MD Medical Group Investments Plc
Annual Report and Accounts 2012

Delivering growth

and care

Mother and child
Where the future is born

Contents

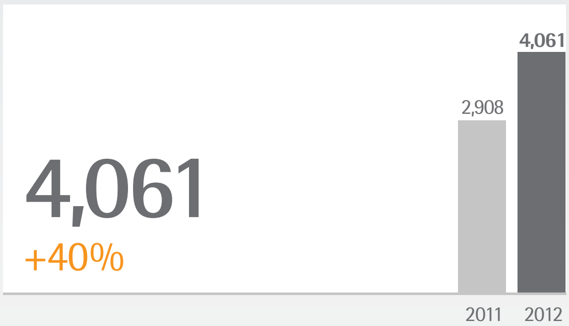
Highlights

BUSINESS HIGHLIGHTS

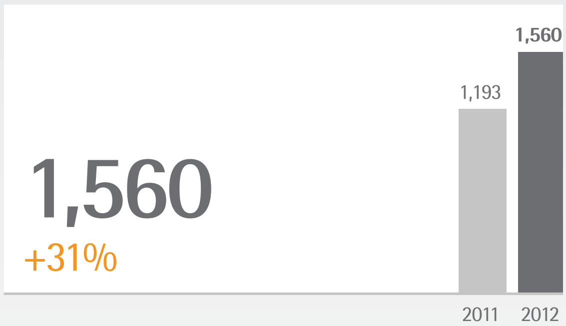
- Completed a successful IPO of Global Depositary Receipts on the London Stock Exchange, raising $150 million to fund future growth
- Completed construction of a new, purpose built hospital in the Lapino suburb of Moscow which opened on budget and on schedule
- Completed the integration of the Mother & Child clinic chain into the Group improving internal referrals and client flow across facilities and services
- Opened a Mother & Child outpatient clinic in the new regional market of Perm, 1,500 km east of Moscow
- Added new treatments and technologies at the Perinatal Medical Centre Hospital to include assisted reproduction technology, foetal surgery, endovascular surgery and MRI scanning
- Continued improvement of operational efficiency at existing and newly-opened clinics through the application of Group standards and best practice
- Appointed Simon Rowlands to the Board as an independent Non-Executive Director
- Appointed Kirill Dmitriev to the Board as a Non-Executive Director

FINANCIAL HIGHLIGHTS

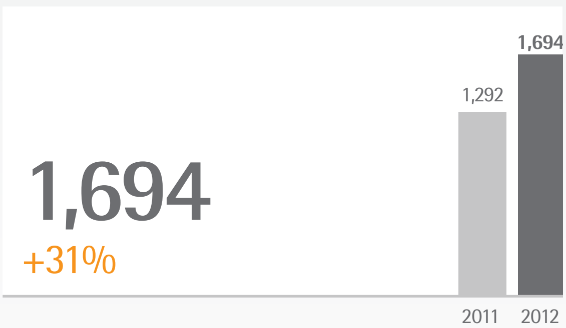
REVENUE (RUB MN)



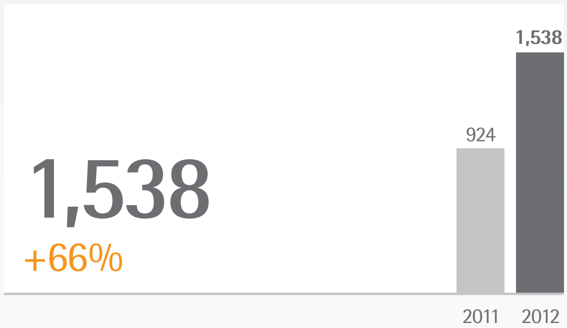
OPERATING PROFIT (RUB MN)



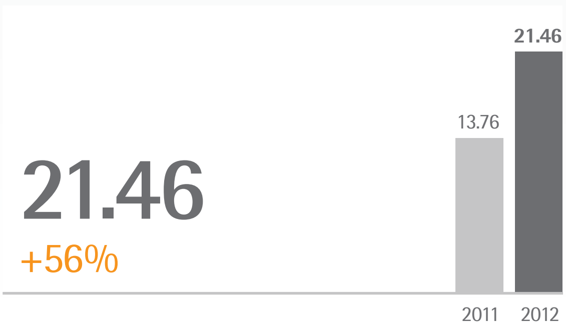
EBITDA* (RUB MN)



NET PROFIT FOR THE PERIOD (RUB MN)



EARNINGS PER SHARE (RUB)**



* EBITDA calculated as operating profit before depreciation and amortisation

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

POST BALANCE SHEET HIGHLIGHTS

- Commenced construction of a third hospital, in the Bashkortostan capital of Ufa
- Acquired the IDK Medical Company clinic network, expanding the Group's geographical footprint into the Samara region

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About MD Medical

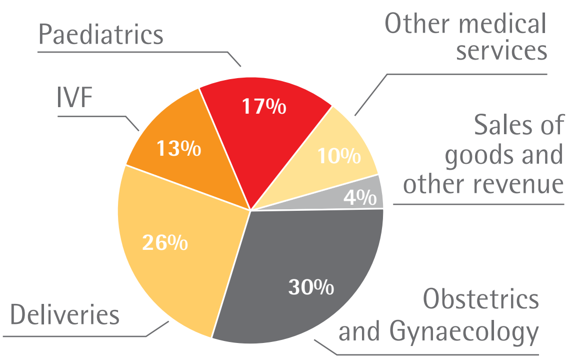
MD Medical Group is Russia's leading provider of private women's and children's healthcare. Our hospitals and outpatient clinics treated more patients than ever before during 2012, whilst maintaining high levels of patient and staff satisfaction.

In 2012 our revenues grew by 40% to RUB 4,061 million, generating RUB 1,694 million of EBITDA 31% ahead of 2011. Our consistently strong operational and financial performance reflects the continual investments we make in our business – amounting to some RUB 2,646 million of capital expenditure last year.

Broadening our services

By investing in and using new medical technology, increasing our capacity to admit and treat patients and broadening the services we offer to encompass evermore complex procedures, we provide a real alternative to other currently available options, helping to meet the needs of an increasingly health-aware population.

REVENUE BY SERVICE



OVERVIEW OF SERVICES

Pregnancy Management
- Prenatal care and assessment
- Complicated pregnancies
- Multiple pregnancies
- Genetic screening and diagnostics
- Preventative care

Delivery Services
- Birthing care and assistance
- Newborn care
- Neonatal care
- Transitional / post-natal care

Fertility and IVF
- Investigation and diagnosis
- Medical and surgical management
- DNA sequencing and laboratory testing
- Fertility preservation
- Egg freezing

Women's Health
- Preventative care
- Menopause
- Osteoporosis
- Cardiovascular disease
- Minimally invasive surgery

Children's Health
- Health consultations and immunisations
- Neurology
- Ophthalmology
- Orthopaedics
- Allergies
- Gastroenterology
- Psychology
- Ear, nose and throat
- Specialist paediatric emergency services

Other Services
- Family medicine
- Dental care
- Stem cell storage
- Histopathology and molecular genetics
- Radiology

GEOGRAPHIC NETWORK – EXISTING FACILITIES

Our healthcare centres

We currently operate a network of 16 modern, high-quality healthcare facilities comprising two hospitals in Moscow and 14 outpatient clinics located in Moscow, Saint Petersburg, Perm, Ufa and Samara. In addition, franchise partners operate three outpatient clinics – two in Kiev and one in Irkutsk.

This combination of hospital and outpatient services allows patients to benefit from a full scope of services in women's and children's healthcare and enables a continuity of care that is unique to the Group.

Investing in the future

MOSCOW

HOSPITALS

> Perinatal Medical Centre
534 medical staff
250 beds
3,500 deliveries
27,600 sq m

> Lapino Hospital
368 medical staff (600 target)
182 beds
3,000 deliveries
42,000 sq m

CLINICS

> Mother & Child Kuncevo
800 sq m

> Mother & Child Yugo-Zapad
250 sq m

> Mother & Child Clinic of Health
600 sq m + 1,250 sq m in 2013

> Mother & Child Sokol
150 sq m

> Mother & Child Novogireevo
410 sq m

LAPINO MEDICAL HOSPITAL – A NEW INPATIENT EXPERIENCE

Forty-five minutes' drive west of Moscow, Lapino Medical Hospital offers state-of-the-art facilities. Alongside its core services in women's and children's health, the hospital features operating theatres with the latest equipment, an accident and emergency department and a clinical diagnostics unit including MRI scanners. The hospital houses pristine wards and recovery suites, exercise gyms including a dedicated pregnancy gym, a sauna built from a special kind of sweet-smelling Siberian timber, a salt cave for people with breathing problems, and a swimming pool. There are art exhibitions in the corridors and a discreet VIP wing that can be completely screened off from the rest of the hospital. Visitors can stock up on essential gifts with the latest baby fashions on sale at the on-site boutique, located next to reception. The hospital opened in November 2012 and delivered its first baby just before Christmas.

REGIONS

CLINICS

- Mother & Child Saint Petersburg
  700 sq m
- Mother & Child Perm
  800 sq m
- Mother & Child Ufa
  800 sq m
- Mother & Child IDK Samara
  6,760 sq m across six clinics

FRANCHISES

- Mother & Child Irkutsk
  600 sq m
- Mother & Child Kiev (right bank)
  670 sq m
- Mother & Child Kiev (left bank)
  750 sq m

MD Medical Group's development history

Establishing the growth platform

Concept development and commencement of operations 2003 – 2009	Establishment of the growth platform 2010 – Early 2011	Roll-out of the business model 2011 – 2012	Further growth through regional expansion Early 2013
• Design and construction of the first private maternity centre in Russia – the Perinatal Medical Centre (PMC) in Moscow • 2006: First patients in PMC • 2006–2009: Expansion of service range, launch of new departments	• Establishment of MD Medical Group Investments Ltd, holding company registered in Cyprus • Acquisition of the Mother & Child clinic chain and Lapino Medical Hospital where construction had begun in 2010	• Acquisition of Mother & Child Clinic of Health, Mother & Child Clinic Novogireevo and Mother & Child Clinic Sokol • Opening of a clinical diagnostics and outpatient treatment centre in PMC • Expansion of service range in the Mother & Child clinics chain • Active development of regional operations: launch of new outpatient clinic in Saint Petersburg in January 2011; opening of outpatient clinic in Perm in September 2012 • Opening of Lapino Medical Hospital on schedule in November 2012 • Conversion of MD Medical Group Investments Ltd into public company, MD Medical Group Investments Plc	• Acquisition of Samara based chain of clinics, focused on IVF, outpatient obstetrics and gynaecology and paediatrics as an ideal fit for the Group's expanding network across Russia • Start of construction of new hospital at Ufa, Bashkortostan

NUMBER OF HEALTHCARE FACILITIES

	2003 – 2009	2010 – Early 2011	2011 – 2012	Early 2013
Proprietary	1	5	10	16
Franchise	0	2	3	3
Total	1	7	13	19

Designer's impression of the new, 32,000 sq m hospital at Ufa in the Barshkortostan region.

Our strategy

"Our strategy is to grow our existing operations, and expand through the timely opening of new hospitals and the selective acquisition of the best performing regional medical companies."

Expanding our footprint

OUR MISSION

- MD Medical Group's mission is to raise the quality of life for people in Russia by providing the highest quality healthcare services of any player in the market

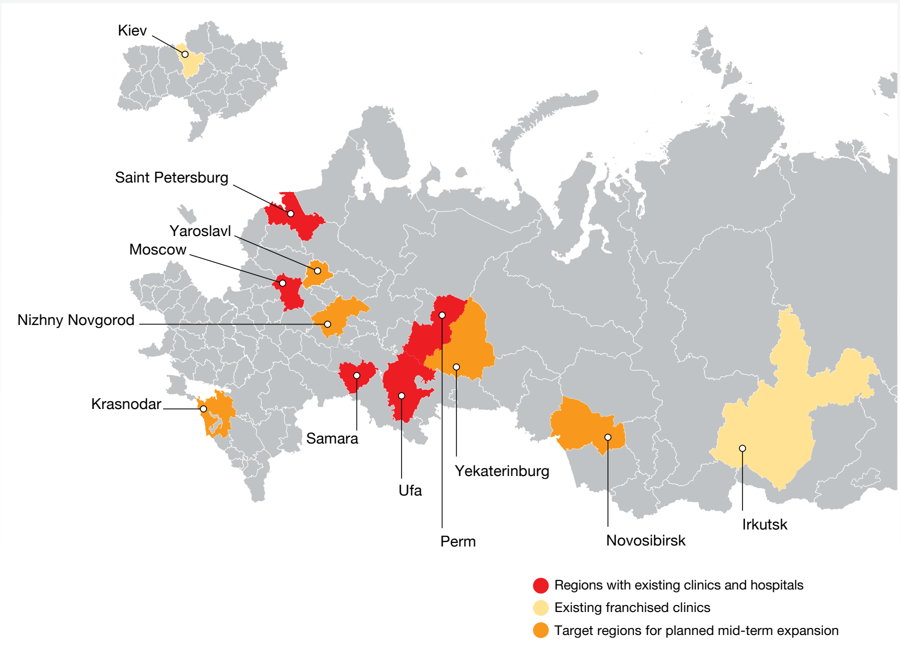
OUR GOALS

- Provide the highest quality of care to patients through our full-cycle service offering, while continually raising the bar and setting new standards for the industry as a whole
- Invest in best-in-class facilities, featuring state-of-the art equipment, and recruit and retain the best talent in the market
- Roll out our highly successful business model into new regions, enabling more Russians to access and benefit from our services
- Deliver value to our shareholders both in the short term and over the longer term

OUR VALUES

- We aim to provide the highest level of clinical quality
- We treat our patients with compassion and kindness
- We act with honesty, integrity and fairness
- We are committed to the sustainability of our business and of the community in which we operate

DEVELOPING OUR POTENTIAL IN THE REGIONS



STRATEGIC OBJECTIVES

> Expand our portfolio of hospital and outpatient facilities through the launch of new clinics and hospitals

> Broaden our service offerings by expanding our women's health services to a 'full cycle' women's health and paediatrics model

> Expand our services in Moscow and other regions

> Integrate acquired outpatient clinics by introducing other Group services, sharing customers and referrals and applying Group standards to improve operational efficiency

The basis of MD Medical Group's achievements to date is a model that has focused exclusively on women's and children's healthcare and on the delivery of that care throughout Moscow as a region offering a high concentration of potential clients. It is the success of this model that underpins our strategy to make our services available in new regions across Russia to capture a larger patient pool, which in turn drives top and bottom line growth and increases our market share to create value for shareholders over the long term.

We aim to achieve this in three ways: by expanding our network of hospitals and clinics, by broadening our service offering to provide 'full-cycle' women's and children's healthcare across our network, and by driving further integration of services and facilities throughout the Group.

Expanding the network

MD Medical Group has a track record of growing and expanding its portfolio of hospitals and outpatient clinics. The opening of an outpatient clinic in Perm in September 2012 represents a new regional market for the Group in an area 1,500 km to the east of Moscow. In November 2012, we opened a new state-of-the-art hospital in Lapino focused on maternity care, paediatrics, trauma and rehabilitation. The opening of the Group's second hospital has helped to relieve pent up demand in Moscow city and the surrounding neighbourhoods, as well as providing the opportunity to offer additional, specialised services in an underserved area.

Following the IPO we have been actively delivering on this strategy. In April this year, we acquired IDK Medical Company, Samara's largest independent healthcare provider, incorporating six outpatient clinics and two pharmacies and adding 6,758 sq m of premises and 30% of outpatient capacity to the Group. Also in March we received permits for and commenced construction of the Group's third hospital, in Ufa, where we aim to capitalise on the positive experience with our existing outpatient clinic in the region.

In addition to acquiring and building new healthcare centres, the Group continually develops its existing facilities. Last year we commenced the refurbishment of 1,250 sq m of additional premises at the Mother & Child Clinic of Health in Moscow to focus on cytogenetic laboratory testing and IVF treatment. Provision of these new services is expected to begin in 2013.

We will continue to expand our network in this way – building on the strength of the Mother & Child brand to add services and premises large and small both organically and by selective acquisition, targeting the 12 largest regions of Russia in terms of gross regional product. We have identified a number of these opportunities and are evaluating the feasibility of development in Nizhny Novgorod, Saint Petersburg, Novosibirsk, Yekaterinburg, Yaroslavl and Krasnodar, as well as additional opportunities in Moscow.

Broadening the service offering

Our patients rely upon MD Medical to provide the most up-to-date treatment procedures and medical technology available throughout the 'full cycle' of their healthcare needs. In recent years, we have successfully transformed the Perinatal Medical Centre Hospital from a pure focus on women's health into a full-service hospital that is capable of providing a broad range of services. New services include assisted reproductive technology, foetal surgery, magnetic resonance imaging and endovascular surgery. Where there is a clear and unmet demand, we will continue to introduce adjacent specialties such as general surgery, intervention cardiology and ambulance services across our network.

Driving further integration across the network

Our hospitals and clinics offer a broad range of services across a widespread geographic region. By integrating our operations through the sharing of facilities and best practice, the rotation of leading physicians around the Group and the ability to cross-refer and optimise patient flow we make effective use of the Group's services across the network. This approach results in better quality of care and improved clinical outcomes for patients which in turn results in higher customer loyalty and retention of medical and other staff and stronger brand reputation. Ultimately, this will lead to increased revenue per patient and enhanced profitability.

Our markets

We operate in a large and growing market. While the overall Russian economy is stable with annual GDP growth at approximately 4%, the fee-for-service healthcare industry was worth RUB 482 billion in 2011 (an estimated 20% of the total healthcare market) and is forecast to grow at a compound annual growth rate of 14.7% over the next five years. Working alongside the public sector, private healthcare is a key element in the development of healthcare solutions in Russia.

Focusing on growth

Growth in demand and ability to pay for better services
The Russian healthcare environment is characterised by heavy reliance on immense but poorly functioning public healthcare infrastructure (a third of the facilities are in need of major refurbishment), lack of qualified medical personnel, and growing demand for quality medical services from the population amid growing disposable incomes and health awareness.

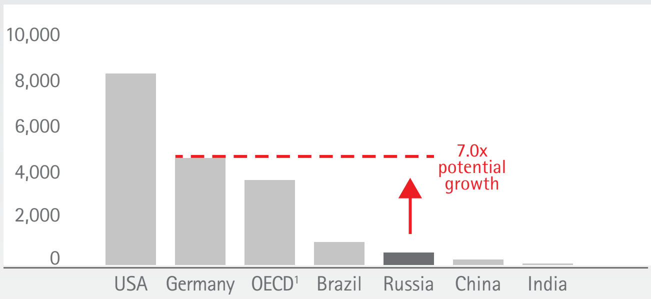
Public healthcare facilities may provide free (with obligatory medical insurance or OMI), and paid-for (voluntary medical insurance or VHI and out-of-pocket payments) services. According to the most recent legislation which came into force in January 2012, the public healthcare sector can be divided into three categories of medical institutions:

- Autonomous organizations (ANOs) provide mainly paid services. These organisations do not have any financial support from the state, except for the provision of services within the OMI where the state reimburses the costs. ANOs have a right to provide paid services and to use the revenue for their own purposes.
- State-owned institutions continue to provide a broad spectrum of medical care. They have access to state funding and may also provide paid services but do not have a right to use the revenue for their own purposes. All income is transferred to the federal budget.
- Budget - mostly special treatment services like oncology or tuberculosis - continues to provide only free services via OMI. Funding of these organisations is provided from the federal budget.

