

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period from 1 January 2020 to 30 June 2020

MD MEDICAL GROUP INVESTMENTS PLC

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

Introduction

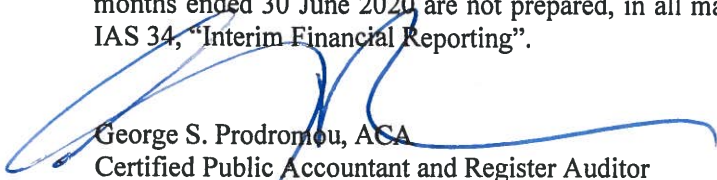
We have reviewed the accompanying condensed consolidated interim statement of financial position of MD Medical Group Investments Plc and its subsidiaries ("the Group"), as at 30 June 2020, the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the six months ended 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".


George S. Prodromou, ACA
Certified Public Accountant and Register Auditor
For and on behalf of

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4 September 2020

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MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six-month period from 1 January to 30 June

| | Note | 2020 RUB'000 | 2019 RUB'000 |
|---|------|------------------|------------------|
| Revenue | 4 | 7,973,597 | 7,824,522 |
| Cost of sales | 5 | (5,310,664) | (5,155,758) |
| Gross profit | | 2,662,933 | 2,668,764 |
| Other income | 8 | 199,959 | 61,599 |
| Selling, general and administrative expenses | 6 | (1,275,248) | (1,276,783) |
| Other expenses | | (37,265) | (48,992) |
| Operating profit | | 1,550,379 | 1,404,588 |
| Finance income | 9 | 120,503 | 118,019 |
| Finance expenses | 9 | (247,179) | (253,945) |
| Net foreign exchange transactions gain / (loss) | 9 | 48,636 | (36,390) |
| <i>Net finance expenses</i> | 9 | <i>(78,040)</i> | <i>(172,316)</i> |
| Profit before tax | | 1,472,339 | 1,232,272 |
| Income tax (expense) / benefit | 10 | (1,504) | 5,408 |
| Profit for the six-month period | | 1,470,835 | 1,237,680 |
| Total comprehensive income for the six-month period | | 1,470,835 | 1,237,680 |
| Profit for the six-month period attributable to: | | | |
| Owners of the Company | | 1,412,076 | 1,175,672 |
| Non-controlling interests | | 58,759 | 62,008 |
| | | 1,470,835 | 1,237,680 |
| Total comprehensive income for the six-month period attributable to: | | | |
| Owners of the Company | | 1,412,076 | 1,175,672 |
| Non-controlling interests | | 58,759 | 62,008 |
| | | 1,470,835 | 1,237,680 |
| Earnings per share (RUB) | 11 | 18.80 | 15.65 |

The Notes on pages 7 to 17 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2020 / 31 December 2019

| | Note | 30 June 2020 RUB'000 | 31 December 2019 RUB'000 |
|---|------|----------------------------|--------------------------------|
| ASSETS | | | |
| Property, plant and equipment | | 21,981,150 | 21,130,382 |
| Intangible assets | | 2,158,008 | 2,192,631 |
| Trade, other receivables and deferred expenses | 14 | 352,527 | 394,016 |
| Deferred tax assets | | 5,445 | 5,442 |
| Total non-current assets | | 24,497,130 | 23,722,471 |
| Inventories | | 662,654 | 719,962 |
| Trade, other receivables and deferred expenses | 14 | 573,342 | 659,737 |
| Short-term bank deposits | 15 | 1,294,191 | 506,916 |
| Cash and cash equivalents | 15 | 3,409,833 | 3,061,448 |
| Total current assets | | 5,940,020 | 4,948,063 |
| Total assets | | 30,437,150 | 28,670,534 |
| EQUITY | | | |
| Share capital | 16 | 180,585 | 180,585 |
| Share premium | | 5,243,319 | 5,243,319 |
| Reserves | | (655,352) | (655,352) |
| Retained earnings | | 14,181,924 | 12,769,848 |
| Total equity attributable to the owners of the Company | | 18,950,476 | 17,538,400 |
| Non-controlling interests | | 333,521 | 341,742 |
| Total equity | | 19,283,997 | 17,880,142 |
| LIABILITIES | | | |
| Loans and borrowings | 17 | 5,865,299 | 5,864,344 |
| Trade and other payables | 19 | 552,146 | 547,014 |
| Deferred tax liabilities | | 4,690 | 4,681 |
| Contract liabilities | | 189,242 | 205,527 |
| Total non-current liabilities | | 6,611,377 | 6,621,566 |
| Loans and borrowings | 17 | 1,147,752 | 1,233,903 |
| Trade and other payables | 19 | 2,014,754 | 1,735,363 |
| Contract liabilities | | 1,379,270 | 1,199,560 |
| Total current liabilities | | 4,541,776 | 4,168,826 |
| Total liabilities | | 11,153,153 | 10,790,392 |
| Total equity and liabilities | | 30,437,150 | 28,670,534 |


