

**MD MEDICAL GROUP INVESTMENTS PLC**  
CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS

For the period from 1 January 2016 to 30 June 2016

# MD MEDICAL GROUP INVESTMENTS PLC

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2016 to 30 June 2016

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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 interim statement of financial position of MD Medical Group Investments Plc and its subsidiaries ("the Group") as at 30 June 2016, the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

**Scope of Review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

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

for and on behalf of

KPMG Limited  
Certified Public Accountants and Registered Auditors

11, June 16th 1943 Street  
3022 Limassol  
Cyprus

2 September 2016

**Board Members:**

N.G. Syrmis, A.K. Christofides, 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. Antoniadis, C.V. Vasiliou, P.E. Antoniadis, M.J. Halios, M.P. Michael,  
P.A. Peleties, G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shiammoutis,  
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M.G. Lazarou, Z.E. Hadjizacharias, P.S. Theopharous, M.A. Karantoni, C.A. Markides,  
G.V. Andreou, J.C. Nicolaou, G.S. Prodromou, A.S. Sofocleous, G.N. Syrmis, T.J. Yiasemides

KPMG Limited, a private company limited by shares, registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus.

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## MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January to 30 June

|   | Note | 2016<br>RUB'000    | 2015<br>RUB'000    |
|---|------|--------------------|--------------------|
| Revenue   | 4    | 5,814,297          | 4,517,741          |
| Cost of sales   | 5    | <u>(3,592,489)</u> | <u>(2,833,571)</u> |
| <b>Gross profit</b>   |      | 2,221,808          | 1,684,170          |
| Other income  |      | 2,880              | 6,637              |
| Administrative expenses   | 6    | (1,016,891)        | (865,656)          |
| Other expenses  |      | <u>(7,422)</u>     | <u>(6,686)</u>     |
| <b>Operating profit</b>   |      | <u>1,200,375</u>   | <u>818,465</u>     |
| Finance income  |      | 24,107             | 205,929            |
| Finance expenses  |      | (237,320)          | (239,810)          |
| Net foreign exchange transactions loss                            |      | <u>(55,095)</u>    | <u>(1,276)</u>     |
| <b>Net finance expenses</b>                                       | 8    | <u>(268,308)</u>   | <u>(35,157)</u>    |
| <b>Profit before taxation</b>                                     |      | 932,067            | 783,308            |
| Taxation  | 9    | <u>54,660</u>      | <u>(15,132)</u>    |
| <b>Profit for the period</b>                                      |      | <u>986,727</u>     | <u>768,176</u>     |
| <b>Total comprehensive income for the period</b>                  |      | <u>986,727</u>     | <u>768,176</u>     |
| <b>Profit for the period attributable to:</b>                     |      |                    |                    |
| Owners of the Company   |      | 896,869            | 687,305            |
| Non-controlling interests   |      | <u>89,858</u>      | <u>80,871</u>      |
|   |      | <u>986,727</u>     | <u>768,176</u>     |
| <b>Total comprehensive income for the period attributable to:</b> |      |                    |                    |
| Owners of the Company   |      | 896,869            | 687,305            |
| Non-controlling interests   |      | <u>89,858</u>      | <u>80,871</u>      |
|   |      | <u>986,727</u>     | <u>768,176</u>     |
| <b>Basic and fully diluted earnings per share (RUB)</b>           | 10   | <u>11.98</u>       | <u>9.18</u>        |

The notes on pages 8 to 18 are an integral part of these condensed consolidated interim financial statements.

## MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 / 31 December 2015

|   | Note | 30 June<br>2016<br>RUB'000 | 31 December<br>2015<br>RUB'000 |
|---|------|----------------------------|--------------------------------|
| <b>ASSETS</b>   |      |                            |                                |
| Property, plant and equipment                             | 12   | 12,708,863                 | 12,364,449                     |
| Intangible assets   |      | 2,467,695                  | 2,144,818                      |
| Trade, other receivables and deferred expenses            | 14   | 127,584                    | 184,344                        |
| Investments   |      | 2,000                      | 2,403                          |
| Deferred tax assets                                       |      | 171,120                    | 99,282                         |
| <b>Total non-current assets</b>                           |      | <u>15,477,262</u>          | <u>14,795,296</u>              |
| Inventories   |      | 366,252                    | 327,365                        |
| Trade, other receivables and deferred expenses            | 14   | 328,396                    | 257,889                        |
| Non-current assets held for sale                          |      | 61,033                     | 45,778                         |
| Current income tax asset                                  |      | 12,560                     | 7,170                          |
| Cash and cash equivalents                                 | 15   | 1,275,067                  | 1,774,312                      |
| <b>Total current assets</b>                               |      | <u>2,043,308</u>           | <u>2,412,514</u>               |
| <b>Total assets</b>                                       |      | <u>17,520,570</u>          | <u>17,207,810</u>              |
| <b>EQUITY AND LIABILITIES</b>                             |      |                            |                                |
| Share capital   | 16   | 180,585                    | 180,585                        |
| Reserves  |      | 11,316,211                 | 10,906,097                     |
| <b>Total equity attributable to owners of the Company</b> |      | <u>11,496,796</u>          | <u>11,086,682</u>              |
| Non-controlling interests                                 |      | 398,489                    | 422,732                        |
| <b>Total equity</b>                                       |      | <u>11,895,285</u>          | <u>11,509,414</u>              |
| <b>Liabilities</b>  |      |                            |                                |
| Loans and borrowings                                      | 17   | 1,982,699                  | 2,292,567                      |
| Obligations under finance leases                          |      | 6,744                      | 7,359                          |
| Trade and other payables                                  | 18   | 227,973                    | 243,045                        |
| Deferred tax liabilities                                  |      | 114,565                    | 107,337                        |
| Deferred income   | 19   | 112,234                    | 106,295                        |
| <b>Total non-current liabilities</b>                      |      | <u>2,444,215</u>           | <u>2,756,603</u>               |
| Loans and borrowings                                      | 17   | 1,128,550                  | 1,161,339                      |
| Obligations under finance leases                          |      | 1,213                      | 1,196                          |
| Trade and other payables                                  | 18   | 1,086,370                  | 873,443                        |
| Deferred income   | 19   | 942,193                    | 885,622                        |
| Current income tax liability                              |      | 22,744                     | 20,193                         |
| <b>Total current liabilities</b>                          |      | <u>3,181,070</u>           | <u>2,941,793</u>               |
| <b>Total liabilities</b>                                  |      | <u>5,625,285</u>           | <u>5,698,396</u>               |
| <b>Total equity and liabilities</b>                       |      | <u>17,520,570</u>          | <u>17,207,810</u>              |

On 2 September 2016 the Board of Directors of MD Medical Group Investments Plc approved and authorized these condensed consolidated interim financial statements for issue.

.....  
Vladimir Mekler  
Director

.....  
Mark Kurtser  
Managing Director

.....  
Vitaly Ustimenko  
Director

The notes on pages 8 to 18 are an integral part of these condensed consolidated interim financial statements.

**MD MEDICAL GROUP INVESTMENTS PLC**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2016 to 30 June 2016

|   | Attributable to the owners of the Company |                          |                            |                           |                              |                  |           | Non-controlling interests<br>RUB'000 | Total equity<br>RUB'000 |
|---|---|--------------------------|----------------------------|---------------------------|------------------------------|------------------|-----------|--------------------------------------|-------------------------|
|   | Share capital<br>RUB'000                  | Share premium<br>RUB'000 | Treasury shares<br>RUB'000 | Other reserves<br>RUB'000 | Retained earnings<br>RUB'000 | Total<br>RUB'000 |           |                                      |                         |
| <b>Balance at 1 January 2016</b>                    | 180,585                                   | 5,243,319                | (43,751)                   | (655,352)                 | 6,361,881                    | 11,086,682       | 422,732   | 11,509,414                           |                         |
| <b>Comprehensive income</b>                         |   |                          |                            |                           |                              |                  |           |                                      |                         |
| Profit for the period                               | -   | -                        | -                          | -                         | 896,869                      | 896,869          | 89,858    | 986,727                              |                         |
| <b>Contributions by and distributions to owners</b> |   |                          |                            |                           |                              |                  |           |                                      |                         |
| Equity-settled share-based payment                  | -   | -                        | 13,577                     | -                         | -                            | 13,577           | -         | 13,577                               |                         |
| Dividends paid                                      | -   | -                        | -                          | -                         | (500,332)                    | (500,332)        | (114,101) | (614,433)                            |                         |
| <b>Balance at 30 June 2016</b>                      | 180,585                                   | 5,243,319                | (30,174)                   | (655,352)                 | 6,758,418                    | 11,496,796       | 398,489   | 11,895,285                           |                         |

Share premium is not available for distribution.

The notes on pages 8 to 18 are an integral part of these condensed consolidated interim financial statements.

