of prices and discounts for individual agreements with patients. Obtaining external confirmations from banks and compared annual cash receipts and cash balances on bank accounts to the data recorded in the accounting systems. Performing substantive analytical procedures to assess deferred revenue recognised in the year (prepayments).

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the management report, the corporate governance statement and the corporate social responsibility statement, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the corporate social responsibility statement we have nothing to report.

With regards to the management report and the corporate governance statement, our report is presented in the "Report on other legal and regulatory requirements" section.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal controls as the Board of Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or the business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OTHER REGULATORY REQUIREMENTS

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

- **Date of our appointment and period of engagement**
  We were first appointed auditors of the Group by the General Meeting of the Company's members on 10 July 2012. Our appointment has been renewed annually by shareholders' resolution. Our total uninterrupted period of engagement is 10 years covering the periods ended 31 December 2009 to 31 December 2018.

- **Consistency of the additional report to the Audit Committee with the Independent Auditors' Report**
  Our audit opinion is consistent with the additional report presented to the Audit Committee, dated 22 March 2019.

- **Provision of non-audit services ("NAS")**
  We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

OTHER LEGAL REQUIREMENTS

Pursuant to the additional requirements of law L. 53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the consolidated management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the Group's business and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, has been prepared in accordance with the requirements of the Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L. 53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditors' report is Zakis E. Hadjizacharias.

Zakis E. Hadjizacharias, CA

Certified Public Accountant and Registered Auditor
for and on behalf of
KPMG Limited
Certified Public Accountants and Registered Auditors
No. 11, June 16th 1943 Street,
3022 Limassol,
Cyprus.
22 March 2019

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	NOTE	2018 RUB'000	2017 RUB'000
Revenue	4	14,937,366	13,755,167
Cost of sales	5	(9,387,499)	(8,358,369)
Gross profit		**5,549,867**	**5,396,798**
Other income	8	26,831	104,808
Administrative expenses	6	(2,415,615)	(2,254,079)
Other expenses		(36,895)	(21,407)
Operating profit		**3,124,188**	**3,226,120**
Finance income	9	173,685	97,321
Finance expenses	9	(546,514)	(492,084)
Net foreign exchange transactions gain / (loss)	9	105,823	(50,201)
Net finance expenses	9	*(267,006)*	*(444,964)*
Profit before tax		**2,857,182**	**2,781,156**
Income tax expense	10	(26,139)	(76,906)
Profit for the year		**2,831,043**	**2,704,250**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,831,043**	**2,704,250**
Profit for the year attributable to:			
Owners of the Company		2,671,350	2,488,812
Non-controlling interests		159,693	215,438
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		**2,831,043**	**2,704,250**
Owners of the Company		2,671,350	2,488,812
Non-controlling interests		159,693	215,438
		2,831,043	**2,704,250**
EARNINGS PER SHARE (RUB)	11	**35.61**	**33.23**

The Notes on pages 90 to 116 are an integral part of these consolidated financial statements.

Consolidated Statement Of Financial Position

As at 31 December 2018

	NOTE	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
ASSETS			
Property, plant and equipment	13	18,157,678	15,323,649
Intangible assets	14	2,258,513	2,335,477
Trade, other receivables and deferred expenses	15	592,416	889,933
Deferred tax assets	10	232,159	243,165
TOTAL NON-CURRENT ASSETS		**21,240,766**	**18,792,224**
Inventories		666,122	525,356
Trade, other receivables and deferred expenses	15	455,768	421,203
Other assets		-	28,568
Cash and cash equivalents	16	2,715,481	2,504,602
TOTAL CURRENT ASSETS		**3,837,371**	**3,479,729**
TOTAL ASSETS		**25,078,137**	**22,271,953**
EQUITY			
Share capital	17	180,585	180,585
Share premium	18	5,243,319	5,243,319
Reserves	18	(659,049)	(659,896)
Retained earnings	18	10,932,291	9,377,710
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**15,697,146**	**14,141,718**
Non-controlling interests	26	301,802	425,947
TOTAL EQUITY		**15,998,948**	**14,567,665**

	NOTE	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
LIABILITIES			
Loans and borrowings	19	4,586,532	3,585,213
Trade and other payables	21	435,809	277,320
Deferred tax liabilities	10	272,565	250,504
Contract liabilities	20	143,773	144,860
TOTAL NON-CURRENT LIABILITIES		**5,438,679**	**4,257,897**
Loans and borrowings	19	1,078,743	985,234
Trade and other payables	21	1,385,628	1,332,364
Contract liabilities	20	1,176,139	1,128,793
TOTAL CURRENT LIABILITIES		**3,640,510**	**3,446,391**
TOTAL LIABILITIES		**9,079,189**	**7,704,288**
TOTAL EQUITY AND LIABILITIES		**25,078,137**	**22,271,953**

On 22 March 2019 the Board of Directors of MD Medical Group Investments Plc approved and authorised these consolidated 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 90 to 116 are an integral part of these consolidated financial statements.

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2018

		ATTRIBUTABLE TO OWNERS OF THE COMPANY			ATTRIBUTABLE TO OWNERS OF THE COMPANY				
	NOTE	SHARE CAPITAL RUB'000	TREASURY SHARES RUB'000	SHARE PREMIUM RUB'000	OTHER RESERVES RUB'000	RETAINED EARNINGS RUB'000	TOTAL RUB'000	NON-CONTROLLING INTERESTS RUB'000	TOTAL EQUITY 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)	3B	-	-	-	-	(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**
Profit and other comprehensive income for the year		-	-	-	-	2,671,350	2,671,350	159,693	2,831,043
Contributions by and distributions to owners									
Equity-settled share-based payment		-	847	-	-	-	847	-	847
Other movements		-	-	-	-	(15,545)	(15,545)	-	(15,545)
Dividends declared	12	-	-	-	-	(450,750)	(450,750)	(110,190)	(560,940)
TOTAL TRANSACTIONS WITH OWNERS		**-**	**847**	**-**	**-**	**(466,295)**	**(465,448)**	**(110,190)**	**(575,638)**
Changes in ownership interests									
Acquisition of non-controlling interests without a change in control	18	-	-	-	-	(619,539)	(619,539)	(170,692)	(790,231)
TOTAL CHANGES IN OWNERSHIP INTERESTS		**-**	**-**	**-**	**-**	**(619,539)**	**(619,539)**	**(170,692)**	**(790,231)**
BALANCE AT 31 DECEMBER 2018		**180,585**	**(3,697)**	**5,243,319**	**(655,352)**	**10,932,291**	**15,697,146**	**301,802**	**15,998,948**

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. For more details refer to Note 3.

The Notes on pages 90 to 116 are an integral part of these consolidated financial statements.

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2017

		ATTRIBUTABLE TO OWNERS OF THE COMPANY							
	NOTE	SHARE CAPITAL RUB'000	TREASURY SHARES RUB'000	SHARE PREMIUM RUB'000	OTHER RESERVES RUB'000	RETAINED EARNINGS RUB'000	TOTAL RUB'000	NON-CONTROLLING INTERESTS RUB'000	TOTAL EQUITY RUB'000
BALANCE AT 1 JANUARY 2017		**180,585**	**(18,737)**	**5,243,319**	**(655,352)**	**7,597,472**	**12,347,287**	**422,850**	**12,770,137**
Profit and other comprehensive income for the year		-	-	-	-	2,488,812	2,488,812	215,438	2,704,250
Contributions by and distributions to owners									
Equity-settled share-based payment		-	34,754	-	-	-	34,754	-	34,754
Closing of motivation program		-	(20,561)	-	-	20,561	-	-	-
Dividends declared	12	-	-	-	-	(688,896)	(688,896)	(199,580)	(888,476)
TOTAL TRANSACTIONS WITH OWNERS		**-**	**14,193**	**-**	**-**	**(668,335)**	**(654,142)**	**(199,580)**	**(853,722)**
Changes in ownership interests									
Acquisition of non-controlling interests without a change in control	18	-	-	-	-	(40,239)	(40,239)	(12,761)	(53,000)
TOTAL CHANGES IN OWNERSHIP INTERESTS		**-**	**-**	**-**	**-**	**(40,239)**	**(40,239)**	**(12,761)**	**(53,000)**
BALANCE AT 31 DECEMBER 2017		**180,585**	**(4,544)**	**5,243,319**	**(655,352)**	**9,377,710**	**14,141,718**	**425,947**	**14,567,665**

Share premium is not available for distribution.

Consolidated Statement Of Cash Flows

For the year ended 31 December 2018

	NOTE	2018 RUB'000	2017 RUB'000
Cash flows from operating activities			
Profit for the year		2,831,043	2,704,250
Adjustments for:			
Depreciation of property, plant and equipment	13	1,089,720	938,621
Amortisation of intangible assets	14	100,275	97,219
Equity-settled share-based payment transaction		847	34,754
(Gain) / loss from the sale of property, plant and equipment		(152)	418
Write-off of property, plant and equipment		5,711	9,602
Gain under Escrow Agreement	8	-	(96,592)
Write-off of accounts payable		-	(3,916)
Finance income	9	(173,685)	(97,321)
Finance expenses (excluding impairment)	9	524,062	477,732
Impairment of assets	9	22,452	14,352
Net foreign exchange transactions (gain) / loss	9	(105,823)	50,201
Income tax expense	10	26,139	76,906
		4,320,589	**4,206,226**
Increase in inventories		(140,766)	(80,173)
Increase in trade and other receivables		(158,822)	(118,056)
Increase in trade and other payables		33,501	40,143
Increase in contract liabilities		125,222	141,868
CASH FLOWS FROM OPERATIONS		**4,179,724**	**4,190,008**
Tax paid		(8,945)	(4,138)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**4,170,779**	**4,185,870**
Cash flows from investing activities			
Payment for acquisition/construction of property, plant and equipment		(3,669,078)	(3,445,028)
Proceeds from disposal of property, plant and equipment		36,389	4,136
Payment for acquisition of intangible assets		(25,011)	(17,530)
Proceeds from Escrow Agreement		-	96,592
Short-term deposits		-	(2,700)
Interest received		76,701	57,572
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,580,999)**	**(3,306,958)**
Cash flows from financing activities			
Proceeds from loans and borrowings		2,055,583	2,332,688
Repayment of loans and borrowings		(955,202)	(1,078,923)
Proceeds from the reimbursed VAT		307,043	124,246
Finance expenses paid		(479,137)	(353,115)
Increase in ownership in subsidiary	18	(768,235)	(53,000)
Repayment of reimbursed VAT		(64,338)	(53,205)
Dividends paid to the owners of the Company		(494,339)	(680,791)
Dividends paid to non-controlling interests		(109,759)	(199,445)
NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES		**(508,384)**	**38,455**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**81,396**	**917,367**
Cash and cash equivalents as at the beginning of the year	16	2,504,602	1,642,944
Effect of exchange rate changes on cash and cash equivalents		129,483	(55,709)
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	16	**2,715,481**	**2,504,602**

The Notes on pages 90 to 116 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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. 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	31 DECEMBER 2018 EFFECTIVE HOLDING %	31 DECEMBER 2017 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	64
LLC Capital Group	Russian Federation	Pharmaceutics retail	95	80
LLC FimedLab	Russian Federation	Medical services	90	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	100	100
LLC Clinica Zdorovia	Russian Federation	Medical services	80	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 Mother and Child Perm	Russian Federation	Medical services	95	80
LLC Mother and Child Ufa	Russian Federation	Medical services	95	80
LLC Mother and Child Saint-Petersburg	Russian Federation	Medical services	85	70
LLC MD PROJECT 2010	Russian Federation	Medical services	100	100
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	90	60
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
LLC Medica-2	Russian Federation	Medical services	100	100
LLC Mother and Child Siberia	Russian Federation	Medical services	100	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

NAME	COUNTRY OF INCORPORATION	ACTIVITIES	31 DECEMBER 2018 EFFECTIVE HOLDING %	31 DECEMBER 2017 EFFECTIVE HOLDING %
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	-
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 31 December 2018, 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS – EU) and the requirements of the Cyprus Companies Law, Cap.113.

These consolidated financial statements were approved by the Board of Directors and were authorised for issue on 22 March 2019.

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 3.

(B) BASIS OF MEASUREMENT
These consolidated 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 consolidated financial statements of the Group are presented in RUB, rounded to the nearest thousand.

(D) USE OF ESTIMATES AND JUDGEMENTS
Preparing these consolidated 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 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.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described below:

Impairment of intangible assets and property, plant and equipment
Intangible assets and property, plant and equipment are initially recorded at acquisition cost and are amortised on a straight line basis over their useful economic life. Intangible assets and property, plant and equipment that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least annually.

The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets and property, plant and equipment, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group to which the goodwill has been allocated.

Other
Information about judgements, assumptions and estimation uncertainties regarding revenue recognition, deferred taxes assets, provisions, leases and ECL allowance for trade receivables and contract assets as at 31 December 2018 is described in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these consolidated financial statements are consistent with those followed in the Group's consolidated financial statements as at 31 December 2017 and for the year then ended, except for initial application of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

Other new standards and amendments applied for the first time in 2018 did not impact these consolidated financial statements of the Group.

BASIS OF CONSOLIDATION
These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements of all the Group companies are prepared using uniform accounting policies.

BUSINESS COMBINATIONS
Acquisitions of businesses are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ACQUISITIONS FROM ENTITIES UNDER COMMON CONTROL
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established or, if later, at the date the Company was incorporated. The assets and liabilities acquired are recognised at their book values. Any difference between the consideration paid and the book values is recognised directly in equity.

NON-CONTROLLING INTERESTS
Non-controlling interests are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

LOSS OF CONTROL
When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

TRANSACTIONS ELIMINATED ON CONSOLIDATION
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

REVENUE
Revenue is measured based on the consideration specified in a contract with a customer and comprises the invoiced amount for the sale of goods and services net of rebates and discounts.

The Group recognises revenue when it transfers control over a good or service to a customer.

The Group has two main types of revenue: rendering of services and sales of goods.

The Group has initially applied IFRS 15 from 1 January 2018. Information about the Group's accounting policies relating to contracts with customers and the effect of initially applying IFRS 15 are provided in Note 3A.

FINANCE INCOME
Finance income include:
- interest income which is recognised as it accrues in profit or loss using the effective interest method;
- income from initial recognition of other payables to tax authorities at a market interest rate.

FINANCE EXPENSES
Finance expenses include interest expense and other borrowing costs and are recognised in profit or loss using the effective interest method.

FOREIGN CURRENCY TRANSLATION
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

TAX
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss 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 reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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.

DIVIDENDS DECLARED
Dividend distribution to the Company's shareholders is recognised in the Group's financial statements when the shareholders' right to receive the dividends is established, either through Board resolution (for interim dividends) or by the Group's shareholders in the Annual General Meeting (for final dividends).

GOVERNMENT GRANTS
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted in reporting from the related expense. When the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognised in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised in profit or loss on the straight line method over the useful lives of each part of an item of property, plant and equipment. The annual depreciation rates for the current and comparative periods are based on the following estimations of useful lives:

	YEARS
Freehold buildings	50
Leasehold improvements	10-20
Plant and equipment	5-10

No depreciation is provided on land.

Assets under construction are not depreciated until they are completed and brought into use. At that moment they are reclassified in the relevant class of property, plant and equipment and depreciated accordingly.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is impaired immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss for the year in which it is incurred. The cost of major renovations and other subsequent expenditure is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS
(i) Goodwill
Goodwill represents the difference between the cost of an acquisition and the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Positive goodwill on acquisition of subsidiaries is included in intangible assets.

The excess of the Group's interest in the fair value of the new subsidiaries' net assets over the consideration paid for their acquisition (a bargain purchase gain) is recognised in profit or loss in the year of acquisition of the relevant subsidiary. Positive goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. For the purpose of impairment testing goodwill is allocated to cash generating units that are expected to benefit from the synergies of the combinations.

(ii) Patents and trademarks
Patents and trademarks are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful lives. Their estimated useful life is from five to seven years.

(iii) Software and web site costs
External costs that are directly associated with web site controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently web site costs are carried at cost less any accumulated amortisation and any accumulated impairment losses. Web site costs are amortised using the straight line method over their useful lives, not exceeding a period of five years. Amortisation commences when the site is available for use and is included within administrative expenses.

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

INVENTORIES
Inventories include medicines and medical material and are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

PROVISIONS
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

FINANCIAL INSTRUMENTS
Recognition
The Group recognises financial assets and financial liabilities when, and only when, it becomes a party of the contractual provisions of the financial instrument.

Classification
The Group classifies financial assets on the basis of both: the Group`s business model for managing financial assets, as well as the contractual cash flow characteristics of the financial assets.

The Group's financial assets comprise of trade and other receivables and cash and cash equivalents. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are classified as current assets unless the Group has an unconditional responsibility to accept deferral of receipt for at least twelve months after the balance sheet date, in which case they are classified as non-current assets.

The Group's financial liabilities comprise of trade and other payables and borrowings. They are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as current liabilities unless there is an unconditional right to defer settlement for at least twelve months after the balance sheet date, in which case they are classified as long term liabilities.

Measurement
Financial assets and financial liabilities are initially measured at fair value plus any directly attributable transaction costs.

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business and are stated after deducting the appropriate allowances for any impairment.

For the purpose of the statement of cash flows, cash and cash equivalents include cash in hand, cash at bank and short term highly liquid investments with maturity of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short term investments.