Vladimir Mekler
Chairman of the Board of Directors


Mark Kurtser
Managing Director


Andrey Khoperskiy
Chief Financial Officer

The Notes on pages 7 to 17 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six-month period from 1 January 2020 to 30 June 2020

| Note | Attributable to owners of the Company | | | | | Total RUB'000 | Non- controlling interests RUB'000 | Total equity RUB'000 |
|---|---------------------------------------|-------------------------------|-----------------------------|------------------------------|---------------------------------|-------------------|---|----------------------------|
| | Share capital RUB'000 | Treasury shares RUB'000 | Share premium RUB'000 | Other reserves RUB'000 | Retained earnings RUB'000 | | | |
| Balance at 1 January 2020 | 180,585 | - | 5,243,319 | (655,352) | 12,769,848 | 17,538,400 | 341,742 | 17,880,142 |
| Profit and other comprehensive income for the six-month period | | - | - | - | 1,412,076 | 1,412,076 | 58,759 | 1,470,835 |
| Contributions by and distributions to owners | | | | | | | | |
| Dividends declared | - | - | - | - | - | - | (66,980) | (66,980) |
| Total transactions with owners | - | - | - | - | - | - | (66,980) | (66,980) |
| Balance at 30 June 2020 | 180,585 | - | 5,243,319 | (655,352) | 14,181,924 | 18,950,476 | 333,521 | 19,283,997 |

Share premium is not available for distribution.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six-month period from 1 January 2019 to 30 June 2019

| Note | Attributable to owners of the Company | | | | | Total RUB'000 | Non- controlling interests RUB'000 | Total equity RUB'000 |
|---|---------------------------------------|-------------------------------|-----------------------------|------------------------------|---------------------------------|-------------------|---|----------------------------|
| | Share capital RUB'000 | Treasury shares RUB'000 | Share premium RUB'000 | Other reserves RUB'000 | Retained earnings RUB'000 | | | |
| Balance at 1 January 2019 | 180,585 | (3,697) | 5,243,319 | (655,352) | 10,932,291 | 15,697,146 | 301,802 | 15,998,948 |
| Profit and other comprehensive income for the six-month period | - | - | - | - | 1,175,672 | 1,175,672 | 62,008 | 1,237,680 |
| Contributions by and distributions to owners | | | | | | | | |
| Own shares sold | - | 3,697 | - | - | - | 3,697 | - | 3,697 |
| Dividends declared | - | - | - | - | (800,081) | (800,081) | (54,855) | (854,936) |
| Total transactions with owners | - | 3,697 | - | - | (800,081) | (796,384) | (54,855) | (851,239) |
| Balance at 30 June 2019 | 180,585 | - | 5,243,319 | (655,352) | 11,307,882 | 16,076,434 | 308,955 | 16,385,389 |

Share premium is not available for distribution.

The Notes on pages 7 to 17 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the six-month period from 1 January to 30 June

| | Note | 2020 RUB'000 | 2019 RUB'000 |
|---|------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Profit for the six-month period | | 1,470,835 | 1,237,680 |
| <i>Adjustments for:</i> | | | |
| Depreciation | | 687,829 | 701,193 |
| Amortisation | | 51,679 | 51,407 |
| Gain from the sale of property, plant and equipment | | (924) | (909) |
| Write-off of property, plant and equipment | | 2,988 | 1,492 |
| Impairment losses on construction in progress | | 22,112 | 34,189 |
| Finance income | 9 | (120,503) | (118,019) |
| Finance expenses (excluding impairment) | 9 | 237,666 | 246,088 |
| Impairment losses on trade and other receivables | 9 | 9,513 | 7,857 |
| Net foreign exchange transactions (gain) / loss | 9 | (48,636) | 36,390 |
| Income tax expense / (benefit) | 10 | 1,504 | (5,408) |
| | | 2,314,063 | 2,191,960 |
| Decrease in inventories | | 57,308 | 76,085 |
| Increase in trade and other receivables | | (64,622) | (62,885) |
| Increase in trade and other payables | | 22,171 | 231,271 |
| Increase in contract liabilities | | 152,660 | 4,796 |
| | | 2,481,580 | 2,441,227 |
| Tax paid | | (7,659) | (1,457) |
| | | 2,473,921 | 2,439,770 |
| Net cash flows from operating activities | | | |
| Cash flows from investing activities | | | |
| Acquisition/construction of property, plant and equipment | | (1,248,359) | (2,185,535) |
| Proceeds from sale of property, plant and equipment | | 10,208 | 2,508 |
| Acquisition of intangible assets | | (45,654) | (26,466) |
| Loans returned from third parties | | 1,000 | - |
| Proceeds from government grant | | 139,182 | - |
| Proceeds from short-term bank deposits | | 506,916 | - |
| Placing short-term bank deposits | | (1,294,191) | - |
| Interest received | | 65,885 | 60,781 |
| | | (1,865,013) | (2,148,712) |
| Net cash flows used in investing activities | | | |
| Cash flows from financing activities | | | |
| Proceeds from loans and borrowings | | 854,019 | 816,010 |
| Repayment of loans and borrowings | | (903,005) | (493,996) |
| Payments of lease liabilities | | (73,587) | (86,413) |
| Finance expenses paid | | (180,572) | (194,106) |
| Payments on settlement of derivative | | - | (11,426) |
| Proceeds from sale of treasury shares | | - | 11,862 |
| Proceeds from the reimbursed VAT | | 171,262 | 159,990 |
| Repayment of reimbursed VAT | | (111,351) | (94,302) |
| Dividends paid to the owners of the Company | | - | (788,976) |
| Dividends paid to non-controlling interests | | (66,980) | (38,702) |
| | | (310,214) | (720,059) |
| Net cash flows used in financing activities | | | |
| Net increase / (decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents as at the beginning of the period | 15 | 3,061,448 | 2,715,481 |
| Effect of exchange rate changes on cash and cash equivalents | | 49,691 | (48,127) |
| | | 3,409,833 | 2,238,353 |
| Cash and cash equivalents as at the end of the period | | | |