2011 data from the Ministry of Health and Social Development reveals that 66% of Russian citizens were not satisfied with the provision of healthcare services. The satisfaction level varies across the regions ranging from 52% down to 20%; even in Moscow only a third of respondents were satisfied with the level of medical care they receive.

Growth in private healthcare expenditure
Total healthcare expenditure in Russia, measured as a percentage of GDP, is almost twice as low as the OECD average indicator. The difference is even greater when measured in USD per capita terms.

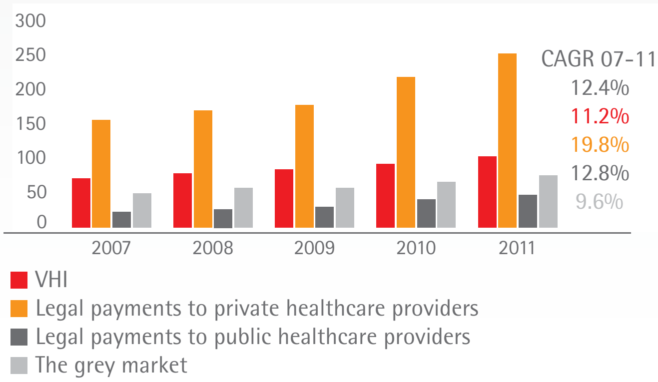
PER CAPITA HEALTHCARE EXPENDITURES (per annum), 2011



Note: 1 Average indicators for OECD member countries as calculated based on WHO and UN data

Growing demand for healthcare services, increasing costs of medical technologies and ageing of the population are all factors that are expected to contribute to global healthcare expenditure growth. Russia's situation is almost unique compared to other countries. While virtually every government is looking to mitigate healthcare costs, the Russian government is investing large amounts of money into a poorly-functioning healthcare system amidst negative demographic trends. Consequently, according to Frost & Sullivan, both total and private expenditure on health in Russia are expected to grow at double digits until 2015.

FEE-FOR-SERVICE HEALTHCARE MARKET (RUB BN)



Source: Frost & Sullivan report, Federal State Statistics Service

Private healthcare expenditure (USD, per capita) increased four-fold in 2000-2010, which is an outstanding result compared to other countries, such as Japan at 42%, the US at 55% or Poland, which at 120% has itself seen dramatic growth in private healthcare. After a temporary drop of 13% in 2009, private healthcare expenditure will grow at 10-12% to 2016. These changes show the scale of unmet demand for private healthcare in Russia as a consequence of the increasing affluence of Russian society and growing health awareness among the population. At the same time, total healthcare expenditure is forecast to grow at among the highest rate in the world, reflecting the Russian government's high priority on healthcare and demographics.

In April 2012, the Russian Ministry of Economic Development predicted that total healthcare expenditure of both the public and private sectors will constitute between 6%-7% by 2030.

Private healthcare system overview

Before 1990, public healthcare was the only legal system that existed in Russia. Private healthcare practitioners were not legally allowed to provide services and their numbers were relatively small. Legal private medicine began in the early nineties with the creation of private branches of government health facilities. It developed very slowly until 2000 and was dominated by dental surgeries and pharmacies. The sector for private healthcare in Russia experienced its first boom in the early noughties when separate multi-disciplinary clinics and network projects were created.

Fee-for-service medical aid can be provided by private as well as public healthcare institutions and is paid for either by individuals (out-of-pocket), insurance companies or commercial enterprises.

The market is characterised by high barriers to entry, namely: high capital investment requirements, a limited supply of a skilled workforce – both managerial and medical, the importance of brand awareness, and reputation in the market – both of the establishment and the doctor's personal reputation. No new major players are expected to emerge in the near-to-medium term however an increase in activity from strategic and financial investors supporting existing projects is increasing.

In view of the poor state of the public healthcare infrastructure, widespread social dissatisfaction with quality of service and limited budget resources, the Russian government is taking steps to support the development of the private healthcare sector in the country in order to relieve the strain of the public system. Among recent developments, a number of support measures were introduced at the regulatory level:

- **Abolition of income tax** for private organisations involved in the provision of healthcare services, including all licensed medical care services.
- **Extension of mandatory healthcare insurance** to all of the private medical care providers from 2015. This means that Russian citizens will be free to choose whether to go to a public or private clinic/hospital with the latter reimbursed for services provided by the state.
- **Tax deduction** – Russian citizens are entitled to a tax deduction from their and their family's healthcare expenditure up to expenditure of RUB 120,000.

Funding sources

The Russian fee-for-service market is split into voluntary health insurance (VHI) which represents 16%, legal payments to public healthcare providers which make up 63%, legal payments to private healthcare providers which make up 10% and the grey market which makes up 10%.

Currently less than 6% of the Russian population has a VHI policy and it is anticipated that this will increase over time, driven by an increase in the number of insurance companies providing VHI policies.

The ability to self-pay is linked to the economy and the self-pay market constitutes some 90% of MD Medical Group's revenue, with voluntary health insurance making up the remaining 10%. It is expected that legal payments to both private and public healthcare providers will grow faster than the average market rate due to an increase in consumer incomes and consumption habits.

Voluntary healthcare insurance

VHI is a limited aspect of health financing in the Russian Federation as, from coverage and financial perspectives, it remains largely confined to big cities and still only covers a small fraction of the population. VHI has however developed far beyond this boundary and has acted as a supplementary insurance, granting the population access to better equipped and staffed private and public healthcare establishments whose services may be too expensive to be covered by the state within OMI.

Our markets continued

Building our market share

The VHI market operates in a rather simpler way than OMI. Individuals or commercial enterprises sign a contract with a preselected insurance company which provides healthcare insurance. Different insurance companies provide a number of health insurance packages at different price rates. Packages are provided to cover a selected range of providers where a patient can be treated.

In most cases VHI is a set of medical services focused on a particular category of the insured. Packages can vary in terms of service range, offered service volume, policy territory, age of insured, etc.

Healthcare market drivers
The Russian healthcare services market is poised for stable double-digit growth to 2016 due to a number of key driving forces:

- Russian GDP growth and rising disposable incomes, including the regions beyond Moscow.
- Improving or deteriorating demographic trends (eg fertility rates and disease incidence) which will boost demand for respective medical care.
- Growing health awareness among the Russian population and healthier lifestyles.
- Strong governmental support, as healthcare becomes a matter of national security doctrine:
  - Increase in government healthcare expenditure
  - National healthcare programmes aimed at reversal of overall population decline (National Health Priority Project, maternity capital etc)
  - Stimulation of private healthcare market development by way of supportive regulatory measures such as zero income tax and OMI extension.
- Specifically, private healthcare will continue emerging as a viable alternative to the troubled public healthcare system, addressing unsatisfied demand for quality healthcare among the Russian population.
- Under-penetration of quality healthcare in the regions of Russia.
- Further expansion of VHI.
- Inflow of investments from strategic financial investors into the market given its high growth potential and attractive returns.
- Gradual eradication of the grey market for healthcare services and re-direction of cash flow into legitimate channels (private and public).

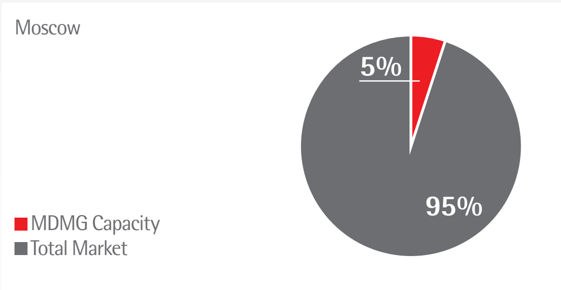
Put differently, the market will be largely demand-driven. Private healthcare providers will continue their expansion to address the ever-growing demand for quality medical care from the Russian population.

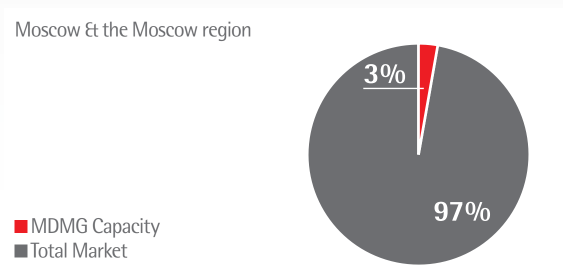
MD Medical's positioning
MD Medical Group is one of the largest private healthcare service providers in Russia. We stand out because of our focused business model, concentrating on our core strengths in women's and children's health, and we are unique in this regard.

Our Moscow hospitals are the largest specialised private maternity hospitals in Russia and account for over one third of total deliveries in the private healthcare sector. Our world-class full-cycle service generates clinical outcomes comparable to the developed countries.

Our model is structured to be easily replicated in new regions where there is significant unmet demand and to enable the addition of adjacent, complementary services that are relevant to our existing client base to provide a continuity of care and encourage client loyalty.

MDMG CAPACITY VS TOTAL MARKET (DELIVERIES)



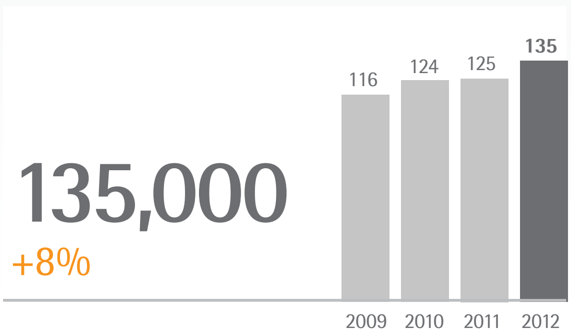


MD Medical's core segment drivers
We focus on the four key healthcare segments of obstetrics (maternity care), gynaecology, paediatrics and IVF. These are areas of healthcare which we believe offer significant market potential and where our ability to satisfy demand is limited only by our existing capacity.

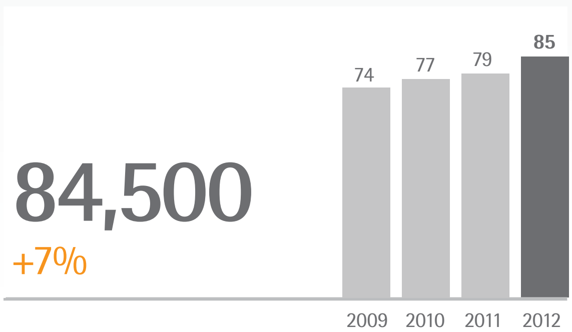
Market drivers of MD Medical's core segments

Obstetrics	Gynaecology	Paediatrics	IVF
– Greater choice of maternity care is driving demand for comfort, quality and a 'smooth, stress-free' birth experience – Notorious and deeply-embedded image of poor quality in the public sector – Healthcare development programme and demographics policy strategy	– Underdeveloped service offering of adequate quality and complexity, particularly in the Russian regions – Growing incidence of women's diseases – Social behaviour – according to a study by the Higher School of Economics, women visit the doctor on average 1.3 times more often than men	– Growth in loyalty among current patients giving birth in private maternity hospitals seeking continuity of care for their infants – Growing incidence of diseases among children – Lack of regional infrastructure where private paediatric centres are virtually non-existent – An underdeveloped VHI sector, where only a small share of corporate agreements include a provision for paediatric healthcare	– Lack of qualified medical personnel – Prohibitive bureaucratic barriers to obtain governmental quota for IVF provided by the public sector – Lack of service availability in the regions outside Moscow and Saint Petersburg

NUMBER OF NEWBORNS REGISTERED IN MOSCOW CITY '000



NUMBER OF NEWBORNS REGISTERED IN THE MOSCOW REGION (EXCLUDING MOSCOW CITY) '000



Our competitive strengths

At MD Medical Group we focus on our core competences in the provision of the highest quality clinical care for women and children, attending to their healthcare needs from pre-pregnancy through birth and childhood. We believe that our continued focus on these key strengths will enable us to capitalise on our leading position to deliver superior returns to shareholders.

Capitalising on our strengths

LEADING POSITION IN WOMEN'S AND CHILDREN'S HEALTH

- Pioneers of full-service private maternity healthcare in Russia
- Largest private provider of women's healthcare in Russia with 3,253 deliveries in 2012
- Largest provider of assisted reproductive technology in Russia with 3,863 IVF cycles performed in 2012
- Second largest private healthcare provider in Russia by revenue

OPERATING IN HIGHLY ATTRACTIVE GROWTH MARKET

- Favourable macroeconomic and demographic trends including an emerging middle-class with growing disposable income, a growing awareness of the importance of high-quality healthcare among the Russian population and a rising birth rate
- Strong demand for private healthcare with CAGR of circa 20% between 2007-2011
- Supportive government policies including tax benefits for qualifying healthcare providers, increased scope of mandatory health insurance system and direct incentives for users of private healthcare including income tax deductions
- Substantial barriers for new entrants including significant capital expenditure requirements, a limited number of highly qualified medical personnel, strict licensing requirements and industry regulation and increasing importance of brand recognition and reputation

GROWING NETWORK OF HEALTHCARE FACILITIES IN ATTRACTIVE REGIONS OF RUSSIA

- Operating a network of high-quality healthcare facilities across several of the most economically developed regions of Russia
- The only private healthcare provider in Russia delivering 'full-cycle' healthcare services for women and children positioned to both attract new clients and promote long-term loyalty amongst existing clients
- Selective project pipeline targeting the 12 largest Russian regions in terms of gross regional product

STRONG EMPHASIS ON OUTSTANDING CLINICAL OUTCOMES AND QUALITY OF CARE WITH A FULL-CYCLE SERVICE OFFERING

- Focused on patient-centred, outstanding clinical outcomes and high-quality customer service from the calibre of our physicians to the quality of the equipment, level of patient comfort, utilisation of latest techniques and technologies and the regular introduction of new services

HIGHLY QUALIFIED MEDICAL PROFESSIONALS LED BY RENOWNED CLINICIANS

- Focused on recruiting and retaining the best and most highly-qualified physicians and medical professionals
- Large talent pool of over 870 doctors and 685 other medical professionals who are fully certified to national standards
- Average retention rate of medical professional staff of 93% owing to competitive compensation packages, excellent professional development opportunities and favourable working conditions
- Management team led by qualified, practising physicians with deep understanding of the business and operations

TRACK RECORD OF STRONG OPERATIONAL AND FINANCIAL PERFORMANCE

- Sustained revenue and earnings growth and significant cash flow generation
- Successful track record of acquisition and integration of outpatient clinics, expansion of existing healthcare facilities, addition of new services and construction of new healthcare centres
- Strong organic and acquisitive growth with attractive returns on investments
- Rapid ramp up in utilisation rates to achieve optimal long-term targets
- Financing capacity and low leverage provide significant flexibility for new investments

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Our people

The strategic direction of the Group is set by the management team in conjunction with the Board. The management team consists of seven executives and is current as of 30 April 2013.

Leading the team

Dr Elena Mladova
Chief Executive Officer

Dr Elena Mladova leads the Group and consequently also sits on the Board of Directors. For her full biography, see 'Board of Directors' on page 28.

Mr Vitaly Ustimenko
Chief Financial Officer

Mr Vitaly Ustimenko joined the Group as Chief Financial Officer in 2012. Mr Ustimenko has 11 years' experience in finance. Previously, he was the Head of Strategic and Business Planning of OAO Russian Helicopters and before that, held the position of Senior Manager at Deloitte Tohmatsu Limited. Mr Ustimenko holds a bachelor's degree from the Finance University under the Government of the Russian Federation and a PhD in finance from the State University of Management.

Dr Yulia Kutakova PhD
Medical Director

Dr Yulia Kutakova joined the Group in 2012. She has over eleven years of practice experience in obstetrics and gynaecology. Prior to joining the Group, Dr Kutakova was Chief of Maternity in the Organisational and Tutorial Department of Public Healthcare of the City of Moscow. She holds a degree in medicine from Pirogov Medical University, a degree in management from the Moscow Institute of Management and a PhD in medical science.

Mr Valery Mironov
Managing Director of Lapino Medical Hospital

Mr Valery Mironov has been with MD Medical since its foundation. He has been instrumental in the construction of Lapino Medical Hospital, having previously overseen the construction of Perinatal Medical Centre. Prior to joining the Group, Mr Mironov was Director of General Affairs at MK Arsenal NEF. He holds a degree in engineering from the Moscow State University of Instrument Engineering and Computer Science.

Mrs Nina Ivanova
Managing Director of Perinatal Medical Centre

Mrs Nina Inanova has been with MD Medical since 2008 and has over ten years' management experience. Prior to joining the Group, Mrs Invanova worked as chief accountant at LLC Velum and prior to that, she was the chief engineer at the Federal state unitary enterprise 'Giprougleautomatizaziya' for 22 years. Mrs Ivanova graduated from Orkehovo-Zuevo Pedagogical University with a degree in mathematics education.

Ms Ekaterina Larina
Head of Legal

Ms Ekaterina Larina joined MD Medical Group in April 2003. With more than 15 years' experience in the legal field, Ms Larina is responsible for running the Group's legal function. Prior to the joining the Group, Ms Larina was employed as a leading lawyer at investment and construction firm, SCM Group, and as a lawyer at the Moscow Regional Bar Association. Ms Larina holds a degree in civil law from the Moscow State Law Academy.

Ms Ekaterina Arkhipova
HR director

Ms Ekaterina Arkhipova joined the Group in 2012 as HR Director and is responsible for all issues related to human resources within the Group. Prior to joining MD Medical, Ms Arkhipova worked as Head of Learning and Development for advertising agency ADV Group and as HR Manager for Yukos. Ms Arkhipova has more than ten years' experience in human resources, with solid expertise in HR strategy, performance management, recruitment, compensation and benefits, learning and development and HR operations. She graduated from the Lomonosov Moscow State University.

Employees

We are in an industry where people make the difference. We currently have over 2,500 employees and they are the face of the organisation, working hard to ensure clients receive high levels of service. This is why our values: providing the highest level of clinical quality, customer service and cleanliness, treating our patients with compassion and kindness and acting with honesty, integrity and fairness are so important at MD Medical Group. They act as cornerstones of our culture and support the future success of our business.

Attracting and developing talent

We pride ourselves on developing our people and offering career prospects in a growing and dynamic industry. There are several ways that we can do this. In many cases we support our people in gaining professional qualifications relevant to their role and we also provide opportunities to move between departments and facilities.

Creating a talent pool is crucial and we continue to invest in our people. We operate a comprehensive exchange program, programs for internships, training for junior doctors and inductions for new joiners.

Engaging and involving our people

There is a clear link between our overall strategy and the role our people play. For us it is important that we engage everyone with our Company's vision so they can see the impact that their contribution has on driving business performance. Engaged people are more productive and customer focused, they become advocates of our business and go above and beyond what is expected of them, which in turn creates a high-performance work climate.

Our people have great ideas and are the ones that understand our business the best. We have a number of employee forums in place to make sure we get input on matters that impact our business and colleagues. We do this both by liaising with our people in team meetings and open forums.

Corporate social responsibility

Setting the standard

We recognise that the underlying performance of our business, the general welfare of our people and communities in which we operate, and the quality and professionalism of our industry as a whole are all inextricably linked.

We therefore take very seriously our commitment to supporting our people, our communities and the healthcare profession in Russia. Not simply because we should, as part of our corporate social responsibility efforts, but because we understand that this is critical to the longer-term sustainable growth of MD Medical Group.

In practice, sustainability at MD Medical Group is focused on three core areas.

Our people
We invest heavily in training, and in fostering an environment that allows our people to grow and to be exposed to and learn from the best medical practices and practitioners from around the world. Many of our people have been with us almost since our inception, which is the ultimate testament to our deep commitment as an employer not only to pay a salary, but to provide opportunities for meaningful professional growth and development.

