

MD MEDICAL GROUP INVESTMENTS PLC

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

For the period from 1 January 2013 to 30 June 2013

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

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

Introduction

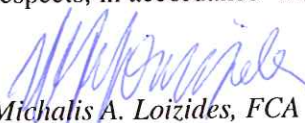
We have reviewed the accompanying condensed consolidated statement of financial position of MD Medical Group Investments PLC and its subsidiaries ("the Group") as at 30 June 2013, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".



Michalis A. Loizides

Michalis A. Loizides, FCA
Certified Public Accountant and Registered Auditor

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

6 September 2013

Board Members:

N.G. Syrimis, A.K. Christofides, E.Z. Hadjizacharias, P.G. Loizou
A.M. Gregoriades, A.A. Demetriou, D.S. Vakis, A.A. Apostolou
S.A. Loizides, M.A. Loizides, S.G. Sofocleous, M.M. Antoniades
C.V. Vasiliou, P.E. Antoniades, M.J. Halios, M.P. Michael, P.A. Pelleties
G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shiammoutis
G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos
M.G. Gregoriades, H.A. Kakoulis, G.P. Savva, C.A. Kalias, C.N. Kalis
M.H. Zavrou, P.S. Elia, M.G. Lazarou, Z.E. Hadjizacharias
P.S. Theophanous, M.A. Karantoni, C.A. Markides

KPMG Limited, a private company limited by shares registered in Cyprus
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MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOMEFor the six months ended 30 June

	Note	2013 RUB'000	2012 RUB'000
Revenue	4	2,577,752	1,966,944
Cost of sales	5	<u>(1,605,479)</u>	<u>(982,383)</u>
Gross profit		972,273	984,561
Other income		2,222	611
Administrative expenses	6	(524,447)	(192,016)
Other expenses		<u>(1,703)</u>	<u>(1,840)</u>
Profit from operations before net finance expenses		<u>448,345</u>	<u>791,316</u>
Finance income		35,060	350
Finance expenses		(166,721)	(22,116)
Net foreign exchange transactions loss		<u>(45,564)</u>	<u>(15,034)</u>
Net finance expenses	8	<u>(177,225)</u>	<u>(36,800)</u>
Profit before tax		271,120	754,516
Taxation	9	<u>(21,320)</u>	<u>(26,518)</u>
Profit for the period		<u>249,800</u>	<u>727,998</u>
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations		<u>235,074</u>	<u>444</u>
Total comprehensive income for the period		<u>484,874</u>	<u>728,442</u>
Profit for the period attributable to:			
Owners of the Company		192,472	655,690
Non-controlling interests		<u>57,328</u>	<u>72,308</u>
		<u>249,800</u>	<u>727,998</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		427,546	656,134
Non-controlling interests		<u>57,328</u>	<u>72,308</u>
		<u>484,874</u>	<u>728,442</u>
Basic and fully diluted earnings per share (RUB)	10	<u>2.56</u>	<u>10.47</u>

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC


CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2013 RUB'000	31 December 2012 RUB'000
Assets			
Property, plant and equipment	12	8,233,301	7,422,875
Intangible assets	13	458,048	30,668
Trade, other receivables and deferred expenses	16	308,490	150,483
Loans receivable		2,037	-
Deferred tax assets		<u>1,702</u>	<u>136</u>
Total non-current assets		<u>9,003,578</u>	<u>7,604,162</u>
Inventories	15	62,286	50,475
Trade, other receivables and deferred expenses	16	117,636	229,224
Loans receivable		1,750	-
Current income tax asset		6,312	16,899
Short term investments	17	1,635,450	2,429,816
Cash and cash equivalents	18	<u>2,670,849</u>	<u>2,582,933</u>
Total current assets		<u>4,494,283</u>	<u>5,309,347</u>
Total assets		<u>13,497,861</u>	<u>12,913,509</u>
Equity			
Share capital	19	180,585	180,585
Reserves		<u>8,215,648</u>	<u>8,101,975</u>
Total equity attributable to owners of the Company		<u>8,396,233</u>	<u>8,282,560</u>
Non-controlling interests		<u>381,310</u>	<u>340,857</u>
Total equity		<u>8,777,543</u>	<u>8,623,417</u>
Liabilities			
Loans and borrowings	20	2,487,863	2,694,901
Obligations under finance leases	21	1,973	809
Trade and other payables	22	4,587	64,484
Deferred tax liabilities		5,750	5,984
Deferred income	23	<u>61,745</u>	<u>56,716</u>
Total non-current liabilities		<u>2,561,918</u>	<u>2,822,894</u>
Short term portion of long-term loans	20	596,488	262,688
Obligations under finance leases	21	1,593	200
Trade and other payables	22	1,051,188	755,613
Deferred income	23	504,025	447,937
Current income tax liability		<u>5,106</u>	<u>760</u>
Total current liabilities		<u>2,158,400</u>	<u>1,467,198</u>
Total liabilities		<u>4,720,318</u>	<u>4,290,092</u>
Total equity and liabilities		<u>13,497,861</u>	<u>12,913,509</u>

On 6 September 2013 the Board of Directors of MD Medical Group Investments Plc authorised these condensed consolidated interim financial statements for issue.