Impairment of non-derivative financial assets
At each balance sheet date the Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost.

The loss allowance for financial assets at amortised cost is recognised in profit or loss in respondance with a balance sheet account reducing the carrying amount of the financial asset. Expected credit losses are determined based on historical data of relevant probability of default.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

The Group has initially applied IFRS 9 from 1 January 2018. Information about the Group's accounting policies relating to new impairment model applied to financial assets measured at amortised cost and contract assets and the effect of initially applying IFRS 9 are provided in Note 3B.

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Any interest in such derecognised financial assets that is created or retained by the Group, is recognised as a separate asset or liability.

Derecognition of financial liabilities
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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBR key rate, if the loan contract entitles banks to do so and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

IMPAIRMENT OF NON-FINANCIAL ASSETS
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Share capital
Proceeds from the issue of ordinary shares are classified as equity. The difference between the issue price of the shares and their nominal value is taken to the share premium account.

Incremental costs directly attributable to the issue of new shares are recognised as a deduction from share premium net of any tax effect.

Treasury shares
When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

Equity-settled share-based payment arrangements
Fair value of equity-settled share-based payment arrangements with employees is measured at the grant date based on the market price of the shares. Service and non-market vesting conditions are not taken into account when estimating the fair value at the grant date. The grant date is the date on which the Group and its employees agree the terms and conditions of the share-based payment arrangement. Fair value is not remeasured subsequent to the grant date.

Annually the number of shares which are expected to vest is true-up for the differences between the number of shares initially expected to vest and the actual number of shares vested, based on the fulfilment of service and non-market conditions.

Within the vesting period, fair value of the equity-settled share-based payment arrangement with employees adjusted to reflect the true-up of the instruments which will not vest, is recognised as staff costs with the corresponding increase recognised in equity.

Earnings per share
The Group presents earnings per share ("EPS") data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period, adjusted for own shares held.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

NEW CURRENTLY EFFECTIVE REQUIREMENTS
The Group has initially applied IFRS 15 (refer to Note 3A) and IFRS 9 (refer to Note 3B) from 1 January 2018. A number of other new pronouncements are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables and contract assets (refer to Note 3B).

The effect of initially applying these standards is mainly attributed to the following:

- allocation of financing component from stem cells contracts (refer to Note 3A below);
- increase of impairment losses over financial assets (refer to Note 3B below).

A. IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Under IFRS 15, revenue is recognised in the moment when the service is provided to the customer. Determining the timing of the services rendering – at a point in time or over time – requires judgement. The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's services are set out below.

TYPE OF PRODUCT/ SERVICE	NATURE, TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS, SIGNIFICANT PAYMENT TERMS	NATURE OF CHANGE IN ACCOUNTING POLICY
Rendering of services (except storage of stem cells)	Sales of services are recognised at point in time in which the services are rendered by reference to completion of the actual service provided.	IFRS 15 did not have an impact on the Group's accounting policies.
Sales of goods	Sales of goods are recognised when control over the goods have been transferred to the customer, which is usually when the Group has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.	IFRS 15 did not have an impact on the Group's accounting policies.
Storage of stem cells	Nature of service is long-term safekeeping of biological materials comprising stem cells concentrate. Standard terms of contract include predetermined period of contract from 1 to 30 years paid in advance by the customer in full amount. Revenue from contract consists of two parts – revenue from blood collection and stem cells isolation (charged at the moment of the appropriate services rendered) and revenue from storage of stem cells. Inflated revenue from storage is accrued monthly during the whole period of contract, with recognition of interest expenses and net-off of advances received, receivables from revenue recognised and payables from interest expenses accrual in the moment of the contract expiration.	Previously revenue from stem cells contracts was accrued on straight-line basis. Advances received from customers were recognised as short-term and long-term deferred income, depending of their maturity. With adoption of IFRS 15 approach was amended: advances from customers are inflated to current date using effective interest rate, dividing financing component of contract and recognised as contract liabilities. As a result, at the moment of first application, advances received as at that date divided into contract liabilities to customers and financial liabilities, representing this financing component of the contract. To show effect of time value of money for reporting period revenue following the initial application is inflated to recognise both additional finance expense for active contracts and additional revenue from storage.

The new standard did not have a material impact on the Group's consolidated financial position, consolidated financial results and consolidated cash flows as at 1 January 2018.

B. IFRS 9 FINANCIAL INSTRUMENTS
IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings and non-controlling interests (for a description of the transition method refer to ((iii)) below).

	IMPACT OF ADOPTING IFRS 9 AS AT 1 JANUARY 2018 RUB'000
Retained earnings	
Recognition of expected credit losses under IFRS 9	(32,436)
Related tax	1,501
IMPACT AT 1 JANUARY 2018	**(30,935)**
Non-controlling interests	
Recognition of expected credit losses under IFRS 9	(2,956)
Related tax	-
IMPACT AT 1 JANUARY 2018	**(2,956)**

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(i) Classification and measurement of financial assets and financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

	ORIGINAL CLASSIFICATION UNDER IAS 39	NEW CLASSIFICATION UNDER IFRS 9	ORIGINAL CARRYING AMOUNT UNDER IAS 39	NEW CARRYING AMOUNT UNDER IFRS 9
			RUB'000	RUB'000
Trade and other receivables	Loans and receivables	Amortised cost	305,563	270,171
Cash and cash equivalents	Loans and receivables	Amortised cost	2,504,602	2,504,602
TOTAL FINANCIAL ASSETS			**2,810,165**	**2,774,773**

Group classified financial assets as measured at amortised cost, as their contractual cash flows give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and financial assets are held within a business model whose objective is to hold assets to collect contractual cash flows.

(ii) Impairment of financial assets
An increase of RUB35,392 thousand in the allowance for impairment over trade and other receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Trade receivables and contract assets
The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past two years. 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 (as presented below).

The following table provides information about the exposure to credit risk and ECLs for trade receivables for patients as at 1 January 2018:

	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT RUB'000	LOSS ALLOWANCE RUB'000	CREDIT-IMPAIRED
0-30 days past due	14%	8,402	(1,160)	partly
31-60 days past due	27%	2,214	(596)	partly
61-90 days past due	32%	2,153	(698)	partly
more than 91 days past due	85%	70,695	(60,331)	partly
TOTAL		**83,464**	**(62,785)**	

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 1 January 2018:

	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT RUB'000	LOSS ALLOWANCE RUB'000	CREDIT-IMPAIRED
0-30 days past due	3%	26,058	(892)	partly
31-60 days past due	17%	10,325	(1,774)	partly
61-90 days past due	50%	3,297	(1,649)	partly
more than 91 days past due	85%	28,481	(24,198)	partly
TOTAL		**68,161**	**(28,513)**	

Based on the analysis of the historical data for accounts receivable from insurance companies no provision was accrued as at 1 January 2018.

Cash and cash equivalents
Based on the analysis of the historical data for cash and cash equivalents in the credit institutions with the rating of Ba3 (per Moody's Investors Service Ltd.) and more, no provision is accrued.

As at 1 January 2018 no impairment provision for cash and cash equivalents was accrued.

(iii) Transition
The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and non-controlling interests as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

STANDARDS AND INTERPRETATIONS ADOPTED BY THE EU AS AT 1 ANUARY 2019:
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019).

STANDARDS AND INTERPRETATIONS NOT ADOPTED BY THE EU AS AT 1 JANUARY 2019:
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021);
- Annual Improvements to IFRS Standarts 2015–2017 Cycle (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 3: Business Combinations (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual periods beginning on or after 1 January 2020).

Management expects that the adoption of these standards in future periods will not have a material effect on the consolidated financial statements of the Group, except for effect of initial application of IFRS 16 Leases (as disclosed below) and Annual Improvements to IFRS Standarts 2015–2017 Cycle, which might have influence on interest expenses capitalisation in part of IAS 23 Borrowing Costs. The Management of the Group is evaluating the effect on the consolidated financial statements of the Group.

IFRS 16 LEASES
The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first consolidated financial statements that include the date of initial application.

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. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces 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 will recognise new assets and liabilities for its operating leases of clinics and land plots. The nature of expenses related to those leases will now change because the Group will recognise 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.

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

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of approximately RUB330 million 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 Group used a recognition examption 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
No significant impact is expected for other leases in which the Group is a lessor.

Transition
The Group plans to apply 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 will recognise a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Group will measure 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 will be recognised as an adjustment to the opening balance of assets and liabilities at 1 January 2019, with no restatement of comparative information.

4. REVENUE

	2018 RUB'000	2017 RUB'000
In vitro fertilisation (IVF)	3,487,749	3,257,639
Deliveries	2,211,035	2,235,825
Obstetrics and gynaecology out-patient treatments	1,827,137	1,768,001
Other out-patient medical services	1,552,796	1,194,798
Other medical services	1,366,391	1,201,968
Paediatrics out-patient treatments	1,322,959	1,306,107
Other in-patient medical services	1,048,047	818,720
Obstetrics and gynaecology in-patient treatments	1,027,306	965,261
Paediatrics in-patient treatments	484,977	431,749
Sales of goods	290,013	302,282
Storage of stem cells	138,240	136,845
Other income	180,716	135,972
	14,937,366	**13,755,167**

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 (87% 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.

The contract liabilities primarily relate to the advance consideration received from customers. The amount of RUB757,285 thousand recognised in short-term contract liabilities at the beginning of the year has been recognised as revenue during the period ended 31 December 2018. The amount of RUB30,210 thousand was returned to the customers and the amount of RUB172,450 was transferred to the other contracts.

Other medical services include but are not limited to laboratory examinations, diagnostics, surgery, cardiology and oncology. The increase of other medical services revenue is mainly represented by continuing ramp-up of Lapino, Novosibirsk and Ufa hospitals.

5. COST OF SALES

	2018 RUB'000	2017 RUB'000
Payroll and related social taxes	5,118,404	4,517,572
Materials and supplies used	2,514,088	2,292,818
Depreciation	946,862	803,504
Medical services	256,301	244,461
Energy and utilities	183,167	147,916
Property tax	129,321	129,869
Repair and maintenance	110,491	97,733
Other expenses	128,865	124,496
	9,387,499	**8,358,369**

6. ADMINISTRATIVE EXPENSES

	2018 RUB'000	2017 RUB'000
Payroll and related social taxes	1,375,815	1,269,232
Utilities and materials	269,230	225,294
Other professional services	231,253	238,117
Depreciation	142,858	135,117
Amortisation	100,275	97,219
Advertising	96,256	128,661
Communication costs	33,902	31,112
Independent auditors' remuneration	21,259	23,096
Other expenses	144,767	106,231
	2,415,615	**2,254,079**

The remuneration of the independent auditors includes an amount of RUB20,522 thousand regarding audit services, RUB375 thousand regarding audit related services and an amount of RUB362 thousand regarding tax services.

7. STAFF COSTS

	2018 RUB'000	2017 RUB'000
Wages and salaries	5,140,455	4,598,610
Social insurance contributions and other taxes	1,353,764	1,188,194
TOTAL STAFF COSTS	**6,494,219**	**5,786,804**

The number of employees as at 31 December 2018 was 7,349 (31 December 2017: 6,801).

8. OTHER INCOME

During 2017 the Group received other income of RUB104,808 thousand. This income arose mostly from the Escrow Deed approved on 26 September 2014, under which the Group received RUB96,592 thousand (USD1,575 thousand) from Escrow Agent in March 2017 as a result of negotiations with the seller of Ivicend Holding Ltd.

9. NET FINANCE EXPENSES

	NOTE	2018 RUB'000	2017 RUB'000
Interest income			
Initial recognition of other payables to tax authorities at market rate		96,984	38,656
Bank interest received		76,308	58,052
Interest from loans to third parties		393	613
Finance income		173,685	97,321
Interest expense			
Interest on bank loans		(323,586)	(261,253)
Unwinding of discount on other payables to tax authorities		(42,713)	(29,704)
Other interest expenses		(18,484)	(229)
Other finance expense			
Bank charges		(139,279)	(125,301)
Other impairment provision		(11,421)	(27,261)
Impairment of trade and other receivables	15	(11,031)	(33,984)
Impairment of goodwill	14	-	(14,352)
FINANCE EXPENSES		**(546,514)**	**(492,084)**
NET FOREIGN EXCHANGE TRANSACTIONS GAIN / (LOSS)		**105,823**	**(50,201)**
NET FINANCE EXPENSES		**(267,006)**	**(444,964)**

10. 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%.

Reconciliation between profit before taxation and income tax expense:

	2018 RUB'000	2017 RUB'000
Profit before taxation	2,857,182	2,781,156
Less profit before taxation of non-taxable subsidiaries	(3,221,948)	(3,332,468)
LOSS BEFORE TAXATION EXCLUDING NOT-TAXABLE SUBSIDIARIES	**(364,766)**	**(551,312)**
Tax using the Group's domestic tax rate	72,953	110,262
Effect of subsidiaries taxable at lower tax rates	717	455
Non-deductible expenses	(6,879)	(4,781)
Reversal of tax provision	19,354	-
Current-year losses for which no deferred tax asset is recognised	(83,868)	(57,411)
Recognised temporary differences mostly relating to property, plant and equipment on non-taxable medical subsidiaries expected to be utilised after 1 January 2020 at 20% corporate income tax rate	(28,416)	(125,431)
TOTAL INCOME TAX EXPENSE	**(26,139)**	**(76,906)**

The Group recognised tax expense of RUB26,139 thousand in the reporting period mostly due to the temporary differences relating to property, plant and equipment (especially differences on the new hospital located in Samara).

Deferred tax assets of RUB232,159 thousand as at 31 December 2018 and RUB243,165 thousand as at 31 December 2017 were mostly recognised on tax losses related to LLC MD Project 2010. According to Russian tax rules such tax losses will not expire.

Deferred tax liabilities of RUB272,565 thousand as at 31 December 2018 and RUB250,504 thousand as at 31 December 2017 were mostly recognised on temporary differences relating to property, plant and equipment. These temporary differences are expected to be utilised after 1 January 2020 at 20% corporate income tax rate when the currently enacted tax concession with 0% corporate income tax rate will expire.

As at 31 December 2018 deferred tax assets relating to tax losses carried forward in the amount of RUB191,428 thousand (31 December 2017: RUB107,560 thousand) have not been recognised. Deferred tax assets have not been recognised in respect of these tax losses because it is not probable that future taxable profit will be available for utilisation against the benefits therefrom.

As at 31 December 2018, there were temporary differences (before calculating tax effect) of RUB6,123,534 thousand (31 December 2017: RUB4,921,266 thousand) related to investments in subsidiaries. Deferred tax liabilities related to these temporary differences were not recognised because the Group controls the dividend policy of its subsidiaries and, therefore, controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

11. EARNINGS PER SHARE

	2018	2017
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	2,671,350	2,488,812
Weighted average number of ordinary shares in issue during the year	75,022,526	74,895,010
BASIC AND FULLY DILUTED EARNINGS PER SHARE (RUB)	**35.61**	**33.23**

12. DIVIDENDS

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.

On 17 March 2017 the Board of Directors declared final dividends for the year 2016 attributable to the owners of the Company amounting to RUB338,063 thousand (USD5,804 thousand), which corresponds to RUB4.5 (USD0.08) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 21 April 2017. The dividends were paid on 23 May 2017.

On 8 September 2017 the Board of Directors declared interim dividends for the six months ended 30 June 2017 attributable to the owners of the Company amounting to RUB350,833 thousand (USD6,140 thousand), which corresponds to RUB4.67 (USD0.08) per share. The dividends were paid on 24 October 2017.

On 22 March 2019 the Board of Directors recommended the payment of RUB800,081 thousand as final dividends for the year 2018 which corresponds to RUB10.65 per share.

13. PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND AND BUILDINGS RUB'000	PROPERTY UNDER CONSTRUCTION RUB'000	PLANT AND EQUIPMENT RUB'000	TOTAL RUB'000
Initial cost				
BALANCE AT 1 JANUARY 2017	**10,483,310**	**1,367,230**	**4,913,780**	**16,764,320**
Additions	395,218	2,046,445	425,278	2,866,941
Disposals	(5,632)	(2,346)	(30,733)	(38,711)
Transfer from construction in progress	818,299	(1,117,393)	299,094	-
BALANCE AT 31 DECEMBER 2017	**11,691,195**	**2,293,936**	**5,607,419**	**19,592,550**
Additions	694,390	2,251,427	1,013,072	3,958,889
Disposals	(27,357)	(454)	(45,942)	(73,753)
Impairment loss	(3,891)	-	-	(3,891)
Transfer from construction in progress	1,569,305	(2,177,235)	607,930	-
BALANCE AT 31 DECEMBER 2018	**13,923,642**	**2,367,674**	**7,182,479**	**23,473,795**
Depreciation				
BALANCE AT 1 JANUARY 2017	(949,666)	-	(2,404,201)	(3,353,867)
Depreciation during the year	(241,099)	-	(697,522)	(938,621)
Accumulated depreciation on disposals	567	-	23,020	23,587
BALANCE AT 31 DECEMBER 2017	**(1,190,198)**	**-**	**(3,078,703)**	**(4,268,901)**
Depreciation during the year	(302,981)	-	(786,739)	(1,089,720)
Accumulated depreciation on disposals	4,567	-	37,937	42,504
BALANCE AT 31 DECEMBER 2018	**(1,488,612)**	**-**	**(3,827,505)**	**(5,316,117)**
Carrying amounts				
BALANCE AT 1 JANUARY 2017	**9,533,644**	**1,367,230**	**2,509,579**	**13,410,453**
BALANCE AT 31 DECEMBER 2017	**10,500,997**	**2,293,936**	**2,528,716**	**15,323,649**
BALANCE AT 31 DECEMBER 2018	**12,435,030**	**2,367,674**	**3,354,974**	**18,157,678**

The amount of borrowing costs capitalised during the year ended 31 December 2018 was RUB160,027 thousand (RUB110,009 thousand for the year ended 31 December 2017). Capitalisation rate for loans varied from 8.25% to 10.15% for the year ended 31 December 2018 (from 10.15% to 11.75% for the year ended 31 December 2017).