**MD MEDICAL GROUP INVESTMENTS PLC**

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

For the period from 1 January 2015 to 30 June 2015

|   | Attributable to owners of the Company |                          |                            |                           |                              |                  |          | Non-controlling interests<br>RUB'000 | Total equity<br>RUB'000 |
|---|---------------------------------------|--------------------------|----------------------------|---------------------------|------------------------------|------------------|----------|--------------------------------------|-------------------------|
|   | Share capital<br>RUB'000              | Share premium<br>RUB'000 | Treasury shares<br>RUB'000 | Other reserves<br>RUB'000 | Retained earnings<br>RUB'000 | Total<br>RUB'000 |          |                                      |                         |
| <b>Balance at 1 January 2015</b>                          | 180,585                               | 5,243,319                | (73,086)                   | (655,352)                 | 5,058,812                    | 9,754,278        | 382,316  | 10,136,594                           |                         |
| Comprehensive income                                      | -                                     | -                        | -                          | -                         | 687,305                      | 687,305          | 80,871   | 768,176                              |                         |
| Profit for the period                                     | -                                     | -                        | -                          | -                         | 687,305                      | 687,305          | 80,871   | 768,176                              |                         |
| <b>Contributions by and distributions to owners</b>       |                                       |                          |                            |                           |                              |                  |          |                                      |                         |
| Dividends paid  | -                                     | -                        | -                          | -                         | (300,329)                    | (300,329)        | (60,439) | (360,768)                            |                         |
| <b>Changes in ownership interests</b>                     |                                       |                          |                            |                           |                              |                  |          |                                      |                         |
| Acquisition of subsidiaries with non-controlling interest | -                                     | -                        | -                          | -                         | -                            | -                | 7,973    | 7,973                                |                         |
| Change in ownership in subsidiary                         | -                                     | -                        | -                          | -                         | (132)                        | (132)            | 132      | -                                    |                         |
| <b>Balance at 30 June 2015</b>                            | 180,585                               | 5,243,319                | (73,086)                   | (655,352)                 | 5,445,656                    | 10,141,122       | 410,853  | 10,551,975                           |                         |

Share premium is not available for distribution.

The notes on pages 8 to 18 are an integral part of these condensed consolidated interim financial statements.

## MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the period from 1 January to 30 June

|   | Note | 2016<br>RUB'000  | 2015<br>RUB'000  |
|---|------|------------------|------------------|
| <b>Cash flows from operating activities</b>                           |      |                  |                  |
| Profit for the period   |      | 986,727          | 768,176          |
| Adjustments for:  |      |                  |                  |
| Depreciation of property, plant and equipment                         | 5, 6 | 410,499          | 387,849          |
| Equity-settled share-based payment transaction                        |      | 13,577           | -                |
| (Gain) / loss from the sale of property, plant and equipment          |      | (509)            | 399              |
| Amortisation of intangible assets                                     | 6    | 46,436           | 46,280           |
| Finance income  | 8    | (24,107)         | (205,929)        |
| Finance expense   | 8    | 237,320          | 239,810          |
| Net foreign exchange transactions loss                                | 8    | 55,095           | 1,276            |
| Taxation  |      | (54,660)         | 15,132           |
| <b>Cash flows from operations before working capital changes</b>      |      | <u>1,670,378</u> | <u>1,252,993</u> |
| Decrease/(increase) in inventories                                    |      | 5,599            | (15,527)         |
| Increase in trade and other receivables                               |      | (37,553)         | (3,202)          |
| Increase in trade and other payables                                  |      | 106,107          | 67,530           |
| Increase/(decrease) in deferred income                                |      | 50,561           | (2,920)          |
| <b>Cash flows from operations</b>                                     |      | <u>1,795,092</u> | <u>1,298,874</u> |
| Tax paid  |      | (7,203)          | (6,890)          |
| <b>Net cash flows from operating activities</b>                       |      | <u>1,787,889</u> | <u>1,291,984</u> |
| <b>Cash flows from investing activities</b>                           |      |                  |                  |
| Payment for acquisition/construction of property, plant and equipment |      | (526,753)        | (339,396)        |
| Proceeds from disposal of property, plant and equipment               |      | -                | 37               |
| Payment for acquisition of intangible assets                          |      | (7,778)          | (3,350)          |
| Acquisition of subsidiaries, net cash outflow on acquisition          |      | (474,873)        | (992)            |
| Interest received   |      | 21,096           | 23,379           |
| <b>Net cash flows used in investing activities</b>                    |      | <u>(988,308)</u> | <u>(320,322)</u> |

The notes on pages 8 to 18 are an integral part of these condensed consolidated interim financial statements.



**MD MEDICAL GROUP INVESTMENTS PLC**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the period from 1 January to 30 June

|   | Note | 2016<br>RUB'000    | 2015<br>RUB'000  |
|---|------|--------------------|------------------|
| <b>Cash flows from financing activities</b>                   |      |                    |                  |
| Proceeds from loans and borrowings                            |      | 236,627            | 539              |
| Repayment of loans and borrowings                             |      | (613,679)          | (491,290)        |
| Repayment of obligations under finance leases                 |      | (738)              | (127)            |
| Finance expenses paid   |      | (217,365)          | (240,046)        |
| (Repayment of) / proceeds from reimbursed VAT                 | 18   | (50,445)           | 466,374          |
| Payments on settlement of derivative financial instruments    |      | (10,052)           | -                |
| Dividends paid to the owners of the Company                   |      | (500,332)          | -                |
| Dividends paid to non-controlling interests                   |      | (88,094)           | (57,991)         |
| <b>Net cash flows used in financing activities</b>            |      | <u>(1,244,078)</u> | <u>(322,541)</u> |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |      |                    |                  |
|   |      | (444,497)          | 649,121          |
| Cash and cash equivalents at the beginning of the period      | 15   | 1,774,312          | 890,551          |
| Effect of exchange rate changes on cash and cash equivalents  |      | (54,748)           | (8,340)          |
| <b>Cash and cash equivalents at the end of the period</b>     | 15   | <u>1,275,067</u>   | <u>1,531,332</u> |

The notes on pages 8 to 18 are an integral part of these condensed consolidated interim financial statements.