The Notes on pages 7 to 17 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period from 1 January 2020 to 30 June 2020

1. INCORPORATION AND PRINCIPAL ACTIVITIES

MD Medical Group Investments Plc (the "Company") was incorporated in Cyprus on 5 August 2010 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. In August 2012, following the special resolution passed by the shareholder, the Company was converted into a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its Registered Office is at Dimitriou Karatasou 15, Anastasio Building, 6th floor, office 601, Strovolos, 2024, Nicosia, Cyprus.

The principal activity of the Company is that of an investment holding company and, for that purpose, to acquire and hold controlling and other interests in the share or loan capital of any company or companies of any nature, but primarily in the healthcare industry. Refer to Note 4 for more detailed information about the services provided by the Group's medical centres.

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

| Name | Country of incorporation | Activities | 30 June 2020 Effective holding % | 31 December 2019 Effective holding % |
|---------------------------------------|--------------------------|-----------------------|-------------------------------------|---|
| JSC MD PROJECT 2000 | Russian Federation | Medical services | 95 | 95 |
| LLC Khaven | Russian Federation | Medical services | 100 | 100 |
| LLC Velum | Russian Federation | Medical services | 90 | 90 |
| LLC Capital Group | Russian Federation | Pharmaceutics retail | 95 | 95 |
| LLC FimedLab | Russian Federation | Medical services | 90 | 90 |
| LLC Clinic Mother and Child | Russian Federation | Holding of trademarks | 100 | 100 |
| LLC Clinica Zdorovia | Russian Federation | Medical services | 80 | 80 |
| LLC Ivamed | Russian Federation | Medical services | 100 | 100 |
| LLC Dilamed | Russian Federation | Medical services | 100 | 100 |
| CJSC Listom | Russian Federation | Service company | - | 100 |
| LLC Ustic-ECO | Russian Federation | Medical services | 70 | 70 |
| LLC Mother and Child Perm | Russian Federation | Medical services | 95 | 95 |
| LLC Mother and Child Ufa | Russian Federation | Medical services | 95 | 95 |
| LLC Mother and Child Saint-Petersburg | Russian Federation | Medical services | 85 | 85 |
| LLC MD PROJECT 2010 | Russian Federation | Medical services | 100 | 100 |
| LLC Mother and Child Ugo-Zapad | Russian Federation | Medical services | 90 | 90 |
| LLC MD Service | Russian Federation | Pharmaceutics retail | 95 | 95 |
| LLC Mother and Child Nizhny Novgorod | Russian Federation | Medical services | 100 | 100 |
| LLC Mother and Child Yekaterinburg | Russian Federation | Medical services | 100 | 100 |
| LLC Mother and Child Tyumen | Russian Federation | Medical services | 100 | 100 |
| CJSC MK IDK | Russian Federation | Medical services | 100 | 100 |
| LLC Apteka IDK | Russian Federation | Pharmaceutics retail | 100 | 100 |
| LLC CSR | Russian Federation | Medical services | 100 | 100 |
| LLC MD Assistance | Russian Federation | Assistance services | 100 | 100 |
| LLC Mother and Child Yaroslavl | Russian Federation | Medical services | 80 | 80 |
| LLC Mother and Child Kostroma | Russian Federation | Medical services | 80 | 80 |
| LLC Mother and Child Vladimir | Russian Federation | Medical services | 80 | 80 |
| LLC MD Management | Russian Federation | Management company | - | 100 |
| LLC Mother and Child Ryazan | Russian Federation | Medical services | 100 | 100 |
| LLC Mother and Child Kazan | Russian Federation | Medical services | 100 | 100 |
| JSC MC Avicenna | Russian Federation | Medical services | 100 | 100 |
| LLC H&C Medical Group | Russian Federation | Medical services | 100 | 100 |
| LLC Centre of Reproductive Medicine | Russian Federation | Medical services | 100 | 100 |

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period from 1 January 2020 to 30 June 2020

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

| Name | Country of incorporation | Activities | 30 June 2020 Effective holding % | 31 December 2019 Effective holding % |
|---|--------------------------|--------------------|--|--|
| LLC Medica-2 | Russian Federation | Medical services | 100 | 100 |
| LLC Mother and Child Siberia | Russian Federation | Medical services | 100 | 100 |
| LLC Krasnoyarskii center of Reproductive Medicine | Russian Federation | Medical services | 100 | 100 |
| LLC Novosibirskii center of Reproductive Medicine | Russian Federation | Medical services | 100 | 100 |
| LLC Omskii center of Reproductive Medicine | Russian Federation | Medical services | 100 | 100 |
| LLC Barnaulskii center of Reproductive Medicine | Russian Federation | Medical services | 100 | 100 |
| LLC Nika | Russian Federation | Holding of land | 100 | 100 |
| LLC Stroy Vector Pluss | Russian Federation | Rental services | 100 | 100 |
| LLC Mother and Child Vladivostok | Russian Federation | Medical services | 100 | 100 |
| LLC Irkutsk Clinical Hospital | Russian Federation | Medical services | 100 | 100 |
| LLC Mother and Child Volga | Russian Federation | Management company | 100 | 100 |
| LLC MD Finance | Russian Federation | Management company | 100 | 100 |
| LLC Mother and Child Vladikavkaz | Russian Federation | Medical services | 100 | 100 |
| LLC Mother and Child Krasnodar | Russian Federation | Medical services | 100 | 100 |
| LLC Mother and Child Rostov-on-Don | Russian Federation | Medical services | 100 | 100 |
| LLC Siberia service company | Russian Federation | Service company | - | - |
| LLC TechMedCom | Russian Federation | Service company | - | - |
| LLC Service Hospital Company | Russian Federation | Service company | - | - |
| LLC Elleprof | Russian Federation | Service company | - | - |
| LLC Medtechnoservice | Russian Federation | Service company | - | - |