As at 31 December 2018 construction in progress mainly includes construction costs of Tyumen hospital amounted RUB1,713,291 thousand and Lapino hospital amounted RUB382,830 thousand.

The total net book value of property, plant and equipment which is held as collateral for the loans and borrowings is RUB8,756,360 thousand as at 31 December 2018 (31 December 2017: RUB8,249,162 thousand).

14. INTANGIBLE ASSETS

	GOODWILL RUB'000	PATENTS AND TRADEMARKS RUB'000	SOFTWARE AND WEBSITE RUB'000	TOTAL RUB'000
Initial cost				
BALANCE AT 1 JANUARY 2017	**2,046,672**	**564,783**	**66,838**	**2,678,293**
Additions	-	29	5,851	5,880
Disposals	(14,352)	-	(1,130)	(15,482)
BALANCE AT 31 DECEMBER 2017	**2,032,320**	**564,812**	**71,559**	**2,668,691**
Additions	-	-	23,311	23,311
BALANCE AT 31 DECEMBER 2018	**2,032,320**	**564,812**	**94,870**	**2,692,002**
Amortisation				
BALANCE AT 1 JANUARY 2017	**-**	**(209,493)**	**(27,214)**	**(236,707)**
Amortisation during the year	-	(84,772)	(12,447)	(97,219)
Accumulated amortisation on disposals	-	-	712	712
BALANCE AT 31 DECEMBER 2017	**-**	**(294,265)**	**(38,949)**	**(333,214)**
Amortisation during the year	-	(74,675)	(25,600)	(100,275)
BALANCE AT 31 DECEMBER 2018	**-**	**(368,940)**	**(64,549)**	**(433,489)**
Carrying amounts				
BALANCE AT 1 JANUARY 2017	**2,046,672**	**355,290**	**39,624**	**2,441,586**
BALANCE AT 31 DECEMBER 2017	**2,032,320**	**270,547**	**32,610**	**2,335,477**
BALANCE AT 31 DECEMBER 2018	**2,032,320**	**195,872**	**30,321**	**2,258,513**

Goodwill is allocated to each cash-generating unit (CGU), which is defined as each individual subsidiary or group of subsidiaries acquired operating as one business in one particular location.

Goodwill has been allocated for impairment testing purposes to 6 groups of cash generating units.

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
JSC MC Avicenna	1,055,593	1,055,593
A group of 4 cash generating units located in Krasnoyarsk, Omsk, Novosibirsk and Barnaul (acquired in January 2016)	360,154	360,154
LLC Medica-2	248,250	248,250
CJSC MK IDK	211,303	211,303
LLC Centre of Reproductive Medicine	142,193	142,193
Subsidiaries acquired in 2011	14,827	14,827
	2,032,320	**2,032,320**

In order to assess any impairment in the value of goodwill, the Group performed a test of the estimated recoverable amount of the CGUs compared to their carrying value.

The recoverable amount of each CGU group is based on the sum of the enterprise values of the subsidiaries included in each CGU and is measured at value in use. The calculation of the enterprise values of each subsidiary is based on the current and estimated future after-tax profitability. The management has projected cash flows for the period of the five years based on the approved financial forecasts. The growth rate in terminal period is estimated to be 4%. Discount after-tax rate applied to the cash flow projections is 14%.

No impairment of goodwill was recognised in 2018, in 2017 the impairment of goodwill of RUB14,352 thousand was recognised. For all cash generating units management believes that any reasonable possible change in the key assumptions would not cause carrying amounts of these units to exceed their recoverable amounts materially.

15. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
CAPEX prepayments	592,416	889,933
Trade receivables	279,644	287,140
Advances paid to suppliers	99,818	87,311
Deferred expenses	10,777	8,061
Other receivables	65,529	38,691
	1,048,184	**1,311,136**
Non-current portion	592,416	889,933
Current portion	455,768	421,203
	1,048,184	**1,311,136**

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

Ageing analysis of trade receivables:

	GROSS AMOUNT 31 DECEMBER 2018 RUB'000	IMPAIRMENT 31 DECEMBER 2018 RUB'000	GROSS AMOUNT 31 DECEMBER 2017 RUB'000	IMPAIRMENT 31 DECEMBER 2017 RUB'000
Not past due	259,657	-	287,140	-
Past due	115,366	(95,379)	55,906	(55,906)
	375,023	**(95,379)**	**343,046**	**(55,906)**

In addition to the bad debt provision accrued as at 31 December 2018 the accounts receivable in the amount of RUB5,449 thousand were written off during the year ended 31 December 2018 (year ended 31 December 2017: RUB10,945).

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 31 December 2018.

	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT RUB'000	LOSS ALLOWANCE RUB'000	CREDIT-IMPAIRED
0-30 days past due	22%	15,740	(3,450)	partly
31-60 days past due	25%	3,687	(924)	partly
61-90 days past due	29%	3,251	(954)	partly
more than 91 days past due	88%	75,011	(66,347)	partly
TOTAL		**97,689**	**(71,675)**	

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 31 December 2018.

	WEIGHTED-AVERAGE LOSS RATE	GROSS CARRYING AMOUNT RUB'000	LOSS ALLOWANCE RUB'000	CREDIT-IMPAIRED
0-30 days past due	2%	21,694	(473)	partly
31-60 days past due	11%	9,898	(1,057)	partly
61-90 days past due	12%	1,759	(211)	partly
more than 91 days past due	86%	25,685	(21,963)	partly
TOTAL		**59,036**	**(23,704)**	

Based on the analysis of the historical data for accounts receivable from insurance companies no provision is accrued as at 31 December 2018.

The exposure of the Group to credit and currency risk in relation to trade, other receivables and deferred expenses is reported in Note 23 of these consolidated financial statements.

16. CASH AND CASH EQUIVALENTS

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Cash at bank and in hand	476,530	350,827
Bank deposits with maturity less than 3 months	2,238,951	2,153,775
	2,715,481	**2,504,602**

Currency:

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
RUB	2,307,350	1,559,268
USD	406,983	944,313
EUR	1,148	1,021
	2,715,481	**2,504,602**

The exposure of the Group to credit risk and currency risk in relation to cash and cash equivalents is reported in Note 23 of these consolidated financial statements.

17. SHARE CAPITAL

	NUMBER OF SHARES	NOMINAL VALUE USD	SHARE CAPITAL RUB'000	SHARE CAPITAL USD'000
Authorised	125,250,000	0.08	-	10,020
Issued and fully paid ordinary shares 1 January / 31 December	75,125,010	0.08	180,585	6,010

18. SHARE PREMIUM, RESERVES AND RETAINED EARNINGS

SHARE PREMIUM
Share premium includes the total amount 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.

During 2018 the Group has acquired additional 30% share in LLC Mother and Child Ugo-Zapad and LLC FimedLab, 26% share in LLC Velum, 20% share in LLC Clinica Zdorovia and 15% share in LLC Capital Group, LLC Mother and Child Perm, LLC Mother and Child Ufa, LLC Mother and Child Saint-Petersburg for USD12,335 thousand which corresponds to RUB790,231 thousand as at the date of the transfer of shares and RUB768,235 thousand as at the date of the payment. As a result non-controlling interest in these subsidiaries decreased by RUB170,692 thousand. The difference of RUB619,539 thousand between the value of investments as at the ownership`s transfer date and non-controlling interest acquired was accounted as an equity transaction.

In 2017 the Company acquired 15% share in a subsidiary, which it controls, for RUB33,000 thousand. As a result non-controlling interest in this subsidiary decreased by RUB5,433 thousand. The difference of RUB27,567 thousand between consideration paid to a minority shareholder and the amount of non-controlling interest acquired was accounted as an equity transaction.

In 2017 the Company acquired 10% share in a subsidiary, which it controls, for RUB20,000 thousand. As a result non-controlling interest in this subsidiary decreased by RUB7,328 thousand. The difference of RUB12,672 thousand between consideration paid to a minority shareholder and the amount of non-controlling interest acquired was accounted as an equity transaction.

OTHER RESERVES
Other reserves include common control transactions reserve, capital contribution reserve and treasury shares.

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.

There were no significant changes during 2018.

19. LOANS AND BORROWINGS

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Long-term liabilities		
Bank loans	4,586,532	3,585,213
Short-term liabilities		
Bank loans	1,078,743	985,234
TOTAL LOANS AND BORROWINGS	**5,665,275**	**4,570,447**

Maturity of loans and borrowings:

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Within one year	1,078,743	985,234
Between one and five years	4,306,546	3,071,796
More than 5 years	279,986	513,417
	5,665,275	**4,570,447**

The total net book value of property, plant and equipment which is held as collateral for the bank loans is disclosed in Note 13.

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

				31 DECEMBER 2018		31 DECEMBER 2017	
	CURRENCY	EFFECTIVE INTEREST RATE	MATURITY	FACE VALUE RUB'000	CARRYING AMOUNT RUB'000	FACE VALUE RUB'000	CARRYING AMOUNT RUB'000
Secured bank loan	RUB	8.45%	2023	2,482,210	2,482,210	2,075,780	2,075,780
Secured bank loan	RUB	9.15%	2024	1,940,094	1,940,094	351,664	351,664
Secured bank loan	RUB	8.25%	2022	989,831	989,831	1,050,350	1,050,350
Secured bank loan	RUB	8.25%	2026	38,954	38,954	-	-
Secured bank loan	RUB	9%	2018	-	-	393,369	393,369
Unsecured bank loan	RUB	8.45%	2019	189,150	189,150	658,446	658,446
Unsecured bank loan	RUB	9.15%	2020	16,084	16,084	19,980	19,980
Unsecured bank loan	RUB	14.20%	2019	8,952	8,952	20,858	20,858
				5,665,275	**5,665,275**	**4,570,447**	**4,570,447**

The contractual cash flows and the exposure of the Group to liquidity risk in relation to loans and borrowings is reported in Note 23 of these consolidated financial statements.

20. CONTRACT LIABILITIES (DEFERRED INCOME)

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Patient advances	**1,319,912**	**1,273,653**
including:		
Contract liabilities after more than one year	143,773	144,860
Contract liabilities within one year	1,176,139	1,128,793

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.

21. TRADE AND OTHER PAYABLES

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Other payables to tax authorities	526,548	336,061
Accruals	390,810	353,487
Payables to employees	320,940	291,555
Trade payables	285,042	318,727
Taxes payable	159,591	142,301
CAPEX payables	101,933	125,306
Income tax liability	2,191	21,879
Other payables	34,382	20,368
	1,821,437	**1,609,684**
Non-current portion	435,809	277,320
Current portion	1,385,628	1,332,364
	1,821,437	**1,609,684**

The contractual cash flows (except income tax liability) and the exposure of the Group to liquidity risk in relation to trade and other payables is reported in Note 23 of these consolidated financial statements.

22. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

22.1. OPERATIONS WITH KEY MANAGEMENT PERSONNEL

The remuneration of the members of the key management personnel and non-executive directors for the year ended 31 December 2018 was RUB74,416 thousand (31 December 2017: RUB56,791 thousand).

The remuneration of the members of the key management personnel which remained unpaid as at 31 December 2018 was RUB16,475 thousand (31 December 2017: RUB15,911 thousand).

The Group provided medical informational services to related parties amounted RUB1,345 thousand for the year 31 December 2018 (for the year ended 31 December 2017: nil).

The payables for medical informational services which remained unprovided as at 31 December 2018 was RUB939 thousand (31 December 2017: nil).

The Group provided advertising services to the key management personnel for the year ended 31 December 2018 amounted to RUB1,329 thousand (for the year ended 31 December 2017: RUB762 thousand).

The receivables for advertising services which remained unpaid as at 31 December 2018 was RUB336 thousand (31 December 2017: RUB762 thousand).

22.2. DIRECTORS' INTERESTS

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2018, 31 December 2017 and as at the date of signing these consolidated financial statements are as follows:

NAME	TYPE OF INTEREST	EFFECTIVE INTEREST %
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.

22.3. DIVIDENDS DECLARED TO RELATED PARTIES

Dividends declared to the parent company MD Medical Holding Limited amounted to RUB306,140 thousand for the year ended 31 December 2018 (31 December 2017: RUB467,885 thousand).

23. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has the overall responsibility for the establishment and supervision of the Company's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group to set appropriate risk limits and controls and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

(i) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with various financial institutions.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Trade and other receivables	345,578	326,541
Other assets	-	2,700
Cash and cash equivalents excluding cash in hand	2,703,965	2,494,320
	3,049,543	**2,823,561**

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has no significant concentration of credit risk regarding trade and other receivables. This fact significantly reduces possible delays and other negative consequences that may potentially affect matching the maturity of assets with liabilities. Furthermore, according to the internal policy, clients usually pay in advance except for some particular cases.

Cash and cash equivalents

The Group held cash and cash equivalents excluding cash in hand of RUB2,703,965 thousand as at 31 December 2018 (31 December 2017: RUB2,494,320 thousand) which represents its maximum credit exposure on these assets. The cash and cash equivalents are mostly held with bank and financial institution counterparties, which are rated Baa3-A3, based on rating agency Moody's Investors Service ratings.

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures to minimise such losses including maintaining sufficient cash and other highly liquid current assets. The following are the contractual maturities of financial liabilities including estimated interest payments:

31 DECEMBER 2018	NOTE	CARRYING AMOUNTS RUB'000	CONTRACTUAL CASH FLOWS RUB'000	2 MONTHS OR LESS RUB'000	BETWEEN 2-12 MONTHS RUB'000	BETWEEN 1-2 YEARS RUB'000	BETWEEN 2-5 YEARS RUB'000	MORE THAN 5 YEARS RUB'000
Bank loans	19	5,665,275	6,996,964	243,630	1,285,544	1,470,690	3,706,346	290,754
CAPEX payables	21	101,933	101,933	67,473	34,460	-	-	-
Trade payables	21	285,042	285,042	285,042	-	-	-	-
Other payables and accrued expenses		1,432,271	1,630,945	644,298	344,702	97,752	341,517	202,676
		7,484,521	**9,014,884**	**1,240,443**	**1,664,706**	**1,568,442**	**4,047,863**	**493,430**

31 DECEMBER 2017	NOTE	CARRYING AMOUNTS RUB'000	CONTRACTUAL CASH FLOWS RUB'000	2 MONTHS OR LESS RUB'000	BETWEEN 2-12 MONTHS RUB'000	BETWEEN 1-2 YEARS RUB'000	BETWEEN 2-5 YEARS RUB'000	MORE THAN 5 YEARS RUB'000
Bank loans	19	4,570,447	5,803,410	339,332	1,028,436	1,220,585	2,671,631	543,426
CAPEX payables	21	125,306	125,306	118,184	7,122	-	-	-
Trade payables	21	318,727	318,727	318,727	-	-	-	-
Other payables and accrued expenses		1,143,772	1,290,250	513,879	342,708	67,315	201,912	164,436
		6,158,252	**7,537,693**	**1,290,122**	**1,378,266**	**1,287,900**	**2,873,543**	**707,862**

The Group has bank loans which contain debt covenants. The breach of covenants may require the Group to repay the loans earlier than indicated in the above table.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which affects the Group's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on an ongoing basis and acts accordingly.

As at the reporting date the interest rate profile of interest bearing financial instruments was as follows:

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Fixed rate instruments		
Financial assets	2,238,951	2,156,475
Financial liabilities	(5,665,275)	(4,570,447)
	(3,426,324)	**(2,413,972)**

In particular,fixed-rate financial liabilities include fixed rate bank loans amounted to RUB5,665,275 thousand for which the banks have the option to revise the interest rate following the change of key rate set by the CBR and the Group has an option to either accept the revised rate or redeem the loan at par without penalty.

The Group does not account for any fixed rate instruments at fair value through profit or loss and does not have any derivative financial instruments, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar and the Euro. The Group's management monitors the exchange rate fluctuations on ongoing basis and acts accordingly.

The Group's exposure to foreign currency risk was as follows:

	31 DECEMBER 2018			31 DECEMBER 2017		
	USD`000	EUR`000	GBP`000	USD`000	EUR`000	GBP`000
Assets						
Cash in bank	406,983	1,148	-	944,313	1,021	-
Trade and other receivables	1,904	168	-	2,431	1,375	-
Liabilities						
CAPEX payables	(1,227)	(1,080)	-	(1,899)	-	-
Trade and other payables and accruals	(634)	(2,732)	(373)	(91)	(127)	-
NET EXPOSURE	**407,026**	**(2,496)**	**(373)**	**944,754**	**2,269**	**-**

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2018	**2017**	**2018**	**2017**
USD	62.7078	58.3529	69.4706	57.6002
EUR	73.9546	65.9014	79.4605	68.8668
GBP	83.5756	75.2379	88.2832	77.6739

SENSITIVITY ANALYSIS

A 10% weakening of the Russian Ruble against the above currencies will result in the increase in profit and equity of RUB40,416 thousand as at 31 December 2018 (31 December 2017: RUB94,702 thousand). A 10% strengthening of the Russian Ruble would have an opposite impact.