**MD MEDICAL GROUP INVESTMENTS PLC**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

For the period from 1 January 2016 to 30 June 2016

**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 a 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 situated at Dimitriou Karatasou 15, Anastasio Building, 6th floor, office 601, Strovolos, 2024, Nicosia, Cyprus.

The condensed consolidated interim financial statements for the period ended 30 June 2016 consist of the condensed consolidated interim statement of financial position as at the aforementioned date and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows and a summary of significant accounting policies 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. Please refer to note 4 for more detailed information about the services provided by the Group's medical centres.

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

| <u>Name</u>                           | <u>Country of incorporation</u> | <u>Activities</u>           | <u>Notes</u> | 30 June             | 31 December         |
|---------------------------------------|---------------------------------|-----------------------------|--------------|---------------------|---------------------|
|                                       |                                 |                             |              | 2016                | 2015                |
|                                       |                                 |                             |              | Effective Holding % | Effective Holding % |
| CJSC MD PROJECT 2000                  | Russian Federation              | Medical services            |              | 95                  | 95                  |
| LLC Khaven                            | Russian Federation              | Medical services            |              | 100                 | 100                 |
| LLC Velum                             | Russian Federation              | Medical services            |              | 54                  | 54                  |
| LLC Capital Group                     | Russian Federation              | Renting of property, retail |              | 80                  | 80                  |
| LLC FimedLab                          | Russian Federation              | Medical services            |              | 60                  | 60                  |
| LLC Clinic Mother and Child           | Russian Federation              | Holding of trademarks       | 1            | 100                 | 100                 |
| LLC Clinica Zdorovia                  | Russian Federation              | Medical services            |              | 60                  | 60                  |
| LLC Ivamed                            | Russian Federation              | Medical services            |              | 100                 | 100                 |
| LLC Dilamed                           | Russian Federation              | Medical services            |              | 100                 | 100                 |
| CJSC Listom                           | Russian Federation              | Service company             |              | 100                 | 100                 |
| LLC Ustic-ECO                         | Russian Federation              | Medical services            |              | 70                  | 70                  |
| LLC 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            |              | 100                 | 100                 |
| LLC Mother and Child Ugo-Zapad        | Russian Federation              | Medical services            | 2            | 60                  | 60                  |
| LLC MD Service                        | Russian Federation              | Pharmaceutics retail        | 4            | 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 TechMedCom                        | Russian Federation              | Service company             | 5            | -                   | -                   |
| LLC Service Hospital Company          | Russian Federation              | Service company             | 5            | -                   | -                   |
| Vitanostra Ltd                        | Cyprus                          | Holding of investments      |              | 100                 | 100                 |
| LLC NPC MIR                           | Russian Federation              | Holding of investments      | 6            | 100                 | 100                 |

## MD MEDICAL GROUP INVESTMENTS PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

For the period from 1 January 2016 to 30 June 2016

## 1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

| Name  | Country of incorporation | Activities             | Notes | 30 June             | 31 December         |
|---|--------------------------|------------------------|-------|---------------------|---------------------|
|   |                          |                        |       | 2016                | 2015                |
|   |                          |                        |       | Effective Holding % | Effective Holding % |
| LLC MK IDK  | Russian Federation       | Medical services       | 6     | 100                 | 100                 |
| LLC Apteka IDK                                    | Russian Federation       | Pharmaceutics retail   | 6     | 100                 | 100                 |
| LLC CSR   | Russian Federation       | Medical services       | 6     | 100                 | 100                 |
| LLC Centre of Reproductive Medicine               | Russian Federation       | Medical services       |       | 85                  | 85                  |
| LLC MD Assistance                                 | Russian Federation       | Assistance services    |       | 100                 | 100                 |
| LLC Mother and Child Yaroslavl                    | 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                 |
| Shelly Management ltd                             | BVI                      | Holding of investments | 6     | 100                 | 100                 |
| Ivicend Holding Ltd                               | Cyprus                   | Holding of investments |       | 100                 | 100                 |
| CJSC MC Avicenna                                  | Russian Federation       | Medical services       | 7     | 100                 | 100                 |
| LLC H&C Medical Group                             | Russian Federation       | Medical services       | 7     | 100                 | 100                 |
| LLC Elleprof                                      | Russian Federation       | Service company        | 5     | -                   | -                   |
| LLC Medtechnoservice                              | Russian Federation       | Service company        | 5     | -                   | -                   |
| LLC Medica 2                                      | Russian Federation       | Medical services       | 3     | 100                 | 100                 |
| LLC Mother and Child Siberia                      | Russian Federation       | Medical services       | 8     | 100                 | -                   |
| LLC Krasnoyarskii center of Reproductive Medicine | Russian Federation       | Medical services       | 8     | 100                 | -                   |
| LLC Novosibirskii center of Reproductive Medicine | Russian Federation       | Medical services       | 8     | 100                 | -                   |
| LLC Omskii center of Reproductive Medicine        | Russian Federation       | Medical services       | 8     | 100                 | -                   |
| LLC Barnaulskii center of Reproductive Medicine   | Russian Federation       | Medical services       | 8     | 100                 | -                   |
| LLC Kostroma                                      | Russian Federation       | Medical services       | 9     | 100                 | -                   |
| LLC Siberia service company                       | Russian Federation       | Service company        | 9     | 100                 | -                   |