Our communities
First of all, we understand that we provide a socially important service to our clients in all of the communities in which we operate. But our commitment to these communities goes beyond providing high-quality medical services. We are committed to seeking other ways in which we can make a positive contribution to the lives of people around us, for example by sponsoring and supporting local charities.

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

Looking forward, we know that we are still at an early stage in our development as a company. There is a lot we can do to continue to improve as a company. And we will continue to focus on sustainability, and how we can enhance our efforts in this area as well.

Our commitment as a company is to ensure that we take the necessary steps to create value for our shareholders in the shor term, while at the same time doing what is needed to ensure sustainable returns and value creation over the long term.

Obstetrics and gynaecology exchange programme in the UK

We value our professional partnerships with leading experts in the field of reproductive health both in Russia and around the world.

All of our gynaecologists are members of both the European Society of Human Reproduction and Embryology (ESHRE) and the Russian Association of Human Reproduction (RAHR).

We operate an effective exchange programme with professionals at leading European leading clinics, organising international conferences and best practice seminars for colleagues both within and outside the Group.

'Inside clinic management' exchange seminar at IVI clinic in Madrid

Key performance indicators

OPERATIONAL

We measure our performance using a number of different financial and operational metrics. Our financial objectives focus on improving revenue and earnings to deliver superior returns to shareholders.

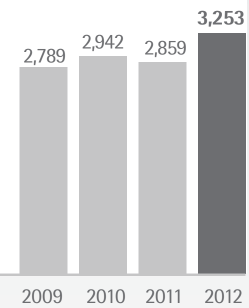
Our operational measures focus on our core services of maternity care and fertility treatment and whether patients have been treated in day cases or overnight stays.

Delivering a strong performance

OPERATIONAL INDICATORS

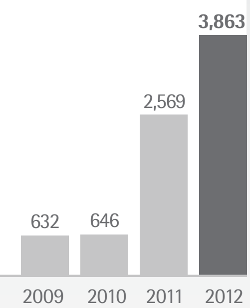
NO OF DELIVERIES

3,253
+14%



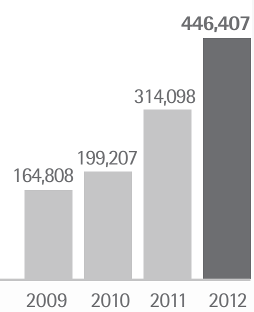
NO OF IVF CYCLES

3,863
+50%



ADMISSIONS (OUTPATIENT TREATMENTS)

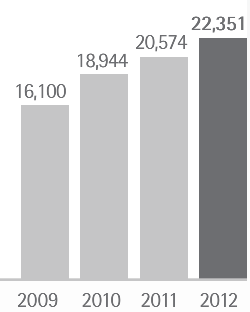
446,407
+42%



Admissions are the number of patient visits to the Group's physicians, excluding the provision of support services such as laboratory testing.

PATIENT DAYS (INPATIENT TREATMENTS)

22,351
+9%

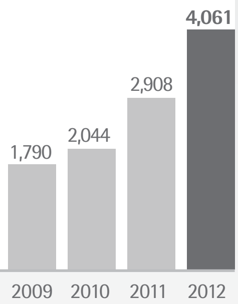


Patient days are calculated as a 24-hour period spent by a patient in hospital, provided that the days of admission and discharge from the hospital are calculated as one patient day.

FINANCIAL INDICATORS

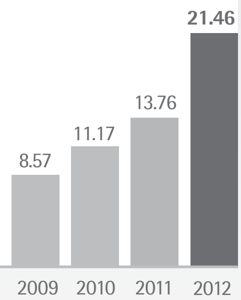
REVENUE (RUB MN)

4,061
+40%



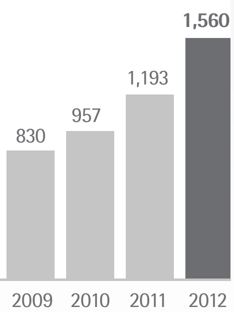
EPS (RUB)*

21.46
+56%



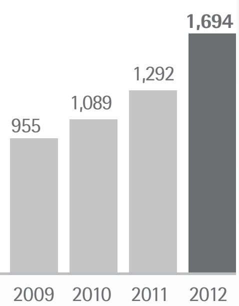
OPERATING PROFIT (RUB MN)

1,560
+31%



EBITDA (RUB MN)**

1,694
+31%



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

** EBITDA calculated as operating profit before depreciation and amortisation

Chairman's statement

2012 was a defining year for MD Medical Group. It was a year in which we delivered an excellent operational and financial performance and I am delighted to report record revenues of RUB 4,061 million and record EBITDA of RUB 1,694 million.

Dr Mark Kurtser
Chairman of the Board of Directors

Our operational structure is now optimised to deliver the strategy: having successfully integrated the Mother & Child network of outpatient clinics into the Group, we have expanded our presence in Moscow and the regions and enhanced our market-leading position with a full-cycle offering. In 2012 we also opened the doors of our second hospital to patients on budget and on schedule, following a $150m investment. We have maintained this momentum with a strong pipeline of new projects, such as the hospital at Ufa where construction has recently commenced.

These important developments formed the backdrop for the next stage in our journey of becoming an internationally-recognised market leader and culminated in our successful IPO of Global Depositary Receipts on the London Stock Exchange in October.

A London listing brings with it many benefits and opportunities - new funds for growth, access to a future source of capital, and a broad group of institutional investors who appreciate our business model and strategy. One of my primary responsibilities as Chairman is to ensure we deliver on or even exceed the commitments we made to shareholders during the IPO. We are extremely grateful to our new shareholders for their participation and on behalf of the Board I would like to thank them for their support.

What we hope to achieve

MD Medical Group has been established for ten years but in some respects we are still only just beginning. The need for high-quality healthcare is greater than ever. We place a priority on high standards of patient care and satisfaction, the best medical staff and the best facilities and equipment. With this emphasis we lead the market and set the standard. Others come to us to benefit from our expertise and our continuing medical education is relied upon by professionals from both within and outside of the Group. We have achieved this by focusing on our strengths and delivering consistently, and it is this model we seek to build upon and replicate across the regions.

By integrating inpatient and outpatient services into our core offering, by being able to provide the full suite of our services to all of our clients, and by making these services available to more people in more locations, we believe we can continue to gain market share whilst maintaining our position as the highest quality provider of private women's and children's healthcare in Russia.

Commitment to international governance standards

A London Stock Exchange listing carries with it stringent corporate governance requirements. Our Board is committed to high standards of corporate governance and in 2012 the Board put in place a corporate governance structure that aims to meet best practice requirements. Part of this commitment to meet best practice is to attract high-quality independent directors who not only bring attractive credentials on paper but are genuinely committed to getting involved and supporting our business. We are pleased to have been able to appoint Simon Rowlands as an Independent Non-Executive Director and Chair of the Audit Committee ahead of the London listing and following the listing the Board was joined by Kirill Dmitriev, CEO of the Russian Direct Investment Fund, one of our key shareholders.

Dividend

In determining the dividend policy we have considered the appropriate balance between rewarding shareholders and retaining sufficient funds to meet the Company's future investment needs. Due to our outstanding financial results, the Board is proposing a final dividend of USD 0.13 per GDR for approval by shareholders at the Annual General Meeting on 7 June.

Summary

MD Medical Group had a watershed year in 2012 and can look forward to the years ahead with considerable confidence. Prospects for the Russian economy are encouraging; demand for the best healthcare is greater than ever before and the ability to satisfy that demand is limited only by the existing capacity of our clinics and our ability to build new capacity.

None of what we have achieved would be possible without our people. On behalf of the Board, I would like to thank all of our colleagues at MD Medical Group who have worked immensely hard during a period of considerable change to deliver a year of record results.

We have a highly experienced management team, a strong balance sheet and the track record, strength of operations, brand recognition and clarity of vision to capitalise on the significant market opportunity and to deliver considerable further growth and value to our investors.

Chief executive officer's statement

This is my first year as CEO of the Group and it gives me great pleasure to report record results across all areas of the business. This performance is testament to the quality business we have built over the last ten years and the hard work and dedication of our physicians, nurses, managers and staff.

Dr Elena Mladova
Chief Executive Officer

At the macroeconomic level, increased consumer spending coupled with an increasingly health-conscious population is driving demand for high-quality healthcare. The market for private healthcare rose by some 20% on an annual basis between 2007 and 2011 and this is a trend that is set to continue.

At the same time, demand for private healthcare is far outstripping supply with limited new capacity coming onto the market. Against this backdrop we see substantial opportunities to expand and develop our offering both in Moscow and the regions of Russia to provide as many people as possible with access to exceptional medical care.

Operational performance
Last year was the first full year of integration of the Mother & Child clinic network into the Group which benefited for the first time from cross-referral and cross-selling activity, resulting in substantial increases across all operational performance metrics.

In 2012, the Group handled 22,351 inpatient treatments (excluding deliveries) (2011: 20,574) up 9%, 446,407 admissions (outpatient treatments) (2011: 314,098) up 42%, 3,253 deliveries (2011: 2,859) up 14% and 3,863 IVF cycles (2011: 2,569) up 50%. Growth in these key operating segments was as a result of the Group's continuous footprint expansion through the acquisition and launch of new clinics in Moscow, Perm, Ufa and Saint Petersburg; expansion of the service range as the Group moved from core women's health services to a 'full cycle' women's and children's health model; leadership in pioneering the introduction of innovative new technologies, such as non-invasive pre-natal testing; and continued improvements in operational efficiency through the application of Group standards.

At the Perinatal Medical Centre Hospital a new clinical diagnostics department was opened in 2011, offering advanced imaging technologies, providing increased patient comfort and allowing faster turnaround times. New radiology services included CT scanning, magnetic resonance imaging and ultrasound. The addition of other new services and capabilities included assisted reproduction techniques, foetal surgery and endovascular surgery. The integration of these additional services enable the sharing of best practice and enhance cross-referrals, resulting in better quality of care and improved clinical outcomes for patients as well as broadening the potential customer base.

Financial performance
Revenue in 2012 increased 40% to RUB 4,061 million (2011: RUB 2,908 million) owing to strong growth across the business, namely: a record number of deliveries on the back of growth at MDMG outpacing that in Moscow, a 50% increase in the number of IVF cycles performed, a continuing increase in outpatient visits as a result of the Group's expansion, an increase in the number of treatments provided and the integration of new clinics into the Group.

EBITDA increased 31% to RUB 1,694 million (2011: RUB 1.292 million). EBITDA margin was 42% (2011: 44%) reflecting the integration of acquired clinics into the Group. Net profit increased 66% to RUB 1,538 million (2011: RUB 924 million), with most Group companies eligible for the zero percentage tax rate starting from 2012.

Revenue from Obstetrics and Gynaecology (excluding deliveries) was RUB 1,208 million (2011: RUB 816 million), while revenue from Deliveries was RUB 1,057 million (2011: RUB 874 million).

Revenue from inpatient treatments (excluding deliveries) was RUB 417 million (2011: RUB 309 million) and revenue from Admissions (outpatient treatments) was RUB 791 million (2011: RUB 507 million). Revenue from IVF was RUB 542 million (2011: RUB 341 million).

Revenue from Paediatrics was RUB 693 million (2011: RUB 483 million). Revenue from inpatient treatments was RUB 137 million (2011: 101 million) and revenue from Admissions was RUB 557 million (2011: RUB 382 million).

Revenue from Other Medical Services (including dental care and clinical diagnostics) was RUB 387 million (2011: RUB 248 million).

During the year, the Group generated record cash flow from operations of RUB 1,817 million (2011: RUB 1,065 million). Cash flow from financing was RUB 5,768 million (2011: RUB 1,542 million), principally due to proceeds received from IPO fundraising.

Total debt increased to RUB 2,959 million (2011: RUB 1,192 million) while net debt including short term investments was negative at RUB -2,054 million (2011: RUB 1,059 million), primarily due to the receipt of IPO proceeds.

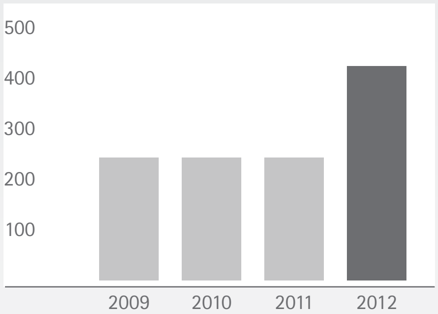
Capital expenditure amounted to RUB 2,646 million in 2012, primarily for the construction of the hospital in Lapino.

Strong cash flow generation combined with low net debt provides the Group with ample capacity to fund future growth.

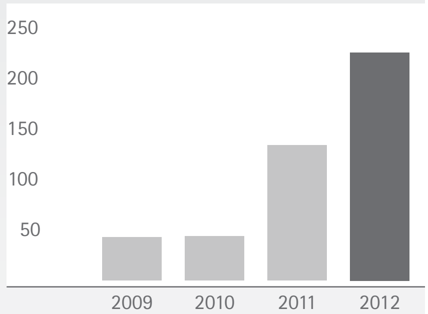
Earnings per share was RUB cent 21.46 (2011: RUB cent 13.76) up 56%.

CAPACITY (AS AT YEAR END)

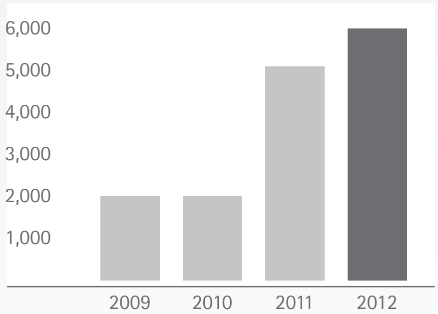
INPATIENT CAPACITY (Beds)



OUTPATIENT CAPACITY (Offices)



IVF (Cycles)



Chief executive officer's statement continued

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Consolidated financial statements
Parent Company financial statements
Shareholder Information

Capacity expansion and service development
Our strategy over the last three years has involved significant investment across the business in new facilities, refurbishments and state-of-the-art technology and equipment.

During 2012, our most significant investment was the completion of construction of the Group's second hospital; a brand new, purpose-built, state-of-the art facility in Lapino. With a capital investment of RUB 4.5 billion (around $150 million) in 2010-2012 and occupying some 42,000 sq m, the 182-bed hospital is our largest facility to date and represents the largest privately-backed investment in healthcare ever to be made in Russia. It serves an unmet need in this Moscow suburb and will add outpatient capacity of 600,000, more than doubling that of the Group. Doors opened to first patients in November 2012 and we expect significant ramp up in 2013 as we launch new, add-on services in clinical diagnostics, trauma therapy and rehabilitation alongside our core offering in women's and children's health.

Other developments in 2012 included the opening in September of a new 800 sq m Mother & Child clinic in Perm (Urals) specialising in women's health and fertility, and the refurbishment of the Mother & Child Clinic of Health in Moscow, which was completed in April and will include cytogenetic lab testing and fertility treatments.

As previously indicated, plans to build a third hospital in the Bashkortostan capital of Ufa are advancing. Earlier in 2013 we received licensing permits to commence construction on a brownfield site and this was followed by a ground-breaking ceremony on 12 March. The hospital will occupy 32,000 sq m and house a 3,000 unit delivery suite alongside an extensive fertility treatment centre and outpatient capacity of 235,000. Total investment in the project is expected to be RUB 3.5 billion (around $115 million) and the project is due to complete in late 2014.

Also in March 2013, we announced the proposed acquisition of the IDK Medical Company network of women's and children's health clinics. Established in 1992 and operating an outpatient capacity of 150,000, IDK is recognised as the largest independent healthcare provider in the Samara region. Its service offering and operating model are closely aligned with that of MD Medical Group, making it an ideal fit with our portfolio. IDK will be fully integrated into the Mother & Child network on receipt of regulatory approvals.

We continue to evaluate the feasibility of developing new hospitals in the largest and fastest growing regions of Russia.

Service quality
We operate a patient-centred approach where high-quality customer service and clinical excellence are part of our core values. Quality management is based on a continuous assessment of our operations and clinical outcomes. Both medical and administrative staff at each of our hospitals and clinics meet regularly to discuss patient satisfaction, clinical outcomes, patient health and safety data and the overall quality of medical care.

Whenever we enter a new regional market, mandatory introductory training is provided at the Perinatal Medical Centre hospital in Moscow to ensure that our high standards of medical care are maintained and delivered consistently across the Group.

Our people
Our outstanding reputation reflects the quality of our service, delivered every day of the year by the management and staff at our hospitals and clinics. Our success depends upon our ability to attract, reward and incentivise highly-skilled doctors, medical professionals and administrative staff. We have been able to do this by implementing a competitive compensation scheme, providing training and skill enhancement programmes and creating a comfortable working environment. Our people appreciate this because they stay with us – employee retention has been consistently high at 93% over the past four years.

Outlook
MD Medical Group has been established for ten years however we're only at the start of our journey. Since the acquisition of the Mother & Child clinic network in 2011 we have concentrated our efforts on capacity investment, service development and employee engagement while continuing to deliver high quality care and service for our patients. Our record performance reflects our commitment to outstanding clinical quality. Patients remain loyal, physicians choose to work with us and our staff are highly motivated and engaged.

The IPO in 2012 enabled a diverse group of international shareholders to participate in this growth while providing the Group with an additional source of capital.

With favourable demographics, increasing consumer spending and ongoing Government support for independent healthcare provision, the market for private healthcare in Russia offers excellent growth prospects. At MD Medical Group, we have a clear plan to capitalise on these opportunities by staying focused on our core capabilities while maintaining our leading position.

Obstetrics and gynaecology operating suite at the Perinatal Medical Centre

The Perinatal Medical Centre hospital in Moscow

Reception of the Perinatal Medical Centre

Board of Directors

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1. Dr Mark Kurtser PhD
Chairman

Dr Mark Kurtser is the founder of MD Medical Group and became Chairman in August 2012. Dr Kurtser began his career as a graduate assistant to the associate professor at the obstetrics and gynaecology department of the Pirogov Medical University. From 1994 to 2012, was Head of the Family Planning and Reproductive Centre, the largest public obstetrics hospital in Moscow. Since 2003, Dr Kurtser has been the Chief Obstetrician and Gynaecologist of the City of Moscow. He holds a degree in medicine from Pirogov Medical University in addition to a postdoctoral degree in medicine. Dr Kurtser remains actively involved in the Group's healthcare practice and day-to-day operations.

2. Dr Elena Mladova
Chief Executive Officer

Dr Elena Mladova joined the Board of Directors in August 2012 having been appointed as Chief Executive Officer earlier in the year. She joined the Group in 2008 as Head of the Infertility Treatment and IVF Department at PMC, where she was responsible for the introduction of various infertility and IVF treatments. Previously, Dr Mladova worked as an obstetrician and gynaecologist in the Family Planning and Reproductive Centre in Moscow. She graduated from the Lomonosov Moscow State University with a degree in primary care medicine.

3. Mr Simon Rowlands
Independent Non–Executive Director

Mr Simon Rowlands was appointed as an Independent Non-Executive Director in September 2012. His other current appointments include non-executive directorships at Spire Healthcare, Avio and Enserve. Mr Rowlands is a Founding Partner of European private equity firm Cinven Partners where he established and led the healthcare team and was involved in a number of transactions including General Healthcare Group, Spire Healthcare and Classic Hospitals in the UK, USP in Spain and Générale de Santé in France. In July 2012, Mr Rowlands became Senior Adviser at Cinven. Prior to joining Cinven, Mr Rowlands worked with an international consulting firm on multi-disciplinary engineering projects in the UK and southern Africa. He has an MBA in Business, a BSc in engineering and is a chartered engineer.