As at 30 June 2020, 67.9% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr. Mark Kurtser. The 32.1% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at 31 December 2019 and for the year then ended.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period from 1 January 2020 to 30 June 2020

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements

Preparing these condensed consolidated interim financial statements in accordance with IFRSs requires management to exercise their judgement to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

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

The estimates and underlying assumptions are reviewed and where necessary revised on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements made by the management in applying the Group accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2019.

COVID-19

In December 2019, the emergence of a new strain of coronavirus (COVID-19) was reported in China and has subsequently spread globally. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Mobility restrictions, quarantines and similar lockdown measures implemented in different countries to cope with the pandemic had a significant negative impact on the global economy.

From the beginning of COVID-19 pandemic the Group has taken necessary measures to avoid direct impact of the pandemic on its operations with a special focus on protection of the health of employees and clients and uninterrupted business processes.

The major impact of COVID-19 on the macroeconomic environment in the healthcare industry resulted in a number of consequences on operational and financial performance of the Group.

In March 2020, following the declaration by the World Health Organization of the COVID-19 global pandemic and subsequent Russian Federation government restrictions, while the Group has been able to continue to provide healthcare services in hospitals (albeit with social-distancing rules in place), clinics have been unable to operate fully due to the lockdown. Given the global political and economic uncertainty resulting from the COVID-19 pandemic, coupled with the already fast-paced changes taking place across the healthcare sector, the Group expects to see significant volatility and business disruption, reducing the expected performance in 2020.

Impairment of property, plant and equipment, goodwill and right-of-use assets

Management has considered the impact of COVID-19 on the business of the Group. Current market conditions create additional estimation uncertainties and impact certain key assumptions in the valuation of assets used for preparation of these condensed interim consolidated financial statements.

For impairment testing purposes, the Group has determined that each subsidiary is a separate CGU. Each CGU is tested for impairment at the balance sheet date if any indicators of impairment have been identified. The COVID-19 pandemic was considered as an impairment trigger and as a result subsidiaries with significant impact of lockdown on financial results have been tested for impairment.

The value in use of each CGU tested for impairment is calculated based on the Group's latest forecast cash flows, covering a five-year period, which have regard to historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed initiatives. The cash flows include ongoing capital expenditure required to maintain the healthcare network, but exclude any growth capital initiatives not committed. Cash flows beyond this five-year period are extrapolated using a long-term growth rate based on management's future expectations, with reference to forecast GDP growth. The forecasts used to calculate the value in use have been updated to take into account the COVID-19 scenario. This assumes an impact on 2020/21 revenues and profits.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period from 1 January 2020 to 30 June 2020

2. BASIS OF PREPARATION (continued)

COVID-19 (continued)

The key assumptions in the value in use calculations are the growth rates of sales and gross profit margins, changes in the operating cost base, long-term growth rates and the risk-adjusted pre-tax discount rate. The pre-tax discount rates are derived from the Group's weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The pre-tax discount rates range from 13% to 14%.

As a result, no impairment loss is recognised.

Impairment of financial assets

The Company's allowance for doubtful accounts as of the date of signing these condensed consolidated interim financial statements reflects the Company's best estimate of the expected future losses for its accounts receivables based on the current economic conditions; however, as a result of the uncertainty caused by COVID-19 pandemic and other factors, these estimates may change and future actual losses may differ from the Company's estimates. The Company will continue to monitor economic conditions and will revise the estimates of the expected future losses for accounts receivable as necessary.

The expected loss rates are determined based on the average write-offs as a proportion of average debt over a period of 12 months prior to the reporting date. The historical loss rates are adjusted for current and forward-looking information where significant. The Group considers GDP growth, unemployment, sales growth and bankruptcy rates to be the most relevant factors and, where the impact of these is significant, adjusts the historical loss rates based on expected changes in these factors.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those followed in the Group's consolidated financial statements as at 31 December 2019 and for the year then ended.