**Notes:**

1. 1% of the charter capital of this entity is directly owned by the Company and 99% of the charter capital of this entity is indirectly owned through LLC Khaven.
2. These entities are indirectly owned through LLC Khaven.
3. This entity was acquired in December 2015
4. 95% of the charter capital of the entity is directly owned by the Company, 3% of the charter capital, previously owned by LLC Clinica Zdorovia was sold in March 2015.
5. These entities, although not legally owned by the Group, are controlled by the Group since most of their activities are carried out on behalf of the Group.
6. These entities are indirectly owned through Vitanostra Ltd.
7. These entities are indirectly owned through Ivicend Holding Ltd.
8. These entities were acquired in January 2016 and are indirectly owned through Ivicend Holding Ltd.
9. These entities were incorporated in the six-month period ended 30 June 2016.

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

For the period from 1 January 2016 to 30 June 2016

**1. INCORPORATION AND PRINCIPAL ACTIVITIES** *(continued)*

As at 30 June 2016, 67.9% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr. Mark Kurtser. The 31.8% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders. The remaining 0.3% of the Company's share capital is owned by the Company.

**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, and should be read in conjunction with the Group's last annual consolidated financial statements. 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 2015 and for the year then ended.

**(b) Basis of measurement**

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

**(c) Use of estimates and judgements**

Preparing these condensed consolidated interim financial statements 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 expense.

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

The significant judgements made by the management in applying the Group accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2015.

**(d) Functional and presentation currency**

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those followed in the Group's consolidated financial statements as at 31 December 2015 and for the year then ended. Several new standards and amendments apply for the first time in 2016. However, they do not significantly impact these condensed consolidated interim financial statements of the Group.

## MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTSFor the period from 1 January 2016 to 30 June 2016**4. REVENUE**

|   | 30 June 2016<br>RUB'000 | 30 June 2015<br>RUB'000 |
|---|-------------------------|-------------------------|
| IVF   | 1,174,646               | 710,686                 |
| Deliveries  | 1,085,649               | 848,885                 |
| Obstetrics and Gynaecology out-patient treatments | 836,704                 | 710,328                 |
| Paediatrics out-patient treatments                | 567,641                 | 499,297                 |
| Obstetrics and Gynaecology in-patient treatments  | 463,839                 | 383,302                 |
| Paediatrics in-patient treatments                 | 195,088                 | 142,973                 |
| Other out-patient medical services                | 499,656                 | 390,948                 |
| Other in-patient medical services                 | 249,704                 | 212,875                 |
| Other medical services                            | 516,107                 | 431,860                 |
| Sales of goods                                    | 161,272                 | 128,936                 |
| Other income                                      | 63,991                  | 57,651                  |
|   | <u>5,814,297</u>        | <u>4,517,741</u>        |

The significant increase of revenue was mostly due to the increase of utilisation of Lapino, Ufa hospitals and results of entities acquired in December 2015 and January 2016.

**5. COST OF SALES**

|                                  | 30 June 2016<br>RUB'000 | 30 June 2015<br>RUB'000 |
|----------------------------------|-------------------------|-------------------------|
| Payroll and related social taxes | 1,995,310               | 1,623,911               |
| Materials and supplies used      | 935,676                 | 621,011                 |
| Depreciation                     | 352,681                 | 336,631                 |
| Medical services                 | 111,943                 | 83,077                  |
| Energy and utilities             | 64,387                  | 60,899                  |
| Property tax                     | 48,318                  | 50,277                  |
| Repair and maintenance           | 43,858                  | 29,113                  |
| Other expenses                   | 40,316                  | 28,652                  |
|                                  | <u>3,592,489</u>        | <u>2,833,571</u>        |

**6. ADMINISTRATIVE EXPENSES**

|                                    | 30 June 2016<br>RUB'000 | 30 June 2015<br>RUB'000 |
|------------------------------------|-------------------------|-------------------------|
| Payroll and related social taxes   | 561,606                 | 488,131                 |
| Utilities and materials            | 103,248                 | 86,194                  |
| Other professional services        | 83,948                  | 79,626                  |
| Advertising                        | 78,375                  | 54,630                  |
| Depreciation                       | 57,818                  | 51,218                  |
| Amortisation                       | 46,436                  | 46,280                  |
| Communication costs                | 14,219                  | 11,694                  |
| Independent auditors' remuneration | 6,917                   | 6,284                   |
| Other expenses                     | 64,324                  | 41,599                  |
|                                    | <u>1,016,891</u>        | <u>865,656</u>          |

The consulting services provided by the audit company was nil for both six months periods ended 30 June 2016 and 30 June 2015.