4. Mr Kirill Dmitriev
Non–Executive Director

Mr Kirill Dmitriev is CEO of the Russian Direct Investment Fund, a $10 billion fund established by the Russian government to make equity investments primarily in the Russian economy. Before being asked by the Russian government to run the fund, he was president of Icon Private Equity and co-managing partner and CEO of Delta Private Equity Partners. Previously Dmitriev was an investment banker at Goldman Sachs in New York and a consultant at McKinsey & Co. Mr Dmitriev holds a B.A. from Stanford University and an M.B.A. from Harvard Business School.

5. Mr Apollon Athanasiades
Executive Director

Mr Apollon Athanasiades was appointed as an Executive Director in August 2012. He is currently a Director at Amicorp (Cyprus) Ltd mainly dealing with business structuring, a position he has held since April 2010. He previously held positions in the internal audit department of Louis PLC and worked in compliance and finance at PricewaterhouseCoopers Ltd (Cyprus), A.N. Athanasiades & Co. (Cyprus) and Messrs Auerbach Hope (UK). He holds a BA in Accounting, Finance and Economics from the University of Manchester and is a qualified accountant.

6. Ms Elia Nicolaou
Executive Director

Ms Elia Nicolaou was reappointed as an Executive Director in August 2012. She also acts as the Company Secretary. Ms Nicolaou is currently the Managing Director at Amicorp (Cyprus) Ltd. Previously, Ms Nicolaou worked as the head of the corporate legal department at Polakis Sarris LLC and as a lawyer at C Patsalides LLC. She also sits on various boards of the Cyprus Chamber of Commerce and on the boards of directors of various public listed companies. Ms Nicolaou gained an LLB in Law from the University of Nottingham in the UK before gaining an LLM in Commercial and Corporate Law from University College London. She also holds an MBA from the Cyprus International Institute of Management.

7. Mr Marios Tofaros
Executive Director

Mr Marios Tofaros was appointed as an Executive Director in August 2012. He is currently a director of the client accounting department of Amicorp (Cyprus) Ltd., a position he has held since 2008. Previously, Mr Tofaros held the positions of financial accountant at Depfa Investment Bank Ltd from 2004 until 2008 and financial officer at Louis Catering Ltd from 2003 to 2004. Prior to that, he held various positions in the audit department at KPMG Cyprus. Mr Tofaros holds a Master's degree in business studies from the University of Kent and is a chartered certified accountant.

8. Mr Andreas Petrides
Non-Executive Director

Mr Andreas Petrides was appointed as a Non-Executive Director in April 2013. He is the Managing Director of the ASG Premier Audit Services Limited. Prior to joining ASG, he was Senior Supervisor at KPMG. He has a Masters in Management – Concentration in Finance from the University of Arizona and is a member of the Institute of Chartered Accountants in England and Wales. He has experience in acting as the external auditor of public companies in various industries. In addition he specialises in local and international tax planning as well as in investment and corporate valuation.

9. Mr Angelos Paphitis
Non-Executive Director

Mr Angelos Paphitis was appointed as a Non-Executive Director in April 2013. He is an attorney at law, Founder and Managing Director of the Law Firm, A G Paphitis & Co LLC. Angelos holds a Master's degree on Commercial & Corporate Law (LLM) from University College London, of the University of London; he is qualified as a Barrister-at-Law in England and Wales (member of Gray's Inn), and he was admitted to the Cyprus Bar Association in 2004. Angelos specialises on Company law and Corporate advisory, Financial Services Advisory, International Tax Planning and Trusts, and has experience in corporate structuring, M&A, dispute resolution and litigation, Property law and IP, and Foreign Investment law in Cyprus and abroad.

Corporate governance

MD Medical Group understands the importance of corporate governance as a means of facilitating effective, entrepreneurial and prudent management that can deliver the long-term success of the Company. The Board of Directors recognises that good governance is a strategic asset and is committed to high standards of corporate governance and transparency to help it deliver long-term value to shareholders.

In advance of the London listing, the Board of Directors implemented a number of changes to its governance arrangements. From the date of admission, the Company has applied the principles and complied with the provisions of the UK Corporate Governance Code. It has established a remuneration committee, an audit committee and a nomination committee with formally delegated duties and responsibilities and written terms of reference. All of the committees perform their duties on behalf of the Board of Directors which is responsible for constituting, assigning, co-opting and fixing the terms of service for the committee members.

AUDIT COMMITTEE

The audit committee comprises two Non-Executive Directors. Independent Non-Executive Director Mr Simon Rowlands chairs the committee and Mr Kirill Dmitriev is the other member. The audit committee meets at least four times each year and is responsible for considering, among other matters: (i) the integrity of the Group's consolidated financial statements, including its annual and interim accounts, and the effectiveness of the Group's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditors.

The audit committee supervises, monitors, and advises the Board of Directors on risk management and control systems, as well as on the implementation of codes of conduct. In addition, the audit committee supervises the submission by the Company of the Group's financial information and a number of other audit related issues and assesses the efficiency of the work of the Chairman of the Board of Directors.

NOMINATION COMMITTEE

The nomination committee comprises two Non-Executive Directors, one of whom is independent. It is chaired by Dr Mark Kurtser and the other member is Mr Simon Rowlands. The nomination committee meets at least once a year. Its role is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review on a regular basis the structure, size and composition of the Board of Directors. In undertaking this role, the nomination committee refers to the skills, knowledge and experience required of the Board of Directors given the Company's stage of development and makes recommendations to the Board of Directors as to any changes. The nomination committee also considers future appointments in respect of the composition of the Board of Directors, as wells as making recommendations regarding the membership of the audit and remuneration committees.

REMUNERATION COMMITTEE

The remuneration committee comprises three Directors, one of whom is independent. The remuneration committee is chaired by Mr Simon Rowlands. Dr Mark Kurtser and Dr Elena Mladova are members. The remuneration committee meets at least once a year and is responsible for determining and reviewing, among other matters, the Company's remuneration policies. The remuneration of independent directors is a matter for the Chairman of the Board of Directors and the Executive Directors. No Director or manager may be involved in any decisions as to his/her own remuneration.

INTERNAL AUDITOR

The Company's internal auditor is responsible for the recommendation of an auditing plan to the audit committee of the Board of Directors. The internal auditor carries out auditing assignments in accordance with the plan and oversees and reports on the Company's compliance with the plan's recommendations. The internal auditor also files a quarterly report with the audit committee and the Board of Directors and must be available for any meetings of the audit committee or the Board of Directors.

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

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

Directors' report

The Board of Directors of MD Medical Group Investments Plc (the "Company") presents to the members its Annual Report together with the audited consolidated financial statements of the Company and its subsidiary companies (the Company and its subsidiaries together referred to as the "Group") for the year ended 31 December 2012.

INCORPORATION

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

PRINCIPAL ACTIVITY

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

The Group's medical centres 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.

FINANCIAL RESULTS

The Group's financial results for the year ended 31 December 2012 and its financial position at that date are set out in the consolidated Statement of Comprehensive Income on page 37 and in the consolidated Statement of Financial Position on page 38.

The profit for the year ended 31 December 2012 amounted to RUB1,538,231 thousand (2011: RUB923,955 thousand). The total assets of the Group as at 31 December 2012 were RUB12,913,509 thousand (2011: RUB4,769,387 thousand) and the net assets were RUB8,623,417 thousand (2011: RUB2,807,256 thousand).

The increase in the profit for the year is mostly related to the increase of revenue as a result of the increased volume of operations. The increase in total assets of the Group is mostly related to completion of Lapino hospital and proceeds from IPO.

DIVIDENDS

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

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

During 2011 and prior to the issue of the new shares, the Board of Directors declared and paid an interim dividend out of the 2011 profits of the Company amounting to US$51 thousand (RUB1,498 thousand), which corresponds to US$0.00102 (RUB0.02996) per share.

During 2012, prior to the issue of any 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 the 2012 profits of the Company amounting to US$5,050 thousand (RUB153,654 thousand) which corresponds to US$0.10080 (RUB3.06695) per share.

The Board of Directors recommends the payment of US$9,766 thousand (RUB296,627 thousand) as final dividend for the year 2012 which corresponds to US$0.13 (RUB3.95) per share.

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

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

Within 2012 the Company incorporated three new entities, LLC MD Service, LLC Mother and Child Nizhny Novgorod and LLC Mother and Child Yekaterinburg. The direct and indirect holding percentage is 98% for LLC MD Service and 99% for each of the other two companies.

The new subsidiaries of the Company are located in Moscow, Nizhny Novgorod and Yekaterinburg. Additional brief details for all subsidiaries are given in note 1 to the consolidated financial statements.

Furthermore on 17 October 2012, the Company successfully completed an initial public offering (IPO) of its shares in the form of global depositary receipts (GDRs). The Company's GDRs (one GDR representing one ordinary share) are listed on the Main Market of the London Stock Exchange under the symbol "MDMG".

Following the IPO, 68% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr Mark Kurtser. The remaining 32% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders.

At the end of November 2012 the construction of a 182-bed hospital in the town of Lapino in the Odintsovo district of the Moscow region has been completed. The hospital totals 42.000 square meters and offers obstetrics and gynaecology, paediatrics, diagnostics, surgery, traumatology and rehabilitation services. The opening of the hospital in Lapino marks the start of a new phase in the development of the Group as it also expands its range of services to encompass surgery, traumatology and rehabilitation alongside its core services.

Directors' report continued

PRINCIPAL RISKS AND UNCERTAINTIES

Details in relation to principal risks and uncertainties and steps taken to manage these risks and uncertainties are given in note 28 and 30 of the consolidated financial statements.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. Within 2012 the Board of Directors has adopted a formal process to identify, evaluate and manage principal risks and uncertainties faced by the Group.

FUTURE DEVELOPMENTS

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

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

SHARE CAPITAL

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 special 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.

As a result of the above changes, the authorised share capital of the Company is US$10,020,000 divided into 125,250,000 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.

As a result of the above changes, the issued share capital of the Company is US$6,010,000 divided into 75,125,010 ordinary shares of US$0.08 each.

BOARD OF DIRECTORS

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

The members of the Board of Directors who served as at the date of signing of these consolidated financial statements are presented on pages 28 to 29.

The members of the Board of Directors who served during the year 2012 and as at 31 December 2012 were are as follows:

- Elia Nicolaou
- Apollon Athanasiades (appointed on 2 August 2012)
- Elena Mladova (appointed on 2 August 2012)
- Marios Tofaros (appointed on 2 August 2012)
- Mark Kurtser (appointed on 2 August 2012)
- Vitaly Ustimenko (appointed as an alternate Director to Mark Kurtser on 19 September 2012)
- Simon Rowlands (appointed on 24 September 2012)
- Kirill Dmitriev (appointed on 21 December 2012)
- Olga Mikhailova (appointed on 24 September 2012 and resigned on 28 February 2013)
- Gulnara Ziadetdinova (appointed 21 December 2012 and resigned on 28 February 2013)

Other than Ms Elia Nicolaou, all Directors retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

The Board Committees

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

Audit Committee

The Audit Committee comprises of two Non-Executive Directors, one of whom is independent. The Audit Committee is chaired by the Independent Non-Executive Director Mr Simon Rowlands. Mr Kirill Dmitriev is the other member.

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

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

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

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

Nomination Committee

The Nomination Committee comprises of two Non-Executive Directors, one of whom is independent. The Nomination Committee is chaired by the Non-Executive Director Dr Mark Kurtser. Mr Simon Rowlands is the other member.

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

Remuneration Committee

The Remuneration Committee comprises of three Directors, one Independent Non-Executive Director, a Non-Executive Director and an Executive Director. The Remuneration Committee is chaired by the Independent Non-Executive Director Mr Simon Rowlands. The two other members are Dr Mark Kurtser and Dr Elena Mladova.

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

CORPORATE GOVERNANCE

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

Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2012 important policies and procedures.

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

- Appointment policy for the Board of Directors and Committees
- Terms of reference of the Audit Committee
- Terms of reference of the Nomination Committee
- Terms of reference of the Remuneration Committee
- Code of Ethics and Conduct
- Anti-Fraud Policy

Directors' report continued

BRANCHES

During the year ended 31 December 2012, the Company did not operate any branches.

TREASURY SHARES

During the year ended 31 December 2012, the Company did not acquire either directly or through a person in that persons' name but on the Company's behalf any of its own shares.

EVENTS AFTER THE REPORTING PERIOD

Since 1 January 2013 LLC KHAVEN and LLC Mother and Child Perm are subject to a 0% income tax rate.

On 11 March 2013 beginning of the construction of a new medical centre of 32.000 square meters in Ufa was announced.

On 12 March 2013 the authorised share capital of LLC MD PROJECT 2010 was increased from RUB10 thousand to RUB1.500.000 thousand to provide funds for the construction of new medical centre in Ufa. On 18 March 2013 the Company transferred its part of contribution in amount of RUB1.199.992 thousand to LLC MD PROJECT 2010.

On 14 March 2013 the Company announced the proposed acquisition from unrelated third parties of Vitanostra Ltd, operator of the IDK Medical Company network of women's and children's health clinics in the Russian region of Samara. The acquisition is for a cash consideration of US$16.100 thousand for 100% of the outstanding share capital of Vitanostra Ltd which owns 100% of IDK Medical Company network. The transaction is expected to be completed in the first half of 2013 following the receipt of regulatory approvals.

INDEPENDENT AUDITORS

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

By order of the Board of Directors

Mark Kurtser
Chairman of the Board of Directors

Limassol, 5 April 2013

Directors' responsibility statement

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

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

The Directors of the Company as at the date of this announcement are set out below:

Mark Kurtser	Chairman, Non-Executive Director
Apollon Athanasiades	Executive Director
Elena Mladova	Executive Director
Elia Nicolaou	Executive Director
Marios Tofaros	Executive Director
Andreas Petrides	Non-Executive Director
Angelos Paphitis	Non-Executive Director
Kirill Dmitriev	Non-Executive Director
Simon Rowlands	Non-Executive Independent Director

Independent auditors' report
to the members of MD Medical Group Investments Plc

Report on the financial statements
We have audited the accompanying consolidated financial statements of MD Medical Group Investments Plc (the "Company") and its subsidiaries ("the Group") on pages 37 to 64 which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements
The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of MD Medical Group Investments Plc as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal and regulatory requirements
Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:
- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Group's consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us, and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 31 to 34 is consistent with the consolidated financial statements.

Other matter
This report, including the opinion expressed herein, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving the aforementioned opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come.

Michalis A. Loizides, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

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

5 April 2013

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Note	2012 RUB'000	2011 RUB'000
Revenue	4	**4,061,092**	2,907,759
Cost of sales	5	**(2,013,135)**	(1,463,889)
Gross profit		**2,047,957**	1,443,870
Other income		**820**	1,001
Administrative expenses	6	**(484,401)**	(245,613)
Other expenses		**(4,038)**	(6,232)
Profit from operations before net finance expenses	7	**1,560,338**	1,193,026
Finance income		**13,135**	628
Finance expenses		**(68,719)**	(32,076)
Net foreign exchange transactions gain / (loss)		**14,297**	(12,278)
Net finance expenses	9	**(41,287)**	(43,726)
Excess of Group's interest in the fair value of the acquired subsidiaries' net assets over the fair value of the consideration paid for their acquisition	15	**–**	45,762
Profit before tax		**1,519,051**	1,195,062
Taxation	10	**19,180**	(271,107)
Profit for the year		**1,538,231**	923,955
Other comprehensive income			
Foreign currency translation differences on foreign operations		**(84,401)**	(23,707)
Total comprehensive income for the year		**1,453,830**	900,248
Profit for the year attributable to:			
Owners of the Company		**1,399,445**	859,981
Non-controlling interests		**138,786**	63,974
		1,538,231	923,955
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,315,044**	836,274
Non-controlling interests		**138,786**	63,974
		1,453,830	900,248
Basic and fully diluted earnings per share (RUB)	11	**21.46**	13.76

The notes on pages 42 to 64 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2012

	Note	31 December 2012 RUB'000	31 December 2011 RUB'000
Assets			
Property, plant and equipment	13	**7,422,875**	4,043,632
Intangible assets	14	**30,668**	30,956
Trade, other receivables and deferred expenses	17	**150,483**	461,763
Deferred tax assets	24	**136**	311
Total non-current assets		**7,604,162**	4,536,662
Inventories	16	**50,475**	27,071
Trade, other receivables and deferred expenses	17	**229,224**	42,898
Current income tax asset		**16,899**	29,282
Short-term investments	18	**2,429,816**	–
Cash and cash equivalents	19	**2,582,933**	133,474
Total current assets		**5,309,347**	232,725
Total assets		**12,913,509**	4,769,387
Equity			
Share capital	20	**180,585**	149,636
Reserves		**8,101,975**	2,430,351
Total equity attributable to owners of the Company		**8,282,560**	2,579,987
Non-controlling interests		**340,857**	227,269
Total equity		**8,623,417**	2,807,256
Liabilities			
Loans and borrowings	22	**2,694,901**	1,059,828
Obligations under finance leases	23	**809**	–
Trade and other payables	25	**64,484**	–
Deferred tax liabilities	24	**5,984**	39,117
Deferred income	26	**56,716**	41,241
Total non-current liabilities		**2,822,894**	1,140,186
Short-term portion of long-term loans	22	**262,688**	29,700
Obligations under finance leases	23	**200**	102,534
Trade and other payables	25	**755,613**	352,354
Deferred income	26	**447,937**	327,120
Current income tax liability		**760**	10,237
Total current liabilities		**1,467,198**	821,945
Total liabilities		**4,290,092**	1,962,131
Total equity and liabilities		**12,913,509**	4,769,387

On 5 April 2013 the Board of Directors of MD Medical Group Investments Plc authorised these consolidated financial statements for issue.

Elena Mladova
Director

Mark Kurtser
Director

Vitaly Ustimenko
Chief Financial Officer

The notes on pages 42 to 64 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2012

		Attributable to owners of the Company								
	Note	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 2011		149,316	119,334	(682,873)	62,274	4,378	1,513,464	1,165,893	79,880	1,245,773
Comprehensive income										
Profit for the year		–	–	–	–	–	859,981	859,981	63,974	923,955
Other comprehensive income										
Foreign currency translation differences		–	–	–	–	(23,707)	–	(23,707)	–	(23,707)
Total comprehensive income for the year		–	–	–	–	(23,707)	859,981	836,274	63,974	900,248
Contributions by and distributions to owners										
Issue of share capital at a premium	20	320	613,751	–	(62,274)	–	–	551,797	–	551,797
Dividends	12	–	–	–	–	–	(1,498)	(1,498)	(21,915)	(23,413)
Contributions from shareholders		–	–	–	27,521	–	–	27,521	18,348	45,869
Total transactions with owners		320	613,751	–	(34,753)	–	(1,498)	577,820	(3,567)	574,253
Non-controlling interest in acquired subsidiaries		–		–	–	–	–	–	86,182	86,182
Non-controlling interest in new subsidiaries		–		–	–	–	–	–	800	800
Total non-controlling interest		–		–	–	–	–	–	86,982	86,982
Balance at 31 December 2011		149,636	733,085	(682,873)	27,521	(19,329)	2,371,947	2,579,987	227,269	2,807,256

The notes on pages 42 to 64 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity continued
For the year ended 31 December 2012

		Attributable to owners of the Company								
	Note	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 year		–	–	–	–	–	1,399,445	1,399,445	138,786	1,538,231
Other comprehensive income										
Foreign currency translation differences		–	–	–	–	(84,401)	–	(84,401)	–	(84,401)
Total comprehensive income for the year		–	–	–	–	(84,401)	1,399,445	1,315,044	138,786	1,453,830
Contributions by and distributions to owners										
Issue of share capital at a premium	20	30,949	4,510,234	–	–	–	–	4,541,183	–	4,541,183
Dividends	12	–	–	–	–	–	(153,654)	(153,654)	(25,200)	(178,854)
Total transactions with owners		30,949	4,510,234	–	–	–	(153,654)	4,387,529	(25,200)	4,362,329
Non-controlling interest in new subsidiaries		–	–	–	–	–	–	–	2	2
Total non-controlling interest		–	–	–	–	–	–	–	2	2
Balance at 31 December 2012		**180,585**	**5,243,319**	**(682,873)**	**27,521**	**(13,730)**	**3,617,738**	**8,282,560**	**340,857**	**8,623,417**

Share premium is not available for distribution.