4. REVENUE

| | 30 June 2020 | 30 June 2019 |
|--|-------------------------|-------------------------|
| | <i>RUB'000</i> | <i>RUB'000</i> |
| Therapy, surgery and other in-patient medical services | 1,645,489 | 682,905 |
| In vitro fertilisation (IVF) | 1,345,704 | 1,788,528 |
| Deliveries | 1,147,748 | 1,128,884 |
| Obstetrics and gynaecology out-patient treatments | 889,270 | 964,811 |
| Other out-patient medical services | 745,466 | 817,385 |
| Other medical services | 664,633 | 643,209 |
| Paediatrics out-patient treatments | 536,839 | 699,229 |
| Obstetrics and gynaecology in-patient treatments | 486,237 | 557,858 |
| Paediatrics in-patient treatments | 273,042 | 252,960 |
| Sales of goods | 110,955 | 127,833 |
| Storage of stem cells | 66,213 | 69,839 |
| Other income | 62,001 | 91,081 |
| | <u>7,973,597</u> | <u>7,824,522</u> |

Disaggregation of revenue

The Group renders the services on the territory of the Russian Federation. The Group's operations and main revenue streams are those described in the table above.

The majority of the Group's customers are physical persons (82% of total revenue); some services are rendered to the governmental and non-governmental insurance companies and legal entities. All the contracts are fixed-price and short-term except for the contracts for the storage of stem cells.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period from 1 January 2020 to 30 June 2020

4. REVENUE (continued)

All the Group's revenue except for the revenue from the storage of stem cells is recognised at the point in time when the services are provided; the revenue from the storage of stem cells is recognised over the time of the contract.

Other medical services include but are not limited to laboratory examinations and diagnostics.

The increase in therapy, surgery and other in-patient medical services was due to performance at Lapino hospital which was quickly converted for the treatment of patients with coronavirus.

The decrease in In vitro fertilisation (IVF) was due to temporary government's ban of IVF services in most regions where the Group operates in order to prevent the spread of COVID-19.

5. COST OF SALES

| | 30 June 2020 | 30 June 2019 |
|----------------------------------|-------------------------|-------------------------|
| | <i>RUB'000</i> | <i>RUB'000</i> |
| Payroll and related social taxes | 2,835,688 | 2,851,597 |
| Materials and supplies used | 1,428,024 | 1,324,209 |
| Depreciation | 604,342 | 603,334 |
| Medical services | 173,422 | 150,325 |
| Energy and utilities | 103,891 | 102,403 |
| Property tax | 95,862 | 60,046 |
| Repair and maintenance | 51,024 | 55,633 |
| Other expenses | 18,411 | 8,211 |
| | <u>5,310,664</u> | <u>5,155,758</u> |

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

| | 30 June 2020 | 30 June 2019 |
|------------------------------------|-------------------------|-------------------------|
| | <i>RUB'000</i> | <i>RUB'000</i> |
| Payroll and related social taxes | 727,918 | 699,289 |
| Utilities and materials | 119,066 | 97,400 |
| Depreciation | 83,487 | 97,859 |
| Advertising | 60,338 | 43,117 |
| Other professional services | 59,373 | 98,644 |
| Acquiring and encashment | 57,177 | 65,765 |
| Amortisation | 51,679 | 51,407 |
| IT support | 21,699 | 22,173 |
| Communication costs | 20,778 | 18,375 |
| Comission fees | 20,679 | 20,852 |
| Learning and development | 14,447 | 16,546 |
| Independent auditors' remuneration | 4,927 | 5,623 |
| Other expenses | 33,680 | 39,733 |
| | <u>1,275,248</u> | <u>1,276,783</u> |

7. STAFF COSTS

| | 30 June 2020 | 30 June 2019 |
|--|-------------------------|-------------------------|
| | <i>RUB'000</i> | <i>RUB'000</i> |
| Wages and salaries | 2,775,283 | 2,770,334 |
| Social insurance contributions and other taxes | 788,323 | 780,552 |
| Total staff costs | <u>3,563,606</u> | <u>3,550,886</u> |

During six months ended 30 June 2020 the government grant amounted to RUB76,870 thousand was received to cover the additional payroll costs paid to doctors and other medical staff as a result of COVID-19 (for the six months ended 30 June 2019: nil). This amount reduced the staff costs accordingly.

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8. OTHER INCOME

During the six-month period ended 30 June 2020 the Group received other income of RUB199,959 thousand. This income arose mostly from the receipt of the compensation of costs caused by COVID-19 pandemic amounted to RUB134,999 thousand and property tax benefit amounted to RUB41,868 thousand by Lapino hospital.

9. NET FINANCE EXPENSES

| | 30 June 2020 | 30 June 2019 |
|---|------------------|------------------|
| | <i>RUB'000</i> | <i>RUB'000</i> |
| <i>Interest income</i> | | |
| Bank interest received | 65,885 | 60,781 |
| Initial recognition of other payables to tax authorities at market rate | 54,431 | 48,311 |
| Other finance income | 187 | 8,927 |
| Finance income | 120,503 | 118,019 |
| <i>Interest expense</i> | | |
| Interest on bank loans | (161,237) | (177,315) |
| Interest on leases | (28,323) | (14,833) |
| Unwinding of discount on other payables to tax authorities | (27,120) | (24,023) |
| Other interest expenses | (10,764) | (8,776) |
| <i>Other finance expense</i> | | |
| Bank charges | (10,222) | (9,715) |
| Impairment of trade and other receivables | (9,513) | (7,857) |
| Other impairment provision | - | (11,426) |
| Finance expenses | (247,179) | (253,945) |
| Net foreign exchange transactions gain / (loss) | 48,636 | (36,390) |
| Net finance expenses | (78,040) | (172,316) |

10. INCOME TAX

On 26 July 2019 changes in Tax Code of Russian Federation came into force through changes in Federal law 395-N. According to these changes medical companies that meet certain conditions are subject to 0% income tax rate (previously 0% income tax rate was for the period up to 5 years until 1 January 2020) in perpetuity. As a result, all Group companies, that are offering medical services, are operating in the Russian Federation and meet those conditions, apply 0% income tax rate. Other companies apply standard income tax rate of 20% or 15%.