.....
Elena Mladova
Director


.....
Mark Kurtser
Director


.....
Vitaly Ustimenko
Chief Financial Officer

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company								
	Share capital RUB'000	Share premium RUB'000	Common Control Transactions RUB'000	Capital contribution RUB'000	Translation reserve RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interests RUB'000	Total equity RUB'000
Balance at 1 January 2012	149,636	733,085	(682,873)	27,521	(19,329)	2,371,947	2,579,987	227,269	2,807,256
Comprehensive income									
Profit for the period	-	-	-	-	-	655,690	655,690	72,308	727,998
Other comprehensive income									
Foreign currency translation differences	-	-	-	-	444	-	444	-	444
Total comprehensive income for the period	-	-	-	-	444	655,690	656,134	72,308	728,442
Contributions by and distributions to owners									
Dividends	-	-	-	-	-	(153,654)	(153,654)	(10,500)	(164,154)
Total transactions with owners	-	-	-	-	-	(153,654)	(153,654)	(10,500)	(164,154)
Balance at 30 June 2012	<u>149,636</u>	<u>733,085</u>	<u>(682,873)</u>	<u>27,521</u>	<u>(18,885)</u>	<u>2,873,983</u>	<u>3,082,467</u>	<u>289,077</u>	<u>3,371,544</u>

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2013

	Attributable to owners of the Company							Non-controlling interests RUB'000	Total equity RUB'000
	Share capital RUB'000	Share premium RUB'000	Common Control Transactions RUB'000	Capital contribution RUB'000	Translation reserve RUB'000	Retained earnings RUB'000	Total RUB'000		
Balance at 1 January 2013	<u>180,585</u>	<u>5,243,319</u>	<u>(682,873)</u>	<u>27,521</u>	<u>(103,730)</u>	<u>3,617,738</u>	<u>8,282,560</u>	<u>340,857</u>	<u>8,623,417</u>
Comprehensive income									
Profit for the period	-	-	-	-	-	192,472	192,472	57,328	249,800
Other comprehensive income									
Foreign currency translation differences	-	-	-	-	235,074	-	235,074	-	235,074
Total comprehensive income for the period	-	-	-	-	235,074	192,472	427,546	57,328	484,874
Contributions by and distributions to owners									
Dividends	-	-	-	-	-	(313,873)	(313,873)	(20,000)	(333,873)
Total transactions with owners	-	-	-	-	-	(313,873)	(313,873)	(20,000)	(333,873)
Changes in ownership interests									
Non-controlling interest in acquired subsidiaries	-	-	-	-	-	-	-	2,105	2,105
Non-controlling interest in newly incorporated entities	-	-	-	-	-	-	-	1,020	1,020
Total changes in ownership interests	-	-	-	-	-	-	-	3,125	3,125
Balance at 30 June 2013	<u>180,585</u>	<u>5,243,319</u>	<u>(682,873)</u>	<u>27,521</u>	<u>131,344</u>	<u>3,496,337</u>	<u>8,396,233</u>	<u>381,310</u>	<u>8,777,543</u>

Share premium is not available for distribution.

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWSFor the six months ended 30 June

	Note	2013 RUB'000	2012 RUB'000
Cash flows from operating activities			
Profit for the period		249,800	727,998
Adjustments for:			
Depreciation of property, plant and equipment	12	192,004	59,090
Net foreign exchange transactions loss	8	45,564	15,034
Amortisation of intangible assets	13	4,385	144
Loss/(profit) from the sale of property, plant and equipment		3,945	(136)
Interest income	8	(35,060)	(240)
Interest expense	8	140,567	2,830
Impairment/(reversal of impairment) of financial instruments	8	1,573	(110)
Taxation		<u>21,320</u>	<u>26,518</u>
Cash flows from operations before working capital changes		624,098	831,128
Decrease / (increase) in inventories		1,520	(3,388)
Increase in trade and other receivables		(17,461)	(15,233)
Increase in trade and other payables		64,880	57,988
Increase in deferred income		<u>44,292</u>	<u>38,979</u>
Cash flows from operations		717,329	909,474
Tax paid		<u>(8,397)</u>	<u>(49,449)</u>
Net cash flows from operating activities		<u>708,932</u>	<u>860,025</u>
Cash flows from investing activities			
Payment for acquisition of intangible assets		(1,074)	-
Payment for acquisition/construction of property, plant and equipment		(752,147)	(1,211,971)
Payment for acquisition of investments in subsidiaries under common control		-	(9,118)
Acquisition of subsidiaries, net cash outflow on acquisition		(647,603)	-
Deposit of short term investments		(1,573,555)	-
Proceeds from disposal of property, plant and equipment		381	224
Repayment of loans granted		87	-
Interest received		33,488	240
Withdrawal of short term investments		<u>2,483,464</u>	<u>-</u>
Net cash flows used in investing activities		<u>(456,959)</u>	<u>(1,220,625)</u>

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June

	Note	2013 RUB'000	2012 RUB'000
Cash flows from financing activities			
GDR contributions received from underwriters		150,216	-
Proceeds from borrowings		96,467	940,838
Repayment of borrowings		(38,877)	(59,836)
Repayments of obligations under finance leases		(1,622)	(88,106)
Interest paid		(141,199)	(60,668)
Dividends paid to the owners of the Company		(313,873)	(153,654)
Dividends paid to non-controlling interests		<u>(34,700)</u>	<u>(10,500)</u>
Net cash flows from financing activities		<u>(283,588)</u>	<u>568,074</u>
Net increase in cash and cash equivalents		(31,615)	207,424
Cash and cash equivalents at the beginning of the period		2,582,933	133,474
Effect of exchange rate changes on cash and cash equivalents		<u>119,531</u>	<u>444</u>
Cash and cash equivalents at the end of the period	18	<u><u>2,670,849</u></u>	<u><u>341,392</u></u>

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

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. Its Registered Office is at 84, Spyrou Kyprianou Avenue, 2nd floor, office 7, P.C. 4004, Limassol, Cyprus.