The notes on pages 42 to 64 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2012

	Note	2012 RUB'000	2011 RUB'000
Cash flows from operating activities			
Profit for the year		**1,538,231**	923,955
Adjustments for:			
Depreciation of property, plant and equipment	13	**133,840**	99,042
Net exchange (profit) / loss	9	**(14,297)**	12,278
Amortisation of intangible assets	14	**288**	249
Excess of Group's interest in the fair value of the acquired subsidiaries' net assets over the fair value of the consideration paid for their acquisition	15	**–**	(45,762)
Loss / (profit) from the sale of property, plant and equipment		**1,954**	(118)
Interest income	9	**(13,135)**	(628)
Interest expense	9	**27,218**	5,186
Impairment of financial instruments	9	**1,118**	1,038
Taxation	10	**(19,180)**	271,107
Cash flows from operations before working capital changes		**1,656,037**	1,266,347
Increase in inventories		**(23,404)**	(4,381)
Increase in trade and other receivables		**(41,356)**	(135,931)
Increase in trade and other payables		**99,878**	54,406
Increase in deferred income		**136,292**	138,773
Cash flows from operations		**1,827,447**	1,319,214
Tax paid		**(10,872)**	(254,168)
Net cash flows from operating activities		**1,816,575**	1,065,046
Cash flows from investing activities			
Payment for acquisition of intangible assets		**–**	(481)
Payment for acquisition / construction of property, plant and equipment		**(2,646,366)**	(1,811,882)
Payment for acquisition of investments in subsidiaries under common control		**(9,337)**	(330,617)
Acquisition of subsidiaries, net cash outflow on acquisition		**–**	(443,062)
Short-term investments with maturity date more than three months		**(2,509,328)**	–
Proceeds from disposal of property, plant and equipment		**759**	163
Interest received		**9,078**	628
Net cash flows used in investing activities		**(5,155,194)**	(2,585,251)
Cash flows from financing activities			
Proceeds from issue of share capital at a premium		**4,374,143**	551,797
Repayment of borrowings		**(59,538)**	–
Repayments of obligations under finance leases		**(106,574)**	(71,277)
Proceeds from borrowings		**1,903,366**	1,085,250
Interest paid		**(179,285)**	(446)
Dividends paid to the owners of the Company		**(153,654)**	(1,498)
Dividends paid to non-controlling interests		**(10,500)**	(21,915)
Net cash flows from financing activities		**5,767,958**	1,541,911
Net increase in cash and cash equivalents		**2,429,339**	21,706
Cash and cash equivalents at the beginning of the year		**133,474**	111,529
Effect of exchange rate changes on cash and cash equivalents		**20,120**	239
Cash and cash equivalents at the end of the year	19	**2,582,933**	133,474

The notes on pages 42 to 64 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2012

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 1 Avlonos Street, Maria House, 5th floor, P.C. 1075, Nicosia, Cyprus.

The consolidated financial statements for the year ended 31 December 2012 consist of the consolidated statement of financial position as at the aforementioned date and the related consolidated 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 year then ended.

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 centres 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:

Name	Country of incorporation	Activities	Notes	2012 Effective Holding %	2011 Effective Holding %
CJSC MD PROJECT 2000	Russian Federation	Medical services		**95**	95
LLC Khaven	Russian Federation	Medical services	1	**100**	100
LLC Velum	Russian Federation	Medical services	1	**54**	54
LLC Capital Group	Russian Federation	Renting of property	1	**80**	80
LLC FimedLab	Russian Federation	Medical services	1	**60**	60
LLC Clinic Mother & Child	Russian Federation	Holding of trademarks	1,4	**100**	100
LLC Clinica Zdorovia	Russian Federation	Medical services	2	**60**	60
LLC Ivamed	Russian Federation	Medical services	2	**100**	100
LLC Dilamed	Russian Federation	Medical services	2	**100**	100
CJSC Listom	Russian Federation	Medical services	2	**100**	100
LLC Ustic ECO	Russian Federation	Medical services	2	**70**	70
LLC Ecodeure	Russian Federation	Medical services	2	**85**	85
LLC Mother & Child Perm	Russian Federation	Medical services	3	**80**	80
LLC Mother & Child Ufa	Russian Federation	Medical services	5	**80**	80
LLC Mother & Child Saint Petersburg	Russian Federation	Medical services	5	**60**	60
LLC MD PROJECT 2010	Russian Federation	Medical services	5,6,7	**80**	80
LLC Mother & Child Ugo Zapad	Russian Federation	Medical services	5,6	**60**	60
LLC MD Service	Russian Federation	Pharmaceutics retail	8	**98**	–
LLC Mother & Child Nizhny Novgorod	Russian Federation	Medical services (not operating)	9	**99**	–
LLC Mother & Child Yekaterinburg	Russian Federation	Medical services (not operating)	9	**99**	–

Notes:
1. These entities were acquired through the exercise in January 2011 of a Call Option agreement entered by the Company in October 2010.
2. These entities were all acquired in November 2011 from the same party.
3. This entity was acquired in May 2011.
4. 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%.
5. These entities are indirectly owned through LLC Khaven.
6. These entities were incorporated in 2011.
7. 99% of the share capital of this entity is owned by LLC Mother & Child Ufa and 1% of the share capital of this entity is owned by LLC Mother & Child Perm. Thus effective holding percentage for the entity is 80%.
8. 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%.
9. These entities were incorporated in 2012 and did not carry any operations during the year.

As of 31 December 2012, 68% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr Mark Kurtser. The remaining 32% 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

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

The consolidated financial statements were approved by the Board of Directors and were authorised for issue on 5 April 2013.

(b) Basis of measurement

The consolidated 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) Adoption of new and revised International Financial Reporting Standards and Interpretations

As from 1 January 2012, the Company adopted all changes to International Financial Reporting Standards (IFRSs) which are relevant to its operations. This adoption did not have a material effect on the consolidated financial statements of the Group.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2012. The Company does not plan to adopt these Standards early.

(i) Standards and Interpretations adopted by the EU

- IFRS 7 (Amendments) "Financial Instruments: Disclosures" – "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 (Amendments) "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- IAS 19 (Amendments) "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (Revised) "Investments in Associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2013).
- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

(ii) Standards and Interpretations not adopted by the EU

- Improvements to IFRSs 2009-2011 (effective for annual periods beginning on or after 1 January 2013).
- IFRS 1 (Amendments): "Government Loans" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendments) "Financial Instruments: Disclosures" – " Disclosures on transition to IFRS 9" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).
- Transition Guidance - Amendments to IFRS 10, 11 and 12 (effective for annual periods beginning on or after 1 January 2013).
- Investment Entities - Amendments to IFRS 10, 12 and IAS 27 (effective for annual periods beginning on or after 1 January 2014).

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the consolidated financial statements of the Group.

(d) Use of estimates and judgments

Preparing consolidated financial statements in accordance with IFRSs requires management to exercise their judgment 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 estimates and underlying assumptions are reviewed and where necessary revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

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

Provision for bad and doubtful debts

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

Provision for obsolete and slow moving inventory

The Group reviews its inventory records for evidence regarding the saleability or usability of inventory and its net realisable value on disposal. The provision for obsolete and slow moving inventory is based on management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognised in profit or loss. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow moving inventory are reviewed regularly and adjusted accordingly.

Notes to the consolidated financial statements continued
For the year ended 31 December 2012

2. BASIS OF PREPARATION CONTINUED

(d) Use of estimates and judgments continued

Income taxes

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

Impairment of intangible assets

Intangible assets are initially recorded at acquisition cost and are amortised on a straight-line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset.

When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs.

Impairment of goodwill

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

(e) 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 the consolidated financial statements in RUB, rounded to the nearest thousand.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter company transactions and balances between Group companies have been eliminated during consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:
- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non controlling interests are measured at fair value or, when applicable, on a basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Business combinations continued

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Purchases of subsidiaries from parties under common control are accounted for using the predecessor basis of accounting. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted in these consolidated financial statements as an adjustment to common control transaction reserve within equity.

Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of rebates and discounts. Revenues earned by the Group are recognised on the following bases:

Sale of goods

Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Group has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

Rendering of services

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Finance income

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

Finance expenses

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

Foreign currency translation

Transactions and balances

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Russian Rubles using exchange rates prevailing on the reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the consolidated financial statements continued
For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Tax continued

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Group's financial statements in the year in which the dividends are declared, either through Board resolution (for interim dividends) or by the Group's shareholders in the Annual General Meeting (for final dividends).

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

	Years
Freehold buildings	50
Plant and machinery	1-10
Leased equipment	10

No depreciation is provided on land.

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

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

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

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

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

Deferred income

Deferred income represents income receipts which relate to future periods.

Intangible assets

(i) Goodwill

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

The excess of the Group's interest in the fair value of the new subsidiaries' net assets over the consideration paid for their acquisition ("a bargain purchase gain") is written-off in profit or loss in the year of acquisition of the relevant subsidiary.

Positive goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Intangible assets continued

(ii) Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. The estimated useful life of patents and trademarks is seven years.

(iii) Website costs

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

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

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

The leases of the Group are classified as finance leases, if they transfer to the Group substantially all the risks and rewards incidental to ownership of an asset. The Group recognises a finance lease as an asset and liability at the lower of the fair value of the leased asset and the present value of minimum lease payments.

The payments are apportioned between the finance expenses and the decrease of the finance lease obligations based on the effective interest method.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade and other receivables are stated at their nominal values after deducting the specific provision for doubtful debts, which is calculated based on an examination of all outstanding balances as at the year end. Bad debts are written off when identified.

(ii) Prepayments from clients

Payments received in advance on sale contracts for which no revenue has been recognised yet, are recorded as deferred income as at the reporting date and carried under liabilities.

(iii) Loans granted

Loans originated by the Group by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

(iv) Derivatives

Derivative financial instruments are initially accounted for at cost and subsequently measured at fair value. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. The adjustments on the fair value of derivatives held at fair value through profit or loss are transferred to profit or loss.

(v) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, cash at bank and short-term highly liquid investments with maturity of 3 months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term investments.

(vi) Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(vii) Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Notes to the consolidated financial statements continued
For the year ended 31 December 2012

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

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

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

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

Share capital
Proceeds from the issue of ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

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

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

Non-current liabilities
Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

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

4. REVENUE

	2012 RUB'000	2011 RUB'000
Deliveries	**1,056,910**	873,839
Obstetrics and Gynaecology outpatient treatments	**790,717**	506,926
Paediatrics outpatient treatments	**556,576**	381,735
IVF	**542,169**	340,703
Obstetrics and Gynaecology inpatient treatments	**416,828**	309,498
Paediatrics inpatient treatments	**136,580**	101,210
Other medical services	**386,729**	248,083
Sales of goods	**96,049**	87,505
Other income	**78,534**	58,260
	4,061,092	2,907,759

5. COST OF SALES

	2012 RUB'000	2011 RUB'000
Payroll and related social taxes	**1,268,403**	931,653
Materials and supplies used	**426,096**	319,223
Depreciation	**130,969**	97,565
Property tax	**53,884**	34,534
Energy and utilities	**42,799**	31,787
Medical services	**43,963**	29,909
Repair and maintenance	**20,696**	12,050
Other expenses	**26,325**	7,168
	2,013,135	1,463,889

6. ADMINISTRATIVE EXPENSES

	2012 RUB'000	2011 RUB'000
Payroll and related social taxes	**228,115**	132,214
Utilities and materials	**110,311**	23,870
Legal, consulting and other professional fees	**54,739**	23,566
Advertising	**36,041**	25,543
Independent auditors' remuneration	**20,562**	14,465
Communication costs	**7,198**	6,139
Depreciation	**2,871**	1,477
Amortisation	**288**	249
Other expenses	**24,276**	18,090
	484,401	245,613

7. PROFIT FROM OPERATIONS BEFORE NET FINANCE EXPENSES

	2012 RUB'000	2011 RUB'000
Profit before tax is stated after charging the following items:		
Staff costs	**1,496,518**	1,063,867
Depreciation of property, plant and equipment	**133,840**	99,042
Independent auditors' remuneration	**20,562**	14,465
Amortisation of intangible assets	**288**	249

8. STAFF COSTS

	2012 RUB'000	2011 RUB'000
Wages and salaries	**1,227,248**	882,825
Social insurance contributions and other taxes	**269,270**	181,042
Total staff costs	**1,496,518**	1,063,867

The average number of employees employed by the Group during the year 2012 and 2011 were 1,766 and 1,595 respectively.

Notes to the consolidated financial statements continued

For the year ended 31 December 2012

9. NET FINANCE EXPENSES

	2012 RUB'000	2011 RUB'000
Finance income		
Bank interest	**13,135**	628
Finance expenses		
Interest expense		
Interest on bank loans	**(24,538)**	–
Interest on loans from third parties	**(224)**	(894)
Finance leases interest	**(2,456)**	(4,292)
Other finance expense		
Bank charges	**(40,383)**	(25,852)
Impairment of trade and other receivables	**(633)**	(1,038)
Other impairment provision	**(485)**	–
	(68,719)	(32,076)
Net foreign exchange transaction gain / (loss)	**14,297**	(12,278)
Net finance expense	**(41,287)**	(43,726)

The average capitalisation rate on funds borrowed specifically for the construction of the qualifying assets is 10% per annum (2011: 10%).

Borrowing costs capitalised for qualifying assets amounted to RUB178,756 thousand for 2012 and RUB27,312 thousand for 2011.

10. TAXATION

Tax recognised in profit or loss

	2012 RUB'000	2011 RUB'000
Corporation tax	**13,778**	246,782
Deferred tax (credit) / charge	**(32,958)**	24,325
Charge for the year	**(19,180)**	271,107

Numerical reconciliation of income tax expense to prima facie tax payable

	2012 RUB'000	2011 RUB'000
Accounting profit before tax	**1,519,051**	1,195,062
Tax calculated at the applicable tax rates of the Group	**16,719**	261,978
Tax effect of expenses not deductible for tax purposes	**41,940**	3,138
Tax effect of allowances and income not subject to tax	**(22,012)**	(32,940)
Tax effect of loss	**448**	307
Reduction in tax rates	**(66,391)**	22,154
Overseas tax in excess of credit claim used during the year	**10,116**	16,470
Tax as per consolidated statement of comprehensive income-(credit) / charge	**(19,180)**	271,107

11. PROFIT PER SHARE

	2012	2011
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	**1,399,445**	859,981
Weighted average number of ordinary shares in issue during the year	**65,220,631**	62,503,767
Basic and fully diluted earnings per share (RUB)	**21.46**	13.76

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 consolidated financial statements.

12. DIVIDENDS

During 2011, and prior to the issue of the new shares, the Board of Directors declared and paid an interim dividend out of 2011 profits amounting to US$51 thousand (RUB1,498 thousand), which corresponds to US$0,00102 (RUB0,02996) per share.

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$0,1080 (RUB3,06695) per share.

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 (in 2011 the rate was 15% up to 30 August 2011 and was increased to 17% for the period thereafter to 31 December 2011) 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.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2012	Freehold land and buildings RUB'000	Property under construction RUB'000	Plant and equipment RUB'000	Leased equipment RUB'000	Total RUB'000
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**
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	**231,175**	**–**	**592,426**	**158**	**823,759**
Carrying amounts					
Balance at 31 December	**5,879,876**	**195,659**	**1,344,905**	**2,435**	**7,422,875**

31 December 2011	Freehold land and buildings RUB'000	Property under construction RUB'000	Plant and equipment RUB'000	Leased equipment RUB'000	Total RUB'000
Cost					
Balance at 1 January	1,523,890	–	561,591	–	2,085,481
Acquisitions through business combinations	360,721	165,433	101,465	–	627,619
Additions	113,852	1,711,307	32,592	169,519	2,027,270
Disposals	–	–	(1,268)	–	(1,268)
Balance at 31 December	1,998,463	1,876,740	694,380	169,519	4,739,102
Depreciation					
Balance at 1 January	150,623	–	447,028	–	597,651
Depreciation during the year	34,777	–	61,441	2,824	99,042
On disposals	–	–	(1,223)	–	(1,223)
Balance at 31 December	185,400	–	507,246	2,824	695,470
Carrying amounts					
Balance at 31 December	1,813,063	1,876,740	187,134	166,695	4,043,632

The total net book value of property, plant and equipment which is held as collateral for the borrowings, loans and leased assets is RUB5,991,537,000 as at 31 December 2012 and RUB1,735,650,000 as at 31 December 2011.

Terms and conditions relating to the pledge of property, plant and equipment are given in note 31.

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14. INTANGIBLE ASSETS

2012	Goodwill RUB'000	Patents and trademarks RUB'000	Website RUB'000	Total RUB'000
Cost				
Balance at 1 January / 31 December	**30,051**	**949**	**280**	**31,280**
Amortisation				
Balance at 1 January	**–**	**193**	**131**	**324**
Amortisation during the year	**–**	**232**	**56**	**288**
Balance at 31 December	**–**	**425**	**187**	**612**
Carrying amounts				
Balance at 31 December	**30,051**	**524**	**93**	**30,668**

2011	Goodwill RUB'000	Patents and trademarks RUB'000	Website RUB'000	Total RUB'000
Cost				
Balance at 1 January	–	–	280	280
Aquisitions of subsidiaries	30,051	468	–	30,519
Additions	–	481	–	481
Balance at 31 December	30,051	949	280	31,280
Amortisation				
Balance at 1 January	–	–	75	75
Amortisation during the year	–	193	56	249
Balance at 31 December	–	193	131	324
Carrying amounts				
Balance at 31 December	30,051	756	149	30,956

Goodwill is allocated to each cash-generating unit (CGU), identified according to the period of acquisition (note 15).

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

Goodwill carrying amount:

	31 December 2012 RUB'000	31 December 2011 RUB'000
Subsidiaries acquired through Call Option in January 2011	**3,586**	3,586
Subsidiaries acquired in November 2011	**26,464**	26,464
Subsidiary acquired in May 2011	**1**	1
	30,051	30,051

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

The recoverable amount of each CGU group is based on the sum of the fair values of the net assets of the subsidiaries included in each CGU. The calculation of the fair value of net assets of each subsidiary is based on the current and estimated future pre-tax profitability. Additional details for determination of fair values of net assets are disclosed in note 29 of the consolidated financial statements.

No impairment was recognised in 2012. For all cash generating units management believes that any reasonable possible change in the key assumptions on which these units' estimated future profitability and recoverable amounts are based would not cause carrying amounts of these units to exceed their recoverable amounts.