The Group recognised tax expense of RUB1,504 thousand in the reporting period mostly related to tax paid by service companies during six months ended 30 June 2020.

11. EARNINGS PER SHARE

| | 30 June 2020 | 30 June 2019 |
|--|--------------|--------------|
| Basic and fully diluted earnings attributable to the owners of the Company (RUB'000) | 1,412,076 | 1,175,672 |
| Weighted average number of ordinary shares in issue during the six-month period | 75,125,010 | 75,115,411 |
| Basic and fully diluted earnings per share (RUB) | 18.80 | 15.65 |

12. DIVIDENDS

On 4 September 2020 the Board of Directors recommended the payment of RUB736,225 thousand as interim dividends for the six-month period ended 30 June 2020 which corresponds to RUB9.8 per share.

On 11 August 2020 the Board of Directors recommended the payment of RUB1,389,813 thousand as final dividends for the year 2019 which corresponds to RUB18.5 per share. The dividend distribution was approved by the Extraordinary General Meeting of the shareholders on 3 September 2020.

On 22 March 2019 the Board of Directors declared final dividends for the year 2018 attributable to the owners of the Company amounting to RUB800,081 thousand (USD12,552 thousand), which corresponds to RUB10.65 (USD0.17) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 23 April 2019. The dividends were paid on 25 June 2019.

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13. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment during the six months ended 30 June 2020 amounted to RUB1,571,812 thousand including the amount of borrowing costs capitalised in the amount of RUB88,910 thousand (RUB84,548 thousand for the six months ended 30 June 2019). Effective capitalisation rate for loans was 7.8% for the six-month period ended 30 June 2020 (10% for the six-month period ended 30 June 2019).

Disposals of property, plant and equipment amounted to RUB14,929 thousand. Impairment of construction in progress amounted to RUB18,286 thousand related to refusal of Kazan hospital project was recognised during the six months ended 30 June 2020.

As at 30 June 2020 construction in progress mainly includes construction costs of Lapino-2 hospital amounted to RUB3,309,912 thousand.

The total net book value of property, plant and equipment which is held as collateral for the loans and borrowings is RUB9,971,339 thousand as at 30 June 2020 (31 December 2019: RUB10,086,859 thousand).

14. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES

| | 30 June 2020 | 31 December 2019 |
|---|-------------------------|-----------------------------|
| | <i>RUB'000</i> | <i>RUB'000</i> |
| Trade receivables net of impairment provision | 407,706 | 375,852 |
| CAPEX prepayments | 352,527 | 394,016 |
| Advances paid to suppliers | 106,185 | 101,851 |
| Deferred expenses | 6,281 | 3,588 |
| Government grant receivable | - | 139,182 |
| Loans receivable | - | 1,000 |
| Other receivables | 53,170 | 38,264 |
| | <u>925,869</u> | <u>1,053,753</u> |
| Non-current portion | 352,527 | 394,016 |
| Current portion | 573,342 | 659,737 |
| | <u>925,869</u> | <u>1,053,753</u> |

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

Ageing analysis of trade receivables:

| | Gross amount 30 June 2020 | Impairment 30 June 2020 | Gross amount 31 December 2019 | Impairment 31 December 2019 |
|--------------|--|--|--|--|
| | <i>RUB'000</i> | <i>RUB'000</i> | <i>RUB'000</i> | <i>RUB'000</i> |
| Not past due | 315,000 | (268) | 308,174 | (1,347) |
| Past due | 196,356 | (103,382) | 164,039 | (95,014) |
| | <u>511,356</u> | <u>(103,650)</u> | <u>472,213</u> | <u>(96,361)</u> |

In addition to the bad debt provision accrued as at 30 June 2020 the accounts receivable in the amount of RUB2,224 thousand were written-off during the six-month period ended 30 June 2020 (for the six-month period ended 30 June 2019: RUB4,849 thousand).

The Group performed the calculation of ECL rates separately for patients, legal entities and insurance companies, meanwhile ECL rates for the insurance companies were calculated based on their ratings.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for patients (physical persons) as at 30 June 2020.

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14. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES (continued)

| | Weighted-average loss rate | Gross carrying amount <i>RUB'000</i> | Loss allowance <i>RUB'000</i> | Credit- impaired |
|----------------------------|-------------------------------|--|-------------------------------------|---------------------|
| 0-30 days past due | 5% | 29,558 | (1,339) | partly |
| 31-60 days past due | 19% | 13,533 | (2,516) | partly |
| 61-90 days past due | 52% | 7,732 | (4,051) | partly |
| more than 91 days past due | 65% | 102,266 | (66,337) | partly |
| TOTAL | | 153,089 | (74,243) | |

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables for legal entities except insurance companies and amounts receivable from related parties as at 30 June 2020.