CAPITAL MANAGEMENT

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to owners and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to owners or issue of new shares.

The Group monitors capital on the basis of the net debt to equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total loans and borrowings less cash and cash equivalents. Total equity is calculated as "equity" shown in the consolidated statement of financial position.

	NOTE	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Financial liabilities	19	5,665,275	4,570,447
Less: cash and cash equivalents	16	(2,715,481)	(2,504,602)
Net debt		2,949,794	2,065,845
Total equity		15,998,948	14,567,665
NET DEBT TO EQUITY RATIO		**18.44%**	**14.18%**

24. FAIR VALUES

As at 31 December 2018 and 31 December 2017 the Group had no significant financial assets or liabilities measured at fair value.

The financial assets of the Group include cash and cash equivalents and trade and other receivables. The financial liabilities of the Group include loans and borrowings and trade and other payables. The fair value of these financial instruments is classified as Level 3 of fair value class hierarchy and is estimated only for disclosure purposes using discounted cash flows taking interest rates adequate to the relevant risk. The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

25. CONTINGENT LIABILITIES

(A) INSURANCE

As per current legislation in Russian Federation medical clinics are not required to insure their activities. There is a draft Law regarding obligatory insurance of medical clinics as from 2013. The Law has not yet been enacted. At present the Group does not insure its operational activities but has obtained insurance cover for some property, plant and equipment. Until the Group obtains adequate insurance coverage there is a risk of material adverse effect on operations and statement of financial position.

(B) RUSSIAN BUSINESS ENVIRONMENT

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(C) RUSSIAN TAX ENVIRONMENT

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Currently, the Russian Government focuses on the ways to combat offshore structures which historically were widely used by Russian businesses and tighten the tax anti-avoidance regulations. Recent new Russian legislation is aimed at regulating transactions with offshore companies and their activities, which may potentially impact the Group's tax position.

26. NON-CONTROLLING INTERESTS

The only material non-controlling interest in the Group is related to CJSC MD PROJECT 2000. The information about the subsidiary before any intra-group eliminations is presented below.

Most of the turnovers are cash based.

	2018 RUB'000	2017 RUB'000
Revenue	3,082,997	3,242,383
Profit and other comprehensive income	1,218,074	1,388,957
Profit and other comprehensive income allocated to non-controlling interests	60,904	69,448
Dividends paid to non-controlling interests	40,000	62,500
NON-CONTROLLING INTERESTS PERCENTAGE	**5%**	**5%**

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Non-current assets	3,799,467	3,521,804
Current assets	735,668	620,589
Non-current liabilities	(164,094)	(144,860)
Current liabilities	(667,382)	(674,196)
NET ASSETS	**3,703,659**	**3,323,337**
Carrying amount of non-controlling interests	185,183	166,167
Other non-controlling interests	116,619	259,780
	301,802	**425,947**

27. OPERATING LEASES

Historically, the Group has developed business in own premises. However, in 2018 and 2017 the Group has acquired and incorporated some new entities that lease their premises. Lease agreements are cancellable with notification period of one to six months.

The future minimum lease payments for premises under lease agreements are payable as follows:

	2018 RUB'000	2017 RUB'000
Within one year	116,957	92,611
Between one and five years	172,601	135,153
More than five years	62,033	19,642
	351,591	**247,406**

The Group also lease land plots under several hospitals and clinics. Lease agreements maturity for land plots are either 49 years or infinite.

28. CAPITAL COMMITMENTS

Capital commitments mostly comprise of the obligations under construction contracts in the amount of RUB3,808,490 thousand as at 31 December 2018 (31 December 2017: RUB2,020,427 thousand).

29. SEGMENT REPORTING

The Group has one primary reporting segment: provision of medical services. The Group evaluates the performance and makes investments and strategic decisions based upon a review of profitability for the Group as a whole and does not group subsidiaries by geography and service lines during the analysis of their performance.

30. EVENTS AFTER THE REPORTING PERIOD

In March 2019 the Group opened a new clinic in Vladivostok.

Report and Separate Financial Statements

For the year ended 31 December 2018

Contents

Officers, Professional Advisors And Registered Office

Board of Directors	– Vladimir Mekler – Chairman – Mark Kurtser – Vitaly Ustimenko – Kirill Dmitriev – Nikolay Ishmetov (alternate director to Kirill Dmitriev) – Simon Rowlands – Alsu Nazyrova – Liubov Malyarevskaya
Secretary	Menustrust Limited
Secretary assistant	Darya Alekseeva
Independent Auditors	KPMG Limited
Registered Office	15 Dimitriou Karatasou street, Anastasio Building, 6th floor, office 601, Strovolos, 2024, Nicosia, Cyprus

Management Report

The Board of Directors of MD Medical Group Investments Plc (the "Company") presents to the members its Annual Report together with the audited financial statements of the Company for the year ended 31 December 2018.

INCORPORATION

MD Medical Group Investments Plc was incorporated in Cyprus on 5 August 2010 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. On 22 August 2012 following special resolution passed by the shareholder, the name of the Company was changed from "MD Medical Group Investments Ltd" to "MD Medical Group Investments Plc" and the Company was converted into a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113.

PRINCIPAL ACTIVITY

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.

FINANCIAL RESULTS

The Company's financial results for the year ended 31 December 2018 and its financial position as at that date are set out in the statement of profit or loss and other comprehensive income on page 128 and in the statement of financial position on page 129 of these financial statements.

Profit for the year ended 31 December 2018 amounted to RUB907,382 thousand (2017: RUB1,167,886 thousand). The total assets of the Company as at 31 December 2018 were RUB10,738,334 thousand (31 December 2017: RUB10,293,354 thousand) and the net assets were RUB10,639,935 thousand (31 December 2017: RUB10,198,001 thousand).

DIVIDENDS

In accordance with the Company's Articles of Association dividends may be paid out of its profits. To the extent that the Company declares and pays dividends, owners of GDRs on the relevant record date will be entitled to receive dividends in respect of ordinary shares underlying the GDRs.

The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company in accordance with relevant legislation in the country of their incorporation and any contractual restrictions. The payment of such dividends by its subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves.

On 17 March 2017 the Board of Directors declared final dividends for the year 2016 attributable to the owners of the Company amounting to RUB338,063 thousand (USD5,804 thousand), which corresponds to RUB4.5 (USD0.08) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 21 April 2017. The dividends were paid on 23 May 2017.

On 8 September 2017 the Board of Directors declared interim dividends for the six months ended 30 June 2017 attributable to the owners of the Company amounting to RUB350,833 thousand (USD6,140 thousand), which corresponds to RUB4.67 (USD0.08) per share. The dividends were paid on 24 October 2017.

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.

On 22 March 2019 the Board of Directors recommended the payment of RUB800,081 thousand as final dividends for the year 2018 which corresponds to RUB10.65 per share.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE COMPANY

The current financial position and performance of the Company as presented in these financial statements is considered satisfactory.

During 2018 year the Company has incorporated LLC Mother and Child Volga.

During 2018 year the Company has acquired directly additional 30% share in LLC Fimedlab, 26% share in LLC Velum, 20% share in LLC Clinica Zdorovia and 15% share in LLC Capital Group, LLC Mother and Child Perm for USD8,332 thousand which corresponds to RUB533,753 thousand as at the date of the transfer of shares and RUB517,440 thousand as at the date of the payment.

During 2018 year the Company has acquired indirectly (through its subsidiary LLC Khaven) additional 30% share in LLC Mother and Child Ugo-Zapad and 15% share in LLC Mother and Child Ufa and LLC Mother and Child Saint- Petersburg for USD4,003 thousand which corresponds to RUB256,478 thousand as at the date of the transfer of shares and RUB250,795 thousand as at the date of the payment.

The Company through its subsidiaries has one of the largest nationwide private healthcare regional networks for its core services and is expanding into new services. It has significant experience in the provision of full-service private maternity healthcare services. The Company has secured leading positions in the Russian private healthcare market across a range of services including obstetrics and gynaecology, fertility and IVF treatments, and paediatrics. It has also been diversifying its offering by adding other medical services for all family members, such as surgery, urology, traumatology, cardiology, and oncology, etc. The recently opened facilities have been multi-disciplinary from the very beginning.

PRINCIPAL RISKS AND UNCERTAINTIES

Details in relation to principal risks and uncertainties and steps taken to manage these risks and uncertainties are presented in Notes 15 and 17 of these financial statements.

The Board of Directors has the overall responsibility for the establishment and supervision of the Company's risk management framework.

DIRECTORS' INTEREST

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2018, 31 December 2017 and as at the date of signing these financial statements are as follows:

NAME	TYPE OF INTEREST	EFFECTIVE INTEREST %
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.

FUTURE DEVELOPMENTS

The Company's goal is to maintain its leading position in high-quality women's health and pediatrics, addressing the increasing demand for private healthcare services in Russia and beyond.

The Company intends through its subsidiaries to expand its portfolio of hospital and outpatient facilities, broaden its service offerings by providing patients with the most up-to-date treatment procedures and medical technology available on the market, expand its services in Moscow and other regions, exploit the value of its integrated healthcare network by making effective use of services across its facilities, optimizing the benefits for patients and its subsidiaries as a whole.

SHARE CAPITAL

There were no changes in the share capital of the Company during the year.

BOARD OF DIRECTORS

The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Appointment Policy for the Board of Directors and Committees, all directors are subject to appointment or approval of appointment by shareholders at the first Annual General Meeting after their appointment, and to re-appointment at intervals of no more than three years. Any term beyond six years (e.g. two three-year terms) for a non-executive director is subject to particularly rigorous review, and takes into account the need for progressive refreshing of the Board of Directors.

The members of the Board of Directors who served as at the date of signing of these financial statements, are presented on page 118.

Refer to Note 14.1. of these financial statements for the remuneration of the directors and other key management personnel.

THE BOARD COMMITTEES

Since September 2012, the Board of Directors established the operation of the following three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee comprises of three non-executive directors, two of whom are independent. The Audit Committee is chaired by independent non-executive director Liubov Malyarevskaya since 19 February 2015, Mr. Kirill Dmitriev and Mr. Simon Rowlands are the other members.

The Audit Committee meets at least four times each year and is responsible for considering:

- the reliability and appropriateness of disclosures in the financial statements and external financial communication;
- the maintenance of an effective system of internal controls including financial, operational and compliance controls and risk management system;
- preparation of recommendations to the shareholders for approval in General Meetings in relation to the appointment, reappointment and removal of the external auditors;
- approval of the remuneration and terms of engagement of the external auditors in respect of audit services provided;
- the audit process, including monitoring and review of the external auditors' performance, independence and objectivity;
- development and implementation of the policy on non-audit services provided by the external auditors; and
- monitoring compliance with laws and regulations and standard of corporate governance.

The Audit Committee assists the Board of Directors in its oversight of the performance and leadership of the internal audit activity.

Where the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendation to the Board of Directors on actions needed to address the issues or to make improvements.

INTERNAL AUDIT

The Audit Committee is responsible for monitoring and review the effectiveness of the Company's internal audit function. In this respect, the Audit Committee may require investigations by, or under the authority of, the head of Internal Audit into any activities of the Company which may be of interest or concern to the Audit Committee.

The Company`s internal auditor is responsible for the recommendation of an audit plan to the Audit Committee. The internal auditor carries out auditing assignments in accordance with such plan and oversees the Company`s compliance with the plan`s recommendations. The internal auditor files a quarterly report with his findings to the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee comprises of one executive and two non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive director Mr. Vladimir Mekler (since June 2016), non-executive director Mr. Simon Rowlands and executive director Dr. Mark Kurtser are other members since September 2015.

The Nomination Committee meets at least once a year and is responsible for assisting the Board of Directors in discharging its corporate governance responsibilities in relation to appointment of all executive and non-executive directors, as well as the CEO and CFO of the Company. The main objective of the Nomination Committee is to lead the process for the Board of Directors' appointments and make respective recommendation to the Board of Directors, ensuring proper balance of the Board of Directors and qualification of its members. The Nomination Committee also considers the composition of the Audit and Remuneration Committees.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of two non-executive directors and one executive director. The Remuneration Committee is chaired by an independent non-executive director Mr. Simon Rowlands. The two other members are Dr. Mark Kurtser and Mr. Vladimir Mekler.

The Remuneration Committee meets at least once a year and is responsible for assisting the Board of Directors in discharging its corporate governance responsibilities in relation to remuneration of all executive directors and the chairman of the Board of Directors. The main objective of the Remuneration Committee is to determine the framework and policy for the remuneration of the executive directors, the chairman of the Board of Directors and senior executives, and the specific remuneration of each executive director and the chairman of the Board of Directors and any compensation payments.

CORPORATE GOVERNANCE

Since 2012, the Company has maintained full compliance with the UK Corporate Governance Code. The Company is committed to the highest standards of corporate governance and transparency. The Board of Directors recognises that good governance is a strategic asset that helps it to deliver consistent long term value to its shareholders. By running the Company in an open way, the Board of Directors enables shareholders to understand how it has been able to deliver consistently strong results. The Board of Directors believes that corporate responsibility is an essential part of good governance and makes sound business sense, as well as being crucial to the appropriate management of risk within the Company.

Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted important policies and procedures.

The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. The Company's corporate governance policies and practices include, inter alia:

- Appointment policy for the Board of Directors and Committees;
- Terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee;
- Code of Ethics and Conduct;

- Business Continuity Policy;
- Disclosure Policy;
- Regulations on Insider Information;
- Risk Management Policy; and
- Anti-Fraud Policy.

INTERNAL CONTROL IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Company has set formal policies and written term of reference in relation to the financial reporting process that include:
- Corporate Accounting policy Guidelines;
- Methodology for the Transformation of Financial Statements from RAS to IFRS;
- Financial Reporting Preparation Procedure; and
- The Group's structure.

The objective of this policy is to establish uniform procedures and to implement requirements for the preparation of the financial statements of the Company. The procedure should be reviewed for compliance with International Financial Reporting Standards as well as current conditions and planned changes in the Company's business activities annually. When necessary, amendments and additions to this Procedure should be adopted.

MEETINGS OF SHAREHOLDERS

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. An annual general meeting and any other shareholders' meeting called to pass a special resolution can be convened by the Board of Directors by a notice, specifying the matters to be discussed, issued at least 21 days before the meeting. Any other meetings shall be convened by the Board of Directors by a notice, specifying the matters to be discussed, issued at least 14 days before the meeting. If the notice period is less than 21 days or 14 days as applicable, the meeting will be deemed to have been duly called if it is so agreed:
- in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote; and
- in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

A notice convening a general meeting must be sent to each of the shareholders.

All shareholders are entitled to attend the general meeting or be represented by a proxy authorised in writing. In the general meeting, on a poll, every share gives the holder the right to cast one vote, whereas, on a show of hands, each member has one vote. A corporate member may, by resolution of its directors or other governing body, authorise a person to act as representative at any meeting of the Company.

BRANCHES

MD Medical Group Investments Plc has a branch in Moscow.

TREASURY SHARES

During the year ended 31 December 2018, the Company distributed the GDRs earlier acquired by the Company to the participants of Long-term Management Incentive Plan (LTIP) signed in 2014. No additional treasury shares were acquired.

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the reporting period.

INDEPENDENT AUDITORS

The independent auditors of the Company Messrs. KPMG Limited have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted to the Annual General Meeting.

By order of the Board of Directors,

Mark Kurtser
Managing Director,
member of the Board of Directors
Moscow, 22 March 2019

Directors' Responsibility Statement

Each of the directors, whose names are listed below, confirms that, to the best of their knowledge:
- the financial statements, prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the report taken as a whole;
- the adoption of the going concern basis for the preparation of the financial statements continues to be appropriate based on the foregoing and having reviewed the forecast financial position of the Company; and
- the Management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the report taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors of the Company responsible for reporting as at the date of this announcement are set out below:	
Vladimir Mekler	Chairman, non-executive director
Mark Kurtser	Executive director
Vitaly Ustimenko	Non-executive director
Alsu Nazyrova	Executive director
Kirill Dmitriev	Non-executive director
Simon Rowlands	Non-executive independent director
Liubov Malyarevskaya	Non-executive independent director

Independent Auditors' Report to the Members of MD Medical Group Investments plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the parent company MD Medical Group Investments Plc (the "Company") which are presented on pages 128 to 148 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the parent company give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *"Auditors' responsibilities for the audit of the financial statements"* section of our report. We remained independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INVESTMENTS IN SUBSIDIARIES

Please refer to Notes 2(d) and 9 of the financial statements (RUB10,169,345 thousand).