15. ACQUISITION OF SUBSIDIARIES

Subsidiaries acquired during 2011 provide medical services in disciplines such as Gynaecology, Neonatology and Paediatrics, Fertility and In-Vitro Fertilisation ("IVF") Treatment, Family Medicine and Dental Care. These entities are located in Moscow, Saint Petersburg, Ufa and Perm. The purpose of these acquisitions was the expansion of the Group's activities into related business geographically and the broadening of the range of services that the Group offers aiming towards a fuller range of healthcare services for mother, child and family.

Goodwill arising on consolidation:

	Subsidiaries acquired through call option in January 2011 RUB'000	Subsidiaries acquired in November 2011 RUB'000	Subsidiary acquired in May 2011 RUB'000	Total RUB'000
Consideration transferred – cash	366,874	135,061	8	501,943
Plus: Non-controlling interests at acquisition date	46,950	39,230	2	86,182
Less: Fair value of the net assets acquired	(452,281)	(151,546)	(9)	(603,836)
Goodwill arising on consolidation	3,586	26,464	1	30,051
Excess of the Group's interest in the fair value of the new subsidiaries' net assets over the fair value of the consideration paid for their acquisition arising on consolidation	(42,043)	(3,719)	–	(45,762)

Goodwill arose in 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 excess of the Group's interest in the fair value of the net assets acquired over the cost of acquisition was recognised in the consolidated statement of comprehensive income. This arose mainly on the acquisition of subsidiaries through the exercise of the Call Option referred to in note 1, because the terms of these acquisitions were formally agreed some months prior to the actual acquisition date.

The assets and liabilities acquired were as follows:

	Carrying amounts				Fair values			
	Subsidiaries acquired through call option in January 2011 RUB'000	Subsidiaries acquired in November 2011 RUB'000	Subsidiary acquired in May 2011 RUB'000	Acquiree's carrying amount before combination RUB'000	Subsidiaries acquired through call option in January 2011 RUB'000	Subsidiaries acquired in November 2011 RUB'000	Subsidiary acquired in May 2011 RUB'000	Total RUB'000
Intangible assets	468	–	–	468	468	–	–	468
Property, plant and equipment	292,185	29,503	–	321,688	466,585	161,033	–	627,618
Investments	14,925	–	–	14,925	14,925	–	–	14,925
Deferred tax assets	–	931	–	931	–	–	–	–
Inventories	7,440	1,366	–	8,806	7,440	1,366	–	8,806
Trade other receivables	341,690	1,818	–	343,508	341,690	1,818	–	343,508
Cash and cash equivalents	26,796	32,075	10	58,881	26,796	32,075	10	58,881
Current tax assets	813	8,244	–	9,057	813	8,244	–	9,057
Trade and other payables	(80,938)	(37,917)	(1)	(118,856)	(80,938)	(37,917)	(1)	(118,856)
Current tax liabilities	(5,472)	(3,638)	–	(9,110)	(5,472)	(3,638)	–	(9,110)
Borrowings	(288,763)	–	–	(288,763)	(288,763)	–	–	(288,763)
Deferred tax liabilities	(4,800)	–	–	(4,800)	(31,263)	(11,435)	–	(42,698)
Net assets	304,344	32,382	9	336,735	452,281	151,546	9	603,836

Trade and other receivables acquired through business combinations mainly consist of trade receivables and CAPEX prepayments. The gross contractual amounts to be received equal to the carrying amount at fair value. All contractual amounts are expected to be received.

The valuation techniques and key models inputs used to determine the fair values of the assets and liabilities acquired are described in note 29 of the consolidated financial statements.

Net cash outflow on acquisition of subsidiaries

	2011 RUB'000
Consideration paid in cash	(501,943)
Cash and cash equivalents acquired	58,881
	(443,062)

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15. ACQUISITION OF SUBSIDIARIES CONTINUED
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.

The amounts of revenue contributed to the Group's revenue from the subsidiaries acquired through the Call Option in January 2011 amounted to RUB565,621, thousand and the amount of profit contributed to the Group's profit from the subsidiaries acquired through the Call Option in January 2011 amounted to RUB93,034 thousand. As the acquisition took place in January 2011, it is expected that amounts that would have been contributed to the Group as though the acquisition date of these subsidiaries occurred at the beginning of the year, would be approximately as above.

16. INVENTORIES

	31 December 2012 RUB'000	31 December 2011 RUB'000
Consumables	**50,475**	27,071

17. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES

	31 December 2012 RUB'000	31 December 2011 RUB'000
Trade receivables	**38,459**	19,607
Less: Provision for impairment of receivables	**(1,671)**	(1,038)
Trade receivables net	**36,788**	18,569
CAPEX prepayments	**150,483**	461,763
Deferred expenses	**3,932**	15,254
Other receivables	**188,504**	9,075
	379,707	504,661
Non-current portion	**150,483**	461,763
Current portion	**229,224**	42,898
	379,707	504,661

Other receivables for the year ended 31 December 2011 were adjusted to include tax receivables (other than income tax) amounting to RUB2,911,000 which was previously presented on the face of the statement of financial position under the line "Current Tax Asset". This classification was adopted in 2012 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 31 December 2012 RUB'000	Impairment 31 December 2012 RUB'000	Gross amount 31 December 2011 RUB'000	Impairment 31 December 2011 RUB'000
Not past due	**225,291**	**–**	24,733	–
Past due	**1,671**	**(1,671)**	1,038	(1,038)
	226,962	**(1,671)**	25,771	(1,038)

Currency:

	31 December 2012 RUB'000	31 December 2011 RUB'000
Russian Ruble	**130,447**	151,353
United States Dollar	**175,569**	226,102
Euro	**73,691**	127,206
	379,707	504,661

The exposure of the Group to credit risk and impairment losses in relation to trade, other receivables and deferred expenses is reported in note 28 of the consolidated financial statements.

18. SHORT-TERM INVESTMENTS

	31 December 2012 RUB'000	31 December 2011 RUB'000
Bank deposits with maturity of more than three but less than 12 months	**2,429,816**	–

The exposure of the Group to credit risk and impairment losses in relation to short-term investments is reported in note 28 of the consolidated financial statements.

19. CASH AND CASH EQUIVALENTS

Cash balances are analysed as follows:

	31 December 2012 RUB'000	31 December 2011 RUB'000
Cash at bank and in hand	**1,271,752**	133,474
Bank deposits with maturity less than three months	**1,311,181**	–
	2,582,933	133,474

Currency:

	31 December 2012 RUB'000	31 December 2011 RUB'000
Russian Ruble	**693,122**	130,770
United States Dollar	**1,889,811**	2,704
	2,582,933	133,474

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 28 of the consolidated financial statements.

20. SHARE CAPITAL

	2012 Number of shares	2012 RUB'000	2012 US$'000	2011 Number of shares	2011 RUB'000	2011 US$'000
Authorised						
Ordinary shares of US$0,10 each	**50,100,000**		**5,010**	50,000,000		5,000
Increase in share capital shares of US$0,10 each	**10,900,000**		**1,090**	100,000		10
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	**49,000,000**		**3,920**	–		–
	125,250,000		**10,020**	50,100,000		5,010
Issued and fully paid						
Balance 1 January						
Ordinary shares of US$0,10 each	**50,100,000**	**149,636**	**5,010**	50,000,000	149,316	5,000
Issue of new ordinary shares US$0,10 each	**8**	**–**	**–**	100,000	320	10
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	**12,500,000**	**30,949**	**1,000**	–	–	–
Balance at 31 December	**75,125,010**	**180,585**	**6,010**	50,100,000	149,636	5,010

Authorised share capital

On 19 December 2011 the Company increased its authorised share capital to US$5,005,000 divided into 50,050,000 ordinary shares of US$0.10 each by creating 50,000 additional ordinary shares of US$0.10.

On 21 December 2011 the Company increased its authorised share capital to US$5,010,000 divided into 50,100,000 ordinary shares of US$0.10 each by creating 50,000 additional shares of US$0.10 of the same class.

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.

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20. SHARE CAPITAL CONTINUED

Issued share capital

On 19 December 2011 the issued share capital of the Company was increased to US$5,005,000, divided into 50,050,000 ordinary shares of US$0.10 each by issuing 50,000 new ordinary shares for the total cash purchase consideration of US$15,454,500. The total share premium arising from the above mentioned issue of capital amounting to US$15,449,500 (US$308,99 per share) was credited to the share premium reserve.

On 21 December 2011 the issued share capital of the Company was increased to US$5,010,000, divided into 50,100,000 ordinary shares of US$0.10 each by issuing 50,000 new ordinary shares for the total cash purchase consideration of US$3,840,000. The total share premium arising from the above mentioned issue of capital amounting to US$3,835,000 (US$76.70 per share) was credited to the share premium reserve.

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.

21. RESERVES

Share premium

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

Common control

Common control transactions reserve includes differences between the carrying amount of net assets acquired through purchases of subsidiaries from parties under common control and the consideration paid for their acquisition.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Russian Rubles) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Capital contribution

Capital contribution reserve includes contributions made by the shareholders directly in the reserves. The shareholders do not have any rights on these contributions which are distributable at the discretion of the Board of Directors, subject to the shareholders' approval.

Retained earnings

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

22. LOANS AND BORROWINGS

	31 December 2012 RUB'000	31 December 2011 RUB'000
Long-term liabilities		
Bank loans	**2,694,901**	1,049,992
Other loans	**–**	9,836
	2,694,901	1,059,828
Short-term liabilities		
Bank loans	**262,688**	29,700
Maturity of loans and borrowings:		
Within one year	**262,688**	29,700
Between one and five years	**2,504,374**	1,059,828
More than five years	**190,527**	–
	2,957,589	1,089,528

For description of securities and covenants regarding loans and borrowings please refer to note 13 and note 31.

22. LOANS AND BORROWINGS CONTINUED

As at 31 December 2012, the terms and debt repayment schedule of loans is as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2012 Face value RUB'000	31 December 2012 Carrying amount RUB'000	31 December 2011 Face value RUB'000	31 December 2011 Carrying amount RUB'000
Secured bank loan	RUB	10%	2013 – 2018	**2,737,996**	**2,737,996**	1,029,692	1,029,692
Secured bank loan	RUB	10%	2014 – 2019	**219,593**	**219,593**	–	–
Secured bank loan	RUB	13%	2012 – 2013	**–**	**–**	50,000	50,000
Unsecured loans from third parties	RUB	3%-6%	2012 – 2013	**–**	**–**	9,836	9,836
				2,957,589	**2,957,589**	1,089,528	1,089,528

The exposure of the Group to interest rate risk in relation to loans and borrowings is reported in note 28 of the consolidated financial statements.

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 31 December 2012 RUB'000	Interest 31 December 2012 RUB'000	Principal 31 December 2012 RUB'000	Minimum lease payments 31 December 2011 RUB'000	Interest 31 December 2011 RUB'000	Principal 31 December 2011 RUB'000
Within one year	**412**	**212**	**200**	105,059	2,525	102,534
Between one and five years	**1,005**	**196**	**809**	–	–	–
	1,417	**408**	**1,009**	105,059	2,525	102,534

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.

The exposure of the Group to interest rate risk in relation to finance leases is reported in note 28 of the consolidated financial statements.

24. DEFERRED TAX

Deferred tax liability

	31 December 2012 RUB'000	31 December 2011 RUB'000
Balance at 1 January	**(39,117)**	–
Debited in equity	**–**	(11,467)
Acquisition of subsidiaries	**–**	(42,698)
Charged to the statement of comprehensive income	**33,133**	14,840
Other	**–**	208
Balance at 31 December	**(5,984)**	(39,117)

The balance comprises of temporary differences attributable to:

	31 December 2012 RUB'000	31 December 2011 RUB'000
Property, plant and equipment	**(5,984)**	(37,493)
Payables	**–**	(1,624)
	(5,984)	(39,117)

Deferred tax assets

	31 December 2012 RUB'000	31 December 2011 RUB'000
Balance at 1 January	**311**	39,476
Charged to the statement of comprehensive income	**(175)**	(39,165)
Balance at 31 December	**136**	311

Notes to the consolidated financial statements continued

For the year ended 31 December 2012

24. DEFERRED TAX continued

The balance comprises of temporary differences attributable to:

	31 December 2012 RUB'000	31 December 2011 RUB'000
Property, plant and equipment	**74**	–
Accruals	**62**	–
Deferred income	**–**	–
Tax losses carried forward	**–**	311
Other	**–**	–
	136	311

25. TRADE AND OTHER PAYABLES

	31 December 2012 RUB'000	31 December 2011 RUB'000
Trade payables	**70,717**	42,082
CAPEX payables	**491,986**	129,476
Payables to employees	**84,716**	64,158
Other payables	**90,113**	41,434
Accruals	**82,565**	75,204
	820,097	352,354
Non-current portion	**64,484**	–
Current portion	**755,613**	352,354
	820,097	352,354
Currency:		
Russian Ruble	**406,380**	223,693
United States Dollar	**354,402**	100,033
Euro	**58,039**	28,628
UK pound sterling	**1,276**	–
	820,097	352,354

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

For the year ended 31 December 2011, the amount of RUB129,476 thousand which represent CAPEX payable was included in trade payables. For 2012 this was disclosed separately and the same approach was adopted in 2012.

Other payables for the year ended 31 December 2011 were adjusted to include tax payable (other than income tax) amounting to RUB31,840 thousand which was previously presented on the face of the statement of financial position under the line "Current tax liability". This classification was adopted in 2012 as well.

The exposure of the Group to liquidity risk in relation to trade and other payables is reported in note 28 of the consolidated financial statements.

26. DEFERRED INCOME

	31 December 2012 RUB'000	31 December 2011 RUB'000
Patient advances	**504,653**	368,361
Deferred income after more than one year	**56,716**	41,241
Deferred income within one year	**447,937**	327,120
	504,653	368,361

Deferred income that relates to long-term client advances represents money received from patients on stem cells storage contracts lasting from one 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 three to nine months, and children care contracts valid for a specified period of time.

27. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

27.1 Key management personnel

The remuneration of the members of the key management personnel for the year ended 31 December 2012 was RUB26,882 thousand and for the year ended 31 December 2011 was RUB18,387 thousand.

The fee paid to Non-Executive Directors for the year ended 31 December 2012 was RUB2,530 thousand and for the year ended 31 December 2011 was nil.

27.2 Transactions with other related parties

	31 December 2012 RUB'000	31 December 2011 RUB'000
Revenue received from other related parties	**6,275**	–

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

27.3 Outstanding balances due to other related parties

	31 December 2012 RUB'000	31 December 2011 RUB'000
Deferred income	**1,140**	–
Other payables in relation to the acquisition of a subsidiary	**–**	9,594
	1,140	9,594

27.4 Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2012 and as at the date of signing these consolidated financial statements are as follows:

Name	Type of holding	Effective holding %
Mark Kurtser	Indirect shareholding	67.90
Kirill Dmitriev	Indirect shareholding	5.55
Simon Rowlands	Direct shareholding	0.33

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

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

- Credit risk
- Liquidity risk
- Market risk

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

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

(i) Credit risk

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

Exposure to credit risk

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

	31 December 2012 RUB'000	31 December 2011 RUB'000
Short-term investments	**2,429,816**	–
Trade and other receivables	**190,727**	21,480
Cash and cash equivalents	**2,582,933**	133,474
	5,203,476	154,954

Notes to the consolidated financial statements continued
For the year ended 31 December 2012

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has no significant concentration of credit risk regarding trade and other receivables due to the long-term relationships with main suppliers. This significantly reduces possible delays and other negative consequences that may potentially affect matching the maturity of assets with liabilities. Furthermore, according to the internal policy, all clients have to pay in advance except for some particular cases when clients issue "Guarantee letter to pay", which ensures the services are duly paid afterwards.

	31 December 2012 RUB'000	31 December 2011 RUB'000
Exposure to credit risk by geographic location		
Russian Federation	**42,139**	21,480
USA	**144,531**	–
Austria	**4,057**	–
	190,727	21,480

Cash and cash equivalents
The Group held cash at bank of RUB2,578,539 thousand at 31 December 2012 and RUB131,538 thousand at 31 December 2011 which, represents its maximum credit exposure on these assets.

The credit quality of cash and cash equivalents is as follows:

Rating	Agency	31 December 2012 RUB'000	31 December 2011 RUB'000
A2	Moody's Investors Service	**1,888,574**	–
Baa1	Moody's Investors Service	**681,366**	124,756
Ba2	Moody's Investors Service	**5,063**	1,553
Ba3	Moody's Investors Service	**–**	1,313
B2	Moody's Investors Service	**–**	2,705
Caa1	Moody's Investors Service	**1,206**	–
B3	Moody's Investors Service	**–**	4
N/A	*	**2,330**	1,207
Cash in hand		**4,394**	1,936
Cash and cash equivalents		**2,582,933**	133,474

* Cash and cash equivalents held with local banks for which there is no rating.

Short-term investments amounting to RUB2,429,816 thousand (2011: RUB nil) are held with a credit institution which is rated as A2 by Moody's Investors Service.

Guarantees
The Group's policy is to provide financial guarantees only to its subsidiaries.

On 26 April 2011 CJSC MD PROJECT 2000 guaranteed a bank loan obtained by LLC Khaven from a Russian bank, which amounts to RUB2,809,467 thousand. As at 31 December 2012, the amount of outstanding loan was RUB2,737,996 thousand (RUB1,029,692 thousand as at 31 December 2011). The guarantee maturity is 10 years. The loan agreement provides for covenants in relation to revenue and net income for both CJSC MD PROJECT 2000 and LLC Khaven. As at 31 December 2012 and 31 December 2011 both companies met their covenants.

On 30 March 2012 CJSC MD PROJECT 2000 guaranteed a bank loan obtained by LLC Khaven from a Russian bank, which amounts to RUB404,919,000. As at 31 December 2012 the amount of outstanding loan was equal to RUB219,593 thousand. The guarantee maturity is 10 years. The loan agreement provides for covenants in relation to revenue and net income for both CJSC MD PROJECT 2000 and LLC Khaven. As at 31 December 2012 both companies met their covenants.

(ii) Liquidity risk
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Group maintains credit facilities of RUB3,214,386 thousand for the construction of a hospital in Lapino and acquiring the necessary medical equipment for this hospital. Facilities used up to 31 December 2012 amounted to RUB2,957,589 thousand.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

(ii) Liquidity risk continued

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2012	**Carrying amounts RUB'000**	**Contractual cash flows RUB'000**	**2 months or less RUB'000**	**Between 2–12 months RUB'000**	**Between 1–2 years RUB'000**	**Between 2–5 years RUB'000**	**More than 5 years RUB'000**
Bank loans	**2,957,589**	**3,838,213**	**73,415**	**478,610**	**834,508**	**2,257,185**	**194,495**
Obligations under finance leases	**1,009**	**1,417**	**69**	**343**	**501**	**504**	**–**
Trade payables	**70,717**	**70,717**	**70,717**	**–**	**–**	**–**	**–**
CAPEX payables	**491,986**	**491,986**	**236,317**	**191,185**	**64,484**		
Other payables and accrued expenses	**257,394**	**257,394**	**195,172**	**62,222**	**–**	**–**	**–**
	3,778,695	**4,659,727**	**575,690**	**732,360**	**899,493**	**2,257,689**	**194,495**

31 December 2011	Carrying amounts RUB'000	Contractual cash flows RUB'000	2 months or less RUB'000	Between 2-12 months RUB'000	Between 1-2 years RUB'000	Between 2-5 years RUB'000	More than 5 years RUB'000
Bank loans	1,079,692	1,616,990	20,403	116,616	163,479	666,877	649,615
Obligations under finance leases	102,534	105,059	30,836	74,223	–	–	–
Other loans	9,836	11,611	–	212	11,399	–	–
Trade payables	42,082	42,082	42,082	–	–	–	–
CAPEX payables	129,476	129,476	129,476	–	–	–	–
Other payables and accrued expenses	180,796	180,796	98,012	82,784	–	–	–
	1,544,416	2,086,014	320,809	273,835	174,878	666,877	649,615

As disclosed in note 22, the Group has secured bank loans which contain debt covenants. The breach of covenants may require the Group to repay the loans earlier than indicated in the above table.