The condensed consolidated interim financial statements for the period from 1 January 2013 to 30 June 2013 (reporting period) consist of the condensed consolidated statement of financial position as at 30 June 2013 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows and other explanatory notes of the Company and its subsidiaries (which together are referred to as "the Group") for the reporting period.

The principal activity of the Company is that of an investment holding company and, for that purpose, to acquire and hold controlling and other interests in the share or loan capital of any company or companies of any nature, but primarily in the healthcare industry.

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

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

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

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

<u>Name</u>	<u>Country of incorporation</u>	<u>Activities</u>	<u>Notes</u>	30 June 2013 Effective Holding %	31 December 2012 Effective Holding %
CJSC MD PROJECT 2000	Russian Federation	Medical services		95	95
LLC Khaven	Russian Federation	Medical services		100	100
LLC Velum	Russian Federation	Medical services		54	54
LLC Capital Group	Russian Federation	Renting of property		80	80
LLC FimedLab	Russian Federation	Medical services		60	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	1	100	100
LLC Clinica Zdorovia	Russian Federation	Medical services		60	60
LLC Ivamed	Russian Federation	Medical services		100	100
LLC Dilamed	Russian Federation	Medical services		100	100
CJSC Listom	Russian Federation	Service company		100	100
LLC Ustic-ECO	Russian Federation	Medical services		70	70
LLC Ecodeure	Russian Federation	Medical services		85	85
LLC Mother and Child Perm	Russian Federation	Medical services		80	80
LLC Mother and Child Ufa	Russian Federation	Medical services	2	80	80
LLC Mother and Child Saint-Petersburg	Russian Federation	Medical services	2	60	60
LLC MD PROJECT 2010	Russian Federation	Medical services	3	80	80
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	2	60	60
LLC MD Service	Russian Federation	Pharmaceutics retail	4	98	98

MD MEDICAL GROUP INVESTMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

<u>Name</u>	<u>Country of incorporation</u>	<u>Activities</u>	<u>Notes</u>	30 June 2013 Effective Holding %	31 December 2012 Effective Holding %
LLC Mother and Child Nizhny Novgorod	Russian Federation	Not operating	5	100	99
LLC Mother and Child Yekaterinburg	Russian Federation	Not operating	5	100	99
LLC TechMedCom	Russian Federation	Service company	6	-	-
LLC Service Hospital Company	Russian Federation	Service company	6	-	-
Vitanostra Ltd	Cyprus	Holding of investments	7	100	-
LLC NPC MIR	Russian Federation	Holding of investments	8	100	-
LLC MK IDK	Russian Federation	Medical services	8	100	-
LLC Apteka IDK	Russian Federation	Pharmaceutics retail	8	100	-
LLC CSR	Russian Federation	Medical services	8	100	-
LLC Nova Leasing	Russian Federation	Not operating	8	100	-
LLC Centre of Reproductive Medicine	Russian Federation	Medical services	9	80	-
LLC MD Assistance	Russian Federation	Not operating	10	100	-
LLC Mother and Child Yaroslavl	Russian Federation	Not operating	10	80	-

Notes:

- 1% of the share capital of this entity is directly owned by the Company and 99% of the share capital of this entity is indirectly owned through LLC Khaven. Thus effective holding percentage for the entity is 100%.
- These entities are indirectly owned through LLC Khaven.
- As at 31 December 2012, 99% of the share capital of this entity was owned by LLC Mother and Child Ufa and 1% of the share capital of this entity was owned by LLC Mother and Child Perm. In February 2013 80% of the share capital of this entity was sold by the aforementioned companies to the Company. The effective holding percentage for the entity has not changed.
- This entity was incorporated in 2012. 95% of the share capital of the entity is directly owned by the Company and 5% of the share capital is owned by LLC Clinica Zdorovia. Thus effective holding percentage for the entity is 98%.
- These entities were incorporated in 2012 and did not carry any operations since their incorporation dates.
- These entities were incorporated in 2013 and, although not directly owned by the Group, are controlled by the Group since most of their activities are carried out on behalf of the Group.
- This entity was acquired in March 2013. The transaction was completed during April 2013 following the regulatory approval (note 14).
- These entities are indirectly owned through Vitanostra Ltd.
- This entity was acquired in May 2013 (note 14).
- These entities were incorporated in 2013 and did not carry any operations since their incorporation dates.

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

For the period from 1 January 2013 to 30 June 2013

1. INCORPORATION AND PRINCIPAL ACTIVITIES *(continued)*

As of 30 June 2013, 67,90% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr. Mark Kurtser. The remaining 32,1% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders.

2. BASIS OF PREPARATION**(a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at 31 December 2012 and for the year then ended.

The condensed consolidated interim financial statements were approved by the Board of Directors and were authorised for issue on 6 September 2013.