The key audit matter	How the matter was addressed in our audit
The carrying value of the investments in subsidiaries amounts to RUB10,169,345 thousand and accounts for more than 90% of the Company's total assets as at 31 December 2018. Significant judgement is required by the management of the Company in determining whether there are any indications of impairment and, where such indications exist, in assessing the recoverable amount of the investments. We focused on this area because of the significance of the carrying amount of the investments in the financial statements and because inherent uncertainty and subjectivity is involved in forecasting and discounting future cash flows, which are the basis of the assessment of the recoverable amount of the investments and hence their carrying amount recorded in the financial statements.	Among others, our audit procedures included the following: • Evaluating the assessment of the management with regards to indications of impairment by: – assessing the industry in which the subsidiaries are operating to obtain an understanding of growth rates and outlook. – examining the subsidiaries' historical and current performance. This examination was made with reference to the most recent audited financial information and/or management accounts at the reporting date. We also held discussions with management to understand future expectations. • In the cases where indications of impairment were present, we assessed the principles and integrity of the model used by the management to estimate the recoverable amount of the investments. This included evaluating the assumptions and methodologies used by the management of the Company based on which the forecasted cash flows were prepared. We challenged management's assumptions on the forecasted revenues, growth rates, profit margins, tax rates and discount rates by: – comparing them to our expectations based on our knowledge of the subsidiaries operations, historical trends and the results of the operations of other group entities that operate in the same industry. – using our internal valuation specialists to assess the discount rates, the assumptions used and the appropriateness of the valuation models used.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the management report, the corporate governance statement and the corporate social responsibility statement, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap. 113.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the corporate social responsibility statement, we have nothing to report.

With regards to the management report and the corporate governance statement, our report is presented in the "Report on other legal and regulatory requirements" section.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal controls as the Board of Directors determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to either liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OTHER REGULATORY REQUIREMENTS

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

- Date of our appointment and period of engagement
  We were first appointed auditors of the Company by the General Meeting of the Company's members on 10 July 2012. Our appointment has been renewed annually by shareholders' resolutions. Our total uninterrupted period of engagement is 10 years covering the periods ending 31 December 2009 to 31 December 2018.
- Consistency of the additional report to the Audit Committee with the Independent Auditors' Report
  Our audit opinion is consistent with the additional report presented to the Audit Committee, dated 22 March 2019.
- Provision of non-audit services ("NAS")
  We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

OTHER LEGAL REQUIREMENTS

Pursuant to the additional requirements of law L. 53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In the light of the knowledge and understanding of the Company's business and environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is included as a specific section of the annual report, has been prepared in accordance with the requirements of the Companies Law, Cap, 113, and is consistent with the financial statements.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.3
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L. 53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come.

The engagement partner on the audit resulting in this independent auditors' report is Zakis E. Hadjizacharias.

Zakis E. Hadjizacharias, CA

Certified Public Accountant and Registered Auditor
for and on behalf of
KPMG Limited
Certified Public Accountants and Registered Auditors
No. 11, June 16th 1943 Street,
3022 Limassol,
Cyprus.
22 March 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTE	2018 RUB'000	2017 RUB'000
Dividend income	14.2	1,065,937	1,380,400
Revenue from branch operations	14.3	168,931	108,715
Revenue from advertising		7,151	733
Gross profit		**1,242,019**	**1,489,848**
Other income	6	921	96,601
Other expense		(11,940)	(9,510)
Administrative expenses	4	(387,774)	(378,924)
Operating profit		**843,226**	**1,198,015**
Finance income	5	5,000	4,453
Finance expenses	5	(1,551)	(1,237)
Net foreign exchange gain / (loss)	5	77,145	(46,262)
Net finance income / (expenses)	5	*80,594*	*(43,046)*
Profit before tax		**923,820**	**1,154,969**
Income tax	7	(16,438)	12,917
Profit for the year		**907,382**	**1,167,886**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**907,382**	**1,167,886**

The Notes on pages 136 to 148 are an integral part of these report and financial statements.

Statement of Financial Position

As at 31 December 2018

	NOTE	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
ASSETS			
Property, plant and equipment		7,845	4,019
Intangible assets		8,537	6,406
Deferred tax assets	7	4,846	40,637
Investments in subsidiaries	9	10,169,345	9,277,456
TOTAL NON-CURRENT ASSETS		**10,190,573**	**9,328,518**
Inventories		739	478
Trade, other receivables and deferred expenses		48,563	32,567
Cash and cash equivalents	10	498,459	931,791
TOTAL CURRENT ASSETS		**547,761**	**964,836**
TOTAL ASSETS		**10,738,334**	**10,293,354**
EQUITY			
Share capital	11	180,585	180,585
Share premium		5,243,319	5,243,319
Reserves		304,254	303,407
Retained earnings		4,911,777	4,470,690
TOTAL EQUITY		**10,639,935**	**10,198,001**
LIABILITIES			
Trade and other payables	13	98,399	75,999
Tax liability	7	-	19,354
TOTAL CURRENT LIABILITIES		**98,399**	**95,353**
TOTAL EQUITY AND LIABILITIES		**10,738,334**	**10,293,354**

On 22 March 2019 the Board of Directors of MD Medical Group Investments Plc approved and authorised these report and 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 136 to 148 are an integral part of these report and financial statements.

Statement of Changes in Equity

For the year ended 31 December 2018

		ATTRIBUTABLE TO OWNERS OF THE COMPANY					
	NOTE	SHARE CAPITAL RUB'000	TREASURY SHARES RUB'000	SHARE PREMIUM RUB'000	OTHER RESERVES RUB'000	RETAINED EARNINGS RUB'000	TOTAL RUB'000
Balance at 1 January 2018		180,585	(4,544)	5,243,319	307,951	4,470,690	10,198,001
Total comprehensive income							
Profit and other comprehensive income for the year		–	–	–	–	907,382	907,382
Contributions by and distributions to owners							
Equity-settled share-based payment		–	847	–	–	–	847
Other movements		–	–	–	–	(15,545)	(15,545)
Dividends declared	8	–	–	–	–	(450,750)	(450,750)
TOTAL TRANSACTIONS WITH OWNERS		**-**	**847**	**-**	**-**	**(466,295)**	**(465,448)**
BALANCE AT 31 DECEMBER 2018		**180,585**	**(3,697)**	**5,243,319**	**307,951**	**4,911,777**	**10,639,935**

Share premium and other reserves are not available for distribution.

The Notes on pages 136 to 148 are an integral part of these report and financial statements.

Statement of Changes in Equity

For the year ended 31 December 2017

		ATTRIBUTABLE TO OWNERS OF THE COMPANY					
	NOTE	SHARE CAPITAL RUB'000	TREASURY SHARES RUB'000	SHARE PREMIUM RUB'000	OTHER RESERVES RUB'000	RETAINED EARNINGS RUB'000	TOTAL RUB'000
Balance at 1 January 2017		180,585	(18,737)	5,243,319	307,951	3,971,139	9,684,257
Total comprehensive income							
Profit and other comprehensive income for the year		-	-	-	-	1,167,886	1,167,886
Contributions by and distributions to owners							
Equity-settled share-based payment		-	34,754	-	-	-	34,754
Closing of motivation program		-	(20,561)	-	-	20,561	-
Dividends declared	8	-	-	-	-	(688,896)	(688,896)
TOTAL TRANSACTIONS WITH OWNERS		**-**	**14,193**	**-**	**-**	**(668,335)**	**(654,142)**
BALANCE AT 31 DECEMBER 2017		**180,585**	**(4,544)**	**5,243,319**	**307,951**	**4,470,690**	**10,198,001**

Share premium and other reserves are not available for distribution.

The Notes on pages 136 to 148 are an integral part of these report and financial statements.

Statement of Cash Flows

For the year ended 31 December 2018

	NOTE	2018 RUB'000	2017 RUB'000
Cash flows from operating activities			
Profit for the year		907,382	1,167,886
Adjustments for:			
Equity-settled share-based payment transaction		847	34,754
Depreciation of property, plant and equipment		1,330	194
Amortisation of intangible assets		3,121	1,439
Dividend income	14.2	(1,065,937)	(1,380,400)
Finance expenses	5	1,551	1,237
Interest income	5	(5,000)	(4,453)
Net foreign exchange (gain) / loss	5	(77,145)	46,262
Gain under Escrow Agreement	6	-	(96,592)
Income tax	7	16,438	(12,917)
Impairment of investments in subsidiaries	9	6,874	7,855
Cash flows used in operations before working capital changes		**(210,539)**	**(234,735)**
Increase in trade and other receivables		(15,978)	(10,549)
Increase in inventories		(261)	(118)
Decrease in trade and other payables		(34,860)	(1,056)
Cash flows used in operations		**(261,638)**	**(246,458)**
Dividends received		1,065,937	1,380,400
Net cash flows from operating activities		**804,299**	**1,133,942**

	NOTE	2018 RUB'000	2017 RUB'000
Cash flows from investing activities			
Capital contributions to subsidiaries		(325,000)	(211,882)
Payment for acquisition/contstruction of property, plant and equipment		(5,156)	(2,869)
Payment for acquisition of intangible assets		(5,251)	(2,323)
Acquisition of non-controlling interest		(517,440)	(53,000)
Interest received		5,000	4,453
Proceeds from Escrow Agreement		-	96,592
Net cash flows used in investing activities		**(847,847)**	**(169,029)**
Cash flows used in financing activities			
Finance expenses paid		(1,551)	(1,237)
Dividends paid		(494,339)	(680,791)
Net cash flows used in financing activities		**(495,890)**	**(682,028)**
Net (decrease) / increase in cash and cash equivalents		**(539,438)**	**282,885**
Cash and cash equivalents at the beginning of the period		931,791	703,343
Effect of exchange rate changes on cash and cash equivalents		106,106	(54,437)
Cash and cash equivalents as at the end of the year	**10**	**498,459**	**931,791**

The Notes on pages 136 to 148 are an integral part of these report and financial statements.

Notes to the Financial Statements

For the year ended 31 December 2018

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.

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

These report and financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap.113.

These are the separate financial statements of the Company. The Company has also prepared consolidated financial statements in accordance with IFRS as adopted by the EU for the Company and its subsidiary ("the Group"). The consolidated financial statements are available at 15 Dimitriou Karatasou street, Anastasio Building, 6th floor, office 601, 2024 Nicosia, Cyprus.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2018 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

(B) BASIS OF MEASUREMENT

These report and financial statements have been prepared under the historical cost convention.

(C) ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

As from 1 January 2018, the Company adopted all changes to International Financial Reporting Standards (IFRSs) which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Company.

The following Standards, Amendments to Standards and Interpretations have been issued by International Accounting Standard Board, but are not yet effective for annual periods beginning on 1 January 2018. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these Standards early.

STANDARDS AND INTERPRETATIONS ADOPTED BY THE EU AS AT 1 JANUARY 2019:

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019).

STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE EU AS AT 1 JANUARY 2019:

- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021);
- Annual Improvements to IFRS Standarts 2015–2017 Cycle (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 3: Business Combinations (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual periods beginning on or after 1 January 2020).

Management expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company.

(D) USE OF ESTIMATES AND JUDGEMENTS

Preparing these 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 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.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of investments in subsidiaries

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write down to fair value is necessary.

Equity- settled share-based arrangements

For the calculation of the fair value of equity-settled share-based program, the market price of shares (Level 1 input) as at the grant date is being used.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level-1 quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level-2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level-3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are initially recorded at acquisition cost and are amortised on a straight line basis over their useful economic life. Intangible assets and property, plant and equipment that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least annually.

The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets and property, plant and equipment, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

E) FUNCTIONAL AND PRESENTATION CURRENCY

These report and financial statements are presented in Russian Rubles (RUB'000) which is the functional currency of the Company. Financial information presented in Russian Rubles has been rounded to the nearest thousand except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements and in stating the financial position of the Company.

FINANCIAL STATEMENTS

The Company has subsidiary undertakings for which section 142(1) (b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. Consolidated financial statements are presented separately. These are the Company's standalone financial statements.

SUBSIDIARY COMPANIES
Subsidiaries are entities controlled by the Company. Control exists where the Company 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.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

DIVIDEND INCOME
Dividend income is recognised in the statement of profit or loss and other comprehensive income when the right to receive payment is established.

REVENUE
Revenue is measured based on the consideration specified in a contract with a customer and comprises the invoiced amount for services. The Company recognises revenue when it transfers control over service to a customer.

The Company has initially applied IFRS 15 from 1 January 2018. There was no significant effect on these report and financial statements.

FINANCE INCOME
Finance income includes interest income which is recognised as it accrues in profit or loss using the effective interest method.

FINANCE EXPENSES
Finance expenses include bank charges and interest expense. Bank charges are recognised as expenses in the period in which they fall due and interest expense is recognised as it accrues in profit or loss using the effective interest method.

FOREIGN CURRENCY TRANSACTIONS
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss under the category finance income or finance expenses.

TAX
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss 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 reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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.

DIVIDENDS DECLARED
Dividend distribution to the Company's shareholders is recognised in the Company's financial statements when the shareholders` right to receive the dividens is established, either through Board resolution (for interim dividends) or by the Company's shareholders in the Annual General Meeting (for final dividends).

FINANCIAL INSTRUMENTS
Recognition
The Company recognises financial assets and financial liabilities when, and only when, it becomes a party of the contractual provisions of the financial instrument.

Classification
The Company classifies financial assets on the basis of both: the Company`s business model for managing financial assets, as well as the contractual cash flow characteristics of the financial assets.

The Company's financial assets comprise of trade and other receivables and cash and cash equivalents. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are classified as current assets unless the Company has an unconditional responsibility to accept deferral of receipt for at least twelve months after the balance sheet date, in which case they are classified as non-current assets.

The Company's financial liabilities comprise of trade and other payables and borrowings. They are non- derivatives that are either designated in this category or not classified in any of the other categories. They are classified as current liabilities unless there is an unconditional right to defer settlement for at least twelve months after the balance sheet date, in which case they are classified as long term liabilities.

Measurement
Financial assets and financial liabilities are initially measured at fair value plus any directly attributable transaction costs.

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business and are stated after deducting the appropriate allowances for any impairment.

For the purpose of the statement of cash flows, cash and cash equivalents include cash in hand, cash at bank and short term highly liquid investments with maturity of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short term investments.

Impairment of non-derivative financial assets
At each balance sheet date the Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost.

The loss allowance for financial assets at amortised cost is recognised in profit or loss in respondance with a balance sheet account reducing the carrying amount of the financial asset. Expected credit losses are determined based on historical data of relevant probability of default.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

The Company has initially applied IFRS 9 from 1 January 2018. There was no significant effect on these report and financial statements.

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in such derecognised financial assets that is created or retained by the Company, is recognised as a separate asset or liability.

Derecognition of financial liabilities
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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

IMPAIRMENT OF NON-FINANCIAL ASSETS
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

SHARE CAPITAL
Proceeds from the issue of ordinary shares are classified as equity. The difference between the issue price of the shares and their nominal value is taken to the share premium account.

Incremental costs directly attributable to the issue of new shares are recognised as a deduction from share premium net of any tax effect.

TREASURY SHARES
When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS
Fair value of equity-settled share-based payment arrangements with employees is measured at the grant date based on the market price of the shares. Service and non-market vesting conditions are not taken into account when estimating the fair value at the grant date. The grant date is the date on which the Company and its employees agree the terms and conditions of the share-based payment arrangement. Fair value is not remeasured subsequent to the grant date.

Annually the number of shares which are expected to vest is true-up for the differences between the number of shares initially expected to vest and the actual number of shares vested, based on the fulfilment of service and non-market conditions.

Within the vesting period, fair value of the equity-settled share-based payment arrangement with employees adjusted to reflect the true-up of the instruments which will not vest, is recognised as staff costs with the corresponding increase recognised in equity.

PROVISIONS
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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

4. ADMINISTRATIVE EXPENSES

	2018 RUB'000	2017 RUB'000
Payroll and related social taxes	166,634	177,989
Call center services	68,957	54,548
Legal and professional expenses	35,202	59,104
IT support	32,198	27,570
Advertising	24,336	23,182
Licences	18,554	–
Independent auditors' remuneration	18,521	18,224
Other expenses	23,372	18,307
	387,774	**378,924**

The remuneration of the independent auditors includes an amount of RUB17,784 thousand regarding audit services, RUB375 thousand regarding audit related services and an amount of RUB362 thousand regarding tax services.

5. NET FINANCE INCOME / (EXPENSES)

	2018 RUB'000	2017 RUB'000
Finance income		
Bank interest received	5,000	4,453
Net foreign exchange gain	77,145	-
Finance expenses		
Bank charges	(1,551)	(1,237)
Net foreign exchange loss	-	(46,262)
NET FINANCE INCOME / (EXPENSES)	**80,594**	**(43,046)**

6. OTHER INCOME

During 2017 year the Company received other income of RUB96,601 thousand. This income arose mostly from the Escrow Deed approved on 26 September 2014, under which the Company received RUB96,592 thousand (USD1,575 thousand) from Escrow Agent in March 2017 as a result of negotiations with the seller of Ivicend Holding Ltd.

7. INCOME TAX

	2018 RUB'000	2017 RUB'000
Income tax	–	–
Reversal of tax provision	19,354	–
Deferred tax	(35,792)	12,917
CHARGE FOR THE YEAR	**(16,438)**	**12,917**

Reconciliation between profit before taxation and income tax expense:

	2018 RUB'000	2017 RUB'000
Accounting profit before tax	**923,820**	**1,154,969**
Tax calculated at the applicable tax rates	(184,764)	(230,994)
Reversal of tax provision	19,354	-
Tax effect of allowances and income not subject to tax	213,187	276,080
Current-year losses for which no deferred tax asset is recognised	(64,216)	(32,169)
TAX AS PER STATEMENT OF COMPREHENSIVE INCOME - CHARGE	**(16,438)**	**12,917**

The corporation tax rate is 20% (2017: 20%).