## MD MEDICAL GROUP INVESTMENTS PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

For the period from 1 January 2016 to 30 June 2016

## 7. STAFF COSTS

|  | 30 June 2016<br>RUB'000 | 30 June 2015<br>RUB'000 |
|--|-------------------------|-------------------------|
| Wages and salaries                             | 1,999,280               | 1,647,016               |
| Social insurance contributions and other taxes | 557,636                 | 465,026                 |
| Total staff costs                              | <u>2,556,916</u>        | <u>2,112,042</u>        |

## 8. NET FINANCE EXPENSES

|  | 30 June 2016<br>RUB'000 | 30 June 2015<br>RUB'000 |
|--|-------------------------|-------------------------|
| <b>Finance income</b>  |                         |                         |
| Bank interest received   | 20,998                  | 23,273                  |
| Interest from loans to third parties                                 | 98                      | 106                     |
| Bad debts recovered  | 3,011                   | 4,416                   |
| Income on discounting  | -                       | 178,134                 |
|  | <u>24,107</u>           | <u>205,929</u>          |
| <b>Finance expenses</b>  |                         |                         |
| <b>Interest expense</b>  |                         |                         |
| Interest on bank loans   | (145,243)               | (197,960)               |
| Interest on loans from third parties                                 | (1,627)                 | (276)                   |
| Finance leases interest  | (140)                   | (23)                    |
| <b>Other finance expense</b>   |                         |                         |
| Bank charges   | (56,076)                | (39,577)                |
| Unwinding of discount on other payables to tax authorities (note 18) | (32,799)                | -                       |
| Impairment of trade and other receivables                            | (1,435)                 | (1,974)                 |
|  | <u>(237,320)</u>        | <u>(239,810)</u>        |
| <b>Net foreign exchange transaction loss</b>                         | <u>(55,095)</u>         | <u>(1,276)</u>          |
| <b>Net finance expense</b>   | <u>(268,308)</u>        | <u>(35,157)</u>         |

## 9. TAXATION

The Group recognized tax benefit of RUB54,660 thousand in the reporting period mostly due to the increase in the deferred tax assets for MD Medical Group Investments Plc and LLC MD Project 2010, whose profits are taxable at 20% and tax losses were incurred in 2016.

Income tax was recognized at the annual effective tax rate of minus 6% expected for 2016.

## MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

For the period from 1 January 2016 to 30 June 2016

**10. EARNINGS PER SHARE**

|  | 30 June 2016      | 30 June 2015      |
|--|-------------------|-------------------|
| Basic and fully diluted earnings attributable to the owners of the Company (RUB'000) | <u>896,869</u>    | <u>687,305</u>    |
| Weighted average number of ordinary shares in issue during the period                | <u>74,895,010</u> | <u>74,895,010</u> |
| Basic and fully diluted earnings per share (RUB)                                     | <u>11.98</u>      | <u>9.18</u>       |

**11. DIVIDENDS**

On 18 March 2016 the Board of Directors declared a final dividend for the year 2015 amounting to RUB500,332 thousand (USD7,298 thousand), which corresponds to RUB6.66 (USD0.1) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 15 April 2016. The dividend was paid on 20 May 2016.

**12. PROPERTY, PLANT AND EQUIPMENT**

Additions to property, plant and equipment amounted to RUB771,490 thousand incurred during the six months period ended 30 June 2016 and mostly related to the continuing construction of a hospital in the Russian city Novosibirsk and the acquisition of new entities in January 2016 (note 13).

The total net book value of property, plant and equipment which is held as collateral for the loans and borrowings is RUB5,476,163 thousand as at 30 June 2016 (31 December 2015: RUB5,560,245 thousand)

**13. ACQUISITION OF SUBSIDIARIES**

In the end of January 2016 the Company acquired 100% shares in five entities from a third party. All these entities are registered under Russian laws and located in Krasnoyarsk, Omsk, Novosibirsk and Barnaul. The acquisition was for a cash consideration of RUB485,000 thousand. The acquisition is consistent with MDMG's strategy for regional expansion and the development of a high quality network of out-patient clinics focusing on IVF, obstetrics, gynecology and pediatrics.