(b) Basis of measurement

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

(c) Use of estimates and judgements

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

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

(d) Functional and presentation currency

The functional currency of the Company is the US dollar (US\$). All of the Group entities are located in Russian Federation and have the Russian Ruble (RUB) as their functional currency.

The Management opted to present these condensed consolidated interim financial statements in RUB, rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those followed in the Group's consolidated financial statements as at 31 December 2012 and for the year then ended, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group has adopted for the first time the following new standards and amendments to standards, including any consequent amendments to other standards, with the date of initial application of 1 January 2013 in the preparation of the full consolidated financial statements:

- IFRS 7 (Amendments) "Financial Instruments: Disclosures" – "Offsetting Financial Assets and Financial Liabilities";
- IFRS 10 "Consolidated Financial Statements";

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

For the period from 1 January 2013 to 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- IFRS 12 “Disclosure of Interest in Other Entities”;
- IFRS 13 “Fair Value Measurement”;
- IAS 1 (Amendments) “Presentation of items of other Comprehensive Income”

Several other new standards and amendments apply for the first time in 2013. However, they do not impact these condensed consolidated interim financial statements of the Group.

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

(a) IFRS 7 (Amendments) “Financial Instruments: Disclosures” – “Offsetting Financial Assets and Financial Liabilities”

The amendment requires an entity to disclose information about right to set-off financial instruments and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

(b) IFRS 10 “Consolidated Financial Statements”

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

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group’s investees held as at 31 December 2012. Management had also assessed the impact of IFRS 10 on the entities of the Group incorporated during the 6 month ended 30 June 2013 and has concluded that they should be classified as subsidiaries, although some of them are not all directly owned by the Group.

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

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

MD MEDICAL GROUP INVESTMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***(d) IFRS 13 “Fair Value Measurement”**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required by IAS 34.16A(j), thereby affecting the condensed consolidated interim financial statements period. For the Group the carrying amount of the financial instruments is a reasonable approximation of their fair value.

(e) IAS 1 (Amendments) “Presentation of items of other Comprehensive Income”

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group’s financial position or performance.

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

Costs that are incurred during the financial year are anticipated or deferred for interim period purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.

4. REVENUE

	30 June 2013 RUB'000	30 June 2012 RUB'000
Deliveries	596,565	495,021
Obstetrics and Gynaecology out-patient treatments	505,224	393,661
Paediatrics out-patient treatments	353,627	272,384
IVF	342,122	269,742
Obstetrics and Gynaecology in-patient treatments	294,748	209,647
Paediatrics in-patient treatments	87,083	65,873
Other medical services	287,881	178,348
Sales of goods	56,950	53,308
Other income	<u>53,552</u>	<u>28,960</u>
	<u>2,577,752</u>	<u>1,966,944</u>

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For the period from 1 January 2013 to 30 June 2013

5. COST OF SALES

	30 June 2013 RUB'000	30 June 2012 RUB'000
Payroll and related social taxes	952,548	646,644
Materials and supplies used	296,775	198,017
Depreciation	167,254	58,454
Property tax	75,301	19,561
Medical services	37,338	21,849
Energy and utilities	35,656	18,942
Repair and maintenance	18,025	11,073
Other expenses	22,582	7,843
	<u>1,605,479</u>	<u>982,383</u>

6. ADMINISTRATIVE EXPENSES

	30 June 2013 RUB'000	30 June 2012 RUB'000
Payroll and related social taxes	270,530	96,226
Utilities and materials	102,070	40,010
Legal, consulting and other professional fees	53,393	17,260
Advertising	32,426	13,865
Independent auditors' remuneration	10,303	13,071
Communication costs	5,515	3,330
Depreciation	24,750	636
Amortisation	4,385	144
Other expenses	21,075	7,474
	<u>524,447</u>	<u>192,016</u>

7. STAFF COSTS

	30 June 2013 RUB'000	30 June 2012 RUB'000
Wages and salaries	969,669	572,796
Social insurance contributions and other related taxes	253,409	170,074
	<u>1,223,078</u>	<u>742,870</u>

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8. NET FINANCE EXPENSES

	30 June 2013 RUB'000	30 June 2012 RUB'000
Finance income		
Bank interest received	34,996	240
Interest on loans to third parties	64	-
Bad debts recovered	-	110
	<u>35,060</u>	<u>350</u>
Finance expenses		
Interest expense		
Interest on loans from third parties	(261)	(394)
Finance leases interest	(303)	(2,436)
Interest on bank loans	(140,003)	-
Other finance expenses		
Bank charges	(24,581)	(19,286)
Impairment of financial instruments	(1,573)	-
	<u>(166,721)</u>	<u>(22,116)</u>
Net foreign exchange transactions loss	<u>(45,564)</u>	<u>(15,034)</u>
Net finance expense	<u>(177,225)</u>	<u>(36,800)</u>

No borrowing costs were capitalised for qualifying assets during six months ended 30 June 2013 (six months ended 30 June 2012: RUB 74,109 thousand).

9. TAX EXPENSE

Majority of the Group companies, that are offering medical services and are operating in Russian Federation, apply 0% corporate income tax rate, other companies apply standard income tax rate of 20%. Management calculates the tax expense by multiplying the applicable tax rates of each Group company by the pre-tax income of the interim reporting period.