The Company in 2015 changed its tax residency from Cyprus to Russian and opened a branch in Moscow. As a result the Company is taxable under Russian Tax Code which impose corporation tax at the rate of 20%.

As at 31 December 2018 deferred tax asset relating to tax losses carried forward in the amount of RUB157,586 thousand (31 December 2017: RUB93,370 thousand) has not been recognised in the financial statements since it is expected that no sufficient taxable profits will be available to allow it to be recovered.

8. DIVIDENDS

On 17 March 2017 the Board of Directors declared final dividends for the year 2016 attributable to the owners of the Company amounting to RUB338,063 thousand (USD5,804 thousand), which corresponds to RUB4.5 (USD0.08) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 21 April 2017. The dividends were paid on 23 May 2017.

On 8 September 2017 the Board of Directors declared interim dividends for the six months ended 30 June 2017 attributable to the owners of the Company amounting to RUB350,833 thousand (USD6,140 thousand), which corresponds to RUB4.67 (USD0.08) per share. The dividends were paid on 24 October 2017.

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.

On 22 March 2019 the Board of Directors recommended the payment of RUB800,081 thousand as final dividends for the year 2018 which corresponds to RUB10.65 per share.

9. INVESTMENTS IN SUBSIDIARIES

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Balance at 1 January	9,277,456	9,020,429
Purchase of NCI	533,753	53,000
Capital contribution	365,010	211,882
Impairment of investments in subsidiaries	(6,874)	(7,855)
BALANCE AT 31 DECEMBER	**10,169,345**	**9,277,456**

The details of the subsidiaries are as follows:

NAME	COUNTRY OF INCORPORATION	ACTIVITIES	31 DECEMBER 2018 EFFECTIVE HOLDING, %	31 DECEMBER 2017 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	64
LLC Capital Group	Russian Federation	Pharmaceutics retail	95	80
LLC FimedLab[1]	Russian Federation	Medical services	90	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	100	100
LLC Clinica Zdorovia	Russian Federation	Medical services	80	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 Mother and Child Perm	Russian Federation	Medical services	95	80
LLC Mother and Child Ufa	Russian Federation	Medical services	95	80
LLC Mother and Child Saint-Petersburg	Russian Federation	Medical services	85	70
LLC MD PROJECT 2010	Russian Federation	Medical services	100	100
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	90	60
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
LLC Medica-2	Russian Federation	Medical services	100	100
LLC Mother and Child Siberia	Russian Federation	Medical services	100	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	-

[1] Following a small re-organisation of the MDMG group that took place in 2017 and continued in 2018, the investment in LLC Fimedlab was impaired because its carrying amount exceeded its recoverable amount. As such, an impairment loss of RUB6,874 thousand was charged to the statement of profit or loss and other comprehensive income under "Other expenses". (An impairment loss took place in 2017 in the amount of RUB7,855 thousand which was also charged to the statement of profit or loss and other comprehensive income under "Other expenses".)

During 2018 year the Company has incorporated LLC Mother and Child Volga.

During 2018 year the Company has acquired directly additional 30% share in LLC Fimedlab, 26% share in LLC Velum, 20% share in LLC Clinica Zdorovia and 15% share in LLC Capital Group, LLC Mother and Child Perm for USD8,332 thousand which corresponds to RUB533,753 thousand as at the date of the transfer of shares and RUB517,440 thousand as at the date of the payment.

During 2018 year the Company has acquired indirectly (through its subsidiary LLC Khaven) additional 30% share in LLC Mother and Child Ugo-Zapad and 15% share in LLC Mother and Child Ufa and LLC Mother and Child Saint- Petersburg for USD4,003 thousand which corresponds to RUB256,478 thousand as at the date of the transfer of shares and RUB250,795 thousand as at the date of the payment.

During 2017 year the Company indirectly (through its subsidiary Ivicend Holding Limited) acquired 2 entities LLC Nika and LLC Stroy Vector Pluss and incorporated LLC Mother and Child Vladivostok, LLC Mother and Child Kazan and LLC Irkutsk Clinical Hospital.

The Company in 2017 indirectly acquired 10% of non-controlling interest in LLC Mother and Child Saint- Petersburg and 15% of non-controlling interest in LLC Centre of Reproductive Medicine for RUB53,000 thousand.

Vitanostra Limited, a subsidiary of the Company was entered into members` voluntary liquidation in 2017 and the investments that were previously held by Vitanostra Limited were distributed to the Company.

10. CASH AND CASH EQUIVALENTS

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Cash at bank and in hand	1,970	4,988
Bank deposits with maturity less than 3 months	496,489	926,803
	498,459	**931,791**

Currency:

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
USD	385,000	895,992
RUB	113,436	35,795
EUR	23	4
	498,459	**931,791**

The exposure of the Company to credit risk, currency risk and impairment losses in relation to cash and cash equivalents is reported in Note 15 of the financial statements.

11. SHARE CAPITAL

	NUMBER OF SHARES	NOMINAL VALUE USD	SHARE CAPITAL RUB'000	SHARE CAPITAL USD'000
Authorised share capital	125,250,000	0.08	-	10,020
Issued and fully paid ordinary shares 1 January / 31 December	75,125,010	0.08	180,585	6,010

12. SHARE PREMIUM, RESERVES AND RETAINED EARNINGS

SHARE PREMIUM
Share premium includes the total amount 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 Company.

OTHER RESERVES
Exchange differences relating to the translation of the net assets of the Company from its functional currency to the presentation currency before changing the functional currency from the United States Dollar to the Russian Ruble were recognised directly in other comprehensive income and accumulated in the other reserves.

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

There were no significant changes during 2018.

13. TRADE AND OTHER PAYABLES

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Accruals	30,561	46,883
Other payables	67,838	29,116
	98,399	**75,999**

The exposure of the Company to liquidity risk in relation to trade and other payables is reported in Note 15 of the financial statements.

14. RELATED PARTY TRANSACTIONS

As at 31 December 2018, 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. The following transactions were carried out with related parties:

14.1 OPERATIONS WITH KEY MANAGEMENT PERSONNEL
The remuneration of the members of the key management personnel and non-executive directors for the year ended 31 December 2018 was RUB48,920 thousand (31 December 2017: RUB26,723 thousand).

The remuneration of the members of the key management personnel which remained unpaid as at 31 December 2018 was RUB11,497 thousand (31 December 2017: RUB14,511 thousand).

The Company provided advertising services to the key management personnel for the year ended 31 December 2018 amounted to RUB1,329 thousand (for the year ended 31 December 2017: RUB762 thousand).

14.2 TRANSACTIONS WITH SUBSIDIARY COMPANIES

	2018 RUB'000	2017 RUB'000
Dividends received	1,065,937	1,380,400
	1,065,937	**1,380,400**

The Company recognised the impairment of LLC Fimedlab. The relevant information is shown in Note 9.

Vitanostra Limited, a subsidiary of the Company, was entered into members' voluntary liquidation in 2017 and the investments that were previously held by Vitanostra Limited were distributed to the Company. The relevant information is disclosured in Note 9.

14.3 REVENUE FROM SUBSIDIARIES FOR BRANCH OPERATIONS
During the year the Company received revenue from subsidiaries for branch operations amounted to RUB168,931 thousand (2017: RUB108,715 thousand) which relates to licences, advertising, IT support and call center expenses recharged to its subsidiaries. The relevant expenses are presented in Note 4.

14.4 DIRECTORS' INTERESTS
The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2018, 31 December 2017 and as at the date of signing these financial statements are as follows:

NAME	TYPE OF INTEREST	EFFECTIVE INTEREST %
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 (Note 12).

14.5 RECEIVABLES FROM / (PAYABLES TO) SUBSIDIARY COMPANIES

	2018 RUB'000	2017 RUB'000
Receivables from subsidiary companies	39,731	20,426
Payables to subsidiary companies	(40,042)	-

14.6 DIVIDENDS DECLARED TO RELATED PARTIES
Dividends declared to the parent company MD Medical Holding Limited amounted to RUB306,140 thousand for the year ended 31 December 2018 (31 December 2017: RUB467,885 thousand).

15. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTOR
The Company is exposed to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has the overall responsibility for the establishment and supervision of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

(i) Credit risk
Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. Cash balances are held with various financial institutions.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 DECEMBER 2018 RUB'000	31 DECEMBER 2017 RUB'000
Trade, other receivables and deferred expenses	43,747	28,569
Cash at bank	498,459	931,791
	542,206	**960,360**

The Company held cash and cash equivalents excluding cash in hand of RUB498,459 thousand at 31 December 2018 (31 December 2017: RUB931,791 thousand) which represents its maximum credit exposure on these assets. The cash and cash equivalents are mostly held with bank and financial institution counterparties, which are rated Baa3 A3, based on rating agency Moody's Investors Service ratings.

(ii) Liquidity risk
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures to minimise such losses including maintaining sufficient cash and other highly liquid current assets. The following are the contractual maturities of financial liabilities including estimated interest payments:

31 DECEMBER 2018	NOTE	CARRYING AMOUNTS RUB'000	CONTRACTUAL CASH FLOWS RUB'000	2 MONTHS OR LESS RUB'000	BETWEEN 2-12 MONTHS RUB'000	BETWEEN 1-2 YEARS RUB'000	BETWEEN 2-5 YEARS RUB'000	MORE THAN 5 YEARS RUB'000
Trade and other payables	13	98,399	98,399	98,399	-	-	-	-

31 DECEMBER 2017		CARRYING AMOUNTS RUB'000	CONTRACTUAL CASH FLOWS RUB'000	2 MONTHS OR LESS RUB'000	BETWEEN 2-12 MONTHS RUB'000	BETWEEN 1-2 YEARS RUB'000	BETWEEN 2-5 YEARS RUB'000	MORE THAN 5 YEARS RUB'000
Trade and other payables	13	75,999	75,999	75,999	-	-	-	-

(iii) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which affects the Company's income or the value of its holdings of financial instruments.

Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on an ongoing basis and acts accordingly.

As at the reporting date the interest rate profile of interest bearing financial instruments was as follows:

	NOTE	2018 RUB'000	2017 RUB'000
Fixed rate financial assets	10	496,489	926,803

The Company does not account for any fixed rate instruments at fair value through profit or loss and does not have any derivative financial instruments, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Company's exposure to foreign currency risk was as follows:

	31 DECEMBER 2018			31 DECEMBER 2017		
	USD'000	EUR'000	GBP'000	USD'000	EUR'000	GBP'000
Assets						
Cash at bank	385,000	23	-	895,992	4	-
Trade and other receivables	318	-	-	-	-	-
Liabilities						
Trade and other payables and accruals	-	-	(373)	(737)	(327)	-
NET EXPOSURE	**385,318**	**23**	**(373)**	**895,255**	**(323)**	**-**

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2018	2017	2018	2017
USD	62.7078	58.3529	69.4706	57.6002
EUR	73.9546	65.9014	79.4605	68.8668
GBP	83.5756	75.2379	88.2832	77.6739

SENSITIVITY ANALYSIS
A 10% weakening of the Russian Ruble against the above currencies will result in the increase in profit and equity of RUB38,496 thousand as at 31 December 2018 (31 December 2017: RUB89,493 thousand). A 10% stengthening of the Russian Ruble would have an opposite impact.

CAPITAL MANAGEMENT
The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to owners and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to owners or issue of new shares.

16. FAIR VALUES

As at 31 December 2018 and 31 December 2017 the Company had no financial assets or liabilities measured at fair value.

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date except the investments in subsidiaries which are presented at cost less impairment.

17. CONTINGENT LIABILITIES

(A) INSURANCE
As per current legislation in Russian Federation medical clinics are not required to insure their activities. There is a draft Law regarding obligatory insurance of medical clinics as from 2013. The Law has not yet been enacted. At present the Company does not insure its operational activities but has obtained insurance cover for some property, plant and equipment. Until the Company obtains

adequate insurance coverage there is a risk of material adverse effect on operations and statement of financial position.

(B) RUSSIAN BUSINESS ENVIRONMENT
The operations of the Company`s subsidiaries are primarily located in the Russian Federation. Consequently, the Company is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

(C) RUSSIAN TAX ENVIRONMENT
The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Currently, the Russian Government focuses on the ways to combat offshore structures which historically were widely used by Russian businesses and tighten the tax anti-avoidance regulations. Recent new Russian legislation is aimed at regulating transactions with offshore companies and their activities, which may potentially impact the Company's tax position.

18. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the reporting period.

Sustainable development

For the year ended 31 December 2018

Contents

Sustainable development

Given the fact that MD Medical Group understands the importance of being a socially responsible Company and following the principles of sustainable development, the Company committed to include a sustainable development section in its annual reporting cycle, namely in its Annual Reports, in 2017.

That's why this year the Company's Annual Report also includes a section on sustainable development. This section was prepared in accordance with the GRI Sustainability Reporting Guidelines, Core option and the EU's 2014/95/EU directive.

The section provides key benchmarks and the results in the field of sustainable development for the time period from 1 January to 31 December 2018. In order to analyze current trends in the sphere of sustainable development in the Company, a comparison of the key indicators, such as electricity, heating energy and water consumption by MD Medical Group's clinics and hospitals, etc. with similar data for the previous reporting period is presented in the Section[1].

The companies whose performance is reflected in the Section were consolidated in accordance with IFRS principles (IFRS 10 – Consolidated Financial Statements), unless otherwise stated.

The Sustainable Development Section for 2018 is a part of the Annual Report for the year 2018 and is available on the MD Medical Group's official website (www.mcclinics.com).

IDENTIFYING MATERIAL TOPICS

The materiality identification process included three main steps:

Firstly, an analysis of 2017 material topics was carried out, as well as of the changes that have occurred at MD Medical Group during the reporting period. Major emphasis was placed on interaction with stakeholders, further improvement of the supply chain and business development in general. During the preparation of the report, a dedicated team of specialists was formed. The team actively interacted with employees of various functional divisions of the Company to include their opinions and all required information in the Section.

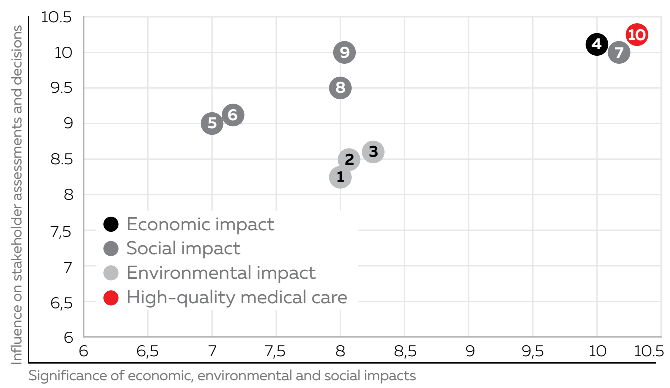
Secondly, a benchmark analysis of global sustainable development practices employed by the largest companies in the industry was conducted in order to identify "best practices" in this industry and, thus, to understand which indicators are disclosed by companies in their reports and how, in general, the reports are compiled.

Thirdly, a reconciliation procedure was carried out. The experts compiled the list of disclosures in the Annual Report, in particular, in the Section. Then, selected topics were evaluated using quantitative methods. Thus, the matrix of material topics was compiled.

All material topics are disclosed in the Sustainable Development Section and other chapters of the Annual Report.

The current version of the GRI Standards does not cover one of the most important material topics "Quality of Service Provision". Stakeholders both within and outside the Company have highlighted that this topic is of high importance for them, because it reflects the level of customer satisfaction. Besides, the provision of patients with the Highest Quality of Care is one the key priorities for MD Medical Group. Thus, in order to disclose this information in a proper way the Company uses its own indicators. MD Medical Group introduced a number of indicators MD 1-MD 5 in the previous Annual Report[2].

Matrix of material topics



1. Water
2. Energy
3. Waste management
4. Anti-corruption
5. Non-discrimination
6. Diversity and equal opportunities
7. Product and service labelling
8. Employment
9. Training and education
10. Service quality

INTERACTION WITH STAKEHOLDERS

In order to identify key stakeholders, an analysis of all business functions of MD Medical Group was held.

In addition to this, a benchmark of medical health care practices, and the impact of the business on people, both inside and outside the Company, was conducted. As a result, the following list of stakeholders was compiled:
- patients and their families;
- employees;
- suppliers;
- shareholders and investors;
- government authorities;
- mass media.

MD Medical Group pays great attention and attaches great importance to the interests of its stakeholders. The Company regularly interacts with all stakeholders in order to improve the effectiveness of its business and quality of the services provided.