| | Weighted-average loss rate | Gross carrying amount <i>RUB'000</i> | Loss allowance <i>RUB'000</i> | Credit- impaired |
|----------------------------|-------------------------------|--|-------------------------------------|---------------------|
| 0-30 days not past due | 1% | 27,270 | (268) | partly |
| 31-60 days past due | 14% | 7,402 | (1,035) | partly |
| 61-90 days past due | 39% | 4,108 | (1,617) | partly |
| more than 91 days past due | 78% | 31,757 | (24,754) | partly |
| TOTAL | | 70,537 | (27,674) | |

Based on the analysis of the historical data for accounts receivable from related parties amounted to RUB12,995 thousand and for accounts receivable from insurance companies amounted to RUB274,735 thousand no provision is accrued (the most part relates to accounts receivable from government funds amounted to RUB213,120 thousand for MHI services provided), due to it is not past due and the credit risk is low, except for those which licences had been revoked. Such provision of RUB1,733 thousand was accrued as at 30 June 2020.

15. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

| | 30 June 2020 <i>RUB'000</i> | 31 December 2019 <i>RUB'000</i> |
|--|--------------------------------|---------------------------------------|
| Cash at bank and in hand | 882,132 | 569,399 |
| Bank deposits with maturity less than 3 months | 2,527,701 | 2,492,049 |
| TOTAL CASH AND CASH EQUIVALENTS | 3,409,833 | 3,061,448 |
| Other short-term bank deposits | 1,294,191 | 506,916 |
| TOTAL CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS | 4,704,024 | 3,568,364 |

Currency:

| | 30 June 2020 <i>RUB'000</i> | 31 December 2019 <i>RUB'000</i> |
|-----|--------------------------------|---------------------------------------|
| RUB | 3,103,807 | 3,053,314 |
| USD | 1,600,189 | 515,002 |
| EUR | 28 | 48 |
| | 4,704,024 | 3,568,364 |

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16. SHARE CAPITAL

| | Number of shares | Nominal value Share capital | | Share capital |
|---------------------------------------|------------------|-----------------------------|---------|---------------|
| | | USD | RUB'000 | USD'000 |
| Authorised | 125,250,000 | 0.08 | - | 10,020 |
| Issued and fully paid ordinary shares | 75,125,010 | 0.08 | 180,585 | 6,010 |

17. LOANS AND BORROWINGS

| | 30 June 2020 | 31 December 2019 |
|-----------------------------------|------------------|------------------|
| | RUB'000 | RUB'000 |
| Long-term liabilities | | |
| Bank loans | 5,330,283 | 5,297,081 |
| Lease liabilities | 535,016 | 567,263 |
| Short-term liabilities | | |
| Bank loans | 1,059,875 | 1,151,176 |
| Lease liabilities | 87,877 | 82,727 |
| Total loans and borrowings | 7,013,051 | 7,098,247 |

Maturity of loans and borrowings and lease liabilities:

| | 30 June 2020 | 31 December 2019 |
|----------------------------|------------------|------------------|
| | RUB'000 | RUB'000 |
| Within one year | 1,147,752 | 1,233,903 |
| Between one and five years | 4,996,130 | 5,012,000 |
| More than 5 years | 869,169 | 852,344 |
| | 7,013,051 | 7,098,247 |

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

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

| | Currency | Effective interest rate | Maturity | 30 June 2020 | | 31 December 2019 | |
|-------------------------------|----------|-------------------------|-----------|--------------------|-------------------------|--------------------|-------------------------|
| | | | | Face value RUB'000 | Carrying amount RUB'000 | Face value RUB'000 | Carrying amount RUB'000 |
| Secured bank loan | RUB | 8.08% | 2026 | 2,666,739 | 2,666,739 | 1,815,638 | 1,815,638 |
| Secured bank loan | RUB | 8.21% | 2023 | 1,821,502 | 1,821,502 | 2,091,946 | 2,091,946 |
| Secured bank loan | RUB | 8.08% | 2024 | 1,373,906 | 1,373,906 | 1,902,384 | 1,902,384 |
| Secured bank loan | RUB | 8.08% | 2022 | 525,953 | 525,953 | 631,556 | 631,556 |
| Unsecured bank loan | RUB | 8.68% | 2020 | 2,058 | 2,058 | 6,733 | 6,733 |
| Current lease liabilities | RUB | 8.64% | 2021 | 87,877 | 87,877 | 82,727 | 82,727 |
| Non-current lease liabilities | RUB | 8.76% | 2022-2029 | 535,016 | 535,016 | 567,263 | 567,263 |
| | | | | 7,013,051 | 7,013,051 | 7,098,247 | 7,098,247 |

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17. LOANS AND BORROWINGS (continued)