The Group's consolidated effective income tax rate for the six months ended 30 June 2013 was 9% (as at 31 December 2012: -1%). The change in effective tax rate was caused mainly by the increase in the distribution of dividends from subsidiaries to the Company, which is subject to 5% income tax rate in Russian Federation, has affected the tax expense for the period while not affecting the consolidated profit before tax. Also, the reversal of deferred tax liabilities by some Group companies due to the application of 0% income tax rate since 1 January 2013 has significantly decreased the tax expense for the year ended 31 December 2012.

10. PROFIT PER SHARE

	30 June 2013	30 June 2012
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	<u>192,472</u>	<u>655,690</u>
Weighted average number of ordinary shares in issue during the period	<u>75,125,010</u>	<u>62,625,000</u>
Basic and fully diluted earnings per share (RUB)	<u>2.56</u>	<u>10.47</u>

The change of the nominal value of shares from US\$0.10 to US\$0.08 on 19 September 2012 was adjusted retrospectively for all periods presented in these condensed consolidated interim financial statements.

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For the period from 1 January 2013 to 30 June 2013

11. DIVIDENDS

During 2012, prior to the issue of the new shares and prior to the reduction in the nominal value of the share capital of the Company, the Board of Directors declared and paid an interim dividend out of 2012 profits amounting to US\$5,050 thousand (RUB153,654 thousand), which corresponds to US\$0.108 (RUB3.06695) per share.

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

Dividends are subject to a deduction of special contribution to the defence fund at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter for individual shareholders that are resident in Cyprus for taxation purposes. Dividends payable to non-residents of Cyprus for taxation purposes are not subject to such a deduction.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RUB'000	Property under construction RUB'000	Plant and equipment RUB'000	Leased equipment RUB'000	Total RUB'000
2013					
Cost					
Balance at 1 January	6,111,051	195,659	1,937,331	2,593	8,246,634
Acquisitions through business combinations	149,772	38,325	145,119	5,470	338,686
Additions	149,667	322,090	192,436	3,876	668,069
Disposals	-	-	(6,830)	-	(6,830)
Transfer from property under construction	135,526	(171,339)	35,813	-	-
Balance at 30 June	6,546,016	384,735	2,303,869	11,939	9,246,559
Depreciation					
Balance at 1 January	231,175	-	592,426	158	823,759
Depreciation during the period	63,762	-	127,821	421	192,004
On disposals	-	-	(2,505)	-	(2,505)
Balance at 30 June	294,937	-	717,742	579	1,013,258
Carrying amounts					
Balance at 30 June	6,251,079	384,735	1,586,127	11,360	8,233,301
2012					
Cost					
Balance at 1 January	1,998,463	1,876,740	694,380	169,519	4,739,102
Additions	-	2,440,914	1,072,289	2,593	3,515,796
Disposals	-	-	(8,264)	-	(8,264)
Transfer from property under construction	4,112,588	(4,121,995)	9,407	-	-
Transfer from leased equipment	-	-	169,519	(169,519)	-
Balance at 31 December	6,111,051	195,659	1,937,331	2,593	8,246,634

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For the period from 1 January 2013 to 30 June 2013

12. PROPERTY, PLANT AND EQUIPMENT (continued)

2012	Freehold land and buildings RUB'000	Property under construction RUB'000	Plant and equipment RUB'000	Leased equipment RUB'000	Total RUB'000
Depreciation					
Balance at 1 January	185,400	-	507,246	2,824	695,470
Depreciation during the year	45,775	-	79,133	8,932	133,840
On disposals	-	-	(5,551)	-	(5,551)
Transfer from leased equipment	-	-	11,598	(11,598)	-
Balance at 31 December	<u>231,175</u>	<u>-</u>	<u>592,426</u>	<u>158</u>	<u>823,759</u>
Carrying amounts					
Balance at 31 December	<u>5,879,876</u>	<u>195,659</u>	<u>1,344,905</u>	<u>2,435</u>	<u>7,422,875</u>

The total net book value of property, plant and equipment which is held as collateral for the borrowings, loans and leased assets is RUB6,232,111 thousand (31 December 2012: RUB5,991,537 thousand).

13. INTANGIBLE ASSETS

2013	Goodwill RUB'000	Patents and trademarks RUB'000	Software and web site RUB'000	Total RUB'000
Cost				
Balance at 1 January	30,051	949	280	31,280
Acquisitions of subsidiaries	<u>353,496</u>	<u>67,603</u>	<u>10,666</u>	<u>431,765</u>
Balance at 30 June	<u>383,547</u>	<u>68,552</u>	<u>10,946</u>	<u>463,045</u>
Amortisation				
Balance at 1 January	-	425	187	612
Amortisation during the period	<u>-</u>	<u>3,496</u>	<u>889</u>	<u>4,385</u>
Balance at 30 June	<u>-</u>	<u>3,921</u>	<u>1,076</u>	<u>4,997</u>
Carrying amounts				
Balance at 30 June	<u>383,547</u>	<u>64,631</u>	<u>9,870</u>	<u>458,048</u>
2012				
Cost				
Balance at 1 January / 31 December	<u>30,051</u>	<u>949</u>	<u>280</u>	<u>31,280</u>
Amortisation				
Balance at 1 January	-	193	131	324
Amortisation during the year	<u>-</u>	<u>232</u>	<u>56</u>	<u>288</u>
Balance at 31 December	<u>-</u>	<u>425</u>	<u>187</u>	<u>612</u>
Carrying amounts				
Balance at 31 December	<u>30,051</u>	<u>524</u>	<u>93</u>	<u>30,668</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2013 to 30 June 2013**14. ACQUISITION OF SUBSIDIARIES**

Subsidiaries acquired during 2013 provide medical services in disciplines such as Gynaecology, Paediatrics, Fertility and In-Vitro Fertilisation (“IVF”) Treatment. These entities are located in Samara and Irkutsk. The purpose of these acquisitions was the expansion of the Group’s activities into related business geographically.