Stakeholders and their expectations

CLIENTS (ENTIRE FAMILIES)	EMPLOYEES	SUPPLIERS	SHAREHOLDERS AND INVESTORS	GOVERNMENT AUTHORITIES	MASS MEDIA
• Quick and easy access to high quality services	• Professional growth • Career opportunities • Lucrative compensation	• Business sustainability • Procurement transparency	• Transparent and open information • Positive contribution of business • Business sustainability • Financial results	• Compliance	• Willingness to cooperate • Availability of information • Transparency and clarity of information

Main communication channels

ONLINE FACILITIES	OFFLINE FACILITIES	SPECIAL FACILITIES	EVENTS
• Corporate website • Intranet portal • Clinics' official website on social networks • Mobile application • Media	• Annual report • Corporate magazine • Information stands/screens • Publications • Written replies to enquiries	• Quality hot-line for patients • Comprehensive feedback • Hot-line for employees • Internal corporate magazine "Indicator" for employees	• Meetings with employees • Conferences • Company representatives' public speeches

[1] Annex 7 Main Methods for obtaining the information

[2] 2017 Annual Report, p. 142

INTERACTION WITH PATIENTS

MD Medical Group is particularly focused on interaction with its patients, as they are of the greatest value to the Company. This year, the Company continued to develop interaction mechanisms. Thus, all the clinics and hospitals arrange topical events in order to increase patients' awareness of health matters, to inform patients of MD Medical Group's services, to enhance the availability of services and to improve access to them. These events are dedicated to various topics including obstetrics (pregnancy planning and management; delivery); treatment for infertility and IVF; and paediatrics. And it is important to highlight that the speakers are MD Medical Group's leading professionals.

During the reporting period the Company held approximately 290 open days at all facilities of the group, hosting more than 8,100 visitors. In addition to this, MD Medical took part in more than 31 events held by our partners, attended by more than 3,600 people. MD Medical Group continues to develop modern channels of communication with patients. So approximately 63 webinars and on-line events were conducted.

Events like this gives the opportunity for a large number of people to consult specialists and obtain necessary health services. Moreover, MD Medical Group performed 8,387 IVF's under MHI (Mandatory Health Insurance) last year and gave 510 patients high-technology medical assistance.

The Company continues to expand the list of medical care services, including high-tech health care services. The development of a mobile application was started in 2018 in order to increase the effectiveness and speed of interaction with the Company's clients, as well as to increase their awareness. The mobile application will provide users with the following features:

- to contact the clinic staff quickly (has already been implemented);
- to make an appointment to see a doctor (has already been implemented);
- to see the results of medical analyses in the patient's online account (this initiative will be fully implemented by March 2019);
- to make payments (prepayments), to replenish deposit agreements (at the development stage);

MD Medical Group is going to expand the method of informing its clients by email. For instance, MD Medical Group plans to send a letter to its clients with a guide to prepare for the medical procedure for which they have an appointment.

Besides the mobile application, a web version of this application will also be created[1]. The site will begin to work in 2019.

The Company continues to use mechanisms which were developed and implemented in 2017 to obtain patient feedback on the quality of services, namely a customer satisfaction (CSAT) score on phone-in consultations and a quality hot-line.

In order to measure CSAT, employees of the Company process feedback received from customers, which includes three main indicators:

- speed and convenience of the consultation;
- completeness and ease of understanding;
- the consulting employee's politeness and friendliness.

The Company monitors and analyzes this indicator on a regular basis, because the clients can leave their feedback at any stage of a consultation.

The second mechanism for receiving feedback from the client is the hot-line. Patients may leave comprehensive feedback through any convenient channel, such as using the form on the website, sending an e-mail to quality@mcclinics.ru, or through the operator of the single contact center[2].

INTERACTION WITH EMPLOYEES

The Company fully understands the importance of maintaining effective communication with all types of employees. That is why the Company has expressed its commitment to holding five-minute daily conferences in the Group's hospitals where doctors participate. The main purpose of these conferences is to discuss all the events that happened the previous day. In addition, there are a number of other activities, such as doctors' weekly conferences, head nurses' weekly conferences, and weekly conferences with the Group's general directors. The Company is introducing and using digital technologies, namely, calls on Skype, to build effective interaction with its regional divisions. The staff also hold five-minute daily conferences.

Understanding the importance of protecting data of the Company and its clients, as well as the importance of creating a way to effectively and quickly interact within the Company, MD Medical Group has developed an in-house corporate intranet portal, which is used daily by Company employees.

Moreover, the Company introduced a whistle-blowing policy in 2012, which is still in use today. According to this policy every employee can write to hotline@mcclinics.ru. This network is used to detect employee fraud and other misconduct. If any violation has been identified, an internal investigation is conducted.

[1] The Company works with general and personal data in compliance with Federal Law No. 152-FZ On Personal Data dated 27 July 2006

[2] 2017 Annual Report, p. 144

PERSONNEL

HR MANAGEMENT

MD Medical Group is fully aware of the importance of hiring, developing, training and communicating with human resources as one of the key determinants of success. Given the specifics of the industry, the specific aspects of the Group's key business functions, type of facilities, geography of hospitals and clinics, and the Company's corporate culture and goals, the HR management structure is as follows:

HR management structure

CEO

HR Director

Regional HR Directors

Mother & Child Centre | **Mother & Child Urals** | **Mother & Child Volga** | **Mother & Child Siberia**

HR managers in the clinics and hospitals

To improve the effectiveness of the HR system and MD Medical Group as a whole the Company developed and implemented a number of regulations and rules in 2017[1].

OBJECTIVES IN HR MANAGEMENT

In 2018, the Company set a number of objectives in the field of personnel management and successfully attained them during the reporting period.

OBJECTIVE	RESULTS
Expanding the geographical scope of business	MD Medical Group opened new clinics (Lefortovo, Tula, Volgograd, Nizhniy Novgorod, Kazan) as well as hospitals (Samara), and expanded clinics (Vladimir and Kostroma). All of the above-mentioned facilities were staffed in a timely manner in 2018.
Hiring new staff	The interns were transferred to the Company's staff after the internship, and Company employees were promoted according to plan.
Organizational and personnel audit	All audits were completed with no significant comments.
Webinars and conferences on organizational, research and educational matters	25 webinars and 18 conferences were held on a wide range of topics in 2018.
Timely organization of employee qualification upgrading	Staff development was carried out in a timely manner. More than 1,100 medical staff completed mandatory and additional professional development programs in 2018. In addition to this, the employees were trained in occupational health and industrial safety on a scheduled basis, as required by law. The average number of training hours per employee was 45.6.
Ratio of medical staff to non-medical staff for treatment-and-prophylactic institutions with preferential taxation	Compliance of this indicator with the norm of 50%.

[1] 2017 Annual Report, p. 145

In addition to this, MD Medical Group continues to develop residency training programs. There is a possibility to choose one of two fields of study in residency:
- obstetrics and gynaecology;
- neonatology.

28 students were trained in residency in 2018 (11 first-year students and 17 second-year students) and 8 students fully completed the course that year.

The Company has established the following goals in the field of personnel management for 2019:
- providing clinics and hospitals with personnel in view of the increase in the range of services provided;
- training of medical residents, internships for future employees / managers;
- compliance with the ratio of medical staff to non-medical staff for treatment-and-prophylactic institutions with preferential taxation (50%);
- subsequent development and expansion of business.

PROFESSIONAL DEVELOPMENT

MD Medical Group is particularly focused on employees' professional development, because, as noted earlier, the Company considers human resources as one of the key determinants of success. The Group conducted mandatory and additional professional development programs attended by 1,100 people in the reporting period. The Company continues to develop and introduce digital technologies, and the number of webinars thus increased by 13.6% compared with the previous reporting period.

In addition to this, MD Medical Group is focused on the creation of publications on various subjects; thus, Company employees regularly publish articles in leading international and Russian professional journals.

Moreover, a distinctive feature of the MICE conducted by MD Medical Group is that outside professionals are free to take part in these events along with the Group's staff. Accordingly, the Company held 18 conferences in 2018 for mixed professional groups including its own and third-party specialists.

Special focus is on new hospital personnel. New employees are seconded on internships at already-existing facilities of the Group in order to familiarize themselves with the Company's key activities, to study the work rules and standards of the Company and to train for future work. The staff of existing MD Medical Group facilities are promoted to senior managers at new facilities of the group.

DEVELOPMENT OF THE SUPPLY CHAIN

THE GROUP'S APPROACH TOWARDS SUPPLY CHAIN MANAGEMENT

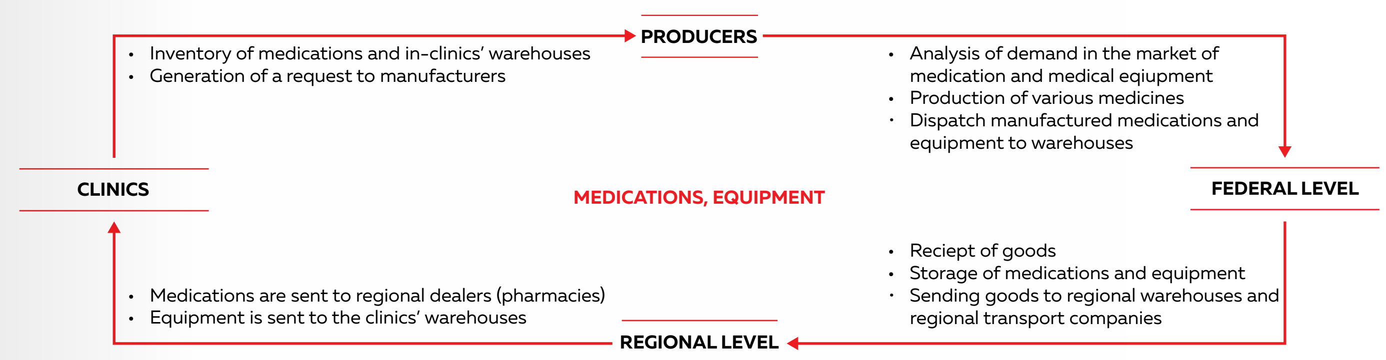
An effective supply chain is an important condition for the success of MD Medical Group and ensures patients' safety and the economic sustainability of the Company. The Group has a full and well-developed supply chain, which begins with analysis of demand for materials and equipment within all its facilities and ends with a wide range of services provided by the Company to its clients[1].

Given the specific features of the industry in general, the Company purchases many different materials. The Company tries to diversify suppliers as much as possible in order to achieve better product quality and sustainability. That is why MD Medical Group is focused on working both with Russian and international suppliers.

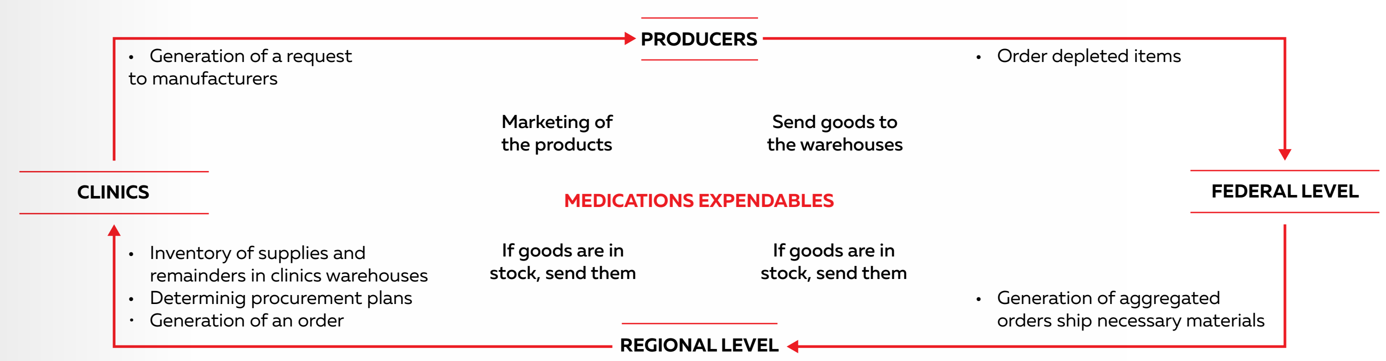
It is important to note that the Group offers equal opportunities for participation in tenders, including small businesses. The principles that guide the Company in conducting business, and in particular when interacting with stakeholders within the supply chain, are the following ones: good faith, transparency, impartiality and fairness. There are three main types of supply chain: medications, medical expendables and equipment.

There were a number of changes in the supply chain in 2018, namely:
- medicines and medications began to be procured centrally;
- the special electronic trading platform was used to procure items;
- strict control of procurement activities "on the ground" was introduced in accordance with regulations;
- a clear consistent format was used when entering into contracts.

Supply chain of medications and equipment



Supply chain of medical expendables



[1] 2017 Annual Report, p. 147

Thus, there were changes in the number of companies involved in sypply of medications and expendables.

Number of companies involved in different types of supply chain

	BEFORE 01.09.2018	AFTER 01.09.2018
Supply of medications	Not more than 6	Not more than 1 or 2
Supply of expendables	Not more than 3	Not more than 2
Supply of equipment	Not more than 2	Not more than 2

ENVIRONMENT AND WORKPLACE SAFETY

ENVIRONMENTAL MANAGEMENT:
MD Medical Group is fully aware of the importance of preserving the environment. The Group is doing its utmost to increase resource efficiency, to optimize business processes and to reduce to a minimum the negative environmental impact. The use of electricity, heating, and cooling is a necessary requirement of patient care. MD Medical Group is taking measures to optimize the process and lower energy usage.

Environmental impact management on the Group's level is within the scope of the CEO's competence, and, in the hospitals and clinics, within the scope of responsibility of the CEO and chief technical director. The hospitals and clinics supervise compliance with legislative environmental safety requirements.

The management systems meet the requirements of international certificates ISO 14001-2004 Environmental management systems and ISO 50001:2011 Energy management systems.

The reporting boundaries for environment indicators include all hospitals and clinics[1].

ENERGY EFFICIENCY
Given the fact that MD Medical Group continues to actively develop and expand its business, energy efficiency remains one of the main priorities of MD Medical Group. Thus, the Company is doing its utmost to increase energy efficiency by adoption of energy efficient technologies, and by continuously improving energy management as well as the distribution system.

[1] Annex 7. Main Methods for obtaining the information.

The increase in consumption of electricity and energy for heating by hospitals occurred due to the construction works and opening of a new hospital in Samara in February 2018. Several clinics also had started their work in 2018. The detailed information about the electricity and heating consumption is presented at the Annex 7 of the Report.

MD Medical Group's facilities essentially receive energy for heating from municipal central heating utilities and networks. The Company is also focused on equipping group facilities with a backup power supply, for instance diesel generators, in order to use them in case of an emergency.

Electricity consumption by MD Medical Group's clinics and hospitals, GJ (GigaJoule)

	2017	2018	CHANGE
CLINICS	9,688	10,732	11%
HOSPITALS	69,750	79,991	15%
TOTAL	**79,438**	**90,723**	**14%**

Heating energy consumption by MD Medical Group's clinics and hospitals, GJ

	2017	2018	CHANGE
CLINICS	25,560	25,974	2%
HOSPITALS	131,478	157,728	20%
TOTAL	**157,038**	**183,702**	**17%**

Total energy consumption by MD Medical Group's clinics and hospitals, GJ

	2017	2018	CHANGE
CLINICS	35,248	36,706	4%
HOSPITALS	201,228	237,720	18%
TOTAL	**236,476**	**274,426**	**16%**

Fuel consumption by MD Medical Group's clinics and hospitals, litres

	2017	2018	CHANGE
Petrol			
CLINICS	76,699	71,502	-7%
HOSPITALS	91,261	98,003	7%
TOTAL	**167,960**	**169,505**	**1%**
Diesel			
CLINICS	42,782	44,714	5%
HOSPITALS	58,692	55,949	-5%
TOTAL	**101,474**	**100,663**	**-1%**

RATIONAL USE OF WATER
Given the need for efficient use of water resources, MD Medical Group monitors its water consumption on a regular basis and constantly improves the water management system. All the facilities of the Company use water from municipal water supply networks under State Standard GOST P 51232-98 (2002).

Water consumption by MD Medical Group[1], cub. M

	2017	2018	CHANGE
CLINICS	**25,927**	**26,334**	**2%**
HOSPITALS	**144,447**	**163,463**	**13%**
Perinatal Centre	33,600	34,147	2%
Lapino Clinical Hospital	68,358	67,403	-1%
Ufa Clinical Hospital	30,173	33,119	10%
Avicenna	12,316	17,328	41%
Samara Hospital	n/a	11,466	n/a
TOTAL	**170,374**	**189,797**	**11%**

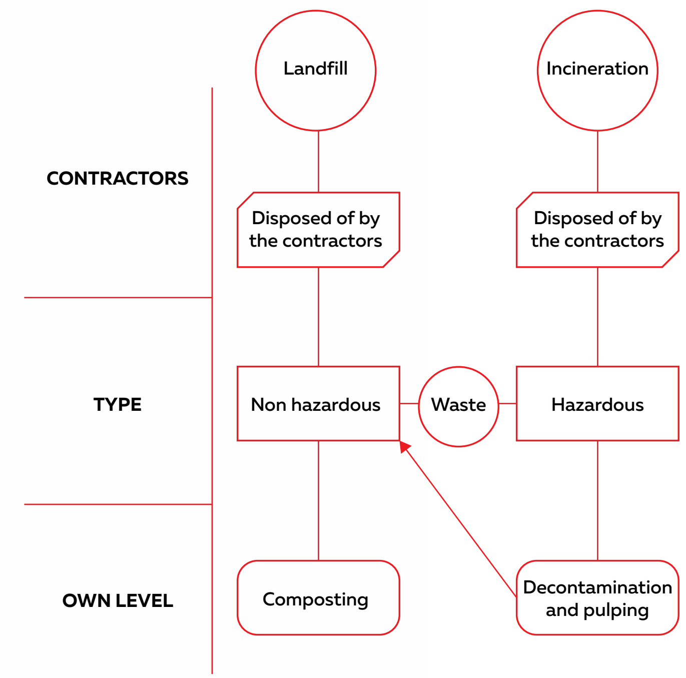
WASTE MANAGEMENT
MD Medical Group fully complies with legislation of the Russian Federation in the field of waste management for the medical industry. The Company does its best to reduce its potential negative impact.