(iii) Market risk

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

Interest rate risk

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

At the reporting date the interest rate profile of interest bearing financial instruments was:

	2012 RUB'000	2011 RUB'000
Fixed rate instruments		
Financial assets	**3,740,997**	–
Financial liabilities	**(2,958,598)**	(1,192,062)
	782,399	(1,192,062)

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

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For the year ended 31 December 2012

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Currency risk

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

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

	31 December 2012			31 December 2011		
	US$'000	**EURO'000**	**GBP'000**	US$'000	EURO'000	GBP'000
Assets						
Cash at bank	**62,221**	**–**	**–**	84	–	–
Bank deposits	**80,000**	**–**	**–**	–	–	–
Other receivables	**4,892**	**–**	**–**	–	–	–
Liabilities						–
CAPEX payables	**(11,638)**	**(1,225)**	**–**	–	–	–
Other payables and accruals	**(31)**	**(217)**	**(26)**	(3,107)	(687)	–
Net exposure	**135,444**	**(1,442)**	**(26)**	(3,023)	(687)	–

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	**2012**	2011
US$	**31,0930**	29,3874	**30,3727**	32,1961
EURO	**39,9524**	40,8848	**40,2286**	41,6714
GBP	**49,2474**	–	**48,9638**	49,6335

Sensitivity analysis

A 10% strengthening of the Russian Ruble against the following currencies at the reporting date would have affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Russian Ruble against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss		Equity	
	2012 RUB'000	2011 RUB'000	**2012 RUB'000**	2011 RUB'000
US$	**(411,381)**	9,733	**(411,381)**	9,733
EURO	**5,804**	2,863	**5,804**	2,863
GBP	**128**	–	**128**	–
	(405,449)	12,596	**(405,449)**	12,596

Capital management

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

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

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

The Group's capital is analysed as follows:

	2012 RUB'000	2011 RUB'000
Total loans and borrowings / net debt	**2,958,598**	1,192,062
Less: Cash and cash equivalents	**(2,582,933)**	(133,474)
Net debt	**375,665**	1,058,588
Total equity	**8,623,418**	2,807,256
Debt to equity ratio	**4.36%**	37.71%

29. FAIR VALUES

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

During May 2012, management engaged a registered independent appraiser, Messrs CJSC Center Professionalnoy Otsenki, holder of a recognised professional qualification to assist with the estimation of the fair value of the Group's property, plant and equipment acquired through business combinations, for the purpose of calculation of goodwill arising from the said business combinations.

The fair value of property, plant and equipment recognised as a result of the business combinations as at 31 December 2011 is:

- *the average between the market approach and the income approach for the buildings.* Fair values based on the market approach were calculated by using market prices for similar items of property being the estimated amounts for which a building could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. Fair values based on income approach were calculated by converting a single year's net operating income expectancy into a value estimate (direct capitalisation).
- *the minimum of the cost approach and the market approach for the equipment.* Fair values based on the market approach were calculated by using market prices for similar items of property being the estimated amount for which an item of equipment could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. Fair values based on cost approach were calculated by using depreciated replacement cost. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
- *the income approach for construction projects (including land, construction in progress and capital expenditure prepayments).* Fair values based on the income approach were calculated based on discounted cash flows expected to be derived from the use of these assets.

30. CONTINGENT LIABILITIES

(a) Insurance

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

(b) Russian business environment

The Group's operations are mainly located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. These consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Russian tax environment

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

(d) Cyprus economic environment

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly reduced.

The Cyprus government has concluded negotiations with the European Commission, the European Central Bank and the International Monetary Fund, as well as third parties, in order to obtain financing. As a result of the agreement reached, there are uncertainties prevailing the economic environment of Cyprus. The two largest financial institutions of Cyprus are already receiving support from the Emergency Liquidity Assistance mechanism and any negative developments will have a dramatic impact on the entire banking system and the economy of Cyprus.

The unavailability of financing, together with the current instability of the banking system and the economy may affect the Company.

The Company's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the evaluation performed, the Company's management has concluded that no provisions or impairment charges are necessary. The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

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31. COMMITMENTS
(a) Capital commitments
Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	2012 RUB'000	2011 RUB'000
Property, plant and equipment	**72,507**	4,077
Freehold buildings	**–**	33,940
Construction contracts	**90,127**	2,322,757
	162,634	2,360,774

(b) Pledged assets and guarantees
On 26 April 2011 CJSC MD PROJECT 2000 guaranteed a bank loan obtained by LLC Khaven from a Russian bank, which amounts to RUB2,809,467 thousand. As at 31 December 2012 the amount of outstanding loan was RUB2,737,996 thousand (RUB1,029,692,000 as at 31 December 2011). The guarantee maturity is 10 years. The loan agreement provides for covenants in relation to revenue and net income for both CJSC MD PROJECT 2000 and LLC Khaven. As at 31 December 2012 and 31 December 2011 both companies met their covenants.

On 30 March 2012 CJSC MD PROJECT 2000 guaranteed a bank loan obtained by LLC Khaven from a Russian bank, which amounts to RUB404,919 thousand. As at 31 December 2012 the amount of outstanding loan was equal to RUB219,593 thousand. The guarantee maturity is 10 years. The loan agreement provides for covenants in relation to revenue and net income for both CJSC MD PROJECT 2000 and LLC Khaven. As at 31 December 2012 both companies met their covenants.

32. EVENTS AFTER THE REPORTING PERIOD
Since 1 January 2013 LLC KHAVEN and LLC Mother & Child Perm are subject to a 0% income tax rate.

On 11 March 2013 the beginning of the construction of a new medical centre of 32.000 square meters in Ufa centre was announced.

On 12 March 2013 the authorised share capital of LLC MD PROJECT 2010 was increased from RUB10,000 to RUB1,500,000 thousand to provide funds for the construction of new medical centre in Ufa. On 18 March 2013 the Company transferred its part of contribution in amount of RUB1,199,992 thousand to LLC MD PROJECT 2010.

On 14 March 2013 the Company announced the proposed acquisition from unrelated third parties of Vitanostra Ltd, a company registered under the laws of Cyprus, operator of the IDK Medical Company network of women's and children's health clinics in the Russian region of Samara. The acquisition is for a cash consideration of US$16,100 thousand for 100% of the outstanding share capital of Vitanostra Ltd which owns 100% of IDK Medical Company network. The transaction is expected to be completed in the first half of 2013 after regulatory approvals.

The acquisition is consistent with MDMG's strategy of regional expansion and development of high quality network of outpatient clinics focusing on IVF, obstetrics, gynaecology and paediatrics.

At the date of the approval of these consolidated financial statements, the initial accounting for the business combination is incomplete given that Vitanostra Ltd was incorporated in November 2012 and therefore, under the provisions of the Cyprus Companies Law does not have an obligation to prepare its first audited financial statements before the period of 18 months from the date of incorporation.

Directors' report

The Board of Directors of MD Medical Group Investments Plc (the ''Company'') presents to the members its Annual Report together with the audited financial statements of the Company for the year ended 31 December 2012.

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

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

FINANCIAL RESULTS
The Company's financial results for the year ended 31 December 2012 and its financial position at that date are set out in the Statement of Comprehensive Income on page 70 and in the Statement of Financial Position on page 71 of the financial statements. The profit and the total comprehensive income for the year ended 31 December 2012 attributable to the owners of the Company amounted to US$5,717 thousand (2011: US$10,322 thousand). The total assets of the Company as at 31 December 2012 were US$186,449 thousand (2011: US$38,959 thousand) and the net assets were US$186,068 thousand (2011: US$38,562 thousand).

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

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

During 2011 and prior to the issue of the new shares, the Board of Directors declared and paid an interim dividend out of the 2011 profits of the Company amounting to US$51 thousand, which corresponds to US$0.00102 per share.

During 2012, prior to the issue of any new shares and prior to the subdivision and subsequent consolidation of the nominal value of the share capital of the Company, the Board of Directors declared and paid an interim dividend out of the 2012 profits of the Company amounting to US$5,050 thousand, which corresponds to US$0.10080 per share, then issued.

The Board of Directors recommends the payment of US$9,766 thousand as final dividend for the year 2012 which corresponds to US$0.13 per share issued at the date of this report.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE COMPANY
The current financial position and performance of the Company as presented in the financial statements is considered satisfactory.

Within 2012 the Company incorporated three new entities, LLC MD Service, LLC Mother and Child Nizhny Novgorod and LLC Mother and Child Yekaterinburg. The direct and indirect holding percentage is 98% for LLC MD Service and 99% for each of the other two companies.

The new subsidiaries of the Company are located in Moscow, Nizhny Novgorod and Yekaterinburg.

Additional details for all subsidiaries are given in note 8 of the financial statements.

Furthermore on 17 October 2012, the Company successfully completed an initial public offering (IPO) of its shares in the form of global depositary receipts (GDRs). The Company's GDRs (one GDR representing one ordinary share) are listed on the Main Market of the London Stock Exchange under the symbol "MDMG".

Following the IPO, 68% of the Company's share capital is owned by MD Medical Holding Limited, a company incorporated in Cyprus and beneficially owned by Dr. Mark Kurtser. The remaining 32% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders.

PRINCIPAL RISKS AND UNCERTAINTIES
Details in relation to principal risks and uncertainties and steps taken to manage these risks and uncertainties are given in note 16 of the financial statements.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. During 2012 the Board of Directors has adopted a formal process to identify, evaluate and manage principal risks and uncertainties faced by the Company.

FUTURE DEVELOPMENTS
The Company has been active in expanding its operations through acquisitions of controlling interests in companies operating in the healthcare industry.

The Company aims to expand its activities as well as to take advantage of any opportunities to further develop the existing business and/or to expand geographically and into related industries.

SHARE CAPITAL
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.

Directors' report continued

SHARE CAPITAL CONTINUED

Authorised share capital continued

On 19 September 2012, following a relevant 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 special 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.

As a result of the above changes, the authorised share capital of the Company is US$10,020,000 divided into 125,250,000 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 the 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 and an increase of the share premium by US$149,000,000. A net amount of US$3,160,777 related to the capital issue expenses that was directly attributable to the issue of the new shares following the IPO process, was written off against share premium.

As a result of the above changes, the issued share capital of the Company is US$6,010,000 divided into 75,125,010 ordinary shares of US$0.08 each.

BOARD OF DIRECTORS

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

The members of the Board of Directors, who served as at the date of signing of these financial statements, are presented on pages 28 to 29.

The members of the Board of Directors who served during the year 2012 and as at 31 December 2012 were are as follows:

- Elia Nicolaou
- Apollon Athanasiades (appointed on 2 August 2012)
- Elena Mladova (appointed on 2 August 2012)
- Marios Tofaros (appointed on 2 August 2012)
- Mark Kurtser (appointed on 2 August 2012)
- Vitaly Ustimenko (appointed as an alternate director to Mark Kurtser on 19 September 2012)
- Simon Rowlands (appointed on 24 September 2012)
- Kirill Dmitriev (appointed on 21 December 2012)
- Olga Mikhailova (appointed on 24 September 2012 and resigned on 28 February 2013)
- Gulnara Ziadetdinova (appointed 21 December 2012 and resigned on 28 February 2013)

Other than Ms. Elia Nicolaou, all directors retire at the Annual General Meeting and, being eligible, offer themselves for reelection.

THE BOARD COMMITTEES

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

Audit committee

The Audit Committee comprises of two non-executive directors, one of whom is independent. The Audit Committee is chaired by the independent non-executive director Mr. Simon Rowlands. Mr. Kirill Dmitriev is the other member.

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

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

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

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

Nomination Committee
The Nomination Committee comprises of two non-executive directors, one of whom is independent. The Nomination Committee is chaired by the non-executive director Dr. Mark Kurtser. Mr. Simon Rowlands is the other member.

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

Remuneration Committee
The Remuneration Committee comprises of three directors, one non-executive director and two executive directors. The Remuneration Committee is chaired by the independent non-executive director Mr. Simon Rowlands. The two other members are Dr. Mark Kurtser and Dr. Elena Mladova.

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

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

Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2012 important policies and procedures.

The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. The Company's corporate governance policies and practices include, inter alia, policies governing the:
- Appointment policy for the Board of Directors and Committees;
- Terms of reference of the Audit Committee;
- Terms of reference of the Nomination Committee;
- Terms of reference of the Remuneration Committee;
- Code of Ethics and Conduct; and
- Anti-Fraud Policy.

BRANCHES
During the year ended 31 December 2012 the Company did not operate any branches.

TREASURY SHARES
During the year ended 31 December 2012, the Company did not acquire either directly or through a person in that person's name but on the Company's behalf any of its own shares.

EVENTS AFTER THE REPORTING PERIOD
On 12 March 2013 the authorised share capital of LLC MD PROJECT 2010 was increased from RUB10 thousand to RUB1,500,000 thousand to provide funds for the construction of new medical center in Ufa. On 18 March 2013 the Company transferred its part of the consideration for this increase in share capital in the amount of RUB1,199,992 thousand, which is equivalent to US$39,014 thousand to LLC MD PROJECT 2010.

On 14 March 2013 the Company announced the proposed acquisition from unrelated third parties of Vitanostra Ltd, a company registered in Cyprus and which is the operator of the IDK Medical Company network of women's and children's health clinics in the Russian region of Samara. The acquisition was for a cash consideration of US$16,100 thousand, for 100% of the outstanding share capital of Vitanostra Ltd, which owns 100% of the IDK Medical Company network. The transaction is expected to be completed in the first half of 2013, following the receipt of regulatory approvals.

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

By order of the Board of Directors,

Menustrust Limited
Secretary

Limassol, 5 April 2013

Director's responsibility statement

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

- the financial statements, prepared in accordance with IFRS as adopted by EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company
- the adoption of going concern basis for the preparation of the financial statements continues to be appropriate based on the foregoing and having reviewed the forecast financial position of the Company; and
- the Board of Directors' reports include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

The Directors of the Company as at the date of this announcement are set out below:

Mark Kurtser	Chairman, non-executive director
Apollon Athanasiades	Executive director
Elena Mladova	Executive director
Elia Nicolaou	Executive director
Marios Tofaros	Executive director
Andreas Petrides	Non-executive director
Angelos Paphitis	Non-executive director
Kirill Dmitriev	Non-executive director
Simon Rowlands	Non-executive independent director

Independent auditors' report
to the members of MD Medical Group Investments Plc

REPORT ON THE FINANCIAL STATEMENTS
We have audited the accompanying financial statements of the parent company MD Medical Group Investments Plc (the "Company") on pages 70 to 86 which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements
The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the parent company MD Medical Group Investments Plc as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

REPORT ON OTHER LEGAL REQUIREMENTS
Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:
- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 65 to 67 is consistent with the financial statements.

OTHER MATTER
This report, including the opinion presented herein, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving the aforementioned opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries during the year ended 31 December 2012.

Michalis A. Loizides, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

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

5 April 2013

Statement of comprehensive income
For the year ended 31 December 2012

	Note	2012 US$000	5 August 2010 to 31 December 2011 US$000
Dividend income		**6,946**	11,209
Administrative expenses	4	**(1,002)**	(326)
Profit from operations before net finance income/(expenses)		**5,944**	10,883
Finance income		**136**	2
Finance expenses		**(18)**	(3)
Net finance income/(expenses)	5	**118**	(1)
Profit before tax		**6,062**	10,882
Taxation	6	**(345)**	(560)
Profit for the year/period		**5,717**	10,322
Total comprehensive income for the year/period		**5,717**	10,322

The notes on pages 74 to 86 are an integral part of these financial statements.

Statement of financial position
As at 31 December 2012

	Note	2012 US$000	2011 US$000
Assets			
Investments in subsidiaries	8	**38,879**	38,875
Total noncurrent assets		**38,879**	38,875
Trade and other receivables	9	**5,350**	–
Short term investments	10	**80,000**	–
Cash and cash equivalents	11	**62,220**	84
Total current assets		**147,570**	84
Total assets		**186,449**	38,959
Equity			
Share capital	12	**6,010**	5,010
Share premium		**169,120**	23,281
Retained earnings		**10,938**	10,271
Total equity		**186,068**	38,562
Liabilities			
Trade and other payables	13	**361**	397
Current tax liability	14	**20**	–
Total current liabilities		**381**	397
Total equity and liabilities		**186,449**	38,959

On 5 April 2013 the Board of Directors of MD Medical Group Investments Plc authorised these financial statements for issue.

Elia Nicolaou
Director

Marios Tofaros
Director

The notes on pages 74 to 86 are an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2012

	Note	Share capital US$000	Share premium US$000	Retained earnings US$000	Total US$000
Share capital issued on incorporation		5	–	–	5
Comprehensive income					
Profit for the period		–	–	10,322	10,322
Contributions by and distributions to owners					
Issue of share capital	12	5,005	23,281	–	28,286
Dividends	7	–	–	(51)	(51)
Total transactions with owners		5,005	23,281	(51)	28,235
Balance at 31 December 2011		5,010	23,281	10,271	38,562
Balance at 1 January 2012		5,010	23,281	10,271	38,562
Comprehensive income					
Profit for the year		–	–	5,717	5,717
Contributions by and distributions to owners					
Issue of share capital	12	1,000	145,839	–	146,839
Dividends	7	–	–	(5,050)	(5,050)
Total transactions with owners		1,000	145,839	(5,050)	141,789
Balance as at 31 December 2012		6,010	169,120	10,938	186,068

Share premium is not available for distribution.

The notes on pages 74 to 86 are an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December 2012

	2012 US$000	5 August 2010 to 31 December 2011 US$000
Cash flows from operating activities		
Profit for the year/period	**5,717**	10,322
Adjustments for:		
Net exchange loss/(profit)	**2**	(1)
Dividend income	**(6,946)**	(11,209)
Interest income	**(134)**	–
Taxation	**345**	560
Cash flows used in operations before working capital changes	**(1,016)**	(328)
Increase in trade and other receivables	**(5)**	–
(Decrease)/increase in trade and other payables	**(45)**	398
Cash flows (used in)/from operations	**(1,066)**	70
Dividends received	**6,501**	11,209
Tax paid	**(325)**	(560)
Net cash flows from operating activities	**5,110**	10,719
Cash flows from investing activities		
Payment for share capital of incorporated of subsidiaries	**(4)**	(38,875)
Short term investments with maturity date more than 3 months	**(80,000)**	–
Net cash flows used in investing activities	**(80,004)**	(38,875)
Cash flows from financing activities		
Net proceeds from issue of share capital	**142,080**	28,291
Dividends paid	**(5,050)**	(51)
Net cash flows from financing activities	**137,030**	28,240
Net increase/(decrease) in cash and cash equivalents	**62,136**	84
Cash and cash equivalents at the beginning of the year/period	**84**	–
Cash and cash equivalents at the end of the year/period	**62,220**	84

The notes on pages 74 to 86 are an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2012

1. INCORPORATION AND PRINCIPAL ACTIVITY
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 1 Avlonos Street, Maria House, 5th floor, P.C. 1075, Nicosia, Cyprus.

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

2. BASIS OF PREPARATION
(a) Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2012 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

(b) Basis of measurement
The financial statements have been prepared under the historical cost convention.