Goodwill arising on consolidation is as follows:

|   | RUB'000          |
|---|------------------|
| Consideration transferred - cash            | 485,000          |
| Less: Fair value of the net assets acquired | <u>(124,847)</u> |
| Goodwill arising on consolidation           | <u>360,153</u>   |

The consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development, personnel qualification and local reputation. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

## MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

For the period from 1 January 2016 to 30 June 2016

**13. ACQUISITION OF SUBSIDIARIES** *(continued)*

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

|  | RUB'000        |
|--|----------------|
| Intangible assets                              | 1,381          |
| Property, plant and equipment                  | 131,253        |
| Inventories                                    | 44,486         |
| Deferred tax assets                            | 1,799          |
| Trade, other receivables and deferred expenses | 19,479         |
| Current tax assets                             | 2,716          |
| Cash and cash equivalents                      | 14,200         |
| Current tax liabilities                        | (661)          |
| Loans and borrowings                           | (32,923)       |
| Deferred income                                | (11,949)       |
| Trade and other payables                       | (44,934)       |
| <b>Net assets</b>                              | <u>124,847</u> |

The fair value of property, plant and equipment recognized as a result of the business combinations was measured using the following valuation techniques:

- *the average between market and income approach for the buildings.* Fair values based on the market approach were calculated by using prices generated by market transactions involving comparable property, plant and equipment. Fair values based on income approach were calculated by discounting estimated future cash flows at market rental rates.
- *the average amount of the cost approach and the market approach for equipment.* Fair values based on the market approach were calculated by using prices generated by market transactions involving identical or comparable equipment. Fair values based on cost approach were calculated by using current replacement cost. Current replacement cost reflects an amount that is required to replace the service capacity of equipment.

The net cash outflow on acquisition of subsidiaries was as follows:

|                                    | RUB'000        |
|------------------------------------|----------------|
| Consideration paid in cash         | 485,000        |
| Cash and cash equivalents acquired | (14,200)       |
|                                    | <u>470,800</u> |

**Contribution to the Group results**

The amount of additional revenue that would have been contributed to the Group had the acquisition occurred at the beginning of the reporting period is approximately RUB33,643 thousand. The disclosure of the amount of profit that would have been contributed to the Group is impracticable to be estimated accurately since the acquired company has not reported financial information under IFRS.



## MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

For the period from 1 January 2016 to 30 June 2016

**14. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES**

|                            | 30 June 2016<br>RUB'000 | 31 December 2015<br>RUB'000 |
|----------------------------|-------------------------|-----------------------------|
| Trade receivables          | 198,625                 | 152,230                     |
| CAPEX prepayments          | 127,584                 | 184,344                     |
| Advances paid to suppliers | 84,679                  | 72,766                      |
| Deferred expenses          | 18,793                  | 13,715                      |
| Other receivables          | 26,299                  | 19,178                      |
|                            | <u>455,980</u>          | <u>442,233</u>              |
| Non-current portion        | 127,584                 | 184,344                     |
| Current portion            | <u>328,396</u>          | <u>257,889</u>              |
|                            | <u>455,980</u>          | <u>442,233</u>              |

**15. CASH AND CASH EQUIVALENTS**

Cash balances are analysed as follows:

|  | 30 June 2016<br>RUB'000 | 31 December 2015<br>RUB'000 |
|--|-------------------------|-----------------------------|
| Cash at bank and in hand                       | 325,444                 | 402,335                     |
| Bank deposits with maturity less than 3 months | 949,623                 | 1,371,977                   |
|  | <u>1,275,067</u>        | <u>1,774,312</u>            |

| Currency:            | 30 June 2016<br>RUB'000 | 31 December 2015<br>RUB'000 |
|----------------------|-------------------------|-----------------------------|
| Russian Ruble        | 617,400                 | 639,499                     |
| Euro                 | 5,514                   | 2,366                       |
| United States Dollar | 652,153                 | 1,132,447                   |
|                      | <u>1,275,067</u>        | <u>1,774,312</u>            |

**16. SHARE CAPITAL**

|                                       | Number of<br>shares | Nominal<br>value<br>US\$ | Share<br>capital<br>RUB'000 | Share<br>capital<br>US\$'000 |
|---------------------------------------|---------------------|--------------------------|-----------------------------|------------------------------|
| Authorised share capital              | <u>125,250,000</u>  | 0.08                     | -                           | 10,020                       |
| Issued and fully paid ordinary shares | <u>75,125,010</u>   | 0.08                     | 180,585                     | 6,010                        |

## MD MEDICAL GROUP INVESTMENTS PLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

For the period from 1 January 2016 to 30 June 2016

## 17. LOANS AND BORROWINGS

|  | 30 June 2016<br>RUB'000 | 31 December 2015<br>RUB'000 |
|--|-------------------------|-----------------------------|
| <b>Long term liabilities</b>             |                         |                             |
| Bank loans                               | 1,982,699               | 2,292,567                   |
| <b>Short term liabilities</b>            |                         |                             |
| Bank loans                               | 1,092,098               | 1,092,516                   |
| Other loans                              | 36,452                  | 68,823                      |
|  | <u>1,128,550</u>        | <u>1,161,339</u>            |
| <b>Maturity of loans and borrowings:</b> |                         |                             |
| Within one year                          | 1,128,550               | 1,161,339                   |
| Between one and five years               | 1,960,225               | 2,217,710                   |
| More than 5 years                        | 22,474                  | 74,857                      |
|  | <u>3,111,249</u>        | <u>3,453,906</u>            |

The total net book value of property, plant and equipment which is held as collateral for the bank loans is disclosed in note 12. As additional collateral the Company has pledged the shares of CJSC MD Project 2000 and LLC Khaven.