Goodwill arising on consolidation:

	Vitanostra Ltd acquired in March 2013 RUB'000	LLC Centre of Reproductive Medicine acquired in May 2013 RUB'000	Total RUB'000
Consideration transferred – cash	504,393	150,613	655,006
Plus: Non-controlling interests at acquisition date	-	2,105	2,105
Less: Fair value of the net assets acquired	<u>(293,090)</u>	<u>(10,525)</u>	<u>(303,615)</u>
Goodwill arising on consolidation	<u>211,303</u>	<u>142,193</u>	<u>353,496</u>

Goodwill arose from the above mentioned acquisitions because the cost of combinations included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The fair values of assets and liabilities acquired were as follows:

	Vitanostra Ltd acquired in March 2013 RUB'000	LLC Centre of Reproductive Medicine acquired in May 2013 RUB'000	Total RUB'000
Intangible assets	78,272	-	78,272
Property, plant and equipment	323,154	15,532	338,686
Inventories	9,487	3,844	13,331
Trade, other receivables and deferred expenses	25,381	740	26,121
Loans receivable	3,874	-	3,874
Cash and cash equivalents	3,631	3,772	7,403
Deferred tax liabilities	(1)	-	(1)
Loans and borrowings	(70,107)	-	(70,107)
Deferred income	(12,130)	(4,695)	(16,825)
Trade and other payables	(68,261)	(8,668)	(76,929)
Current income tax liability	<u>(210)</u>	<u>-</u>	<u>(210)</u>
Net assets	<u>293,090</u>	<u>10,525</u>	<u>303,615</u>

The gross contractual amounts to be received equal to the carrying amount at fair value. All contractual amounts are expected to be received.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2013 to 30 June 2013**14. ACQUISITION OF SUBSIDIARIES** *(continued)***Net cash outflow on acquisition of subsidiaries**

	2013 RUB'000
Consideration paid in cash	655,006
Cash and cash equivalents acquired	<u>(7,403)</u>
	<u>647,603</u>

Non-controlling interests

These acquisitions were accounted for using the acquisition method and the non-controlling interest was measured at the proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Contribution to the Group results

The amounts of revenue and profit contributed to the Group from the subsidiaries acquired are presented below.

	Vitanostra Ltd acquired in March 2013 RUB'000	LLC Centre of Reproductive Medicine acquired in May 2013 RUB'000	Total RUB'000
Revenue	149,871	17,235	167,106
Profit / (loss)	<u>(9,298)</u>	<u>2,992</u>	<u>(6,306)</u>

The amounts of revenue and profit that would have been contributed to the Group as though the acquisition date occurred at the beginning of the period are presented below.

	Vitanostra Ltd acquired in March 2013 RUB'000	LLC Centre of Reproductive Medicine acquired in May 2013 RUB'000	Total RUB'000
Revenue	278,110	53,419	331,529
Profit / (loss)	<u>(14,924)</u>	<u>8,059</u>	<u>(6,865)</u>

15. INVENTORIES

	30 June 2013 RUB'000	31 December 2012 RUB'000
Consumables	<u>62,286</u>	<u>50,475</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2013 to 30 June 2013**16. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES**

	30 June 2013 RUB'000	31 December 2012 RUB'000
Trade receivables	57,025	38,459
Less: Provision for impairment of receivables	<u>(3,244)</u>	<u>(1,671)</u>
Trade receivables - net	53,781	36,788
CAPEX prepayments	308,490	150,483
Advances paid to suppliers	48,765	30,682
Deferred expenses	4,955	3,932
Other receivables	<u>10,135</u>	<u>157,822</u>
	<u>426,126</u>	<u>379,707</u>
Non-current portion	308,490	150,483
Current portion	<u>117,636</u>	<u>229,224</u>
	<u>426,126</u>	<u>379,707</u>

Other receivables for the year ended 31 December 2012 were adjusted to exclude advances paid to suppliers. This classification was adopted for six months ended 30 June 2013 as well.

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

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

Ageing analysis of trade and other receivables:

	Gross amount 30 June 2013 RUB'000	Impairment 30 June 2013 RUB'000	Gross amount 31 December 2012 RUB'000	Impairment 31 December 2012 RUB'000
Not past due	112,681	-	225,291	-
Past due	<u>3,244</u>	<u>(3,244)</u>	<u>1,671</u>	<u>(1,671)</u>
	<u>115,925</u>	<u>(3,244)</u>	<u>226,962</u>	<u>(1,671)</u>

17. SHORT TERM INVESTMENTS

	30 June 2013 RUB'000	31 December 2012 RUB'000
Bank deposits in US\$ with maturity of more than 3 but less than 12 months	<u>1,635,450</u>	<u>2,429,816</u>

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Cash balances are analysed as follows:

	30 June 2013 RUB'000	31 December 2012 RUB'000
Cash at bank and in hand	940,124	1,271,752
Bank deposits with maturity less than 3 months	<u>1,730,725</u>	<u>1,311,181</u>
	<u>2,670,849</u>	<u>2,582,933</u>
Currency:	30 June 2013 RUB'000	31 December 2012 RUB'000
Russian Ruble	1,683,038	693,122
United States Dollar	987,648	1,889,811
Euro	<u>163</u>	<u>-</u>
	<u>2,670,849</u>	<u>2,582,933</u>

Exposure to currency risk on cash balances mainly arises from cash and bank deposits maintained by the Group in currencies other than the functional currency. During the period cash and bank deposits denominated in currencies other than the functional currency were decreased, thus reducing the Group's exposure to currency risk.