Reconciliation of movements of financial liabilities to cash flows arising from financing activities

| | 30 June 2020 | | 30 June 2019 | |
|---|-----------------------|------------------------------|-----------------------|------------------------------|
| | Bank loans RUB'000 | Lease liabilities RUB'000 | Bank loans RUB'000 | Lease liabilities RUB'000 |
| Balance at 1 January before adjustment | 6,448,257 | 649,990 | 5,665,275 | - |
| Adjustment on OB IFRS 16 Leases | - | - | - | 329,591 |
| Balance at 1 January adjusted | 6,448,257 | 649,990 | 5,665,275 | 329,591 |
| Proceeds from loans and borrowings | 854,019 | - | 816,010 | - |
| Repayment of loans and borrowings | (903,005) | - | (493,996) | - |
| Effect of IFRIC agenda decision | - | - | - | 276,461 |
| Discounts on lease agreements | - | (9,361) | - | - |
| Additions of lease liabilities | - | 31,612 | - | 98,871 |
| Disposals of lease liabilities | - | (4,084) | - | - |
| Finance expenses accrued in PL | 161,237 | 28,323 | 177,315 | 14,833 |
| Finance expenses capitalised in PPE | 88,910 | - | 84,085 | - |
| Interest paid included in financing cash flows | (170,350) | - | (176,730) | - |
| Interest paid included in investment cash flows | (88,910) | - | (84,085) | - |
| Payments of lease liabilities | - | (73,587) | - | (86,413) |
| Balance at 30 June | 6,390,158 | 622,893 | 5,987,874 | 633,343 |

18. CONTRACT LIABILITIES (DEFERRED INCOME)

Contract liabilities that relate to long term client advances represent money received from patients on stem cells storage contracts lasting from 1 to 30 years. Contract liabilities that relate to short term client advances represent money received from patients on stem cells storage contracts, childbirth management contracts lasting from 1 to 9 months, and children care contracts valid up to 1 year.

19. TRADE AND OTHER PAYABLES

| | 30 June 2020 RUB'000 | 31 December 2019 RUB'000 |
|-----------------------------------|----------------------------|--------------------------------|
| Other payables to tax authorities | 689,833 | 657,233 |
| Trade payables | 537,722 | 498,006 |
| Accruals | 531,614 | 439,689 |
| CAPEX payables | 352,858 | 123,762 |
| Payables to employees | 248,931 | 355,715 |
| Taxes payable | 172,688 | 175,621 |
| Income tax liability | 562 | 1,929 |
| Other payables | 32,692 | 30,422 |
| | 2,566,900 | 2,282,377 |
| Non-current portion | 552,146 | 547,014 |
| Current portion | 2,014,754 | 1,735,363 |
| | 2,566,900 | 2,282,377 |

20. RELATED PARTY TRANSACTIONS

20.1. Operations with key management personnel

The remuneration of the members of the key management personnel and non-executive directors for the six-month period ended 30 June 2020 was RUB56,047 thousand (for the six-month period ended 30 June 2019: RUB39,060 thousand).

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20. RELATED PARTY TRANSACTIONS (continued)

20.1. Operations with key management personnel (continued)

The remuneration of the members of the key management personnel which remained unpaid as at 30 June 2020 was RUB7,670 thousand (31 December 2019: RUB23,208 thousand).

The Group provided medical services using telemedicine technologies to related parties amounted to RUB45,969 thousand for the six-month period ended 30 June 2020 (for the six-month period ended 30 June 2019: RUB10,220 thousand).

The receivables from medical services using telemedicine technologies which remained unpaid as at 30 June 2020 was RUB12,861 thousand (31 December 2019: RUB11,269 thousand).

The Group received medical services from related parties amounted to RUB22,864 thousand for the six-month period ended 30 June 2020 (for the six-month period ended 30 June 2019: RUB6,029 thousand).

The payables from medical services which remained unpaid as at 30 June 2020 was RUB22,796 thousand (31 December 2019: RUB4,064 thousand).

The Group provided services to the key management personnel under non-exclusive commercial concession agreement for the six-month period ended 30 June 2020 amounted to RUB503 thousand (for the six-month period ended 30 June 2019: RUB627 thousand).

The receivables from services under non-exclusive commercial concession agreements which remained unpaid as at 30 June 2020 was RUB134 thousand (31 December 2019: RUB302 thousand).

The Group did not purchase intangible assets from related parties for the six-month period ended 30 June 2020 (for the six-month period ended 30 June 2019: RUB3,080 thousand).

20.2. Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 30 June 2020, 31 December 2019 and as at the date of signing these condensed consolidated interim financial statements are as follows:

| <u>Name</u> | <u>Type of interest</u> | <u>Effective interest %</u> |
|------------------|------------------------------|-----------------------------|
| Mark Kurtser | Indirect ownership of shares | 67.90 |
| Kirill Dmitriev | Indirect interest in shares | 5.55 |
| Simon Rowlands | Direct ownership of shares | 0.33 |
| Vitaly Ustimenko | Direct ownership of shares | 0.0035 |

Indirect interest in shares by Kirill Dmitriev arises through his capacity as key management personnel of indirect shareholder.

The calculation of effective interest is based on the total amount of issued and fully paid shares, including treasury shares acquired by the Company.

21. CAPITAL COMMITMENTS

Capital commitments mostly comprise of the obligations under construction contracts in the amount of RUB311,903 thousand as at 30 June 2020 (31 December 2019: RUB1,229,503 thousand).

22. EVENTS AFTER THE REPORTING PERIOD

On 11 August 2020 the Board of Directors recommended the payment of RUB1,389,813 thousand as final dividends for the year 2019 which corresponds to RUB18.5 per share. The dividend distribution was approved by the Extraordinary General Meeting of the shareholders on 3 September 2020.

On 4 September 2020 the Board of Directors recommended the payment of RUB736,225 thousand as interim dividends for the six-month period ended 30 June 2020 which corresponds to RUB9.8 per share.

On 31 August 2020 the Group released all collateral of property, plant and equipment.