As at 30 June 2016, the terms and debt repayment schedule of loans is as follows:

|                      | Currency | Nominal<br>interest rate | Year of<br>maturity | 30 June 2016             |                               | 31 December 2015         |                               |
|----------------------|----------|--------------------------|---------------------|--------------------------|-------------------------------|--------------------------|-------------------------------|
|                      |          |                          |                     | Face<br>value<br>RUB'000 | Carrying<br>amount<br>RUB'000 | Face<br>value<br>RUB'000 | Carrying<br>amount<br>RUB'000 |
| Secured bank loan    | RUB      | 9%                       | 2018                | 1,249,504                | 1,249,504                     | 1,588,634                | 1,588,634                     |
| Secured bank loan    | RUB      | 10.8%                    | 2019                | 658,824                  | 658,824                       | 753,165                  | 753,165                       |
| Secured bank loan    | RUB      | 10.8%                    | 2019                | 441,175                  | 441,175                       | 500,845                  | 500,845                       |
| Secured bank loan    | RUB      | 9%                       | 2018                | 236,446                  | 236,446                       | 284,446                  | 284,446                       |
| Unsecured bank loan  | RUB      | 11.4%                    | 2022                | 450,613                  | 450,613                       | 213,875                  | 213,875                       |
| Unsecured bank loan  | RUB      | 14.2%                    | 2019                | 38,235                   | 38,235                        | 44,118                   | 44,118                        |
| Unsecured other loan | RUB      | 8.5%-14.5%               | 2016                | 35,084                   | 35,084                        | -                        | -                             |
| Unsecured other loan | RUB      | 16%                      | 2016                | 1,368                    | 1,368                         | 68,823                   | 68,823                        |
|                      |          |                          |                     | <u>3,111,249</u>         | <u>3,111,249</u>              | <u>3,453,906</u>         | <u>3,453,906</u>              |

## MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

For the period from 1 January 2016 to 30 June 2016

**18. TRADE AND OTHER PAYABLES**

|                                       | 30 June 2016<br>RUB'000 | 31 December 2015<br>RUB'000 |
|---------------------------------------|-------------------------|-----------------------------|
| Accruals                              | 331,007                 | 246,207                     |
| Trade payables                        | 253,124                 | 214,831                     |
| Other payables to tax authorities (*) | 270,593                 | 288,239                     |
| Payables to employees                 | 200,771                 | 182,443                     |
| Taxes payable                         | 154,314                 | 138,617                     |
| CAPEX payables                        | 58,041                  | 14,695                      |
| Dividend payable                      | 26,007                  | -                           |
| Other payables                        | 20,486                  | 31,456                      |
|                                       | <u>1,314,343</u>        | <u>1,116,488</u>            |
| Non-current portion                   | 227,973                 | 243,045                     |
| Current portion                       | <u>1,086,370</u>        | <u>873,443</u>              |
|                                       | <u>1,314,343</u>        | <u>1,116,488</u>            |

(\*) Other payables to tax authorities include input VAT reimbursed in June 2015. Decrease of the payable resulted from a partial repayment of the liability in the amount of RUB50,445 thousand and unwinding of the discount of RUB32,799 thousand (note 8).

**19. DEFERRED INCOME**

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

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

**20. RELATED PARTY TRANSACTIONS****20.1 Key management personnel**

The remuneration of the members of the key management personnel and non-executive directors for the six months ended 30 June 2016 was RUB19,181 thousand (for six months ended 30 June 2015: RUB12,679 thousand).

The company received legal services from the key management personnel for the six months ended 30 June 2016 amounted to RUB730 thousand (for the six months ended 30 June 2015: RUB138 thousand).

**20.2 Directors' interests**

The direct and indirect interests of the members of the Board in titles of the Company as at 30 June 2016 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 interest in shares  | 5.55                        |
| Simon Rowlands  | Direct ownership of shares   | 0.33                        |

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

For the period from 1 January 2016 to 30 June 2016

**20. RELATED PARTY TRANSACTIONS** *(continued)*

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.

**21. CAPITAL COMMITMENTS**

Capital expenditure contracted for at the reporting date but not yet incurred as at 30 June 2016 amounted to RUB672,832 thousand (as at 31 December 2015: RUB780,907 thousand.)

**22. EVENTS AFTER THE REPORTING PERIOD**

In August 2016 the Company has signed a construction contract with a general contractor relating to the construction of a new multi-disciplinary hospital in Samara. The total amount of the project will be approximately RUB3.5 billion. A part of this amount will be financed by a new loan.

On 18 July 2016 the Company announced signing a Memorandum of Understanding with the Tyumen Regional Government to evaluate the potential to build a new multi-disciplinary hospital in the region.