19. SHARE CAPITAL

	<u>Six months ended 30 June 2013</u>			<u>Year ended 31 December 2012</u>		
	Number of shares	RUB'000	US\$'000	Number of shares	RUB'000	US\$'000
Authorised						
Ordinary shares of US\$0.10 each	125,250,000		10,020	50,100,000		5,010
Increase in share capital shares of US\$0.10 each	-		-	10,900,000		1,090
Decrease of nominal value from US\$0.10 to US\$0.08 per ordinary share	-		-	15,250,000		-
Increase in share capital shares of US\$0.08 each	<u>-</u>		<u>-</u>	<u>49,000,000</u>		<u>3,920</u>
	<u>125,250,000</u>		<u>10,020</u>	<u>125,250,000</u>		<u>10,020</u>
Issued and fully paid						
Balance 1 January						
Ordinary shares of US\$0.10 each	75,125,010	180,585	6,010	50,100,000	149,636	5,010
Issue of new ordinary shares US\$0.10 each	-	-	-	8	-	-
Decrease of nominal value from US\$0.10 to US\$0.08 per ordinary share	-	-	-	12,525,002	-	-
Issue of new ordinary shares of US\$0.08 each	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,500,000</u>	<u>30,949</u>	<u>1,000</u>
Balance at 30 June / 31 December	<u>75,125,010</u>	<u>180,585</u>	<u>6,010</u>	<u>75,125,010</u>	<u>180,585</u>	<u>6,010</u>

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19. SHARE CAPITAL *(continued)***Authorised share capital**

On 18 September 2012, following a relevant members' resolution, the authorised share capital of the Company was increased from US\$5,010,000 divided into 50,100,000 ordinary shares of US\$0.10 each to US\$6,100,000 divided into 61,000,000 ordinary shares of US\$0.10 each by creating of 10,900,000 additional ordinary shares of US\$0.10 each.

On 19 September 2012, following special members' resolution, the authorised share capital of the Company which on that date was US\$6,100,000 divided into 61,000,000 ordinary shares of US\$0.10 each was subdivided into 610,000,000 ordinary shares of US\$0.01 each. On the same date, the authorised share capital of the Company was consolidated from US\$6,100,000 divided into 610,000,000 ordinary shares of US\$0.01 to US\$6,100,000 divided into 76,250,000 ordinary shares of US\$0.08 each.

On 19 September 2012, following a relevant members' resolution, the authorised share capital of the Company was increased from US\$6,100,000 divided into 76,250,000 ordinary shares of US\$0.08 each to US\$10,020,000 divided into 125,250,000 ordinary shares of US\$0.08 each by creating of 49,000,000 additional ordinary shares of US\$0.08 each.

Issued share capital

On 18 September 2012, following a Board of Directors' resolution, the issued share capital of the Company was increased from US\$5,010,000 divided into 50,100,000 ordinary shares of US\$0.10 each to US\$5,010,001 divided into 50,100,008 ordinary shares by issue of 8 ordinary shares with a nominal value of US\$0.10 each.

On 19 September 2012, following a special members' resolution, the 50,100,008 issued ordinary shares of the Company with a nominal value of US\$0.10 each were subdivided into 501,000,080 ordinary shares of US\$0.01 each. On the same date the issued share capital of the Company was consolidated from US\$5,010,001 divided into 501,000,080 ordinary shares of US\$0.01 each to US\$5,010,001 divided into 62,625,010 ordinary shares with a nominal value of US\$0.08 each.

On 11 October 2012, as a result of the initial public offering, the Company resolved to issue 12,500,000 ordinary shares with a nominal value of US\$0.08 each at an offer price of US\$12 per ordinary share. The total proceeds from this issue amounted to US\$150,000,000 resulting in an increase of the issued share capital by US\$1,000,000 (RUB: 30,949,300) and an increase of the share premium by US\$149,000,000 (RUB: 4,611,445,700). A net amount of US\$3,160,777 (RUB: 101,212,183) related to capital issue expenses that was directly attributable to the issue of the new shares following the IPO process, was written off against share premium.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2013 to 30 June 2013**20. LOANS AND BORROWINGS**

	30 June 2013 RUB'000	31 December 2012 RUB'000
Long term liabilities		
Bank loans	2,477,008	2,694,901
Other loans	<u>10,855</u>	<u>-</u>
	<u>2,487,863</u>	<u>2,694,901</u>
Short term liabilities		
Bank loans	591,271	262,688
Other loans	<u>5,217</u>	<u>-</u>
	<u>596,488</u>	<u>262,688</u>
Maturity of loans and borrowings:		
Within one year	596,488	262,688
Between one and five years	2,487,863	2,504,374
More than five years	<u>-</u>	<u>190,527</u>
	<u>3,084,351</u>	<u>2,957,589</u>

For description of covenants and securities regarding loans and borrowings please refer to note 12. Bank loans are additionally secured by financial guarantees given by the Group entities.