[1] Annex 7. Main Methods for obtaining the information.

Last year, the Company decided to publish its first report under the GRI standards and, thus, to define the boundaries of disclosure of waste management due to the specific nature of the recordkeeping. This year MD Medical Group discloses this aspect in more detail.

The Group's clinics and hospitals dispose of their regulated waste as required by SanPin 2.1.7.2790-10 Sanitary and Epidemiological Requirements for Treating Medical Waste[2]. Each clinic and hospital can produce medical waste of a different class. It depends on the list of services provided by the MD Medical Group facility. Consequently, the structure of produced medical waste may differ among Company facilities.

Waste management chain in hospitals



The process of waste management depends on what class of waste is disposed of and on the location of the MD Medical Group facility. In order to dispose of class A waste, the Company concludes an agreement with a contractor which provides services to the entire facility where the Company's clinic or hospital is located. To dispose

[2] Read more about SanPin 2.1.7.2790-10 Sanitary and Epidemiological Requirements for Treating Medical Waste in Annex 6.

of the other classes of medical waste MD Medical Group signs agreements with contractors.

Several hospitals participate directly in the recycling process by using a special apparatus to decontaminate and treat medical wastes by heat, and after medical wastes begin to be classified as non-hazardous household solids that can be safely disposed of in a conventional manner. All Company facilities have containers for the temporary storage of mercury-vapor bulbs.

Waste by disposal method (hospitals), metric tonnes

	2017	2018	CHANGE
Landfilling (non-hazardous wastes)	2,698	3,098	15%
Composting (non-hazardous wastes)	0.5	1.8	260%
Bulk incineration (hazardous wastes)	4.1	2.9	-30%
TOTAL	**2,707.9**	**3,102.7**	**15%**

Waste by disposal method (clinics), metric tonnes

	2017	2018	CHANGE
Landfilling (non-hazardous wastes)	382	424	11%
Composting (non-hazardous wastes)	-	-	-
Bulk incineration (hazardous wastes)	36	40	12%
TOTAL	**418**	**464**	**11%**

WORK, FIRE AND INDUSTRIAL SAFETY EDUCATION

MD Medical Group attaches great importance to the process of education in the field of work, fire and industrial safety. Every member of the Company is aware of the necessity to comply with all work, fire and industrial safety requirements. Thus, the Company has developed and adopted a range of training programs based on best practices and aimed at creating a culture of safety in the Company.

There are several types of training program, designed in accordance with employee competencies: for managers, professionals, mid-level medical and clerical staff, menial workers, electricians, operators of pressurized equipment, heating installations, lift controllers, etc. All employees, without exception, are trained in safe working methods within their establishments and are tested for their knowledge at least once every three years. MD Medical Group attaches great importance to training auxiliary and unskilled staff in first aid at work at least once a year as prescribed by article 225 of the Russian Labour Code. In addition to this, MD Medical Group hospitals have designed and apply instructions to provide first aid to victims in case of accidents at work.

Annex 1. GRI Index Disclosure

GRI STANDARDS DISCLOSURE		
NUMBER	**TITLE**	**PAGE IN THE REPORT AND/OR REFERENCE**
GRI 102: GENERAL DISCLOSURES		
102-1	Name of the organization	71
102-2	Activities, brands, products, and services	18-19, 42-45
102-3	Location of headquarters	70
102-4	Location of operations	22-23
102-5	Ownership and legal form	70-71
102-6	Markets served	22-23
102-7	Scale of the organization	49, 42-45, 5
102-8	Information on employees and other workers	164-165
102-9	Supply chain	155-156
102-10	Significant changes to the organization and its supply chain	14-17, 22-23, 155-156
102-11	Precautionary Principle or approach	The Group has not adopted the Precautionary Principle or approach.
102-12	External initiatives	n/a
102-13	Membership of associations	The clinics of the Group as well as staff are members of the following national and international organizations: • Russian Association of Human Reproduction; • Russian Association of Obstetricians and Gynecologists; • Chamber of Commerce and Industry of the Samara Region; • Chamber of Commerce and Industry of the Urban District of Togliatti, Samara Region; • European Society of Human Reproduction and Embryology; • Association of Obstetricians and Gynecologists of Endocrinologists of the Perm Region; • Moscow Society of Obstetricians and Gynecologists; • Association of Obstetricians and Gynecologists of the Irkutsk Region; • Association of Gynecologist-Endoscopists of Russia. • International Academy of Perinatal Medicine.
102-14	Statement from the senior decision-maker	10-11
102-15	Key impacts, risks, and opportunities	Annex 2. Sustainable Development Risk Management
102-16	Values, principles, standards, and norms of behaviour	19, 52
102-18	Governance structure	62-68
102-22	Composition of the highest governance body and its committees	62-65

GRI STANDARDS DISCLOSURE		
NUMBER	TITLE	PAGE IN THE REPORT AND/OR REFERENCE
102-24	Appointing and selecting the highest governance body	58-59, 62-65
102-40	List of stakeholder groups	151
102-41	Collective bargaining agreements	There is no signed collective bargaining agreement.
102-42	Identifying and selecting stakeholders	2017 Annual Report, p.142-143
102-43	Approach to stakeholder engagement	151-152
102-44	Key topics and concerns raised	150
102-45	Entities included in the consolidated financial statements	90-92
102-46	Defining the report's content and topic boundaries	151-152
102-47	List of material topics	151-152
102-48	Restatements of information	This Report does not contain restatements of information provided in previous reports.
102-49	Changes in reporting	No changes have occurred.
102-50	Reporting period	
102-51	Date of the most recent report	The last Annual Report was published in March 2017.
102-52	Reporting cycle	Annual cycle.
102-53	Contact point for questions regarding the report	168
102-54	Claims of reporting in accordance with GRI Standards	This report has been prepared in accordance with GRI Standards: Core option.
102-55	GRI content index	159-161
102-56	External assurance	No external assurance for the Group's Sustainability Report was sought.
GRI 103: MANAGEMENT APPROACH		
103-1	Explanation of the material topic and its boundary	151
103-2	The management approach and its components	14-15, 50, 150, 153-154, 156-158
103-3	Evaluation of the management approach	14-15, 50, 150, 153-154, 156-158
GRI 205: ANTI-CORRUPTION		
205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption were detected in the reporting period. See p. 163 for more about the prevention of corruption and bribery risks
GRI 302: ENERGY		
302-1	Energy consumption within the organization	156, Annex 7. Main methods for obtaining information
GRI 303: WATER		
303-1	Water withdrawal by source	157
GRI 306: EFFLUENTS AND WASTE		
306-2	Waste by type and disposal method	158-159

GRI STANDARDS DISCLOSURE		
NUMBER	TITLE	PAGE IN THE REPORT AND/OR REFERENCE
GRI 404: TRAINING AND EDUCATION		
404-2	Programmes for upgrading employee skills and transition assistance programs	154
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY		
405-1	Diversity of governance bodies and employees	164 Despite the absence of an established diversity policy, the Board of Directors is sufficiently diversified. For instance, directors who are specialists in various fields such as audit, finance, law, medicine, investments, etc. are members of the Board. The sufficient diversity of the skills of the Board's members contributes to a qualified discussion, with the voicing of different points of view, reflecting different ways of thinking. In our understanding, the term "diversity" of the Board of Directors means that its members should be specialists with: • a broad vision of management and development processes; • successful management experience; • a deep understanding of business processes, especially in such aspects as designing a development strategy and monitoring its implementation, the system of internal control and audit, risk management, the specifics of the particular business, and the motivation of top management. Greater diversity enables the Board to consider issues from different perspectives and develop more balanced business strategies.
GRI 406: NON-DISCRIMINATION		
406-1	Incidents of discrimination and corrective actions taken	The Group did not detect any incidents of discrimination in the reporting period.
GRI 417: MARKETING AND LABELLING		
417-2	Incidents of non-compliance concerning product and service information and labelling	The Group prepares its marketing communications in compliance with Federal Law No. 38-FZ On Advertising dated 13 March 2006 and Law No. 2300-1 of the Russian Federation On Protection of Consumer Rights dated 7 February 1992 (as amended on 1 May 2017). As part of measures to monitor compliance with the statutory requirements for products and services information and labelling, all advertising contracts are initialled by the marketing director (deputy general director, marketing) and the legal department. No confirmed incidents of non-compliance concerning product and service information and labelling occurred in the reporting period.
417-3	Incidents of non-compliance concerning marketing communications	No confirmed incidents of non-compliance concerning marketing communications occurred in the reporting period.
QUALITY MEDICAL ASSISTANCE TO PATIENTS		
MD1	Development and extension of the list of services	42-45
MD2	Annual capacity of the hospitals	24-37
MD3	Development of hi-tech medical care	18-19
MD4	Highly-qualified personnel	50, 152
MD5	Dialogue with patients	152

Annex 2. Sustainable Development Risk Management

MD Medical Group continues to actively update its sustainable development risk management mechanisms.

Given the complexity of business processes, special features of the industry, the current economic situation in the country and all of the above mentioned facts, the risk management department has identified the following groups of sustainable development risks:

- environmental impact risks;
- social and employment risks;
- human rights risks;
- corruption and bribery risks.

Although MD Medical Group assesses the probability of these risks occurring as low, the Company has developed and applied a series of preventive measures.

RISK GROUPS	RISK MANAGEMENT MECHANISMS
ENVIRONMENTAL IMPACT RISKS	
Incorrect hazardous waste disposal	MD Medical Group has developed and continues to constantly improve the procedure for selecting contractors, who are required to have all the necessary resources and skills to dispose of hazardous medical wastes in a proper way.
Substantial increase in energy consumption and decrease in energy efficiency	MD Medical Group is aware of the importance of using a modern high-performance power supply system. MD Medical Group applies various energy saving measures in accordance with internal standards and procedures. In addition to this, the Company installs energy-saving equipment at all facilities of the Group.
Substantial increase in water consumption	The Groups monitors the condition of water and heat supply pipelines.
Increase in paper consumption	MD Medical Group fulfills the requirements of the official Electronic Government program currently implemented in Russia in order to switch to electronic external document flow.
SOCIAL AND EMPLOYMENT RISKS	
Statutory restrictions related to employment	The Group monitors appropriate changes in relevant legislation on a regular basis and promptly reacts to them.
Insufficient availability of Company's care services facilities	MD Medical Group is expanding the geography of its presence, opening new Group facilities in order to increase access to the Company's services for a large number of patients. The Company sets prices for its services taking into account the income level of the population of each specific region of presence. In addition, the Group is committed to meeting the requirements of the federal IVF program under obligatory health insurance policies.
Deterioration of the Group's relations with staff	MD Medical Group monitors its personnel's satisfaction by conducting regular surveys and creates conditions for the development and realization of its employees' professional potential. The Group maintains employee health care and maternity support programs, programs for the organization of employees' leisure and recreation, and professional development programs.
HUMAN RIGHTS RISKS	
Discrimination	The Group permits no discrimination against any minorities. There have been no discrimination claims or legal action over the whole history of the Company.
Work under compulsion	MD Medical Group's corporate culture and ethics exclude any compulsion.
Remuneration discrimination	Bonuses and rewards in the Group are economically substantiated and paid on the basis of performance and attainment of targets set by the Company. There is no remuneration discrimination in the Company.
CORRUPTION AND BRIBERY RISKS	
Risk of corrupt actions and payments to government authorities	In order to avoid any offenses MD Medical Group makes sure that any interaction with supervisory and regulatory authorities is duly documented. The Company's CEO and shareholders are immediately notified of any disputes or differences arising between the Company and supervisors or regulators. All financial operations in the Group are reflected in appropriate financial records which are subject to financial audit
Risk of bribery of the Group's employees for the benefit of third parties	MD Medical Group's procurement procedures are sufficiently transparent to reduce the risk of corruption and fraud. Moreover, the Company has developed and uses an efficient and transparent procedure for selecting suppliers.

Annex 3. Information on the gender and age of the Board of Directors as of 31 December 2018.

Men – 70%; Women – 30%; 30–50 years of age – 60%;

Older than 50 years of age – 40%.

Annex 4. Information on the gender and age of employees as of 31 December 2018:

Men – 18%; Women – 82%; Younger than 30 – 13%;

30–50 years of age – 62%; Older than 50 years of age – 25%.

Annex 5. Information on the staff

2017

	MOTHER & CHILD CENTRE	MOTHER & CHILD URALS	MOTHER & CHILD SIBERIA	MOTHER & CHILD VOLGA	TOTAL	%
Male	701	135	284	84	1,204	18
Female	3,183	753	1,037	624	5,597	82
TOTAL	**3,884**	**888**	**1,321**	**708**	**6,801**	**100**

2018

	MOTHER & CHILD CENTRE	MOTHER & CHILD URALS	MOTHER & CHILD SIBERIA	MOTHER & CHILD VOLGA	TOTAL	%
Male	737	151	291	151	1,330	18
Female	3,254	839	1,072	854	6,019	82
TOTAL	**3,991**	**990**	**1,363**	**1,005**	**7,349**	**100**

The staffing data is set forth above for the entire scope of the 2017 and 2018 consolidated financial reporting as per the records maintained on a permanent basis.

The Group had no automated records with respect to the terms of effect of employment agreements in 2017 and 2018, because of the planned transition to the new accounting system.

Annex 6. SanPin 2.1.7.2790-10 Sanitary and Epidemiological Requirements for Treating Medical Waste

SanPin 2.1.7.2790-10 Sanitary and Epidemiological Requirements for Treating Medical Waste is a regulatory legal act, registered by the Ministry of Justice of the Russian Federation on February 17, 2011 (registration number: 19871). According to this document, there are five major classes of medical waste:

- Class A (А) - epidemiologically non-hazardous waste close in composition to municipal solid waste (packaging, paper, cardboard, etc.);
- Class B (Б) - epidemiologically hazardous waste. This class includes human blood and blood products as well as other biological liquids;
- Class V (В) - extremely epidemiologically hazardous waste (materials that were in contact with patients with infectious diseases);
- Class G (Г) - toxicologically hazardous waste of classes from 1 to 4. This class includes medicines, diagnostics, and disinfectants that cannot be used, namely those medical supplies that have been damaged or expired;
- Class D (Д) - radioactive waste.

Annex 7. Main methods for obtaining information

For a number of indicators the forecast technique method was used due to the lack of detailed accounting data, either for reasons pertaining to specific facilities, in particular due to the fact that a number of facilities are located in rented premises, or due to the non-relevance of such information for decision-making by the MD Group or stakeholders. When forecasts are made, the calculations are based applying some of the following indicators:

- for waste – the average amount of waste that is generated per day;
- for fuel – the amount of money spent on the purchase of fuel divided by the cost of one liter of gasoline;
- for water, electricity and heating – the amount of money spent on utilities and rent. Regional rates were used in the calculations;

The total amount of data obtained by the forecast method does not represent a significant share of the consolidated sum.

Electricity consumption by MD Medical Group's clinics and hospitals, KWh

	2017	2018	CHANGE
CLINICS	**2,691,062**	**2,981,110**	**11%**
HOSPITALS	**19,374,924**	**22,219,777**	**15%**
Perinatal Centre	4,407,515	4,396,895	0%
Lapino Clinical Hospital	6,769,872	7,478,484	10%
Ufa Clinical Hospital	4,669,425	4,673,587	0%
Avicenna	2,357,342	2,624,086	11%
Samara Hospital	1,170,770	3,046,725	160%
TOTAL	**22,065,986**	**25,200,887**	**14%**

Heating energy consumption by MD Medical Group's clinics and hospitals, Gcal

	2017	2018	CHANGE
CLINICS	**6,109**	**6,208**	**2%**
HOSPITALS	**31,424**	**37,968**	**20%**
Perinatal Centre	5,893	5,864	0%
Lapino Clinical Hospital	10,467	10,458	0%
Ufa Clinical Hospital	12,274	12,799	4%
Avicenna	2,790	4,667	67%
Samara Hospital	-	3,910	n/a
TOTAL	**37,533**	**43,906**	**17%**

Fuel Consumption by MD Medical Group's clinics and hospitals, litres

Petrol	2017	2018	CHANGE
CLINICS	**76,699**	**71,502**	**-7%**
HOSPITALS	**91,261**	**98,003**	**7%**
Perinatal Centre	30,718	25,488	-17%
Lapino Clinical Hospital	30,594	34,490	13%
Ufa Clinical Hospital	13,039	13,356	2%
Avicenna	16,910	15,773	-7%
Samara Hospital	-	8,896	n/a
TOTAL	**167,960**	**169,505**	**1%**

Diesel	2017	2018	CHANGE
CLINICS	**42,782**	**44,714**	**5%**
HOSPITALS	**58,692**	**55,949**	**-5%**
Perinatal Centre	10,204	13,954	37%
Lapino Clinical Hospital	33,825	26,215	-22%
Ufa Clinical Hospital	5,966	5,802	-3%
Avicenna	8,697	9,978	15%
Samara Hospital	-	-	
TOTAL	**101,474**	**100,663**	**-1%**

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