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations
During the current year, the Company adopted all the changes to International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2012. This adoption did not have a material effect on the financial statements of the Company.

At the date of approval of these financial statements, Standards, Revised Standards and Interpretations were issued by the International Accounting Standards Board, which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company.

(d) Use of estimates and judgments
Preparing financial statements in accordance with IFRSs requires management to exercise their judgment, to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed and where necessary revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

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

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

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

(e) Functional and presentation currency
The financial statements are presented in United States Dollars which is the functional currency of the Company. Financial information presented in United States Dollars has been rounded to the nearest thousand, except when otherwise indicated.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Dividend income

Dividend income is recognised in the statement of comprehensive income when the right to receive payment is established.

Finance income

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

Finance expenses

Finance expenses include bank charges and exchange loss. Finance expenses are recognised as expenses in the period in which they fall due.

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which the dividends are declared, either through Board resolution (for interim dividends) or by the Company's shareholders in the Annual General Meeting (for final dividends).

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade and other receivables are stated at their nominal values after deducting the specific provision for doubtful debts, which is calculated based on an examination of all outstanding balances as at the year end. Bad debts are written off when identified.

(ii) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and shortterm highly liquid investments with maturity of 3 months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its shortterm investments.

(iii) Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Share capital

Proceeds from the issue of ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

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

Notes to the financial statements continued
For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

4. ADMINISTRATIVE EXPENSES

	2012 US$000	5 August 2010 to 31 December 2011 US$000
Independent auditors' remuneration current year	**214**	187
Legal fees	**172**	57
Executive and non-executive directors' fees	**86**	6
Independent auditors' remuneration – prior years	**70**	–
Accounting fees	**65**	7
Annual listing fees	**34**	–
Valuation services	**20**	51
Travelling	**5**	–
Incorporation expenses	**–**	4
Other professional fees	**336**	14
	1,002	326

5. NET FINANCE INCOME AND EXPENSES

	2012 US$000	5 August 2010 to 31 December 2011 US$000
Finance income		
Bank interest	**134**	–
Exchange gain	**2**	2
Total finance income	**136**	2
Finance expenses		
Exchange loss	**(4)**	(1)
Bank charges	**(14)**	(2)
Total finance expenses	**(18)**	(3)
Net finance income/(expense)	**118**	(1)

6. TAXATION

	2012 US$000	5 August 2010 to 31 December 2011 US$000
Overseas tax on dividends received	**325**	560
Special contribution to the defence fund for the year	**20**	–
Charge for the year	**345**	560

6. TAXATION CONTINUED

Reconciliation of tax based on the taxable income and tax based on accounting profits:

	2012 US$	5 August 2010 to 31 December 2011 US$
Accounting profit before tax	**6,062,348**	10,882.217
Tax calculated at the applicable tax rates	**606,235**	1,088.222
Tax effect of expenses not deductible for tax purposes	**87,297**	22,390
Tax effect of allowances and income not subject to tax	**(707,940)**	(1,120,877)
Tax effect of loss for the year/period carried forward for offset against future taxable income	**14,408**	10,265
Special contribution to the defence fund current year	**20,035**	–
Overseas tax in excess of credit claim used during the year	**325,348**	560,444
Tax as per statement of comprehensive income – charge	**345,383**	560,444

The corporation tax rate is 10%.

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 30 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011).

Due to tax losses sustained in the year, no tax liability arises on the Company. As from 2012, tax losses may be carried forward for the next 5 years. Group companies may deduct losses against profits arising during the same tax year. The balance of tax losses as at 31 December 2012 that is available for offset against future taxable profits amounts to €88.539 for which no deferred asset is recognised in the statement of financial position.

7. DIVIDENDS

During 2011 and prior to the issue of the new shares, the Board of Directors declared and paid an interim dividend out of the 2011 profits amounting to US$51 thousand, which corresponds to US$0,00102 per share.

During 2012, prior to the issue of any new shares and prior to the subdivision and subsequent consolidation of the nominal value of the share capital of the Company, the Board of Directors declared and paid an interim dividend out of the 2012 profits of the Company amounting to US$5,050 thousand, which corresponds to US$0.10080 per share, then issued.

Dividends are subject to a deduction of special contribution to defence fund at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and was increased to 17% for the period thereafter to 31 December 2011) for individual shareholders that are resident in Cyprus for taxation purposes. Dividends payable to nonresidents of Cyprus for taxation purposes are not subject to such a deduction.

8. INVESTMENTS IN SUBSIDIARIES

	2012 US$000	2011 US$000
Balance at 1 January	**38,875**	–
Additions	**4**	38,875
Balance 31 December	**38,879**	38,875

Notes to the financial statements continued
For the year ended 31 December 2012

8. INVESTMENTS IN SUBSIDIARIES CONTINUED

The details of the subsidiaries are as follows:

Name	Country of incorporation	Activities	Notes	2012 Effective Holding %	2011 Effective Holding %
CJSC MD PROJECT 2000	Russian Federation	Medical services		**95**	95
LLC Khaven	Russian Federation	Medical services	1	**100**	100
LLC Velum	Russian Federation	Medical services	1	**54**	54
LLC Capital Group	Russian Federation	Renting of property	1	**80**	80
LLC FimedLab	Russian Federation	Medical services	1	**60**	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	1,4	**100**	100
LLC Clinica Zdorovia	Russian Federation	Medical services	2	**60**	60
LLC Ivamed	Russian Federation	Medical services	2	**100**	100
LLC Dilamed	Russian Federation	Medical services	2	**100**	100
CJSC Listom	Russian Federation	Medical services	2	**100**	100
LLC UsticECO	Russian Federation	Medical services	2	**70**	70
LLC Ecodeure	Russian Federation	Medical services	2	**85**	85
LLC Mother and Child Perm	Russian Federation	Medical services	3	**80**	80
LLC Mother and Child Ufa	Russian Federation	Medical services	5	**80**	80
LLC Mother and Child Saint Petersburg	Russian Federation	Medical services	5	**60**	60
LLC MD PROJECT 2010	Russian Federation	Medical services	5,6,7	**80**	80
LLC Mother and Child Ugo Zapad	Russian Federation	Medical services	5,6	**60**	60
LLC MD Service	Russian Federation	Pharmaceutics retail	8	**98**	–
LLC Mother and Child Nizhny Novgorod	Russian Federation	Medical services (not operating)	9	**99**	–
LLC Mother and Child Yekaterinburg	Russian Federation	Medical services (not operating)	9	**99**	–

Notes:
1. These entities were acquired through the exercise in January 2011 of a Call Option agreement entered by the Company in October 2010.
2. These entities were all acquired in November 2011 from the same party.
3. This entity was acquired in May 2011.
4. 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%.
5. These entities are indirectly owned through LLC Khaven.
6. These entities were incorporated in 2011.
7. 99% of the share capital of this entity is owned by LLC Mother and Child Ufa and 1% of the share capital of this entity is owned by LLC Mother and Child Perm. Thus effective holding percentage for the entity is 80%.
8. 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%.
9. These entities were incorporated in 2012 and did not carry any operations during the year.

As of 31 December 2012, 68% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr. Mark Kurtser. The remaining 32% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders.

9. TRADE AND OTHER RECEIVABLES

	2012 US$000	2011 US$000
Deposits and prepayments	**13**	–
Dividends receivable from subsidiary company (note 15)	**445**	–
Other receivables	**4,892**	–
	5,350	–

Other receivables represent the fees due from the underwriters in relation to the reimbursement of IPO expenses incurred by the Company.

The fair value of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 16 of the financial statements.

10. SHORT TERM INVESTMENTS

	2012 US$000	2011 US$000
Bank deposits with maturity of more than 3 but less than 12 months	**80,000**	–

The investment represents a bank deposit with maturity of 181 days. The effective interest rate is 0,88% per annum.

The exposure of the Company to credit risk and impairment losses in relation to short term investments is reported in note 16 of the financial statements.

11. CASH AND CASH EQUIVALENTS

Cash balances are analysed as follows:

	2012 US$000	2011 US$000
Cash at bank	**32,220**	84
Bank deposits with maturity up to 3 months	**30,000**	–
	62,220	84

The effective interest rate on shortterm bank deposits is 0,37%. The maturity period is 3 months.

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 16 of the financial statements.

12. SHARE CAPITAL

	2012 Number of shares	2012 US$000	2011 Number of shares	2011 US$000
Authorised				
Ordinary shares of US$0.10 each	**50,100,000**	**5,010**	50,000,000	5,000
Increase in share capital shares of US$0.10 each	**10,900,000**	**1,090**	100,000	10
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	**49,000,000**	**3,920**	–	–
	125,250,000	**10,020**	50,100,000	5,010
Issued and fully paid				
Balance 1 January				
Ordinary shares of US$0.10 each	**50,100,000**	**5,010**	50,000,000	5,000
Issue of new ordinary shares of US$0.10 each	**8**	**–**	100,000	10
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$0.10 each	**12,500,000**	**1,000**	–	–
Balance 31 December	**75,125,010**	**6,010**	50,100,000	5,010

Authorised capital

On 19 December 2011 the Company increased its authorised share capital to US$5,005,000 divided into 50,050,000 ordinary shares of US$0.10 each by creating 50,000 additional ordinary shares of US$0.10.

On 21 December 2011 the Company increased its authorised share capital to US$5,010,000 divided into 50,100,000 ordinary shares of US$0.10 each by creating 50,000 additional shares of US$0.10 of the same class.

On 18 September 2012, following a relevant 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 a relevant 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 19 December 2011 the issued share capital of the Company was increased to US$5,005,000, divided into 50,050,000 ordinary shares of US$0.10 each by issuing 50,000 new ordinary shares for the total cash purchase consideration of US$15,454,500. The total share premium arising from the above mentioned issue of capital amounting to US$15,449,500 (US$308.99 per share) was credited to the share premium reserve.

On 21 December 2011 the issued share capital of the Company was increased to US$5,010,000 divided into 50,100,000 ordinary shares of US$0.10 each by issuing 50,000 new ordinary shares for the total cash purchase consideration of US$3,840,000. The total share premium arising from the above mentioned issue of capital amounting to US$3,835,000 (US$76.70 per share) was credited to the share premium reserve.

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 the issue of 8 ordinary shares with a nominal value of US$0.10 each.

Notes to the financial statements continued
For the year ended 31 December 2012

12. SHARE CAPITAL CONTINUED
Issued share capital continued
On 19 September 2012, following a relevant 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 IPO, 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 and an increase of the share premium by US$149,000,000. A net amount of US$3,160,777 related to capital issued expenses that was directly attributable to the issue of the new shares following the IPO process, was written off against share premium.

13. TRADE AND OTHER PAYABLES

	2012 US$000	2011 US$000
Other payables	**229**	298
Accruals	**132**	99
	361	397

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 16 of the financial statements.

14. TAX LIABILITY

	2012 US$000	2011 US$000
Special contribution to the defence fund	**20**	–

15. RELATED PARTY TRANSACTIONS
The Company is controlled by MD Medical Holding Ltd, incorporated in Cyprus, which owns 68% of the Company's shares.

The following transactions were carried out with related parties:

15.1 Directors' remuneration
The fee paid to non-executive directors for the year ended 31 December 2012 was US$81 thousand and for the year ended 31 December 2011 was nil.

15.2 Dividends received from subsidiary companies

Name	2012 US$000	5 August 2010 to 31 December 2011 US$000
LLC MD Project 2000	**6,507**	11,028
LLC Velum	**439**	181
	6,946	11,209

15.3 Receivables from subsidiary companies

Name	2012 US$000	2011 US$000
LLC Velum	**445**	–

Amount represents dividends declared by LLC Velum on 21 December 2012 and unpaid at the year end.

15.4 Outstanding balances due to other related parties

	2012 US$000	2011 US$000
Other payables in relation to the acquisition of subsidiary	**–**	298

15.5 Directors' interests
The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2012 and as at the date of signing these financial statements are as follows:

Name	Type of holding	Effective holding %
Mark Kurtser	Indirect shareholding	67.90
Kirill Dmitriev	Indirect shareholding	5.55
Simon Rowlands	Direct shareholding	0.33

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

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

- Credit risk
- Liquidity risk
- Market risk

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

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

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. Cash balances are held with various financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

Exposure to credit risk

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

	2012 US$000	2011 US$000
Trade and other receivables	**5,350**	–
Short term investments	**80,000**	–
Cash and cash equivalents	**62,220**	84
	147,570	84

Cash and cash equivalents

The Company held cash at bank of US$62.220 thousand at 31 December 2012 and US$84 thousand at 31 December 2011 which represents its maximum credit exposure on these assets.

Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

The credit quality of cash and cash equivalents is as follows:

Rating	Agency	2012 US$000	2011 US$000
A2	Moody's Investors Service	**62,180**	–
B2	Moody's Investors Service	**–**	84
Caa1	Moody's Investors Service	**40**	–
		62,220	84

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the contractual maturities of financial liabilities:

31 December 2012	**Carrying amounts US$000**	**Contractual cash flows US$000**	**2 months or less US$000**	**Between 2-12 months US$000**	**Between 1-5 years US$000**	**More than 5 years US$000**
Trade and other payables	**361**	**–**	**–**	**361**	**–**	**–**

31 December 2011	Carrying amounts US$000	Contractual cash flows US$000	2 months or less US$000	Between 2-12 months US$000	Between 1-5 years US$000	More than 5 years US$000
Trade and other payables	397	–	–	397	–	–

(iii) Market risk

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

Interest rate risk

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

Notes to the financial statements continued
For the year ended 31 December 2012

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Financial risk factors continued

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2012 US$000	2011 US$000
Fixed rate instruments		
Financial assets	**110,000**	–

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

Currency risk

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

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

	31 December 2012			31 December 2011		
	Euro US$000	**Russian Roubles US$000**	**GBP US$000**	Euro US$000	Russian Roubles US$000	GBP USD$000
Assets						
Receivables	**–**	**445**	**–**	–	–	–
Liabilities						
Payables	**(316)**	**(2)**	**(42)**	(100)	–	–
Net exposure	**(316)**	**443**	**(42)**	(100)	–	–

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	**2012**	2011
RUB	**31.0930**	29.3874	**30.3727**	32.1961
EURO	**0.7779**	0.7183	**0.7579**	0.7728
GBP	**0.6308**	–	**0.6185**	–

Sensitivity analysis

A 10% strengthening of the United States Dollar against the following currencies at the reporting date would have affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss		Equity	
	2012 US$000	2011 US$000	**2012 US$000**	2011 US$000
RUB	**0,2**	–	**0,2**	–
EURO	**15**	2,863	**15**	(10)
GBP	**(4)**	–	**(4)**	–
	11,2	2,863	**11,2**	(10)

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the strive to improve the debt to equity ratio. The Company's overall strategy remains unchanged from last year.

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

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

17. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

18. CONTINGENT LIABILITIES

(a) Russian business environment

Operations of the Company's subsidiaries are mainly located in the Russian Federation. Consequently, the Company and its subsidiaries are exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. These financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Company and its subsidiaries. The future business environment may differ from management's assessment.

(b) Russian tax environment

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance based position in their interpretation and enforcement of tax legislation. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries.

(c) Cyprus economic environment

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly reduced.

The Cyprus government has concluded negotiations with the European Commission, the European Central Bank and the International Monetary Fund, as well as third parties, in order to obtain financing. As a result of the agreement reached, there are uncertainties prevailing the economic environment of Cyprus.

The two largest financial institutions of Cyprus are already receiving support from the Emergency Liquidity Assistance mechanism and any negative developments will have a dramatic impact on the entire banking system and the economy of Cyprus.

The unavailability of financing, together with the current instability of the banking system and the economy may affect the Company.

The Company's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the evaluation performed, the Company's management has concluded that no provisions or impairment charges are necessary. The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

19. COMMITMENTS

The Company had no capital or other commitments as at 31 December 2012.

20. EVENTS AFTER THE REPORTING PERIOD

On 12 March 2013 the authorised share capital of LLC MD PROJECT 2010 was increased from RUB10 thousand to RUB1,500,000 thousand to provide funds for the construction of new medical center in Ufa. On 18 March 2013 the Company transferred its part of the consideration for this increase in share capital in the amount of RUB1,199,992 thousand, which is equivalent to US$39,014 thousand to LLC MD PROJECT 2010.

On 14 March 2013 the Company announced the proposed acquisition from unrelated third parties of Vitanostra Ltd, a company registered in Cyprus and which is the operator of the IDK Medical Company network of women's and children's health clinics in the Russian region of Samara. The acquisition was for a cash consideration of US$16,100 thousand, for 100% of the outstanding share capital of Vitanostra Ltd, which owns 100% of the IDK Medical Company network. The transaction is expected to be completed in the first half of 2013, following the receipt of regulatory approvals.

The acquisition is consistent with MDMG's strategy of regional expansion and development of high quality network of out-patient clinics focusing on IVF, obstetrics, gynaecology and paediatrics.

At the date of the approval of these consolidated financial statements, the initial accounting for the business combination is incomplete given that Vitanostra Ltd was incorporated in November 2012 and therefore, under the provisions of the Cyprus Companies Law does not have an obligation to prepare its first audited financial statements before the period of 18 months from the date of incorporation.

Schedule 1
Computation of special contribution to the defence fund
For the year ended 31 December 2012

	Income US$	Income €	Rate	Special contribution to the defence fund € c
INTEREST				
Interest that was not subject to deduction at source	133,569	101,235	15%	15,185.25
SPECIAL CONTRIBUTION TO THE DEFENCE FUND DUE	20,035	–	–	15,185.25

Schedule 2

Computation of corporate tax

For the year ended 31 December 2012

	US$	US$
Net profit before tax per income statement	–	6,062,348
Add:	–	–
Expenses not allowable for tax purposes:	–	–
Consulting fees in relation to the acquisition of new subsidiaries	89,863	–
Annual levy	450	–
Stamp duty fees	32,480	–
Legal fees	172,244	–
Fees related to operations of subsidiaries	26,886	–
Listing fees	34,956	–
Restriction on administration and other expenses	516,086	–
	–	872,965
	–	6,935,313
Less:		
Dividends received	6,945,827	–
Interest income	133,569	–
	–	(7,079,396)
Net loss for the year	–	(144,083)

		€
Converted into € at US$1.3194 = €1	–	(109,203)
Loss brought forward	–	(79,336)
Loss carried forward	–	(188,539)

Schedule 3
Certificate
For the year ended 31 December 2012

We hereby certify, to the best of our knowledge and belief, that:

1) The proceeds of all income have been properly recorded as such in the books produced to Messrs. KPMG Limited.

2) All expenses for the year under review represent expenses incurred wholly and exclusively for the Company's business and have been properly recorded as such in the books produced to Messrs. KPMG Limited.

3) All transactions affecting the business for year under review have been properly recorded in the books produced to Messrs. KPMG Limited.

4) All reserves are properly shown and all necessary provisions have been duly made and shown as such in the books produced to Messrs. KPMG Limited.

5) All assets and liabilities have been properly taken up as at 31 December 2012 in the books produced to Messrs. KPMG Limited.

6) There were no outstanding capital commitments of the Company other than those shown in note 19 of the financial statements of 31 December 2012.

7) The Company had no contingent liabilities as at 31 December 2012, other than those disclosed in note 18 to the financial statements.

8) No events have occurred and no facts have been discovered since the year-end, which could materially affect the true and fair view of the financial statements as at 31 December 2012.

Yours truly,

Elia Nicolaou
Director

Marios Tofaros
Director

Limassol, 5 April 2013

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