As at 30 June 2013, the terms and debt repayment schedule of loans is as follows:

	Currency	Nominal interest rate	Year of maturity	30 June 2013		31 December 2012	
				Face value RUB'000	Carrying amount RUB'000	Face value RUB'000	Carrying amount RUB'000
Secured bank loan	RUB	9%	2013 - 2018	2,800,438	2,800,438	2,737,996	2,737,996
Secured bank loan	RUB	9%	2014 - 2019	222,398	222,398	219,593	219,593
Secured bank loan	RUB	8-12%	2013 - 2014	45,443	45,443	-	-
Unsecured loans from third parties	RUB	12%	2013 - 2018	<u>16,072</u>	<u>16,072</u>	<u>-</u>	<u>-</u>
				<u>3,084,351</u>	<u>3,084,351</u>	<u>2,957,589</u>	<u>2,957,589</u>

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	Minimum lease			Minimum lease		
	payments	Interest	Principal	payments	Interest	Principal
	30 June	30 June	30 June	31 December	31 December	31 December
	2013	2013	2013	2012	2012	2012
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Within one year	2,456	863	1,593	412	212	200
Between one and five years	<u>2,316</u>	<u>343</u>	<u>1,973</u>	<u>1,005</u>	<u>196</u>	<u>809</u>
	<u>4,772</u>	<u>1,206</u>	<u>3,566</u>	<u>1,417</u>	<u>408</u>	<u>1,009</u>

All lease obligations are denominated in Russian Rubles.

The Group's obligations under finance leases are secured by the lessors' holding the title to the leased assets.

22. TRADE AND OTHER PAYABLES

	30 June	31 December
	2013	2012
	RUB'000	RUB'000
CAPEX payables	593,724	491,986
Payables to employees	109,070	84,716
Taxes payable	107,001	65,956
Trade payables	94,829	70,717
Other payables	9,884	24,157
Accruals	<u>141,267</u>	<u>82,565</u>
	<u>1,055,775</u>	<u>820,097</u>
Non-current portion	4,587	64,484
Current portion	<u>1,051,188</u>	<u>755,613</u>
	<u>1,055,775</u>	<u>820,097</u>

Other payables for the year ended 31 December 2012 were adjusted to exclude taxes payable. This classification was adopted for six months ended 30 June 2013 as well.

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

MD MEDICAL GROUP INVESTMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2013 to 30 June 2013**23. DEFERRED INCOME**

	30 June 2013 RUB'000	31 December 2012 RUB'000
Patient advances	<u>565,770</u>	<u>504,653</u>
Deferred income after more than one year	61,745	56,716
Deferred income within one year	<u>504,025</u>	<u>447,937</u>
	<u>565,770</u>	<u>504,653</u>

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

Deferred income that relates to short term client advances represents money received from patients on stem cells storage contracts, childbirth management contracts lasting from 3 to 9 months, and children care contracts valid for a specified period of time.

24. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

24.1 Key management personnel

The remuneration of the members of the key management personnel for the six months ended 30 June 2013 was RUB 26,871 thousand (for the six months ended 30 June 2012: RUB 12,456 thousand). The payables to the members of the key management personnel as at 30 June 2013 amounted to RUB5,937 thousand.

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

The Company has concluded an agreement for rental of an office in Cyprus with a member of the key management personnel effective from 1 July 2013. The fees prepaid under this agreement amounted to RUB 403 thousand.

24.2 Transactions with other related parties

	30 June 2013 RUB'000	30 June 2012 RUB'000
Revenue received	<u>1,462</u>	<u>-</u>

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

24.3 Outstanding balances due to other related parties

	30 June 2013 RUB'000	31 December 2012 RUB'000
Deferred income	<u>-</u>	<u>1,140</u>

MD MEDICAL GROUP INVESTMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

24. RELATED PARTY TRANSACTIONS *(continued)***24.4 Directors' interests**

The direct and indirect interests of the members of the Board in titles of the Company as at 30 June 2013 and as at the date of signing these condensed consolidated interim financial statements are as follows:

<u>Name</u>	<u>Type of interest</u>	<u>Effective interest %</u>
Mark Kurtser	Indirect ownership of shares	67,90
Kirill Dmitriev	Indirect control of shares	5,28
Simon Rowlands	Direct ownership of shares	0,33

Control of the shares by Kirill Dmitriev arises through his capacity as key management personnel of a direct shareholder.

25. CAPITAL COMMITMENTS

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

	30 June 2013 RUB'000	31 December 2012 RUB'000
Property, plant and equipment	20,812	72,507
Construction contracts	2,584,609	90,127
	<u>2,605,421</u>	<u>162,634</u>

26. EVENTS AFTER THE REPORTING PERIOD

In July 2013 the Company increased its stake in LLC Centre of Reproductive Medicine by 5% to a total of 85%.

In August 2013 the Company proceeded with the incorporation of LLC MD Management, of which the Company holds 100% of its share capital. The Company has transferred the capital contribution in the amount of RUB2,500 thousand (50% of the authorised share capital).